Tanzania Mainland

Social Protection Expenditure and Performance Review and Social Budget
Executive Summary
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ISBN 978-92-2-121267-6 (print)

International Labour Office; Social Security Department

Social protection / social security / scope of coverage / social expenditure / social security financing /
informal economy / poverty / trend / Tanzania

02.03.1

ILO Cataloguing in Publication Data

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Introduction

This document is the Executive Summary of the Social Protection Expenditure and Performance Review (SPER) and Social Budget (SB) report for Tanzania Mainland. It is the first major output of work of the ILO/DFID-funded project in Tanzania Mainland: “ILO Global Campaign for Social Protection and Coverage for All as a Means to Reducing Poverty in Africa and Asia”. Its purpose is to highlight key issues and findings rather than to summarize the main report chapter by chapter.

The ILO supports the ongoing work on social protection now being carried out in Tanzania Mainland within the MKUKUTA process and on the reform of formal social security schemes by its Decent Work Country Programme (DWCP); all actors seek to promote opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity.

The main objective of undertaking the analytical work was to build a comprehensive base-line of contributory and non-contributory public social security/social protection provisions; and to project on a status quo basis overall social protection expenditure incorporating social insurance, social assistance and health care – i.e., a country’s social budget\(^1\) – for a fifteen-year period. These projections are expected to be the foundation of any future policy options analysis supporting the process of a national policy debate on the future of social protection in Tanzania Mainland.

The overall aim of the project is to be able to identify the amount of fiscal space\(^2\) needed to begin to implement a minimum social protection package. This would include affordable universal access to essential health care services; targeted social assistance; basic cash and in-kind benefits for children (mothers and carers); and a basic universal pension for the elderly and for persons with disabilities. This minimum package would be gradually implemented according to national priorities. The package would help to reduce substantially the incidence and depth of poverty and vulnerability and, as a consequence, improve productivity and thus growth.

The main finding is that neither existing contributory (social insurance) nor non-contributory (social assistance) social protection provisions are adequate in terms of the numbers of the population covered, the scope of coverage and the adequacy of benefits/payments received. There is a need to strengthen and better coordinate policy development, resource allocation and implementation of change in relation to both contributory and non-contributory provision. Non-contributory social assistance programmes are without doubt severely under-funded: less than 0.5 per cent of GDP is allocated to social assistance by the Government. National and international NGOs’ funding contributes a further 0.5 per cent of GDP.

The two recent Poverty and Human Development Reports (2005 and 2007) indicate poverty may have declined but remains high in rural areas. However, publication of the 2007 Households Budget Survey is awaited, which will provide new estimates which were not available when this report went to print in early October 2008. The previous survey showed 19 per cent of the overall population were living below the food poverty line and 36 per cent consumed less than the designated basic needs level.

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\(^1\) Due to importance of education expenditure in preventing and alleviating poverty and thus its strong link to social protection measures, education expenditure was also included in presented estimates and projections of the Tanzania social budget.

\(^2\) The availability of budgetary room that allows a government to provide resources for a desired purpose without any prejudice to the sustainability of a government’s financial position. Peter Heller, IMF, 2005.
Extension of coverage: the problems

The Labour Market

A key issue is how to extend coverage in a highly informal labour market environment. According to the ILFS for 2005/2006, 94.1 per cent of people were working in the informal sector: a major challenge to the extension of social protection coverage. Importantly, according to ILFS 2005/2006, the agriculture sector is by far the main sector of employment as it represents 74.2 per cent of total employment. Female labour force participation has increased significantly since the previous survey in 2001.

Overall employment-to-population ratios are high: more than 85 per cent of all of those aged 15 and older were employed, with the ratio being higher in rural areas. Almost 30 per cent of children aged 14 years old and less were recorded in the survey as employed, the majority of them working as unpaid family workers in agriculture or in domestic or other household activities. The effect of the lack of income security in old age is to be seen in the high employment rates for older people: 73 per cent of older people mainly working on their own farms.

