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**SOCIAL SECURITY FRAGMENTATION
IN TANZANIA:
THE CHALLENGE OF GOVERNANCE**

**Tulia Ackson, Evance Kalula
&
Bonaventure Rutinwa**

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University of Cape Town

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The Challenge of Governance in the Fragmented Social Security Systems of Tanzania*

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Editorial Abstract

Good governance in social security provisioning is as important as the financial soundness of any social security institution worth its name. The principles of good governance, which include, among others, participation of stakeholders in decision making, transparency and accountability, have to be observed if a social security institution is to perform its functions efficiently. In Tanzania, there are about eight public statutory social security institutions and a number of them cover more or less similar contingencies and groups of people, resulting in the overlapping of functions and coverage and leading to competition between the social security schemes. All social security schemes are established by different statutes with the latter dictating what the former should offer, which groups the schemes should cover and, of course, the governing rules and procedures. This means that there is a multiplicity of public social security schemes with a fragmented governance system, together with other common problems of the Tanzanian social security system, such as low coverage, inadequacy of benefits and a lack of co-ordination between the social security institutions.

This monograph looks at the effects of fragmentation on the performance of the social security schemes by considering good governance principles and how they are observed by Tanzanian social security schemes.

Key words

Tanzania, Social Security, Good governance, Social security schemes, contingencies, coverage, fragmentation, coordination

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TABLE OF CONTENTS

Editorial Abstract.....	4
1. Introduction.....	6
2. Fragmentation of social security schemes.....	6
3. Administration of social security schemes.....	11
4. Institutional framework for social security administration.....	20
5. The quality of service delivery in social security.....	25
6. Good governance: the way forward.....	30
7. Conclusion.....	34
Endnotes.....	35
References.....	42
List of Figures	
Figure 1: Characteristics of good governance.....	30

1. Introduction

This monograph examines the governance of social security institutions in Tanzania by looking at the general principles of good governance in social security systems and how they are applied in Tanzania. It is argued that the major challenge for good governance is the fragmentation of social security schemes. The latter is one of the many challenges facing the Tanzanian social security system, which include low coverage, inadequacy of benefits and a lack of co-ordination both within the country and across the borders. Although poor governance can also occur in a unified social security system, this monograph argues that a fragmented system is more prone to poor governance because of differences in performance yardsticks, among other reasons. This study further argues that good governance may be impossible if there are no measures in place to ensure harmonisation and co-ordination between the existing social security schemes. It is also argued that there are strong connections between extension of coverage, adequacy of social security benefits and good governance. The latter, therefore, is the determining factor for any move towards extension of coverage and the commitment of social security schemes to providing adequate social security benefits.

In this monograph, the term 'governance' refers to the relationship between the leadership and the led in terms of practical commitment and technical competence, fairness, efficiency and effectiveness of the social security institutions, service delivery, accountability and transparency (Rwegoshora, 2005: 40). Good governance therefore refers to adherence to this definition, while poor governance means the absence of the factors mentioned in the above definition.

'Accountability' means the holding of a member in a reciprocal relationship answerable for actions related to his or her obligations, while 'transparency' refers to an administrative style that assumes the sharing of information between parties in the reciprocal relationship (Rwegoshora, 2005).

'Fragmentation' refers to the existence of many social security schemes covering the same or different groups of people, covering the same contingencies, operating under different laws and regulations, and a lack of co-ordination between these schemes.

2. Fragmentation of social security schemes

In traditional African societies, social security institutions were diverse, depending on the social set-up in a specific area. Although one hesitates to state that the diverse institutions were hierarchical, it may be observed that for most institutions this was indeed the case, although the hierarchy was not always very clear. This finding is based on the fact that social security problems were dealt with at the levels of domestic group, kinship organisation, neighbourhood and the chief (Bossert, 1987). While the domestic group consisted of family members, the kinship organisation was comprised of 'different domestic groups connected by kinship ties' (Bossert, 1987: 27). The

neighbourhood was a 'community of households inhabiting the same village or settlement, co-operating economically, and practising certain forms of mutual assistance' while the chief was required to oversee and ensure the welfare of all his subjects (Bossert, 1987).

It is evident that the first instance institution was the domestic group, followed by the kinship organisations, the neighbourhood and, finally, the chief, who was a social security institution of the last resort. As such, the argument that the traditional social security institutions were hierarchical is founded on the structure and the composition of each of these institutions and the responsibilities that they performed. It was not until other social security institutions failed that the chief would be approached, and the social contingencies which could be dealt with at domestic level would not involve the kinship or the neighbourhood. It may be argued, therefore, that in pre-colonial times there was no fragmentation as it is known today.

