EVALUATION OF RETIREMENT SYSTEMS OF COUNTRIES WITHIN THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY

Country Profile: Tanzania

OPM

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Abbreviations

CCT	Conditional Cash Transfer
CMC	Community Management Committee
DF	Directorate of Finance
DHRA	Directorate of Human Resources Administration
DMS	Directorate of Member Services
EIU	Economist Intelligence Unit
GDP	Gross Domestic Product
GEPF	Government Employee Provident Fund
HIPC	Heavily Indebted Poor Countries
ILFS	Integrated labour Force Survey
ILO	International Labour Organisation
JSDF	Japan Social Development Fund
LAPF	Local Authority Pension Fund
MDRI	Multilateral Debt Relief Initiative
NAP	National Ageing Policy
NIC	National Insurance Corporation
NSSF	National Social Security Fund
NSGPR	National Strategy for Growth and Poverty Reduction
OPM	Oxford Policy Management
PHC	Population and Household Census
PMS	Pension Management System
PPF	Parastatal Pensions Fund
PSPF	Public Service Pensions Fund
SACCOs	Savings and Credit Cooperative Societies
TASAF	Tanzania Social Action Fund
TFESSD	Trust Fund for Environmentally and Socially Sustainable Development

TSh	Tanzanian Shillings
USD	US Dollar(s)

1 Country and retirement system overview

Box 1.1 Country overview

Population 2008:	42,483,923 (WDI)
Proportion of population above 65 – 2008:	3% (WDI)
Proportion of population above 60 – 2030:	5.8% (UN 2008)
Proportion of population rural:	74% (WDI 2008)
GDP per capita:	$362 (WDI 2008)
Proportion of population below poverty line ($2/day):	No recent data available, but the WDI estimated 64% in 2000
Labour force in 2009:	19,897,000 (ILO 2008)
Labour force participation rate 2007:	89% (WDI 2007)
Unemployment in 2009:	5% (Est. ILO 2008)
Employment in formal sector (% of total employment) :	5.9% (ILFS 2005)
Employment in subsistence agriculture (% of total employment):	76% (WDI 2006)
HIV/AIDS prevalence (% of population 15-64):	6% (WDI 2009)

Box 1.2 Retirement systems overview

Formal systems

Social assistance

There is no official social assistance programme for the elderly. Existing forms of social assistance are provided under the umbrella of HelpAge International and other partners. In 2008, the government, through the Tanzania Social Action Fund, launched a pilot Conditional Cash Transfer (CCT) programme in three of the poorest districts in Tanzania. Although the CCT is not strictly for the elderly, the prime beneficiaries under the stated eligibility criteria are the elderly. Of the 2,500 households, 62% have at least one elderly person. Each elderly beneficiary receives US$6 per month (100% of the food poverty line).

National social insurance

The National Social Security Fund covers all self-employed and private sector workers, other than employees in a parastatal organisation. It has been extended to cover employees in the informal economy on a voluntary membership basis. In 2006, there were 307,539 contributing members (ILO, 2008) representing 1.6% of the economically active population. Contribution rates are 10% for both employees and employers.

Civil service occupational schemes

There are four schemes for civil servants (covering central government employees, local government employees and employees of parastatals). Contribution rates range between 20% and 25% of basic salary (15% from employers, in most cases). Each of these schemes is administered by a board of directors. The schemes report to different ministries, who act as supervisory and regulatory bodies. The range of benefits provided varies between schemes and there is no portability of benefits.

Private occupational schemes and voluntary schemes

Some financial institutions (National Insurance Corporation (Tanzania) is the largest) offer personal retirement packages to individuals as part of a package of products. However, without a regulator, it is difficult to estimate the coverage of such schemes or fully to capture the different types of benefit they offer. A Social Security Bill, soon to be passed, will institute an independent regulator, and initiate series reform initiatives to include flexibility in contribution rates, portability, preservation and indexation of benefits and so on.

Informal retirement systems

Available information points to three main informal mechanisms for coping with old age: family, income-generating activities and community-based support. Of respondents in a study by Rwegoshora *et al*. (2009), 73% viewed their families as a significant support base in times of hardship; 56% relied on a form of income-generating activity for support. Finally, there is a reliance on the community and faith-based organizations as a coping strategy for the elderly; however, support from this source is limited by poverty at community level.

2 Country background

2.1 Demography

The latest Population and Household Census (PHC) conducted in 2002 showed that the total population of Tanzania was 34,443,603. Of the total population, 16,829,861(48.9%) were men and 17,613,742 (51.1%) were women. Population projections indicate that the total population will increase to 52,109,076 by 2015 (+19.1%), to 59,602,598 by 2020 (+14.4%), 67,393920 by 2025 (+13.1%) and 75,497,972 by 2030 (+12.0%). (UN, 2010)

In 2002, 44% of the population was aged under 15 years and 4% over 64 years. The previous PHC showed 46% of the population aged less than 15 years and 4 % over 64 years demonstrating a reduction in the proportion of young people but a stable proportion of the elderly. In 2002 the youth dependency ratio was 0.853 and the elderly dependency ratio was 0.076. The overall dependency ratio shows that there were 929 persons aged under 15 years or over 64 years per 1000 persons in the active age range of 15-64 years. Table 2.1shows some of the main demographic indicators by sex and age.

There is a general trend of rural to urban drift in Tanzania. Between 1990 and 2008 the proportion of urban dwellers increased from 13.3 to 26% (WDI 2008).

According to the Demographic Health Survey 2005, the total fertility rate is 5.7 births per woman; this figure is 6.5 and 3.6 for rural and urban areas respectively.

Table 2.1 Selected demographic characteristics

Age – Distribution of the population (%)	Total	Male	Female
Under age 15	44.2	45.4	43.2
15-64	51.8	50.7	52.9
Over age 64	3.9	3.9	4.0
Total	100.0	100. 0	100.0
Sex-ratio (number of males to one female)			
Under age 15	1.005		
15-64	0.916		
Over age 64	0.940		
Total	0.955		
Dependency ratio			
Youth dependency ratio (ratio of persons under age 15 to persons aged 15-64)			0.853
Elderly dependency ratio (ratio of persons aged over 64 to persons aged 15-64)			0.076

Source: ILO (2008) based on data from Population and household Census, 2002

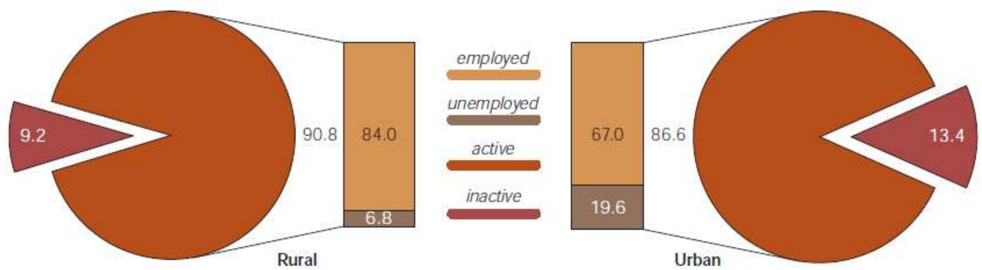
2.2 Labour market

According to the Integrated Labour Force Survey (ILFS) of 2005/6, 89.6 per cent of the total population aged over 14 years was economically active: 90.5% for men and 88.8 % for women.