New solutions have to be found where there is such high informalization of the labour market and no employment contractual relationship. In order to find such solutions, it is necessary to have a good understanding of the informality of employment in Tanzania Mainland. The Report at Annex D considers the issue of “informality of employment”, a multidimensional concept that enlarges the previous concept of the informal sector and seeks to take into account precarious or unprotected forms of employment, including those of employees in formal-sector enterprises in both formal and informal components of the economy.

The Report looks at the employment status of a person and where he/she is employed. Analysis of the 2005/2006 ILFS was undertaken using a set of criteria to characterize employment in formal or informal enterprises on the one side (type of enterprise proxy indicator of formal recognition, size and comprehensive record-keeping); and on the other side another set that relates to workers’ employment conditions — (i) for employees, the existence (or awareness) of a formal contract (permanent or fixed term) with an employer; for self-employed, this criteria is filled if the enterprise operates all year around, in a fixed location outside the home, for a total of at least 40 hours per week and (ii) that the employer contributes to social security. Unfortunately, the ILFS survey did not include a question on the existence (or awareness) of entitlement to paid leave or to other entitlements established in the Employment and Labour Relations Act.

The following figures A and B present the distribution of all people in employment along the scale of informality, excluding agriculture on the left side of the graph and including agriculture on the right side. This graph gives a global picture of a majority of employed persons concentrated at the bottom end of the scale in totally informal employment. The situation is even worse when considering employment in agriculture and all activities (not just the main one) are considered.

In Tanzania Mainland, 91 per cent of all employed (including agriculture) work in the totally informal economy and only 3 per cent work in an environment and according to working conditions that could be called fully formal – at least according to the criteria adopted. The situation is even worse among people with a low level of education or no education and among women. Excluding agriculture, the proportion of the employed in totally informal employment is lower (67 per cent of the total employed outside agriculture) but still very high. The proportion of those in total formal employment is just over 10 per cent.
As shown in Figure B, the degree of formality among paid employees is obviously better. However, their share of total employment is very low (8.6 per cent of all persons in employment) and still tending to decrease, as indicated by comparison with a previous ILFS survey, which shows that paid employment grows at a much lower rate than overall employment — an indication of an ongoing process of informalization. Among paid employees, 33 per cent of them are totally in the informal economy. On the other hand, only 32 per cent of them are in a totally formal environment with fully formal employment conditions. The majority work in a higher or lower degree of informality, enjoying some of the entitlements resulting from labour legislation but never all of them, including coverage by contributory social security.

The analysis indicates that there is scope to extend social protection to individuals who have some type of contractual employment relationship. The increasing trend of informalization and the high percentage of the population engaged in agriculture, particularly the elderly and children, points to an urgent need to consider how to extend universal protection to all elderly and all children.
Contributory schemes

The Report sets out in considerable detail the existing situation in Tanzania Mainland in relation to contributory social protection (social security) schemes; which are based on the social insurance model and limited to the provision of protection against the loss of income resulting from old age, death of a breadwinner, invalidity, maternity, work injury and illness. Social Security coverage is less than 1 per cent of the entire population, and about 6.5 per cent of the formal working population. Almost the entire informal sector is not covered by any form of social security scheme (other than limited access to certain public health services). See Table C for a breakdown by social security fund.