Modern social security institutions were introduced during the colonial period to cater for different groups of employees who worked for the colonial government. Fragmentation of social security schemes then emerged, not because the established schemes operated in a hierarchical manner, but because they were based on the differences that existed in employment relations: pensionable and non-pensionable terms of employment. This is exemplified by the enactment of different statutes which established different schemes for different categories of workers. For instance, the *Pensions Ordinance* of 1954 established the Pensions Fund which catered for the pensionable government employees, the *Provident Fund (Government Employees) Ordinance* of 1942¹ established GEPF to cater for the non-pensionable government employees, and the *Provident Fund (Local Authorities) Ordinance* of 1944 established LAPF for servicing local government employees.² It suffices here to state that the current fragmentation of social security schemes has its roots in the differences that were established during the colonial period.

Tanzania has numerous social security schemes, including the NSSF, the PPF, the PSPF, the PSRB, the GEPF, the LAPF, the NHIF, and the CHF.³ Each and every scheme covers the same or different groups of workers, similar social risks and offers the same or different social security benefits. Each scheme is a creature of a statute and is established by different legislation; each scheme operates under different rules and regulations; and each scheme is placed under a different ministry and/or department within the government (Rwegoshora 2005). The NSSF falls under the ministry responsible for labour matters;⁴ the PPF, the PSPF and the GEPF are administered by the Ministry of Finance;⁵ the PSRB is administered by the Ministry of Finance and the ministry responsible for the civil service;⁶ the LAPF is under the ministry responsible for local government authorities;⁷ and the CHF and the NHIF are under the Ministry of Health.⁸

The fragmented nature of the Tanzanian social security system causes the working population to suffer discrimination and the loss of their periods of contributions and accumulated contributions whenever they move from one social security scheme to another. Discrimination occurs where employees,

who would otherwise be treated equally if they were under the same scheme, are treated differently on the basis of the schemes to which they belong. For instance, the fact that workers are covered by different schemes means that workers who have similar working conditions will receive different levels of retirement benefits, in the form of either pensions or lump sum payments, depending on whether they belong to a pension scheme or a provident fund.⁹ Another example is summarised thus by Olivier and Kaseke:

... [T]he qualifying criteria tend to vary from fund to fund and from benefit to benefit. The old age/retirement benefit under NSSF and PSPF is payable when a member has contributed for a cumulative period of 15 years and has reached the voluntary retirement age of 55 years or the mandatory retirement age of 60 years. The same qualifying criteria apply to the payment of survivors' benefits under the two funds. The invalidity benefit provided by PSPF also enjoys the same qualifying criteria. The qualifying criteria for old age/retirement benefit provided by the PPF are that a member must have contributed for 10 years and has reached the voluntary retirement age of 55 years or the mandatory retirement age of 60 years (Olivier and Kaseke, 2005: 11).

For the beneficiary of a provident fund, who receives only a lump sum payment, this state of affairs exacerbates poverty and places a heavy burden on the government because the elderly, who are not adequately protected, will in turn become dependent on social assistance measures (Kanywanyi, 2005). In view of this, the President of Tanzania has remarked:

... I know that things are not going well. The Government understands the existence of various differences in payments of social security benefits to the pensioners because of the existence of different pension schemes which have different qualifying conditions. The Government accepts your request for the elimination of these differences so that there will be equality of treatment. I would like to assure you that we have heard your concerns and we will deal with them accordingly¹⁰ (authors' translation).

Additionally, the fragmentation of social security schemes discriminates against workers in the sense that workers are subjected to different eligibility conditions and different assessment mechanisms. The lack of a uniform mechanism for assessing invalidity/disability risks exemplifies this state of affairs. Different medical bodies are constituted for different social security schemes *and* for different members by the fragmented schemes, to assess and determine whether a member is permanently or temporarily incapacitated. It is the permanent or temporary nature of the disability that determines whether an affected member is entitled to invalidity/disability

benefits. The existence of different medical bodies means that members with the same conditions will be subjected to different assessments in accordance with the laws and regulations governing the scheme to which he/she contributes. One of the donor reports summarises this problem as follows:

... [E]ach of the Funds offer[s] some form of disability pension, or ability to withdraw funds due to disability, either temporary or permanent. However, *within and across the Funds there is no standard assessment mechanism*. This means that a person performing the same job in a different place may be examined in a different manner and provided with a different benefit. In addition there does not appear to be a clear monitoring mechanism for the doctors conducting the assessment (Donor Report, 2004: 52–53, emphasis supplied).