The National Bureau of Statistics Report of the Integrated Labour Force Survey 2006 uses two alternative definitions of unemployment, the standard international definition and a national one[1]. According to the standard definition only 3 per cent of the labour force was unemployed[2]. According to the broader national definition nearly 12 per cent of the economically active (13% of the female labour force) were unemployed: 16.5 per cent in other urban areas (19 per cent of the female labour force) and 7.5 per cent in rural areas (7 per cent of the female labour force). Figure 2.1provides an overview of economic activity of the population aged over 14 years in urban and rural areas.

Table 2.2 shows the distribution of the employed population by employment status and by main sector of employment. The table shows that 75 % of all employed persons were employed in traditional agriculture (this percentage has decreased since 2001). Paid employees were only 10.5 % of the employed population.

Figure 2.1 Labour market participation overview (national definition)



Source: ILO 2008 based on data from Integrated Labour Force Survey- 2005/6

Table 2.2 Distribution of employed population by sector of activity and income source (% of total number employed)

Status in employment	Central/local government	Parastatal organization	Private traditional agriculture	Private "informal" sector	Other private	Home duties	Total
Paid employees	2.6	0.4	0.0	0.1	7.3	0.2	10.5
Self-employed with employees	0.0	0.0	0.0	1.4	0.4	0.0	1.8
Self-employed without employees	0.0	0.0	0.0	8.5	0.6	0.0	9.1
Unpaid family helper (non-agric.)	0.0	0.0	0.0	0.2	0.4	2.9	3.5
Unpaid family helper (agric.)	0.0	0.0	7.9	0.0	0.0	0.0	7.9
On own farm or shamba	0.0	0.0	67.2	0.0	0.0	0.0	67.2
Total	**2.6**	**0.4**	**75.1**	**10.1**	**8.6**	**3.1**	**100.0**

[1] The national definition classifies unemployed people not only actively searching for work but also those available for work but not searching; and, those employed according to the international definition but either being temporarily absent from employment due to economic reasons (a marginal attachment to employment) or being underemployed

[2] There are significant regional differences: 16.6 per cent in Dar es Salaam, 3.6 per cent in other urban areas and less than 1 per cent per cent in rural areas.

Source: National Bureau of Statistics- Integrated Labour Force Survey, 2006

2.3 Socio-economic

The DHS of 2004/05 surveyed a total of 9,483 households. The mean household size was 4.8. 74.9% of households were headed by men.

There has been a general improvement in health indicators. Infant mortality rate reduced from 96 per 1000 live births in 1990 to 78 in 2005 (WDI, 2008);and under five mortality reduced from 157 in 1990 to 124 per 1,000 in 2005. Life expectancy for both sexes increased from 51 years in 1990 to 56 years in 2008. HIV prevalence rate was at 6% of the population age 15-49 in 2006.

Other social indicators also remain strong. For example gross primary school enrolment increased from 69% in 1990 to 112% in 2008 (WDI, 2008)

The poverty headcount ratio at national poverty line in 2000 was about 35.7%.Income distribution is skewed, with a Gini coefficient of 34.6 in 2000 (WDI, 2008)

2.4 Economy and finance[3]

Tanzania's recent economic performance has been encouraging. The economy's recent growth has been facilitated by sustained structural and macroeconomic reforms, sound monetary and fiscal policies and other interventions undertaken by the Government that have focussed on investment promotion, employment generation, export promotion, and so forth.

During the year 2007 real GDP growth was recorded at 7.1 percent. Good performance was registered in Agriculture at 4.0 percent, industry and construction at 9.5 percent and services at 8.1 percent. Growth of the fishing sector was at 4.5 percent. The Economic Intelligence Unit forecasts GDP growth at 6% in 2010 and 7% in 2011.

At the end of the first quarter in 2008, inflation rate was 9%percent reflecting, in part, the impact of the 21.7% increase in electricity tariffs put into effect at the beginning of the year. The Economist Intelligence Unit (EIU) predicts that inflation will fall from an average of 12% in 2009 to 9% in 2010, and 7.5% in 2011.

Total export earnings increased from USD 3,230.2 million in 2006 to USD 3,703.6 million in 2007, equivalent to an increase of 14.7 percent. The increase was mainly attributed to non-traditional and service exports. Total imports increased by 24.9 percent, from 3,864.1 million in 2006, to USD 4,826.9 million in 2007. The increase in imports was mainly attributed to increased imports of intermediate goods, particularly oil.

The total national debt stock declined by 2 percent in 2007, from USD 7188.4 million at end December 2006 to USD 7041.3 million at end December 2007. External debt decreased by 6.6 percent as a result of debt relief obtained under the HIPC and MDRI initiatives and the repayment of outstanding debt, while domestic debt increased by 4.3 percent. As of end December 2007 external debt amounted to USD 5367.7 million, equivalent to 76.2 percent of the total debt stock, and domestic debt amounted to 1673.5 million, equivalent to 23.8 percent of the debt stock.

[3] Based on Macroeconomic policy framework for the plan/budget 2008/2009- 2010/2011 (May, 2008)

2.5 Social protection

There is currently no comprehensive social protection framework in place .The National Social Protection Framework is still in draft form. Protection of the vulnerable is built around the principles of *social security* which according to ILO conventions has a narrower focus than social protection - focusing only on public measures and excluding private or non-statutory schemes with similar objectives (http://www.ilo.org/gimi/gess/ShowFAQ.do?sid=28)

In Tanzania, the state is mandated by the Constitution to offer social security services. Article 11 (1) states that "the state authority shall make appropriate provisions for the realization of a person's right to work, to self education and social welfare at times of old age, sickness or disability and in other cases of incapacity…". To this end, there are there are six mandatory social security institutions exist in Tanzania.

The Draft National Social Protection Framework exhibits the existence of political will to address the issue of social protection. This multi sectoral initiative will build on and help to coordinate existing social protection mechanisms. To date, there have been a range of policies relating to vulnerable groups which include social protection aspects such as the National Ageing Policy, the Disabled People Development Policy, and the National Policy for Youth Development, the National Employment Policy, the National Social Security Policy and the Gender and Development Policy

2.6 The elderly

The 2002 PHC recorded 4% of the total population aged 64 +and the number is projected to rise to 5.8% by 2031.

Apart from Mauritius, Tanzania is the only country is Africa to have a National Aging Policy (NAP). The NAP defines old age and as the final stage of human life; an individual is recognized as an older person based on age, responsibilities and his or her status, for example, a leader at his or her work place or in a clan.

The NAP also puts forward information relating to the situation of the elderly in Tanzania. First, it notes that older people face inadequate care. Where traditionally, many people would have relied on younger people for care, the growing trend of urbanization and HIV epidemic has weakened this potential source of safety net. Secondly, the NAP identifies the elderly in Tanzania as being among the economically poorest in the society as a majority do not belong to any formal social security system. Thirdly, the elderly face ill health due to lack of accessibility to health services (National Aging Policy, 2003).