Table C. Breakdown by Social Security Fund

<table>
<thead>
<tr>
<th>Funds</th>
<th>Coverage</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Social Security Fund (NSSF)</td>
<td>Private and government employees not covered</td>
<td>310 000</td>
</tr>
<tr>
<td>Parastatal Pension Fund (PPF)</td>
<td>Parastatal and private</td>
<td>65 000</td>
</tr>
<tr>
<td>Public Service Pension Fund (PSPF)</td>
<td>Central government employees</td>
<td>200 000</td>
</tr>
<tr>
<td>Local Authorities Pension Fund (LAPF)</td>
<td>Local government employees only</td>
<td>45 000</td>
</tr>
<tr>
<td>National Health Insurance Fund (NHIF)</td>
<td>Health fund for Central government employees</td>
<td>200 000</td>
</tr>
<tr>
<td>Government Employees Provident Fund (GEPF)</td>
<td>Non-pensionnable civil servants</td>
<td>22 000</td>
</tr>
<tr>
<td>Public Service Retirement Benefit Scheme (PSRB)</td>
<td>Politicians subject to the Political Service Retirement Benefits Act, 1999</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Table 2.17 Scheme comparisons, numbers of pensioners and average monthly pension

<table>
<thead>
<tr>
<th>Type of pension</th>
<th>Number of pensioners</th>
<th>Average monthly pension (TZS)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PPF (June 2006)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invalidity pension</td>
<td>257</td>
<td>47563</td>
</tr>
<tr>
<td>Survivors pension</td>
<td>255</td>
<td>80553</td>
</tr>
<tr>
<td>Old age pension</td>
<td>14 077</td>
<td>37 560</td>
</tr>
<tr>
<td><strong>PSPF (June 2006)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invalidity pension</td>
<td>58</td>
<td>80 041</td>
</tr>
<tr>
<td>Survivors pension</td>
<td>484</td>
<td>57 093</td>
</tr>
<tr>
<td>Old age pension</td>
<td>5849</td>
<td>85 825</td>
</tr>
<tr>
<td><strong>NSSF (June 2006)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Old age pension</td>
<td>1277</td>
<td>52 904</td>
</tr>
<tr>
<td><strong>Government (January 2006)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Pension</td>
<td>54 510</td>
<td>40 165</td>
</tr>
</tbody>
</table>
Scheme benefit levels are inadequate due, in the main, to the practice of allowing early withdrawal of contributions plus interest upon scheme members becoming unemployed and the taking of a lump sum upon retirement (see Table 2.17). This greatly reduces the effectiveness of these types of provisions as a poverty alleviation tool and results in the schemes not operating as originally intended.

The national social security institutions deal predominantly with pension provision and are the National Social Security Fund (NSSF), the Parastatal Pension Fund (PPF), the Public Service Pension Fund (PSPF), the Local Authorities Pension Fund (LAPF), the Government Employees Provident Fund (GEPF) and the Public Service Retirement Benefit Scheme (PSRB). The National Health Insurance Fund (NHIF) is as its title suggests concerned with health care provision (see Health Care).

The ILO undertook a comparative analysis of all schemes and the Report sets out in detail the profile of each scheme by coverage, fund status, type of benefit, levels of contributions, benefit levels (including replacement rates), expenditures and revenues (including revenue ratios and investment returns on assets), administrative expenses and regulating agency. This detailed comparative analysis means that it is possible to make a number of important and powerful conclusions.

These conclusions are both general and specific and are set out in detail in the main Report. They are as follows:

☐ Poverty in old age could increase (as the number of elderly will increase due to improved medical care and the national aging trend) and the absence of adequate well-functioning pension schemes.

☐ There are major policy differences in the way in which the schemes are designed and are being implemented. There is a need to align such conditions between the schemes within a clearer Government policy.

☐ The absence of an unemployment benefit/severance payment scheme has led to the practice of withdrawal of contributions, which not only disturbs the financing of the schemes, but also leads to very low benefits and thus increases poverty in old age.

☐ There is a need to take steps to improve coverage to those in informal employment.

☐ Benefit levels are low and inadequate: the majority of beneficiaries take a maximum lump sum upon retirement, which means their ongoing pension payments are low.

☐ There is no portability of pension rights between schemes, which has a detrimental effect on the pension rights of those who change their employment and thus may also affect negatively mobility in the formal segment of the labour market.

☐ There is poor scheme data that leads to poor governance.

☐ There are high administrative costs (see Table 2.16).

☐ There is a lack of public information and thus members are unaware of their rights.