The problem extends to the administration of these schemes. Even members of the same scheme may be subjected to different medical bodies, which means that there is no uniformity even within the scheme itself. The following question then arises: How can the excluded be encouraged to join the existing schemes? It is argued that discrimination against workers may have a glaring impact on the quest for extension of coverage to the excluded: since they see that there is discrimination in the way the supposedly covered workers are treated, they will feel insecure about their protection in the event of the occurrence of the social risks against which they should be protected.

Fragmentation also fosters competition between the existing social security schemes, which causes havoc and hostility between the schemes as they all struggle to secure more customers from the shrinking formal sector, the same customers who, at some point, are or were registered with other schemes. To make matters worse, the *National Social Security Policy* of 2003 encourages competition between the schemes (Olivier and Kaseke, 2005).¹¹ Part 3.15 of the *National Social Security Policy* of 2003 provides that:

While the existing mandatory social security institutions shall operate and compete among themselves social security services under supplementary schemes shall be fully liberalised.

These problems also affect compliance, as employers may say that they have registered or are planning to register with a different scheme, while in actual fact they are avoiding their responsibilities to contribute. And, because of the hostility and competition between the social security schemes, the administrators are unable to establish the true state of affairs from other schemes. This is partly because the scheme that is requested to provide information may not be willing to 'divulge' the information to a rival scheme, and partly because, if the schemes are competing, asking a rival scheme whether they have registered a certain employer may mean that the scheme requested can also try to register the same employer and the scheme which asked for the information may lose the customer. It should be noted,

nevertheless, that while competition may be fruitful for private schemes, public schemes should not be allowed to compete as their basic objective is to provide services to the public at large, rather than to those who can afford the services.

Further, competition between social security schemes which is caused by fragmentation fosters corruption. Payments to employers by the social security schemes are intended to induce employers to register with a particular scheme. These unaccounted-for payoffs have an impact on adequacy of benefits because, instead of concentrating on improving levels of benefits, monies are directed to winning more customers. Arguably, adequacy of benefits directly influences extension of coverage to the excluded as the latter will be motivated to join the existing schemes once the benefits are considered sufficient. It is therefore argued that harmonisation and/or amalgamation of the social security schemes in Tanzania should be foremost on the reform agenda.

On account of fragmentation, each scheme has a different contributory rate, different methods of collecting contributions, different qualifying conditions for entitlement to benefits, different kinds and levels of benefits, different timeframes for disbursement of benefits, different investment policies and different governing and adjudication bodies.

It is because of these differences that governance of social security in Tanzania has also been fragmented, resulting in a lack of policy direction, poor quality of service delivery, a lack of accountability and transparency in the administration of schemes, ineffectiveness and inefficiency of social security administrators, and immense political interference (Rwegoshora, 2005; Olivier and Kaseke, 2005; and Bodor, 2007). As Kamuzora notes, 'fragmentation is another shortcoming of Tanzanian social security systems. Social security provision is administered by a number of institutions which are not coordinated. This makes it difficult to adopt a coherent national policy for social security' (Kamuzola, 1999: 112). These are the problems associated with the administration of fragmented social security schemes. As Cruz puts it, 'The social security system ... is ... fragmented because of lack of formal linkages among implementing agencies, often resulting in policy conflicts, programme disparities and administrative redundancies' (Cruz, 2004: 2).

It is proposed that a regulatory and co-ordinating body should be established for all social security undertakings in Tanzania. This would be in line with the *National Social Security Policy* of 2003 which states that:

[t]here shall be an [A]ct to govern and standardise operations of the social security sector. The law shall also provide for the establishment of a regulatory body that shall ensure smooth and efficient operations of the sector.¹²

In a similar vein, Olivier and Kaseke note that 'the problem of fragmentation can be attributed to the fact that there is no central body charged with the responsibility of coordinating social security provisioning in Tanzania' (Olivier

and Kaseke, 2005: 25). Lessons can be drawn from the South African social security system where the South African Social Security Agency has been established to co-ordinate social security provisioning in the country.¹³ Although the South African Social Security Agency is not a regulatory body, it serves as a good example for the establishment of a central social security co-ordinating body. In this respect, it is proposed that Tanzania should follow a similar path to minimise the impact of fragmentation on the existing social security system. It is further argued that the idea of having a co-ordinating authority is viable and will solve many of the problems associated with in-country and cross-border social security co-ordination.¹⁴