3 Formal retirement systems – Social Assistance

Social assistance interventions which specifically target the elderly are currently limited in Tanzania[4]. The government has recently launched a pilot Conditional Cash Transfer (CCT) programme. The programme is not strictly targeted at the elderly; it is aimed at mitigating the effects of vulnerability in very poor household. However, under the stated eligibility criteria, the elderly are prime beneficiaries. Programme implementation started in 2008.

3.1 Legal and institutional

The management and administrative structure of the pilot scheme consist of three levels (i) central or national level (ii) local government authority level and (iii) village level.

At the national level, the Tanzania Social Action Fund[5] is the coordinating agency for the whole programme. Its role is to build capacity at local government to implement the programme at village level.

At village level, there are three main operational organs – the Village Assembly, who endorses or look after the interest of beneficiary groups in the village; the Village Council which acts as the executive arm of the Village Assembly and provides overall oversight of the programme. The Village Council delegates the day to day running of the programme to the Community Management Committee (CMC). The CMCs are responsible for targeting (subject to pre-defined criteria which has been identified by the village assembly), identifying beneficiaries, paying beneficiaries, following up on compliance and case management.

The operation of the CCT programme is guided by the Vision 2025, implemented through the National Strategy for Growth and Poverty Reduction (NSGPR). Social protection is one of the prominent areas of the NSGRP. Although the social protection framework is yet to be finalised, the execution of the CCT programme falls within the broad objectives of this framework.

3.2 Eligibility, access and coverage

The eligibility criteria[6] are as follows:

1. Households who are or were very poor[7]

2. Households not receiving similar benefits in kind or cash from another programme

[4] There is currently no non-contributory social pension scheme in Tanzania, although Help Age International is testing the feasibility of a introducing to such a scheme in Tanzania.

[5] This is a government of Tanzania funding facility organisation funded by the World Bank. It exists to advocate the advancement of social protection in Tanzania and also to provide a mechanism that will allow local and village governments to respond to community demands for interventions that will contribute to the attainments of specific Millennium Development Goals.

[6] The different criteria and their specific definitions are pre- defined by the Village Assembly and verified by a Proxy Means Test

[7] Where 'very poor' means meeting at least three of the following characteristics (i) Lack of a basic dwelling/shamba (ii)Difficulty having at least two meals per day (iii) No adult member has worked in the last month (iv) Children with clothes, shoes in poor condition, (v)does not own livestock, (vi) does not own land.

3. Households which are homes to older people (60 +) or an orphan or vulnerable children (under18).

Table 3.1 presents summary coverage statistics for the CCT pilot. The CCT pilot operates in three districts. These cover 80 villages (40 treatments and 40 controls). These districts are amongst the poorest in Tanzania, have close proximity to the TASAF head quarters and local government head offices (for the purposes of reducing administration cost), and have Community Management Committees that received financial training from TASAF. Communities must also have managed successfully at least one TASAF-supported project and therefore have existing capacity to manage CCT programme.

Table 3.1 Pilot CCT Coverage Statistics

Coverage Statistics	Number
Total eligible H'H *(treatment and control)*	15,732
Eligible household having at least one older person (*treatment and control)*	11,331
Total eligible Individuals *(treatment and control)*	43,580
Total eligible individuals 60+	14,424
Total enrolled household	2,500
Enrolled household having at least one 60+	1,557
Total enrolled beneficiaries	8,250
Total enrolled Beneficiaries 60+	2,136

Source TASAF, 2010

3.3 Financing

The pilot is largely funded by the Government of Japan through the Japan Social Development Fund (JSDF) and the Government of Tanzania. Others supporting the pilot include Government of the United States of America through USAID and Governments of Finland and Norway through the Trust Fund for Environmentally and Socially Sustainable Development (TFESSD). Together USD 2 million has been made available for the pilot scheme

3.4 Benefit type and levels

Payments to beneficiary households are made bi-monthly. Each payment ranges from $12 minimum to $36 maximum depending on the number of people in the household.

These figures are based on the food poverty line[8], and calculated as follows:

- US$ 3 per month for each orphan or vulnerable child (50% of food poverty line)
- US$ 6 per month per elderly person (100% of food poverty line).

To continue to qualify for benefits[9] elderly beneficiaries must visit a health facility at least once a year for a basic check and orientation.

3.5 Terms of exit

In addition to voluntary opting out, households and individuals may be asked to leave the program if they no longer have an elderly person or a child at least under 15 years old in primary school, if they fail to comply with conditions or have presented false information and if they move to an uncovered village.

3.6 Administrative cost

The Programme has so far been involved in undertaking start up activities, such as orientation sessions, training and sensitization. The cost of administering the pilot is tracked by M&E System along with implementation. Cost for transferring funds through commercial banks (bank charges), is about 0.3 percent of the amount transferred.

3.7 Financial and social sustainability

There are two main risks that can be foreseen under the pilot scheme. First, is the issue of dependence. Under the CCT programme, beneficiary households have been temporally cushioned against short term shocks. This brings up the issue of how households are to support their needs once the CCT is withdrawn. To mitigate this, a support to livelihood programme is being implemented which gives households the capacity to gain income through income generating activities whilst on the CCT programme.

Secondly, financing of programme is dependent on donor support. Financial sustainability of the programme could therefore be threatened once donor commitments end.

3.8 Reform initiatives

Given that the programme is a pilot, following its completion, there will inevitably be aspects of the scheme subjected to re-design based on lessons learnt from this phase.

[8] The food poverty line in Tanzania, based on minimum caloric requirement for 28 days is T.Sh. 6,631 or approximately US$6 (2006 figures). Source: “Cash Benefits in Low-income Countries: Simulating the effects on poverty reduction for Senegal and Tanzania”. Franziska Gassmann and Christina Behrendt. International Labour Office. May 2006.

[9] Monitoring of conditions is conducted by the CMC. If beneficiaries fail to comply with the conditions, a warning is issued to them by the CMC. This, however, will not affect their second payment, which will be paid in full. If after the next period of monitoring (8 months after the first payment), beneficiaries still fail to comply with the conditions, payment will be reduced by 25% and a second warning will be sent. After two warnings are issued, beneficiaries that fail to comply will be suspended indefinitely, but allowed to return to the program after review and approval by the communities and TASAF.

4 Formal retirement systems – National Social Insurance

4.1 Legal and institutional

The National Social Security Fund (NSSF) is governed by the NSSF Establishment Act 30 of 1997.The regulatory and supervisory agency is the Ministry of Labour. The management and the administration of fund rest with the board. A Director General is appointed by the board to oversee the daily operations of the Fund. This is a mandatory scheme.

4.2 Eligibility, access and coverage

NSSF covers every person who is self employed or who is employed in the private sector, other than in a body which is a parastatal organisation. It has been extended to cover employees in the informal economy on a voluntary membership basis. In 2006, there were 307 539 contribution members (ILO, 2008) representing 1.6% of the economically active population. 75% of contributing members were male. In terms of membership and income revenue, NSSF is the largest pension scheme in Tanzania (ILO, 2008).

