

# Universal Social Protection

## The Universal Pension Scheme in Zanzibar



## Zanzibar Universal Pension Scheme (ZUPS)

Zanzibar made history in April 2016 when it implemented the Zanzibar Universal Pension Scheme (ZUPS). This is the first social pension scheme in East Africa to be fully financed by the Government.

In 2014, the Revolutionary Government of Zanzibar approved a Social Protection Policy that recognizes the need to establish a universal non-contributory pension to address poverty. This policy sits within Zanzibar's Vision 2020, which has the objective of eradicating absolute poverty in the society. In March 2015, the government announced it would introduce a universal pension as part of the 2015/16 budget, and the first payment was made in April 2016.<sup>1</sup> All Zanzibar citizens over the age of 70, or other residents who pass the age and residency criteria receive a monthly non-contributory pension of Tsh 20,000 (US\$9). The pension is pegged to the consumer price index as of April 2016.

### Main lessons learned

- The scheme shows that universal social protection for older persons is feasible, and can be financed by governments of low and middle income countries.
- A combination of advocacy to build the political will of the government as well as the provision of technical support in relation to programme design has been important to successfully implement the scheme.
- The government is currently working to address remaining challenges

<sup>1</sup> Yussuf, I. (2015) Tanzania: Isles unveils 830 billion donor-weaning budget. Available at: <http://allafrica.com/stories/201505140993.html>

relating to payment, verification and information management system.

### Overview of the pension system

Pre July 1998, former civilian employees received a pension under the Pensions Act No.2 of 1990. Post 1998, former employees of the public and private sectors received a pension from the Zanzibar Social Security Fund (ZSSF) for service after July 1998. However, the fact that the majority of older people have never been in the formal labour market means that few receive a pension from this fund.<sup>2</sup>

#### Eligibility Criteria

An older person can apply for the universal pension when he/she is:

- ✓ A person 70 years of age and above; and
- ✓ A Zanzibar resident; or
- ✓ Has been a resident of Zanzibar for over 10 years continuously after the age of 18.

#### Documents required for registration

- ✓ Completed application form
  - ✓ A recent passport size photo of the applicant
  - ✓ Birth certificates or Zanzibar ID card/birth certificate
  - ✓ Proof of period of residency (in the case of non-Zanzibari)
- (For applicants that cannot present themselves for registration)
- ✓ Affidavit/ A letter or representative form signed by the applicant stating that he or she agrees on representation by the specified person.

<sup>2</sup> Economic and Social Research Foundation and HelpAge International (2016). *Baseline Survey Zanzibar Universal Social Protection For Older People* (Forthcoming).

### Applicant Representative

If an applicant is unable to present himself or herself in person, he or she can appoint another person to apply in his or her place. People who are entitled to represent an applicant being one of the following people:

- ✓ Husband or wife
- ✓ Son or daughter
- ✓ Grandson or granddaughter
- ✓ Son or daughter in law
- ✓ A close neighbour if a family member is not available.

### Why was the Pension needed?

The low number of people eligible for contributory pension, coupled with the high level of informality and poverty in Zanzibar, created the need for an alternative way to guarantee income security in old age. Close to a third of the population (30 per cent) live below the basic need poverty line, a high proportion of older people do not have the option to get out of hard and strenuous employment, and many of them have additional health and mobility issues.<sup>3</sup> Preliminary results from a baseline survey conducted before the pension started found that 79 per cent of older people over 70 years considered their economic situation to be

<sup>3</sup> Daniel, S. (2015) SOCIEUX in Action. Available at: [https://ec.europa.eu/europeaid/sites/devco/files/socieux-newsletter-issue3-july-2015\\_en.pdf](https://ec.europa.eu/europeaid/sites/devco/files/socieux-newsletter-issue3-july-2015_en.pdf)

<sup>4</sup> Economic and Social Research Foundation and HelpAge International (2016). Baseline Survey Zanzibar Universal Social Protection For Older People (Forthcoming).

<sup>5</sup> Hofmann, S. and Heslop, M. (2014) 'Towards universal pensions in Tanzania Evidence on opportunities and challenges from a remote area, Ngenge ward, Kagera'. Available at: <http://www.pension-watch.net/knowledge-centre/?guid=530dc17d73c9a&order=n>

<sup>6</sup> Hofmann, S. et al(2008) 'Salt, Soap and Shoes for School: Evaluation Report'. Available at: <http://www.pension-watch.net/knowledge-centre/?guid=4fb0d2ecb389a&order=n>

worse than average. The survey also found that 63 per cent were receiving income from family members, suggesting the challenges of old age is putting pressure on wider families that are also struggling with poverty and insecurity.<sup>4</sup>

### How was it achieved?

The introduction of the pension was possible due to a combination of advocacy to build the political will for the scheme, and technical support to answer key questions relating to the scheme's design and implementation.