☐ A need for better regulation, which is currently being addressed.
Non-contributory schemes

The important difference between non-contributory and contributory provisions is that non-contributory programmes make transfers in cash or in kind but without linking provision to any contribution requirement. It was very difficult to put together a comprehensive quantitative picture of non-contributory provision. This is a serious problem when trying to assess coverage, types of provision and adequacy of that provision. The Report focuses on persons with disabilities and the elderly; and vulnerable children, who are currently estimated to account for between 10 and 12 per cent of the total population. In addition, the ILO carried out a survey of NGOs and international NGOs engaged in social protection in Tanzania Mainland. (See Annex C of the Report.)

When looking at non-contributory provision, it was decided to look at four areas: the type of provision by vulnerable client group (the elderly, children, the disabled and drug addicts), which is in the main the responsibility of the Department of Social Welfare (DSW) in the Ministry of Health (PWDS, MVC); the role of NGOs in providing services and benefits; community-based cash transfers (TASAF); and health care (including a small amount of contributory provision).

According to different sources (see the main Report for details) it was estimated that there were 3.4 million people suffering with disabilities in 2002; 1.9 million elderly persons mainly living in rural areas and working in the informal economy; and in 2001 it was estimated that vulnerable children accounted for 10 to 12 per cent of the total population. Globally, the TASAF, PWD and MPV programmes represent, in 2006/2007, only 1.7 per cent of all Government expenditure and cover just under 1 million children. This shows coverage is low as is the level of financial support.

In January 2007, the ILO carried out a two-month survey of NGOs providing social protection in Tanzania Mainland in an attempt to be able to quantify coverage, type of provision and level of funding which could be included in the base line for the SPER and Social Budget. Though small and unrepresentative in statistical and scientific terms, the survey’s findings are interesting in their own right, as there is currently little information available on social protection initiatives by non-governmental institutions.

Table 2.16  Comparison of administrative expenses

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Ratio of expenses to contributions (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSSF</td>
<td>20.3</td>
</tr>
<tr>
<td>LAPF</td>
<td>18.8</td>
</tr>
<tr>
<td>PPF</td>
<td>14.5</td>
</tr>
<tr>
<td>PSPF</td>
<td>4.1</td>
</tr>
<tr>
<td>GEFP</td>
<td>9.8</td>
</tr>
</tbody>
</table>

These conclusions indicate that there is an urgent need to undertake a thorough review of the schemes with the view to improving governance by implementing changes across a variety of areas: benefit levels, administrative costs, investment strategies, etc. The Report also shows the Government continues to fail to transfer the outstanding funds needed to meet PSPF and LAPF liabilities.
There were a number of useful findings, which can help in deciding future priorities and strategies. In general, the median beneficiary coverage of a nationally-based NGO was about 400 individuals, of a locally-based NGO about 1,500 individuals, and of an internationally-based NGO about 20,000 individuals. Four general types of assistance were identified: cash transfers, including cash grants for household consumption and income-generation; in-kind assistance, including provision of food, clothing, school uniforms, health-care support, malaria prevention, buildings; services, including advocacy; and capacity building initiatives, including education, social counseling, training and awareness-raising activities.

In aggregate, capacity-building initiatives reached the greatest number of people. There was little difference between NGOs in types of activity and those working at the district level were found to have, on average, the most beneficiaries. More women than men benefited from the activities as did persons incapacitated by disability or chronic illness (including people with AIDS); whereas organizations targeting children, the elderly and the unemployed covered relatively few beneficiaries.

International donors were a key funding source for most of the NGOs; very few received any government support. Organizations financed by donors spent altogether much more compared to those financed from other sources.

The Tanzania Mainland Social Action Fund (TASAF) is implementing a pilot programme on community conditional cash transfers in three selected districts. The aim is to test how a conditional cash transfer (CCT) programme could be implemented through a social fund using a community-driven development (CDD) approach, and what systems may need to be in place to achieve positive results. The CDD approach has been shown to improve effectiveness and efficiency of service delivery, and many social funds rely on and build community capacity for delivery of a range of social and economic services.