Nevertheless, although the South African experience offers good lessons in terms of the establishment of a co-ordinating body and harmonisation of social security undertakings,¹⁵ there have been no efforts in South Africa to amalgamate its fragmented social security system.¹⁶ It should be noted, however, that harmonisation and amalgamation are considered valid and viable options for Tanzania. It is advised that since most Tanzanian social security schemes are public schemes, there should be an amalgamation of schemes to result in three major schemes, such as a public scheme, a private scheme and an informal scheme.¹⁷ Amalgamation of social security in Tanzania will ensure that the governance of social security schemes will be easily co-ordinated by the suggested regulatory body. This will also mean that the ministries and government departments dealing with social security will be minimised and monitoring will be assured (Rwegoshora, 2005).

Alternatively, different schemes should cover different contingencies for the same groups of people. This will ensure equality of treatment, removing the existing discrimination between workers who are under different schemes since workers will receive the same kinds and levels of benefits under similar schemes. In this way, differences in terms of types and levels of benefits will not depend on the scheme but on the social risk that is covered by a particular scheme. For instance, one scheme could offer retirement, invalidity and survivors' pensions and other schemes could concentrate on medical care, health benefits and maternity benefits (Boudahrain, 2000).

3. Administration of social security schemes

Social security administration involves four main aspects: registration, collecting and recording contributions, awarding and/or paying benefits, and monitoring and enforcing compliance (Mpedi, 2003). Each social security scheme in Tanzania deals with these administrative aspects in a different way because the system is fragmented.

In respect of registration, social security schemes need to identify their beneficiaries. Identifying beneficiaries eases the process of collecting contributions, disbursing benefits when they are due, and enforcing compliance (Mpedi, 2003). Each existing social security scheme in Tanzania should identify its own beneficiaries and register them. There are instances, however, where social security schemes scramble for customers, because there are some schemes which cover the same groups of workers. For instance, the NSSF and the PPF both cover the private sector.

Collecting and recording contributions is a second essential element of social security administration. It entails keeping records of all the contributions made by a member, which later helps to establish the eligibility of a member to receive benefits under a particular scheme. This is best done through the computerisation of members' records. The ILO notes that:

[t]he electronic computer provides a means of collecting a mass of routine information, processing it and storing it economically. More and more social security institutions are turning to this as a most useful tool The usefulness of a computer is not confined to its record-keeping and storage facilities; it is versatile enough to be able to adapt to virtually any technical and managerial aspect of social security, computing accurately and speedily, and providing information to assist in planning...unit costs of administration, paying benefits and reconciling payments (ILO, 1989: 149–50).

Tanzanian social security schemes are mostly operated manually, which negatively impacts on service delivery, as the members' documents/files may get lost and this eventually delays the payment of benefits. The effects go further because of fragmentation, where each scheme has its own priorities and some schemes give little attention to institutional development for the improvement of service delivery. For instance, it was reported that while the NSSF and the PSPF are in the process of upgrading their manually created members' files to computer-based filing systems, other schemes are lagging behind in the area of information technology.¹⁸ Among other reasons, the administrators of the majority of the schemes indicated that introducing computerised filing systems requires a lot of funds which they do not have at the moment: Concerns were raised about the costs of purchasing sophisticated equipment and training personnel.¹⁹ Therefore, the problems of delay of benefits because of 'missing or lost files', a lack of updated information about members' contributions, and the failure to trace delayed remittances timeously remain.²⁰ Once again, the effects of fragmentation of the social security schemes are shown here, and harmonisation and amalgamation of social security schemes can ensure that all schemes move at a similar pace for the improvement of service delivery, including the computerisation of members' information.

Thirdly, social security administration is concerned with awarding and/or paying benefits. Once satisfied that a certain member has met the eligibility criteria, the social security scheme is obliged to award the benefits and effect their payment. Because of fragmentation, eligibility and qualifying conditions are different from one scheme to another as each scheme has a different establishing statute and operates according to different rules and regulations. The problems associated with the disbursement of benefits to the beneficiaries include centralisation of services, which delays payment of benefits to beneficiaries who are residing outside the city where the schemes' principal offices are located.²¹

The fourth core element of social security administration involves monitoring and enforcing compliance. As noted when discussing registration aspects, monitoring and enforcement of compliance is difficult to achieve where there is fragmentation, which is 'fertile soil' for competition between the schemes. Because a number of existing schemes cover the same categories of workers, and because employers can choose which scheme to register with, and can switch from one scheme to another, enforcing compliance becomes impossible. For instance, contribution evasion is the order of the day as the social security institutions are intimidated by employers who threaten to register with other schemes if the scheme insists on compliance.²²