The move in Zanzibar has been linked to a wider advocacy effort towards a universal pension in Tanzania as a whole. Important inspiration for this has been the positive experience of a pilot social pension in place since 2003 implemented by the Kwa Wazee NGO in North West Tanzania. Two evaluations in 2008 and 2014 provided evidence on the impact of pensions on older people and their families.<sup>5,6</sup> The scheme also provided evidence to advocate for national ownership and scale up of the programme. This was complemented by evidence generated by situational assessment<sup>7</sup> of older people, a feasibility study of a social pension<sup>8</sup> on mainland Tanzania and a review of social protection expenditure and performance in relation to poverty alleviation.<sup>9</sup>

<sup>7</sup> Pearson, A. (2009) Social protection policy: Responses to older people's needs in Zanzibar. Available at: <http://www.pension-watch.net/knowledge-centre/?guid=4cd9be19d5144&order=n>

<sup>8</sup> Daniel, S., et al (2010) Achieving income security in old age for all Tanzanians. Available at: <http://www.pension-watch.net/knowledge-centre/?guid=4cd9c14151bb5&order=n>

<sup>9</sup> International Labour Organization (2010) Zanzibar. Social protection expenditure and performance review and social budget. Available at: [http://www.ilo.org/secsoc/information-resources/publications-and-tools/social-protection-expenditure/WCMS\\_SECSOC\\_16253/lang-en/index.htm](http://www.ilo.org/secsoc/information-resources/publications-and-tools/social-protection-expenditure/WCMS_SECSOC_16253/lang-en/index.htm)

A detailed Implementation Plan as well as a Standard Operations Procedures Manual also helped to answer technical questions on the design of the scheme.<sup>10</sup>

A central component of the advocacy was persistent activities led by older people in both Zanzibar and Tanzania mainland. The advocacy aimed to influence political will of key political parties. This was done through various means like identifying political champions to raise issues when in parliament, as well as creating awareness through the media and older people's campaigns. Older people were made aware of their social security rights to enable them effectively demand for these rights. Older people's champions were also identified to advocate, and engage with the political process at local and national levels.

## The Benefit: Key indicators

### Adequacy

The benefit level of Tsh 20,000 is admittedly modest, and on its own cannot lift older people out of poverty. The benefit is equal to about half the food poverty line (Tsh 38,070) and 37 per cent of the basic needs poverty line (Tsh 53,377) as defined by the HBS in 2014/15.<sup>11</sup> The scheme is also equal to about 1 PPP\$ (international dollars) per day, making it roughly half of the new international poverty line set at PPP\$ 1.90 per day.<sup>12</sup>

International comparison, nevertheless, suggests the benefit level is reasonable for a low income country taking first steps to expand

a universal pension. At 12 per cent of average income (GDP per capita),<sup>13</sup> the benefit is higher than social pensions in countries such as Botswana and Swaziland, and not far below the regional average (17 per cent). The benefit is therefore likely to make a substantial difference to older people and their families, particularly those living below or close to the poverty line.

### Coverage

In 2012, the Population and Housing Census estimated the number of older people aged 70+ in Zanzibar to be 25,161.<sup>14</sup> In May 2016, 21,750 people received the Universal Pension. This suggests that approximately 86 per cent of the targeted population have been reached. One of the main reasons for the remaining coverage gap is lack of awareness of the scheme, and the baseline survey found that 25 per cent of older people 70 years and over were still unaware of the scheme.<sup>15</sup> To tackle this challenge, the Shehias, District Officers and the Department for Social Welfare have continued sensitization campaigns to inform communities on the universal pension scheme benefits which has led to an increase in the numbers of registrations.

Looking to the future, it is recognised that the age of eligibility of 70 years is not optimal for a country with relatively low life expectancy. There is talk of plans to reduce the eligibility age to the legal retirement age of 60, which will mean coverage for about 60,000 older men

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<sup>10</sup> Technical support for this was provided by a partnership between SOCIEUX (the EU's technical support facility on social protection) and HelpAge.

<sup>11</sup> Household Budget Survey 2014/15 Income and Income Poverty Preliminary Results. Available at: [www.ocgs.go.tz](http://www.ocgs.go.tz)

<sup>12</sup> Authors' calculations using PPP\$ conversion rates for Tanzania using International Monetary Fund, World Economic Outlook Database, April 2016.

<sup>13</sup> GDP per capita is for Tanzania.

<sup>14</sup> 2012 Population and Housing Census (PHC) by Age and Sex (2013). Available at: [countrystat.org/country/TZA/contents/docs/Population%20Distribution%20by%20Age%20and%20Sex%20Report-2012PHC.pdf](http://countrystat.org/country/TZA/contents/docs/Population%20Distribution%20by%20Age%20and%20Sex%20Report-2012PHC.pdf)

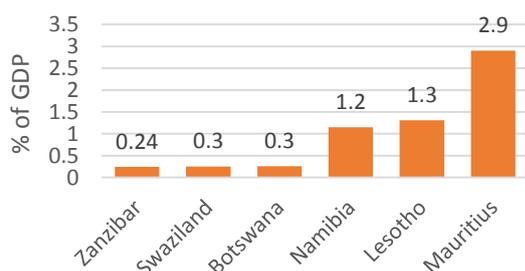
<sup>15</sup> Economic and Social Research Foundation and HelpAge International (2016). *Baseline Survey Zanzibar Universal Social Protection For Older People* (Forthcoming).

and women. However the strategy for this has not been officially confirmed.