Conditional cash transfer programmes provide grants to poor and vulnerable families, provided the families undertake specific family actions, usually investments in human capital such as keeping children at school or taking them to health centres on a regular basis. There is clear evidence that successful CCT programmes increase enrolment rates, improve preventive health care and raise beneficiaries’ household consumption (Safety Nets Primer 2005).3

The community-based CCT is expected to transfer funds to beneficiaries for a three-year period, starting approximately in June 2008. Given the novel elements of this effort, a thorough evaluation is expected to inform future efforts in Tanzania Mainland and around the world about the ability of a CDD operation to deliver CCT benefits and investigate intra-village targeting capacity and performance.

The existing programmes are designed to provide assistance to a wide range of poor and vulnerable groups: the disabled, children and the elderly. Social assistance funding from the Government is 0.5 per cent GDP and NGOs account for a further 0.5 per cent GDP. All programmes suffer from limited financial and human resources and therefore cover only a part of the most vulnerable of the population. Indeed, the Social Budget shows that existing allocations will, on a status quo basis, slightly decrease. This is at a time of continuing GDP growth and lower inflation.

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Health Care

During the 1990s, the health system underwent several major changes, ranging from the Government as sole provider to the private sector being allowed to operate and the introduction of user fees. Today, the health system in Tanzania Mainland is operated through a range of programmes, including social assistance, complementary health insurance, community health financing, and other mechanisms, such as micro-insurance and private health care. Capturing all of the expenditures and the sources of funding of the health system and its coverage of the population has proved to be difficult because of insufficient consolidated data.

The Government is the main provider of health services, which are administered by the Ministry of Health and Social Welfare, and the President's Office Regional Administration and local government. The social health system is financed by revenues from taxation, donors and fees for services. Fee-for-service charges do not apply for the treatment of children aged under five and diseases such as tuberculosis, AIDS, epidemics and leprosy. These elements represent only 2.5 per cent of total health expenditure.

The picture of the health budget for 2005/2006 is set out in Figure 2.2.

Recurrent expenditure is financed through taxation (60 per cent of total health expenditure) and development expenditure (construction of hospitals, etc.) represent on average 17 per cent of the total cost of the health budget of which 81 per cent was donor funded.

Globally, over the period 2002-2006, 45 per cent of the national health system was donor funded. This means that the development of an adequate health system depends significantly on the capacity and willingness of donors. It also presents some degree of unreliability when projecting health costs and budgeting.

In addition, there are two social insurance funds offering health and medical coverage: The National Health Insurance Fund (NHIF) providing the main access to health services, after the state tax-financed health programmes; and the National Social Security Fund (NSSF). Coverage by both schemes is low. In 2005, NSSF had 9,000 members of its health fund, just 3.4 per cent of its total active membership. The NHIF had 242,580 active registered members and, including dependents, a total of 1 million people were covered. However, the quantitative examination of NHIF, which is set out in the main Report, shows that the present level of reserves is too high for a health insurance scheme, and the level of contribution levied exceeds that needed for liabilities of a short-term benefit fund. This shows there is a need to reduce contribution levels/improve benefits. The NHIF is aware of these issues.

![Figure 2.2 Health budget 2005/06 (TZS millions)](source: Health Sector PER update fiscal 2006, Ministry of Health.)
In addition, there is the Community Health Fund (CHF), which was established as an alternative for the fee-for-service scheme. Currently, only 29 districts out of 72 have access to this programme and to the matching grants from the Ministry of Health and Social Welfare. Currently, less than 10 per cent of households have joined such schemes, which represent 2 per cent of total spending. There is even scarcer information about the non-public schemes: micro health insurance, private health insurance and indigenous provision. It is reasonable to assume, based on total amount of insurance premiums paid in 2002, that this type of provision accounts for 1 per cent of total expenditure. There is a long history of indigenous associations being active in collecting insurance contributions for funerals and health care expenses. A separate working paper will be published on this.