In addition, monitoring authorities are also different from one scheme to another, and they use different mechanisms for monitoring compliance to the requirements of the establishing legislation, rules and regulations. It should be noted, however, that the differences in monitoring compliance under social security schemes converge in the courts of law when there are cases of non-compliance because the schemes use the same courts. This, nonetheless, does not harmonise the differences as even the courts have to use different benchmarks as laid down by the laws establishing the schemes. For instance, the NSSF uses inspectors who monitor compliance with registration and the remittance of contributions, while the establishing statutes of other schemes are silent about inspectors.²³ In the current state of affairs, extension of coverage is still far beyond reach, the provision of adequate social security benefits is barely perceptible, and co-ordination is a distant goal. As summarised by Gillion:

Extension of coverage depends on many factors, including the capacity of the social security administration. This affects both the credibility and the viability of the scheme and has implications for existing coverage in that many schemes experience difficulty in ensuring compliance. It also limits, however, the extension of coverage to the excluded groups and contingencies (Gillion, 2000).²⁴

It should be noted that in terms of monitoring and compliance, the law provides for substantial protection of the social security institutions. This is achieved by elaborate provisions on how enforcement of compliance is/will be undertaken against defaulters, who in most cases are the employers as they are used as collecting agents.²⁵ There are problems, however, associated with the fact that most social security schemes consider employers as collecting agents; these problems include contribution evasion and a compromise on enforcement of compliance (Gillion, 2000). It is stated that:

Contribution evasion or non-compliance is a critical issue in the design and operation of contributory social security pension programmes. It influences the adequacy of benefit payments to participants as well as both the financial status and the political legitimacy of the entire programme It has seriously undermined the social security system in some countries, with

revenue falling far short of that needed to pay benefits. This shortfall has resulted in social security systems failing to pay benefits, paying low benefits and receiving subsidies from general revenue *which increases the chances of government influence on social security schemes* (Gillion, 2000: 44; emphasis added).

This means that poor administration, which results in contribution evasion, impacts on the adequacy of benefits which essentially impacts on the extension of coverage to the excluded. Potential contributors are discouraged from joining the social security schemes because social security schemes are not performing well financially. In other words, 'achieving an extension of coverage is interdependent with good governance' (Gillion, 2000: 44).

The *National Social Security Fund Act* of 1997 provides that employers are obliged to remit contributions to the NSSF 'within one month after the end of the month in respect of which the contributions are due and payable.'²⁶ The *Parastatal Pensions (Amendment) Act* of 2001, being more precise, states that '[b]oth the member's and employer's contributions shall be remitted by the employer to the Fund within thirty days after the end of the month to which they relate.'²⁷ Under the NSSF, delay of remittance attracts a penalty of 'a sum equal to five percentum of the amount unpaid' over and above the normal contributions which would otherwise be due.²⁸ Similar protection and penalties are provided by the NHIF, the LAPF and the PPF.²⁹ The *Parastatal Pensions (Amendment) Act* of 2001 goes an extra mile and criminalises delay of remittances as it states that '[a]n employer who fails to remit to the Fund any contributions and additional contributions which under this Act are required to be remitted, commits an offence.'³⁰

In contrast, there is no similar protection for social security beneficiaries whose claims are mishandled, benefits delayed or mistakenly deducted as a result of 'general deficiencies in management and administration' (Gillion, 2000: 59). The law neither provides for the protection of the beneficiaries nor does it provide for a penalty or interest on the benefits which are due to the beneficiary when they are delayed.³¹ This negatively impacts on those whose benefits are delayed because most of them depend entirely on their social security benefits.³² The law should protect the beneficiaries equally in the event of delay of the disbursement of their benefits from the schemes or any other inefficiency on the part of the schemes. The law should also state that the social security schemes are obligated to pay a prescribed amount of interest on delayed benefits. The only two exceptions are the *National Health Insurance Fund Act* of 1999 and the *Community Health Fund Act* of 2001 which provide that 'delay in actions on claims' and 'provision of low quality health care services'³³ are punishable wrongdoings.