4.3 Financing

The contribution rate is 20 per cent of gross salary, shared equally between employee and employer. In 2006, total income of NSSF was TSh 153736 million with TSh 126967 (million) and TSh 26769 accruing from members contribution and investment income respectively (ILO, 2008). No income tax on the contributions and benefits are payable under the Fund (NSSF Act 1997).

4.4 Contingencies covered

Old age, survivor, maternity, employment injury, death benefit and health insurance.

4.5 Benefit types and levels

NSSF covers the following benefits: retirement, survivors, maternity benefits, employment injury, death and health. The NSSF allows members to opt at retirement either for a regular pension or for a lump sum of the balance accumulated in the Fund. This option is not provided for in the Act governing the NSSF but is a practice that emanated from pressure by employees and the Government to restore the lump-sum option that applied before the conversion of NSSF from a provident fund to a pension fund. Offering these lump sums can present a risk to life-long income during old age if the funds are not invested in a future income stream. The ILO's Social Security (Minimum Standards) Convention, 1952 (No. 102) stipulates that a social security benefit for loss of income (e.g. in old age) should provide for income support for the period of lost income by a periodic payment; for old age this means for life. More often than not, lump-sum payments do not satisfy this provision (ILO, 2008)

Table 4.1 NSSF Benefit types and qualifying criteria

Type of benefits	Description of the benefits and qualifying criteria
Old age benefit	Must have made at least 180 months contributions to the Fund. Non qualifying member receives a lump sum payment equal to contribution credits. All qualifying members are also paid an initial lump sump grant equivalent to a monthly pension multiplied by 24. Average monthly earnings are calculated over the five (5) highest years of earning in the last 10 years prior to retirement. For contribution exceeding 180 months, each additional twelve (12) months contribution will attract 1.5% of the average monthly earnings. 180 months of contributions payments to the pension scheme will provide a pension of 30% of the final earning up to a maximum of 67.5% of the final earning. Pension formula: 1/720=(30%+1.5%×NE15) × APE NE15= Number of years exceeding the minimum qualifying years which is 15 for NSSF APE =Average salary use to calculate the pension on retirement day
Invalidity benefit	A member must be able to prove that he or she has lost at least 2/3 of his/her earning capacity. They must have at least 36 months contributions to the Fund immediately before the occurrence of the invalidity, of which 12 months contributions or more were paid in the period of 36 months immediately preceding the date of commencement of invalidity. A member must be under pensionable age.
Survivor benefit	The insured member must have attained pensionable age and has entitlement to it. They must have left a widow/widower, children under 18 years or 21 years who are engaged in full time education. Where a deceased insured member had not satisfied the qualifying conditions for survivorship, his/her dependents will be entitled to the survivor lump sum
Health benefits	Health care services to the insured person, a spouse and up to four children.
Funeral grant	Paid as reimbursement to a family member who incurred burial expenses (costs) of the deceased NSSF insured person.
Employment Injury	This benefit is provided members who suffer injury in the cause of their employment and for temporary incapacity a member would get 60 per cent of his average daily earnings for up to twenty sex weeks and for permanent disability a maximum of 70 per cent of the average monthly earnings.
Maternity	There are two types of benefits payable- maternity cash benefit and medical care benefit. Maternity cash benefit is payable for a period of twelve (12) weeks at the rate of 100% of Average Insurable Daily Earnings (AIDE) calculated by reference to the earnings received during the six months of insurable employment immediately prior to the 20th week of pregnancy. Medical care benefit covers maternity related diseases from the 24th week of pregnancy up to 48 hours after childbirth.

4.6 Preservation, withdrawal and protection of rights

No preservation of benefits are allowed. Withdrawal of accumulated benefits, applies after six months of unemployment. In 2005/06, there were more than 36,000 withdrawals due to unemployment, representing about 80 per cent of all withdrawals for the year (ILO 2008).

With regards to the protection of rights, the Act states that “To the extent that the Board is, by reason of insufficiency of funds at its disposal, unable to meet its liability to any insured person for any benefit to which such person is entitled under this Act, or for any portion of any such benefit, the entitlement of such insured person to such benefit or such portion of benefit shall constitute a charge on and be paid out of the Consolidated Fund” (NSSF Act 1997)

4.7 Administrative cost

The ratio of administrative expenses to total income was 17.9 per cent in 2005/2006; the high level of administrative expenses is due in part to the level of administration required for the high withdrawal rate and for compliance.

Investment of money is be done by the Board in any viable venture as it may consider appropriate having regard to the economic and commercial viability. The Board may utilize monies in the Fund for the acquisition of land or construction of buildings and acquisition of equipment and others assets (NSSF Act, 1997).

In 2006, of the total investment portfolio of NSSF was about TSh 430 billion, 56 per cent is invested in fixed-income securities, 23 per cent in real estate and 21 per cent in equities. Of the fixed-income portfolio, 44 per cent is invested in government securities, 22 per cent in corporate bonds and the remaining 34 per cent in long-term loans (ILO 2008).

5 Formal retirement systems – Civil Service Occupational Schemes

Formal retirement provision in Tanzania is dominated by four publicly run occupational schemes- Local Authority Pension Fund (LAPF), Government Employee Provident Fund (GEPF), Parastatal Pension Fund (PPF), and the Public Service Pension Fund (PSPF). These schemes are all mandatory and contributory[10].

In addition to the publicly run occupational schemes, some organizations offer supplementary retirement packages to their employees. However, in the absence of an independent pension's regulator, it is hard to accurately estimate the full extent of such supplementary occupation schemes.

5.1 Local Authority Pensions Fund (LAPF)

5.1.1 Legal and institutional

The legislation covering the fund is the LAPF Act No of 2006. The supervising authority or regulatory agency for the fund is the PM office Reg. Admin and Local governance.

The responsibility for the management and administration of the fund lies with the Board of Trustees that comprise of 10 members[11]. The board is assisted by a Director General, in charge of day-to-day running of activities. The Director General is assisted by the work of four Directorates -Directorate of Member services (DMS), Directorate of Finance (DF), Directorate of Planning and Investments (DPI), Directorate of Human Resources and administration (DHRA). (LAPF2006)

There are four additional units which also assist in the management of the Fund- Internal Audit Unit, Legal Services Unit, Information and Communication Technology Unit and Public Relations Unit (LAPF Act 2006).

5.1.2 Eligibility, access and coverage

LAPF covers all employees at local government level. Members may retire between pensionable age of 55 (voluntary retirement) to 60 (statutory retirement) years.

[10] Although, these public run occupational schemes are contributory some pensioners still receive pensions directly from the government. This is the case for those civil servants (and ex military personnel) who retired before July 1999 (civil servants covered under the Pension Ordinance of 1954 in which contributions were not levied from individuals and the Government assumed full liability for these pensioners). In January2006, 54,510 persons received pensions directly from the Government involving a total cost to the Government of TSh 13.1 billion in January 2006. The average monthly amount was TSh 40,165 (ILO 2008)

[11] the chairman of the board who is the permanent secretary of the ministry responsible for local government; permanent Secretary of the Ministry of Finance or his/her representative; members representing the Attorney general; two members representing the Association of Local Authorities of Tanzania; three members representing the Tanzania Local Government Workers Union; and two members appointed from among persons with experience in social security, financial matters or business administration, one of whom is from the private sector.

