ZAMBIA

Reform Proposal and Strategy
World Bank Pension Core Course – 2009
Group Composition

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Economic and Demographic Situation

- Zambia is a low income country by international standards:
  - GDP per capita is estimated at $1,482 (IMF – 2009 Estimate)
- Economy highly dependent on export of raw materials – copper is the major export
- Poverty incidence is very high – estimated incidence of 64%
- In 2005 Zambia’s population was about 11.4 million
  - Young population with 60% of the population under the age of ...
  - 2.8% aged 65 years and above
  - Life expectancy at 42 years
  - labour force of 4.9 million and only 416,000 in formal employment
  - More than 80% of labour force work in informal economy
- Many people don’t have access to adequate social Protection and services – healthcare and education
- HIV/AIDS prevalence is about 12%; More than 600,000 children have been orphaned and are now dependent on their grand parents
Description of the Existing Social Protection System

**Contributory** – *covering formal employment*
- National Pension Scheme Authority
- Public Service Pensions Fund
- Local Authorities Superannuation Fund
- Occupational disease and work injury scheme
- Over 200 private occupational pension schemes

**Non-Contributory** *targeted at most vulnerable 10%*
- Public Welfare Assistance Scheme – Ministry of Community Development and Social Services
- Five pilot social cash transfer programmes
Reform Needs and Challenges

**NEEDS**
- Lack of standardization
- Duplicative and fragmented scheme
- Gaps in coverage
- Multiple supervision authorities
- Difficulties in mobility from one system to another
- Low payout levels

**CHALLENGES**
- Low public trust
- New and developing domestic financial market
- Lack of national social security policy
- High percentage of informal economy
- New leadership within the Labor Ministry
Enabling Conditions

- Strong tripartite relations
- Some existing legislation
- Relatively stable macroeconomy
Reform Options

- Harmonization of multiple systems
- Extension of coverage to informal sector: Social Pensions
- Strengthening governance framework
- Reforms in pension administration
- Reforms in the supervision framework
## Technical Feasibility of Reform Options

<table>
<thead>
<tr>
<th>Option</th>
<th>Assessment</th>
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Reform Proposal: Social Pensions

- Universal, not means tested, old age protection
- Government funded
- Enrollment through self-identification
- Supplemental coverage but not full income replacement
- Pilot: $12/month above 60 yrs (set by assessing basic food basket). Impact assessment showed success: improvements in education, etc.

Almost 90 per cent of people work in the informal sector and not covered by existing system
Proposed coalition/consensus strategy

- Consultative forums for key stakeholders
  - Parliamentarians
  - Trade unions
  - NGOs
  - Retirees etc

- Meetings with policy makers
Public Information Strategy

- Public information campaign: TV and Radio programs
- Educate ministries
- Sensitize policy makers
- Training and study tours to other successful low income country (Sub-Saharan Africa in particular) programs for ministry staff
Summary

- Zambia is a country with a large informal sector and high incidence of poverty but has a good base for some reforms
- Social Pension is top issue given country demographics
- A Social Pension program is technically and politically feasible
Many thanx!