Additionally, social security legislation in Tanzania criminalises any act which is non-compliant with the whole process of registration, collecting and recording of contributions, and monitoring and enforcing compliance.³⁴ Surprisingly, any shortcoming in respect of awarding and/or paying benefits, which rests entirely on the part of the social security institutions, is not criminalised and, to a great extent, slackness by the social security schemes

is protected by law in the name of '*bona fide*' action or omission.³⁵ Delay of benefits, for instance, is not punishable by law and the social security schemes have been using this loophole to delay the payment of benefits for whatever reason they can advance: The common reasons are missing documents, files, and non-remittance of contributions by the employers who are collecting agents.

For almost all the social security schemes, the documents required to prove entitlement to benefits, for instance, pensions, include a letter of first appointment, a letter of employment on permanent and pensionable terms, a letter of confirmation of employment, a letter showing promotion to the last position at retirement, salary slips for the few months before retirement, a letter from the employer showing that the employer has allowed the employee to retire, and a copy of the employee's deductions for social security contributions.³⁶ Surprisingly, the social security schemes do not require some of these documents at the time of registration, when they would probably be available, or when an employee continues to contribute and the law does not compel him/her to do so. The schemes continue receiving contributions from the employer for an employee who is later required to produce documents which he/she may not necessarily have. For instance, an employee who has worked for 35 years is required to produce letters of his/her first appointment and confirmation of employment. How are these documents relevant to the eligibility criteria or the benefits one is entitled to? It is argued that it is unfair for the employee to be required to produce documents which add no value to his/her entitlements. Therefore, it is proposed that benefits should not be delayed because an employee is unable to produce these unnecessary documents, which do nothing but prolong the already cumbersome procedure.

Unavailability of documents is complicated by many factors. Firstly, a social security beneficiary does not know in advance what documents he/she will need to claim benefits, for instance, a letter of confirmation of employment, and would not demand it from the employer. Lack of awareness on the part of social security beneficiaries about their rights and obligations plays a role here. Secondly, the employers are also not compelled to provide the employees with the kinds of letters which are demanded by the social security institutions many years later.

Whether the beneficiary has the required documents or not, he/she should be entitled to the benefits for which he/she has worked and contributed. This entitlement would be better served if social security rights were constitutionalised, as the beneficiary would have a cause of action against any social security scheme and the administrators who are jeopardising his/her rights.³⁷ Proving that the beneficiary has qualified under the conditions set for a certain benefit and has made sufficient contributions should be sufficient. It is believed that it is the unexpected requirements of the social security institutions at the time of disbursement of benefits which cause the entitled members to lose their benefits.

Moreover, non-remittance of contributions by the employer tends to prejudice social security beneficiaries at the time when their benefits are due. However, the NSSF and the PSPF recognise the member's contributions even where

the employer has not remitted but there is proof that deductions were made from the member's salary.³⁸ This helps the beneficiary to access his/her benefits irrespective of the delay by the employer to remit contributions to the social security schemes.

It is proposed that the law should recognise the need to protect beneficiaries from slackness on the part of the social security institutions' administrators. Protection of beneficiaries may be done in two ways. Firstly, if the employer has delayed remittance of contributions to the social security scheme and this results in the beneficiary's benefits being delayed, interest should be payable by the employer for the number of days that payment of benefits is delayed. Secondly, where delay of benefits is solely caused by the inefficiency of the administrators, the social security institutions or the administrator responsible should be held liable for paying the interest on the delayed amount. It is believed that personal liability on the part of the administrators and social security institutions will increase efficiency and effectiveness in the efforts to protect the beneficiaries' right to social security. This is correctly noted by the *National Social Security Policy* of 2003 which provides that:

Good governance is the key to smooth functioning and efficiency in all social security schemes, as they are entrusted to manage funds on behalf of the contributors. There has been poor governance in social security services...There shall be guidelines to ensure that all social security schemes are transparent and accountable to the members and the public at large.³⁹

Lessons on how the beneficiary can be protected can be drawn from the South African experience where the *Financial Institutions (Protection of Funds) Act* of 2001 provides that persons dealing with funds, like a '[d]irector, member, partner, official, employee or agent of a financial institution or of a nominee company who invests, holds, keeps in safe custody, controls, administers or alienates any funds of the financial institution or any trust property' should observe the utmost good faith, exercise proper care and due diligence over the funds they are entrusted with.⁴⁰ This means that slackness or mismanagement of the funds by the mentioned categories of persons is punishable by law. For instance, the trustee of Art Medical Equipment Pension Fund, who was the employer of V.A. Mes' deceased husband, delayed paying premiums to Liberty Life which was supposed to pay death benefits to the widow.⁴¹ Liberty Life repudiated the claim of the widow because of the non-remittance of six months' contributions from the trustee of Art Medical Equipment Pension Fund. V.A. Mes lodged a complaint with the Pension Funds Adjudicator who, deciding in her favour, stated that: '[t]he law and the rules of the fund impose several duties and obligations on pension fund trustees to ensure that *the interests of members and their beneficiaries are protected*. In this case, the trustee did not ensure premiums were recovered timeously.'⁴² Therefore, the trustee was held personally responsible:

to compensate the complainant for the financial loss she suffered by reason of his failure to exercise his

duties with proper care and diligence, namely, ensuring that contributions are forwarded to Liberty Life timeously with a view to averting a lapsing of the underlying policy resulting in the complainant's claim for an insured benefit being repudiated by Liberty Life.⁴³

Similar protection for social security beneficiaries could be provided by social security law in Tanzania, which would increase the efficiency and personal accountability of social security administrators and employers alike.

While monitoring and enforcement of compliance protects the social security schemes, adjudication is by and large in favour of the social security schemes' clientele. Adjudication, in as far as this chapter is concerned, involves determination of claims and complaints by the beneficiaries of the social security system through either a judicial procedure or any other mechanism put in place for adjudication purposes (Olivier, 2003).

The *National Social Security Act* of 1997 provides that the Director General, who is obligated to oversee the daily operation of NSSF,⁴⁴ 'shall be responsible for the determination of claims to benefits and liability for payment of contributions.'⁴⁵ Also, the Director General is a point of first instance for all categories of claims for benefits under the NSSF.⁴⁶ In the event that the 'entitlement is dependent on a medical question, reference shall be made to a medical board for determination.'⁴⁷ The *National Social Security Act* of 1997 establishes the Medical Appeals Tribunal for the adjudication of complaints either by the beneficiary or the Director General resulting from the decisions of medical boards on entitlement to benefits.⁴⁸ For other claims, where the beneficiary is dissatisfied with the decision of the Director General, appeals may be lodged with the Social Security Appeals Tribunal.⁴⁹

The *National Health Insurance Fund Act* of 1999 establishes the National Health Insurance Fund Tribunal bestowed with appeal powers to deal with claims of members of the NHIF and health care providers who are aggrieved by any decision of NHIF officers.⁵⁰ The grounds of appeal are stipulated under section 41 to include any violation of the rights of patient; a wilful neglect of duties by the implementers of the NHIF that results in the loss or non-enjoyment of benefits by the beneficiaries; unjustifiable delay in actions on claims; delay in the processing of claims that extends beyond the period agreed upon; and any other act or neglect that tends to undermine or defeat the purpose of the *National Health Insurance Fund Act* of 1999.⁵¹

Similarly, the *Community Health Fund Act* of 2001 provides a list of grounds upon which a member, a health care facility or the Council Health Services Board aggrieved on these grounds 'may lodge a complaint to the Ward Health Committee, or to the Board or to the Council as the case may be...'⁵² The list of grounds upon which a member may base his/her complaints include the quality of health care services provided by the health care facility; unjustifiable denial of certain health care services by a health care facility; delay in the provision of a required health care service; and poor attitude to beneficiaries of health care services under the CHF.⁵³ Further, where there are disputes

between the Council Health Services Board and a health care facility, the grounds for appeal are: the quality of health care services is not in line with the granted fees; fee levels are lower than the agreed amount; and there are delays in payment for the provision of health care services.⁵⁴ Where a member of a CHF has a complaint about the Council Health Services Board, the grounds for appeal include the provision of poor quality health care services and any other act or omission that undermines the purposes of the Community Health Fund.⁵⁵

The rest of the schemes, *inter alia*, the PSPF, the PPF, the PSRB, the GEPF and the LAPF depend on the normal judicial procedure. Nonetheless, the *Parastatal Pensions Act* of 1978 provides that any dispute between the Board of Trustees of the PPF and the PPF relating to delegation of powers 'shall be referred to the Minister [of Finance] whose decision thereon shall be final and binding on the parties.'⁵⁶ Once again, the effects of fragmentation are shown here: each scheme has its own mechanism for dispute settlement which cannot be used by other schemes, and the beneficiaries are discriminated against as they are subjected to different adjudication mechanisms which have different advantages and shortcomings. These effects of fragmentation on the governance of the social security system clearly indicate that there should be harmonisation of and, in the long term, amalgamation of schemes that cover similar categories of workers and risks, and provide more or less similar social security benefits.