The most important finding is that, without donor funding it would be impossible to maintain the existing level of expenditure 3.3 per cent of GDP in 2006/2007.

Social Budget

The Social Budget is in two parts: the status quo base-line 2006/2007 and a fifteen-year projection. The Report sets out a detailed picture of income and expenditure as well as assumptions (demographic, labour market, etc.) and sources of data used. It looks at the resources allocated to different types of social protection with reference to different contingencies and different populations. It draws attention to the role of international cooperation, focusing on aid (grants) and debt relief. It sets out the position for formal social security schemes as well as applying the results from the NGO study on non-contributory provision, income and expenditure to both the status quo scenario and the projections. The Report refers to both total Government expenditures and Social Budget expenditures for comparative purposes.

The current picture on the expenditure side for 2006/2007 is that 5.1 per cent of GDP went to education, total health expenditure was 3.3 per cent of GDP, social assistance expenditure by the Government was 0.4 per cent of GDP and by NGOs 0.5 per cent of GDP, all benefits paid by pension funds was 1.2 per cent of GDP, and by the Government, 0.2 per cent of GDP. Total social expenditure was 10.7 per cent of GDP. This is shown in detail in Figure 4.20 and in Table 4.8 of the Report.

Figure 4.20 Social budget expenditure (% of GDP, 2006/2007)
Figure 4.21 presents the expected future development of the expenditure side of the social budget: expenditure on education, health, social insurance and government pensions, social assistance and welfare benefits.

Overall social expenditure will increase to 15.6% of GDP in 2020/2021. If measured as percentage of the overall resource envelope (including central government budget, social security funds and resources devoted to social protection by NGOs), social expenditure would take 40 per cent of overall resources available in 2020/21, compared to one third in 2005/2006. This increase in social expenditure includes:

1. Increase in expenditure on education from nearly 4 per cent of GDP in 2005/2006 to 5.2 per cent of GDP (15% of the overall resources) in 2020/2021, due to the increase in the number of children and assumed significant improvements in the teacher/students ratio.

2. Increase in expenditure on health care from 3.2 per cent of GDP in 2005/2006 to 6.4% of GDP in 2020/2021. Such a substantial increase would have to take place in order to achieve the targets specified in MKUKUTA. In this scenario, by 2013/2014 health expenditure is expected to exceed education expenditure. However, such an increase will actually take place only if matching additional resources on the revenue side of the social budget will be made available.

3. Increase in expenditure on pension benefits paid (including early withdrawals) from the pension funds from 0.9 per cent to 3 per cent of GDP over 15 years.

In 2005/2006, the surplus of the social security fund (or the change in reserves) represented 1.4 per cent of GDP. This amount is expected to decrease considerably in future, to nearly zero level at the end of the projection period. The reason for this decrease is the large deficit that PSPF and LAPF will incur if the Government does not meet its funding obligations.
In summary, during the period from 2005/2006 to 2020/2021, total social expenditures are projected to increase by 7.1 percentage points of GDP, including:

- education, increase by 1.2 percentage points;
- health care, increase by 3.2 percentage points;
- government social welfare programmes, increase by 0.3 percentage points;
- pension benefits, increase by 2.1 percentage points;
- social insurance administrative expenses, decrease by 0.2 percentage points and
- annual change in social insurance reserves, decrease by 1.4 percentage points of GDP.

Thus, the structure of general Government expenditure will change. At the end of the projection period, the public health system will consume 16 per cent of the total budget. At the same time, the share of education will decline slightly from almost 15 per cent in 2005/2006 to 14 per cent in 2020/2021. The shares of social insurance fund expenditures will decrease from 9.4 to 8.1 per cent.

Non-contributory social assistance: how to reach those in need?