In 2009, there were 66,394 (LAPF Annual Report 2008/09) active members representing 0.35% of economically active population. There were 1,349 beneficiaries.

Table 5.1shows the trend in the total number of members and beneficiaries over the last five years. There has been an average annual increase of 7% attributable to on going recruitment of new employees in the local government sector.

Table 5.1 LAPF Members and Beneficiaries 2005-2009

Year	2005	2006	2007	2008	2009
Contributing Members	51,274	53,015	56,479	63,302	66,394
Beneficiaries	480	431	428	1,830	1,349

Source: LAPF Annual Report 2009

5.1.3 Financing

LAPF, like all the public run occupational schemes is financed through employees' contribution, employers' contribution and money accrued from investment. The total contribution rate is 20% with the employer contributing 15% and the employee 5% of monthly basic salary. Table 5.2 shows LAPF sources of finance. It points to increasing trend in fund contributions attributable to higher employer compliance rate (local governments deduct contributions and remit these directly to the fund), an increase in membership and salary growth (LAPF Annual report). Income from investment[12] has also experienced consistent growth.

Table 5.2 LAPF Financing Sources 2005-2009

Year	2005	2006	2007	2008	2009
Contribution income TSh Billions	11.84	15.90	23.71	32.21	47.05
Investment Income	5.2	8.1	11.40	17.3	25.9

Source: LAPF Annual Report, 2009

5.1.4 Contingencies covered

The fund covers retirement, survivors and invalidity.

[12] In 2009, LAPF investment portfolio comprised of government securities and corporate bonds 51%, real estate 10% and bank estate 26%. The remaining portion is represented by equity and lonas,

5.1.5 Benefit type and levels

LAPF offers four main benefit types, which is summarised in Table 5.3 below. In 2009, 85% of benefit expenditure was on retirement, compared to only 3.8% on withdrawal (LAPF Annual Report 2009). Withdrawals are minimal compared to other schemes because of the 50% initial lump sum payment paid to members as part of retirement or old age benefits.

Table 5.3 Benefits and provided by the Local Authority Pension Fund

Type of benefits	Description of the benefits and qualifying criteria
Old Age Benefits	Members must make at least 180 contribution credits to the Fund. If a member attains voluntary or statutory age but has not reached 180 contribution credits, they will be paid in gratuity only. Benefits are calculated as follows • Specified Amount (SA) = 1/540 X Complete number of months of service (MoS) X Last annual salary (LAS) • Commuted Pension Gratuity = (Specified Amount / 2) X 15.5 (payable only once) • Monthly Pension = (Specified Amount / 2) X 1/12 (the payment will last until death) • Gratuity = 1/540 X Complete number of months of service X Last annual salary X 5 (For contribution credits less than 180)
Survivor Benefit	The benefits are normally paid to the deceased's widow/ widower, children or parents. And where there is no dependant, spouse or child - parents of the deceased. Where contribution credits are less than 180 months, only survivors gratuity is payable. Survivor benefits are calculated as follows • Death Commuted Pension Gratuity = (Specified Amount / 2) X 15.5 (payable only once) • Survivors Pension = (Specified Amount / 2) X 1/12 • Gratuity = 1/540 X Complete number of months of service X Last annual salary X 5 (For contribution credits less than 180)
Invalidity	At least 180 contribution credits to qualify for pension otherwise the member will be paid gratuity. Calculation of invalidity benefits are as follows Specified Amount (SA) = 1/540 X Complete number of months of service (MoS) X Last annual salary (LAS) Commuted Pension Gratuity = (Specified Amount /2) X 15.5 (payable only once) Monthly Pension = (Specified Amount / 2) X 1/12 (the payment will last until death) Gratuity = 1/540 X Complete number of months of service X Last annual salary X 5 (For contribution credits less than 180)
Withdrawal benefits	Payable to a member, who has resigned from employment, has been retrenched, dismissed or terminated on medical grounds, abolition of office, or any other cause. Withdrawal benefit is calculated as follows: Withdrawal Benefit = Employer's Contribution + members contribution + accrued interest

5.1.6 Preservation, withdrawal and protection of rights

There is currently no provision for preservation of funds in public run pension schemes. (LAPF Act 2006) so that withdrawal is the only option on changing employment.

Funds are fully backed by the government in case of insolvency. Regular actuarial valuation means the Board is constantly aware of the status of funds asset, and this oversight acts as a protection of member's right. But in the very unlikely event of fund becoming insolvent, the government is the guarantor.

5.1.7 Administrative cost

The administrative expenses as a percentage of total income was 3.7 % in 2009 and the ratio of administrative expense to contribution was 5.8% in the same period. This is fairly low compared to a recent benchmark figure for the ratio of administrative expenses to contributions of 15% (ILO 2008).

The Fund abides by an approved investment policy which underscores the basic investment principles of safety, yield, liquidity and socio- economic utility. There are no restrictions on which sectors to invest in (LAPF Act), although all funds must be invested in ventures within mainland Tanzania.

Fund assets have grown consistently over the last five years. Between 2008 and 2009, there was a 25% increase in net assets of the fund from TSh 216.93 billion to TSh 271.48 billion in 2009 (See Table 5.4). The growth in net asset is accounted for by both improvement in contribution collection and growth in investment income.

Table 5.4 Trend in Net asset of the Fund

Year	2005	2006	2007	2008	2009
Total net assets of fund TSh Billion	84.14	151.08	179.16	216.93	271.48

Source: (LAPF Annual Report, 2009)

5.1.8 Financial and social sustainability

Net cash flow of a fund can act as an indication of financial stability and the ability to meet the future obligation. Table 5.5 shows a noticeable increase trend of that annual contribution is increasing at a greater pace than expenditure (LAPF Annual Report, 2009).

However, the fund faces both long and medium term risk. The current demographic trends of increasing retirees coupled with high life expectancy if continues in the long term, could put significant pressure on funds, where benefit payout increases at a greater pace than contribution income. In the medium term, changes to salary levels by the government as a result of pending elections or part of wider public sector reforms could also increase pension obligation, beyond the current means of the fund.

Table 5.5 Comparison of benefits to contributions 2005-2009

Year	2005	2006	2007	2008	2009
Contributions TSh (Billions)	11.84	15.90	23.71	32.21	47.05
Benefits	2.19	6.98	6.50	9.29	14.89
Net Cash flow	**9.65**	**8.92**	**17.21**	**22.92**	**32.16**

5.1.9 Reform initiatives

In recent years the fund had initiated initiatives to improve service delivery (LAPF Annual Report 2009). The Pension Management System (PMS) is shortly to be commissioned. PMS will result in the automation of task such as registration of members, registration of employers and benefit processing. Finally following actuarial valuation of the fund in June 2008, the fund is now positioning itself to introduce additional benefits namely maternity and funeral grants.