### Financing

The Zanzibar social pension is the first universal cash transfer in East Africa fully funded by the government. The government has allocated 6.5 billion Tanzanian Shillings for the implementation of the scheme, which is approximately 0.24 per cent of the GDP of Zanzibar. This makes the scheme the cheapest universal pension in Africa, with a cost slightly below Swaziland and Botswana, and significantly below Namibia, Lesotho and Mauritius which spend between 1.2 and 2.9 per cent of GDP.

### Cost of universal pensions in Africa



The scheme is financed from the National Budget and directly disbursed through the Ministry responsible for the elderly. This ensures that the budget is only spent on the pension.

In order to sustain the expenditure on the universal pension, the government of Zanzibar will need to factor the scheme in its wider efforts to secure sustainable revenue for the wider government budget. Nevertheless, the modest expenditure should not be difficult to accommodate, and focus should rather be on gradually increasing expenditure, in order to increase adequacy and coverage of the scheme.

### Legal aspect

The Zanzibar social pension is not entrenched in any legal framework. However, a Law on Older Persons is currently under discussion that will establish an Older Persons Council, and recognize among other things, social pension as a right of older people.

Embedding cash transfers in legal framework is beneficial as it provides a benchmark through which citizens can advocate for the fulfilment of the right to social security. There is also a reduced likelihood of political changes jeopardizing the continuity of social cash transfers when it is entrenched in clear and effective legal and institutional frameworks.

### Institutional arrangements

The Ministry of Empowerment, Social Welfare, Youth, Women and Children is responsible for overseeing the overall implementation of the pension scheme. The implementation is operationalized through local structures called the Shehias. Citizens aged 70+ are eligible to register with an identity document or birth certificate that provides proof of age and residency. Older people without a valid form of ID can request for a letter of confirmation from the district commissioner. Payment is currently only disbursed through direct cash payments from pay points, with plans to include mobile money and bank accounts in the future.

### Challenges

The government is currently working to address remaining challenges relating to implementation. One of such challenges is the lack of a robust management information system and adequate verification mechanisms. This means there is a missed opportunity to generate routine data that can be used to

monitor the scheme and generate learning to improve programme implementation.

The decentralisation of functions and reliance on direct cash payments also presents potential fiduciary risks. The ZUPS is currently disbursed by civil servants from various government ministries, and although the government insists that this is a cost saving mechanism, it could be potentially time consuming.

### Impacts

HelpAge is undertaking a baseline survey with the Economic and Social Research Foundation of Tanzania to provide a benchmark against which impacts of the pension can be measured.

Although it is too early to quantify the impacts of the universal pension, there has already been some feedback from some of the recipients.



Ahmed Mohamed (C)

An example is Ahmed Mohamed, a widower aged 97. Old age and poor health has limited his ability to continue subsistence farming to feed himself. In a recent interview, Ahmed discussed the initial benefit of the pension scheme.

*“Some passers-by throw some coins at me which I use to buy food and drugs to treat my regular chest pains. Once in a while some of my neighbours bring me food, however, there are times when I live on an empty stomach for days”. “But now I am very happy that the Government has decided to give us a monthly pension of 20 thousand shillings (\$9). This is enough money for my needs. I really thank the Government for this special consideration, as it is my only reliable source of income. I will surely live happier in the remaining days of my life” .<sup>16</sup>*

### Next steps

The government is already in consultation with the largest mobile provider in the country to facilitate efforts to gradually phase out cash payments and improve the delivery of the pension. The Government is also in the process of piloting a monitoring system based on a structure of Older Person’s Associations and Older Person’s Monitoring Groups.

There is already a ripple effect on the main land with older people also advocating for a universal pension. The Tanzanian Ministry of Labour have recently shared a proposed scheme for universal pension which has been proposed to combine older person’s pension with a disability allowance. Other key areas to look at are the approval and implementation of the Law on Older Persons that will guarantee the rights of older people, as well as the building of effective monitoring and evaluation system to assist in citizen monitoring.

<sup>16</sup> Interview conducted in April 2016 during the official launch of the universal pension in Zanzibar.

*This Universal Social Protection brief was produced by Aderonke Gbadamosi and Charles Knox-Vydmanov of HelpAge International, with contributions from Smart Daniel and Leonard Ndamgoba of HelpAge International Tanzania. It was reviewed by Isabel Ortiz and Loveleen De of the ILO, and Alexa Haden and Adélio Fernandes Antunes of SOCIEUX.*

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