Currently, existing social assistance programmes represent only 7 per cent of all social protection expenditure (including health). Taking into account such programmes are aimed at alleviating poverty, and close to 40 percent of the Tanzania population is classified as poor, this allocation is certainly far from sufficient. Unless there is a substantial policy change, this expenditure will not increase and will remain over time at a level close to 1 per cent of GDP.

Although a thorough analysis of policy options to extend social protection coverage will be the subject of the second phase of our project, it is by no means too early to begin consideration of the policy developments which will be needed to address poverty and the needs of vulnerable groups. We therefore present a set of initial and approximate estimates to illustrate the scale of additional financing that would be needed.

We looked at the future costs of three hypothetical benefits targeted at three specific groups of beneficiaries:

- a targeted social assistance scheme: vulnerable households and covering 10 percent of all households. We have assumed that this scheme and other simulated schemes will cover 100 per cent of the target group in the first year (2009). We have assumed about 30 per cent of GDP per capita, on monthly basis, as a benefit per household and adjusted annually for inflation (estimated to be 15,000 TZS per household per month in 2009);
- a universal pension for all persons aged 60 and over, starting with a monthly amount of 15,000 TZS in 2009;
- a child benefit paid to the first child for seven years, 7,500 TZS per month.

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* This means that there are no longer current surpluses in the social insurance accounts.
If fully implemented in 2009, such a targeted social assistance scheme would cost (without taking into account administration and delivery) 169 billion TZS. A pension for the elderly would cost 352 billion TZS – nearly twice as much due to a much greater number of beneficiaries. It is assumed for child benefit that in the first year of implementation all families with children will receive the benefit (at the level for one child); whereas, from then onwards claims will be paid only upon the birth of the first child. At the start the number of beneficiaries and the cost would be significantly higher than the two other programmes but would decrease quickly over the following years. Figure 4.22 shows benefit costs of all three hypothetical schemes until 2021 presented as percentage of GDP per capita.

These results should not be treated as policy recommendations, which should be developed as a result of a national debate involving all the stakeholders. These results illustrate that by allocating resources equivalent in the longer run to just over 1.8 per cent of GDP, it would be possible to build the foundations of a social protection system.

However, it is recognized that at the present and expected level of donor dependency, this would probably require in the short run budgetary reallocations rather than additional expenditure and a substantial increase in domestic revenue and to create national fiscal space in the long run.
Key findings

There are five key findings:

☐ The demographics show there is a need to give high priority to developing a social protection framework addressing the needs of the young and elderly people if the country is serious in wishing to reduce the numbers of its citizens living in poverty.

☐ The labour market is highly informalized with high youth unemployment rates in urban areas.

☐ Coverage by both contributory and non-contributory schemes is low, and benefits are inadequate. There is a lack of overall coordination.

☐ The contributory schemes are not fulfilling the role of social security schemes and need to be reformed.

☐ Tanzania is highly dependent on donor funding for its social expenditures: 33 per cent of all budgeted revenue.

Way forward

☐ The results on informality of employment should feed into policy discussions on the extension of social protection coverage, together with a job creation strategy targeted at youth.

☐ There is scope to extend coverage by existing contributory and non-contributory schemes.

☐ Consideration needs to be given to the potential of increasing endogenous fiscal space through enhanced tax revenues, given recent improvements in tax administration and revenues.

☐ There is a need to carefully align government and donor priorities given the level of planned increases in expenditure on health and education. These planned increases may need to be revisited if the intention is to reduce the number of people living in extreme poverty in a reasonable time frame.

☐ There are significant government pension liabilities. A financing plan needs to be drawn up to look at timing of government financial commitments and how this affects the affordability of minimum benefit levels and possibly any overall benefit restructuring strategy.

☐ A minimum package of universally acceptable benefits would be affordable – targeted social assistance, a universal old age pension and a child benefit would cost just over 1.8 per cent of GDP.

☐ The next stage of the project needs to address the composition of a comprehensive social protection funding system.