5.2 Government Employee Provident Fund (GEPF)

5.2.1 Legal and institutional

The legislation governing the fund is the CAP 51 of 1942 (RE 2002). The Ministry of Finance is the supervisory and regulatory body. The daily operations of the Fund are being overseen by the Director General (DG).

5.2.2 Eligibility, access and coverage

The Fund covers employees of central government, who have been working there for less than 12 years[13]. The Fund also covers members who are employed under contract terms in Independent Government Departments, Government Agencies, Commissions and donor financed projects.

The total number of contributing members was 29,779 in 2008 (GEPF Annual report 2007/2008) 0.16% of the economically active population which makes GEPF the smallest scheme in terms of active membership in Tanzania

[13] These are classified as non-permanent staff. When employees have worked in the public service for over 12 years, they are automatically transferred to Public Service Pension Fund (PSPF)- See discussion below

5.2.3 Financing

GEPF is financed by employers (15%) and employees (10%) contribution with income from funds investment. Table 5.6 below shows a trend in financing sources for the GEPF. It shows an increasing trend in members' contribution amount, attributable to increase in membership size and employee salary increases. Investment income has also been growing.

Table 5.6 Trend in contribution (TSh Million)

Year	2004/05	2005/06	2006/07	2007/08	2008/2009
Contribution Amount	**4,4409.6**	**5118.6**	**8,8854.4**	**10,395.8**	**13,792.5**
Investment income	**1,509.9**	**2,1349**	**3,096.64**	**4,863.60**	**6,220.96**

Source: GEPF Annual Report – Various years

5.2.4 Contingencies covered

GEPF only covers old age

5.2.5 Benefit type and levels

GEPF offer two main benefits type's summaries in Table 5.7 below.

Table 5.7 GEPF Benefits and qualifying criteria

Type of benefits	Description of the benefits and qualifying criteria
Gratuity benefits	Paid in lump sum, is payable only once after the termination of employment by way of retirement, death or for any other reasons. Amount paid equals contributions and interest accrued.
Withdrawal/loans benefits	This is in the form of loans paid out to its members while still at work to help with immediate needs such as education and health expenses. Loans are limited to employee's own contributions and recovered within eighteen (18) months

5.2.6 Preservation and withdrawal; protection of rights

No preservation of benefits as with all occupational funds. Funds are only transferable to the Public Service Pension Fund after a member attains pensionable status. Withdrawals of funds are possible subject to approval from the board.

The government acts as a guarantor for the fund. Regular actuarial valuation assesses the financial viability of the fund, and warns against future insolvency.

5.2.7 Administrative cost

Table 5.8 shows a fluctuating trend in administrative expenses in relation to total income. In 2009 the ratio of administrative expenses to total income, was 8.91% which is within international guidelines.

Table 5.8 Administrative expense ratio

Year	2005	2006	2007	2008	2009
Total Income	5,919,500	7,253,500	11,951,040	15,259,400	20,134,640
Admin expenses	555.394	594.413	724.116	1,383.81	1,794.51
Ratio	9.38	8.19	6.05	9.06	8.91

With respect to asset management, fund invests in high interest generating investments after e.g. Government securities, Corporate Bonds, Loans to corporate bodies, Real Estates, Fixed Deposits with commercial banks; and Equity or shares of companies registered at the Dar Es Salaam Stock Exchange (DSE).

Investments of the fund are guided by the GEPF investment policy. Investment is guided by principles of safety, yield, liquidity, social-economic utility, viability (GEPF investment policy document). There is no restriction on sector or investment instrument, although all funds must be invested within Tanzania.

5.2.8 Reform initiatives

There are no known reforms initiatives for the fund, although the fund is currently looking at ways to extend coverage. With the passing of the new bill on social security, there will be several reform initiatives in the social security sector in general, which will also affect the fund- For example, portability of fund, indexation, preservation etc.

5.3 Parastatal Pensions Fund (PPF)

5.3.1 Legal and institutional

The Parastatal Pension Fund governed by Act No. 14 of 1978 (as amended by Act No. 25 of 2001).The Ministry of finance is the regulatory and supervisory entity. The day to day running of the scheme rests with the Director General, who is supported by four directors and two heads of units.

5.3.2 Eligibility, access and coverage

PPF is made up of two schemes; The Traditional Pension Scheme (TPS) which is a defined benefit scheme and the Deposit Administration Scheme (TPS) which is a defined contribution scheme.

The Traditional Pension Scheme (TPS) covers the employees of parastatal organizations and public institutions or private companies in which the Government owns shares. The Deposit Administration Scheme (DAS) covers employees who do not qualify for membership of the Traditional Pension Scheme or employees already covered by any scheme who want a supplementary scheme.

Around 25% of members are under Deposit Administration Scheme (mainly expatriate staff).

Table 5.9 shows the total coverage statistics for PPF. In 2009, contributing members represented 0.7% of the economically active population.

Table 5.9 PPF Coverage statistics

Year	2005	2006	2007	2008	2009
Contributing numbers	60,418	64,596	84,186	97,984	133,890
Receiving benefits	14,297	14,861	16,813	18,792	-

Source: (PPF 2010)

5.3.3 Financing

The contribution rate for the Traditional Pension Scheme is 10 per cent of gross salary from the employee, and 10 per cent from the employer, Or 5 per cent from the employee and 15 per cent from the employer.

Contribution rate for the Deposit Administration Scheme is the same as that of the Traditional Pension Scheme only if member is in the formal sector. Contribution rates are flexible[14] for members who use the scheme as a supplementary scheme.

5.3.4 Contingencies covered

Contingencies covered are survivors, retirement and disability, education, death and gratuity

5.3.5 Benefit type and levels

0 summarizes benefits PPF benefits below. PPF covers old age, survivors, and education, death and invalidity benefits. In 2009, 17.17%, 19.6%, 31.8%, 6.3% 0.94% of total benefits were under the deposit administration, withdrawal, monthly pension, death gratuity and education benefit respectively.

[14] Contributions which are decided upon by a member can either be percentage of earnings fixed amount or combination of percentage of earnings and fixed amount, Contributions may be remitted be when a member is earning income, No penalty is charged on late or non remission of contributions.

Table 5.10 PPF benefit type and qualifying criteria

Type of benefits	Description of the benefits and qualifying criteria
Old age and disability benefit	This is paid where a member has made at least 120 months contributing period. A "Commuted pension gratuity" (CPG) (lump sum) granted immediately on ceasing employment. Monthly old-age-pension is guaranteed for 36 months. Benefits are calculated as follows Commuted Pension Gratuity (CPG) = APE x PS x PF x CF x 0.25 Monthly old-age-pension = APE x PS x PF x 0.75 x 1/12 Where : APE = Average of the best five years salaries during member's contributing period. PS =Number of months a member contributed to the Fund. PF = 1/600 from July 1988 to date CF = 12.5
Survivor benefit	If the deceased has contributed for a period of not less than 10 years, survivors benefit equal to monthly pensions will be granted to dependant spouse and children of less than 18 years of age for 36 months.
Withdrawal benefit	Equal to the total of member’s and his or her employer’s contributions.
Education benefit	Payable directly to school of children of deceased member at the amounts not exceeding 1/12th annual pensionable emolument for maximum of 4 children from nursery to form four.
Death benefit	Equal to the greater of deceased member’s annual pensionable emolument and commuted pension gratuity. it is payable to the administrator of the estate of deceased member

5.3.6 Preservation, withdrawal and protection of rights

There are no preservation of benefits .The fund has risk management policies that are designed to identity and analyse risk and set appropriate limits and controls. The fund regularly reviews its risk management policies and systems to reflect changes in market product and emerging best practice. In the event of short fall in funds and inability to meet its funding obligation, government acts as a guarantor through consolidated funds

5.3.7 Financial and social sustainability

Past privatization of State Owned Enterprises has shrunk membership base of PPF. This coupled with higher life expectancy puts a drain on the financial viability of the fund and its ability to meet future obligations under a defined benefits scheme.

5.3.8 Reform initiatives

There are no current reform initiatives, although like the all social security institutions, activities will be affected once proposed bill is enforced.

5.4 Public Service Pension Fund (PSPF)

5.4.1 Legal and institutional

PSPF is governed by Public Service Retirement Benefits Act No. 2 of 1999. For the first five years of its existence, no benefits were paid until 2004 (ILO, 2008).

5.4.2 Eligibility, access and coverage

PSPF covers the permanent and pensionable employees of central Government- i.e. those who have contributed for more than 12 years to the Government Employees Pension Fund (GEPF). In 2006, there were 233,420 contributing members, representing 1.4% of the economically active population.

5.4.3 Financing

PSPF is financed from employer and employee contribution rate at the rate of 15% and 5% of basic salary respectively, as well as from Monies accrued from investments of the Fund and Income.

5.4.4 Contingencies covered

Old age, invalidity, survivor and death benefits

5.4.5 Benefit type and levels

Type of benefits	Description of the benefits and qualifying criteria
Old Age Benefits	A member who has contributed to the Fund for a minimum period of 180 months or 15 years will be paid both pension and gratuity while a member who has contributed to the Fund for a period less than 180 months or 15 years will be paid a gratuity only. Old age pension is calculated as follows • Specified Amount = 1/540 X Complete number of months of service X Last annual salary • Members who have contributed to the Fund for a minimum period of 180 months or 15 years Commuted Pension Gratuity = (Specified Amount / 2) X 15.5 (payable only once)

Monthly Pension = (Specified Amount / 2) X 1/12 (the payment will last until your death)

- Members who have contributed to the Fund for a period less than 180 months or 15 years

  Gratuity = 1/540 X Complete number of months of service X Last annual salary X 5 (payable only once)

Survivor Benefit This is payable without prejudice to the relevant laws of inheritance and the payment period is limited to 36 months after the death of the member. This pension payment is only made where the deceased member had contributed to the Fund for a minimum period of 180 months or 15 years

Invalidity

II. A member who has contributed to the Fund for a minimum period of 180 months or 15 years will be paid both pension and gratuity while a member who has contributed to the Fund for a period less than 180 months or 15 years will be paid a gratuity only. Invalidity benefits are calculated as follows

Specified Amount = 1/540 X Complete number of months of service X Last annual salary

Members who have contributed to the Fund for a minimum period of 180 months or 15 years

Commuted Pension Gratuity = (Specified Amount / 2) X 15.5 (payable only once)

Monthly Pension = (Specified Amount / 2) X 1/12 (the payment will last until your death)

Members who have contributed to the Fund for a period less than 180 months or 15 years

Gratuity = 1/540 X Complete number of months of service X Last annual salary X 5

Withdrawal benefits Payable in case of marriage, emigration and maternity. This is equal total contribution plus accrued interest

Death benefit This is paid will to a deceased member family when he/she had contributed to the Fund for a period less than 180 months or 15 years, only death gratuity will be paid. In case of a deceased member who had contributed to the Fund for a minimum period of 180 months or 15 years, both death gratuity and survivors' pension

5.4.6 Preservation, withdrawal and protection of rights

There is no preservation of benefits. Withdrawal is allowed in case of marriage, emigration or maternity. Regular actuarial valuation must be carried out every five years, reviews the viability of the scheme. In the event of short fall in funds and inability to meet its funding obligation, government acts as a guarantor through consolidated funds.

5.4.7 Administrative cost

The ratio of administrative expenses to total income is under 4 per cent for the period, which is relatively low by comparison with other schemes. Like other social security organizations PSPF is guided by an investment framework. Of the PSPF investment portfolio about TSh 400 billion in September 2006, 79 per cent was invested in fixed income and 21 per cent in real estate. Of the fixed-income portfolio, 73 per cent was invested in government bonds, 20 per cent was invested in loans, and 7 per cent in corporate bonds (ILO 2008).

6 Formal retirement systems - Other Occupational (supplementary)

A number of organizations have established supplementary pension and life insurance schemes with the National insurance corporation (NIC) or other pension provision institutions for some of their employees (Mostly managerial and professional staff). Some firms have made provisions for the payment of lump sum gratuities or what is termed “retirement bonuses” to the employees retiring after extended period of service. These pension arrangement, usually of insured type and coupled with survivor (life insurance) features, are both contributory and non-contributory types (Rwegoshora, forthcoming).

Supplementary occupational based schemes are offered in response to the perceived inadequacy of benefit levels received from public mandatory schemes, but also as retention packages for skilled work force.

The general features of such schemes such as eligibility, contribution rate, minimum contribution, type of benefits, etc are negotiated in a contract between employers and fund managers, following financial assessments and actuarial valuation. Generally, with these supplementary schemes, tend to offer only old age benefits; it is assumed that the other benefits types are provided by the mandatory schemes.

In the absence of an independent regulator in the social security sector in Tanzania, it is difficult to ascertain the extent of coverage of such supplementary occupational schemes and their general features. However, examples of offering employers offering such schemes are Tanzania and Zambia railway Authority, Bp Tanzania, Urafiki Textile.

6.1.1 Tanzania Zambia Railway Authority (TAZARA) Pension Scheme[15]

The Tanzania Railway Authority offers a supplementary voluntary pension scheme to its employees. The scheme started in the 1970s in the absence of an adequate pension scheme covering employees of parastatal and state owned enterprises.

Governance and supervisory oversight of the scheme is executed through a board of trustees comprising of workers representation (through trade union) and management representation. Management and administration of the fund is outsourced to an external fund managed – National Insurance Corporation. The fund manager is appointed by the board of trustee

Currently, voluntary based occupation schemes such as this come under the jurisdiction of the ministry of labour, although with the pending enactment of the new social security, this role will fall under the newly established independent regulator. The role of the ministry of labour here is to set contribution rate- under current pension’s legislation an employee cannot remit more than a third of their salary to a pension fund. The ministry is also responsible for keeping track of the smooth operation of the fund

The minimum contribution period for the fund is 180 months. Qualifying members receive an initial lump sum payment and annual pension annuity. Workers contribute 10% of their salary whilst employers contribute 15%. [16]

[15] This information is based on in interview and should be verified from documentary sources if they can be obtained.

The scheme is financed through employer and employee contributions as well as returns from investment. Members' rights are protected, given that current fund manager is a semi-public entity and the government acts as a guarantor in case of insolvency.

Apart from retirement benefit, no other type of benefits is paid under this scheme as it is assumed that such provisions are made by mandatory public schemes.

Preservation of fund and portability of funds are not allowed. When employment ceases, they receive total contributions plus interest accrued.

The fund has undergone several changes in over the last couple of years, switching recently from a defined contribution scheme to a defined benefit scheme. There is current talk at the board level to reverting back to a defined contribution to ease pressure on employers.

[16] Note: This is in addition to making contributions to NSSF. Altogether a member who is part of this scheme and NSSF would be contributing 20% of their monthly salary towards retirement. This is still within the 30% recommendation stipulated by the ministry of labour that an employer must take home after deduction.

7 Formal retirement systems – Private Occupational Schemes and Voluntary Schemes

Institutions such as the National Insurance Corporation (NIC), Jubilee Holding, and Micro Finance bank etc offer pension services to private individuals. Each scheme has its own unique features to attract clients. NIC for example mainly provides services like Pen Save scheme, Super life provider; Flex life provider, Group life, Pensions and Funeral cash.

The Pen Save scheme provided by the NIC has the following features

- Allows flexible contribution, where by the member decides on contribution rate- whether regular or lump-sum or combination of both.
- allows flexibility in benefits which may be taken as a lump –sum , regular income or a combination of the two
- Retirement saving are accumulated tax fee
- Clients have the opportunity to choose other life products to suits their needs such as super education provider, funeral cash policy and so forth.

Coverage of voluntary or private schemes is limited. Rwegoshora (forthcoming) argues that Jubilee holdings Tanzania limited also offers a personal pension fund- this scheme however represents a small part of the service they offer. However, there is also a need to for the state to provide the necessary scope and framework, including an appropriate legislative framework, for private providers of social security in Tanzania.

Arguments have been made for encouraging membership of private social security funds through tax incentives or relief. However, Rwegoshora (forthcoming) further notes “that However, there is also the counterargument that any measure of tax incentive or relief effectively diminishes the size of what is available in the public for purposes of reaching the poor and vulnerable through social assistance and other forms of subsidy or support. There is a careful balance therefore needs to be struck between measures to support and encourage private social security providers, and the much broader need to support those who are effectively excluded from or marginalization in terms of the existing social security framework”.

8 Informal retirement systems

The information presented here draws heavily on the findings of a study ("The missing social protection for older people in Tanzania") conducted in 2008 by the Institute of Social Work, Tanzania and Carinthia University of Applied Sciences, Austria. The study area covered Kingugi village in Dar es Salaam (urban) and Kineng'ene in Lindi (rural). It involved 400 respondents aged 50 and over, of which 233 (58%) were female.[17] Admittedly, the small size of the sample limits generalisation; nonetheless the findings provide a useful snapshot of informal provision for old age in Tanzania.

The information is supplemented by a study conducted by Help Age International (1998) on the situation of older people and anecdotal evidence from key informants during the OPM field visit. These sources jointly identify three main informal mechanisms for coping with old age - *family, resources from income generating activities and community based support.*

Family and kinship system as a support system in old age

The family and kinship system is highlighted as the most important source of support for the elderly in Tanzania as is the case in many Sub Saharan African countries. However, the general opinion is that these systems are in the process of being eroded (Help Age International, 1998). Various key informants noted the weakening of the family and kinship system, partly as a result of the generalized poverty situation in Tanzania, increasing urbanization and the effects of HIV/AIDS.

The important support role of the family system in old age is further illustrated in the findings of the study undertaken by Institute of Social Work. When respondents were asked who they refer to in times of hardship, 73% of respondents viewed their families as a significant support base

Table 7.1 presents information on the kind of support received family members as reported by the study population. Despite three quarters of respondents referring to their family for help, a large proportion of older people (46%) did not receive any kind of assistance from their family. A significant difference is observable between the rural (Kineng'ene) and urban study areas (Kingugu) in terms of the family's provision for support. Whereas 59.5 % of respondents in rural areas indicated that they did not receive any support compared to 33% of respondents in urban areas. This is a somewhat surprising find and could be partly explained by migration patterns.

With regard to frequency of support, 7.5 % of urban respondents who received monetary and/or material support indicated a monthly frequency of support compared to 1% of the respondent in the rural areas. The remaining respondents said family support is given upon request or on an irregular basis.

In general the study findings indicate that there was no permanently fixed single form of support given to older people by their family members. They usually receive mixed forms of support.

[17] Other demographic characteristic of the study population are: 42% of female and 83% of male were still living with their married partners; out of 400 people 22 (5.5%) were beneficiaries of formal pension schemes out of which only 4 were female, 76% of respondents have never been employed in the formal sector and half of respondents earn their living through agricultural activities.

Table 8.1 Kind of support from children and family members , by location (n=400)

Kind of support	Location: Kingugu n	%	Kineng'ene n	%	Total
Monetary	28	14,0	25	12,5	53
Material (food, clothing)	24	12,0	40	20,0	64
Medical	5	2,5	1	0,5	6
Housing	2	1,0	2	1,0	4
Monetary and material	34	17,0	10	5,0	44
Monetary, material and medical	2	1,0	0	0,0	2
Monetary, material, medical support and housing	6	3,0	0	0,0	6
Others	33	16,5	3	1,5	36
None	66	33,0	119	59,5	185
Total	200	100,0	200	100,0	400

Note: The category "Others" has not been specified

Source: (Spitzer, Rwegoshora, Mabeyo, 2009)

Resources from Income generating activities as an old age support system

Both the studies undertaken by the Institute of Social Work (2009) and Help Age International (1998) point to involvement in agricultural and other economic activities as a coping mechanism for the elderly.

The findings from the Institute of Social Work indicate that 56% of respondents relied on earnings from some kind on income generating activities to support them selves. In the rural area, 52% of the respondents were engaged in the agriculture sector compared to only 10% in the urban area. On the other hand 44.5% of respondents in the urban area identified themselves as being in 'business (i.e. small business activities such as selling charcoal, poultry, handcrafts, food stuff etc).

Income activities were generally higher in urban areas than in rural areas but in all cases too small to make a household of four or more people survive. As a consequence, some respondents reported being forced to beg from their fellow community members. 16% of the respondents admitted to resorting to begging as a coping mechanism.

The community as a support system in old age

The study findings by the Institute of Social work also points to reliance on the community (neighbours) and various organizations (faith based) as a coping strategy for the elderly. It, however, concludes that support form this source is limited because of generalised poverty at community level.

While the quantitative finding is that only 5% of respondents mentioned neighbours as a source of support, qualitative investigations suggest that neighbours do play an important role for older people in their struggle for survival. Neighbourhood support is described as being based on a concept of solidarity that even goes beyond the notion of reciprocity. Older people in urban areas in particular have access to religious groups - some respondents in the urban areas mentioned churches and faith communities as a source of support.

Interestingly, community based co-operatives known as *upatu* (indicating a money exchange network, where groups save through contributions of a certain amount by each member) was generally not accessible to many older people; older people are generally excluded from these groups as a result of their age and poor economic condition.

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