It is evident from the foregoing that, apart from a few schemes that have established their own specialised adjudication mechanisms, most schemes depend on the adversarial court procedure. As Olivier concisely puts it:

It should be noted, however, that not all social security laws make provision for ... remedies and adjudication procedures in the event of dissatisfaction. It thus appears that, in the absence of any such provision, any dissatisfied party will have to invoke ordinary common law or even administrative law remedies, before a court having jurisdiction (Olivier, 2003: 170).

There are advantages and disadvantages to both the specialised social security adjudication mechanisms and the normal judicial process of adjudication. Specialised adjudication bodies may be more effective in terms of efficiency, affordability and accessibility, since the matter is dealt with by a professional in social security issues, and decisions made with less regard to technical legal considerations are more likely to be fair. A normal court of law may be thorough with the judgment, impartial and trustworthy in whatever decision it reaches. The major problem associated with the specialised adjudication mechanisms, more so where there is fragmentation, is the number of inconsistencies 'as different bodies or officials are called upon to hear complaints and appeal in respect of different parts of the social security system' (Mpedi, 2003).

The problems associated with the normal judicial procedure include undue delays in the determination of complaints, not having expertise in social

security matters, limited accessibility as 'courts proceedings tend to be prohibitively expensive', and 'cases are often dealt with on a purely technical and legalistic basis, with little regard to broader fairness considerations' (Taylor Committee of Inquiry, 2002: 124 and Mpedi, 2003: 167).⁵⁷ It is on the basis of these problems that the Taylor Committee of Inquiry (2002) suggested that:

One of the guiding principles in devising an appropriate social security adjudication system is the need to ensure that an institutional separation exists between administrative accountability, review and revision, and a wholly independent, substantive system of adjudication [It is recommended] that a uniform adjudication system be established to deal conclusively with all social security claims. It should, in the first instance, involve an independent internal review or appeal institution. It should, in the second place, involve a court (which could be a specialised court) which has the power to finally adjudicate all social security matters, and that this court has the power to determine cases on the basis of law and fairness. The jurisdiction of this court should cover all social security claims ... emanating from the social security system (Taylor Committee of Inquiry, 2002: 124).

Although the Tanzanian social security system, albeit limitedly, takes into account specialised adjudication mechanisms, it should be noted that these mechanisms are mostly ad hoc in nature and, to date, no case or complaint has been dealt with by any of the mechanisms discussed above.⁵⁸ Therefore, one may ask whether these mechanisms are effective in protecting the social security rights of beneficiaries. It is submitted that the ad hoc nature of these specialised adjudication measures prejudices the beneficiary who does not know where to lodge his or her complaints. In this way, the beneficiary may jeopardise his or her rights or may lose on technical grounds in a normal court.

Non-constitution of the bodies suggests two possibilities: that the social security schemes are very effective and that there are no complaints so far; or that the social security schemes are ineffective and the complaints would be too many for the ad hoc bodies to handle and the schemes would be unable to implement the decisions that were given. Since beneficiaries have registered their dissatisfaction with the social security schemes, and since the specialised adjudication bodies have never been constituted, it is doubtful whether these bodies were created to serve the beneficiaries or to just 'beautify' the statute.

It is argued that, apart from the fragmented specialised adjudication bodies, there should be a body designed and designated to adjudicate social security matters in Tanzania. In this respect lessons can be drawn from the Pension Funds Adjudicator's office in South Africa which is permanent and is mandated to adjudicate all matters arising from registered pension funds.⁵⁹ All

complaints from pension beneficiaries may be lodged with the Pension Funds Adjudicator, who is required by law to 'dispose of complaints lodged ... in a procedurally fair, economical and expeditious manner.'⁶⁰ In the case of the Tanzanian social security system, a similar approach can be used for other benefits as well. Further, it is recommended that the establishment of the specialised adjudication body should be accompanied by harmonisation and amalgamation of the social security schemes, because there is little that the proposed body can do if each scheme is governed by different legislation. Following from this, the question remains: What is the appropriate institutional framework for social security in Tanzania?

4. Institutional framework for social security administration

Various bodies are entrusted with social security administration in Tanzania. Each scheme has a different body that administers social security which, once again, fosters inequalities between workers, inconsistencies in the determination of entitlement to social security benefits, and a lack of transparency and accountability on the part of the administrators. The bodies that are mandated by social security law to administer social security include boards of trustees, directors-general and the officials under them, and the ministers responsible for the existing social security schemes.

All social security schemes in Tanzania, except the PSRB, the GEPF and the CHF, are administered by boards of trustees.⁶¹ The boards of trustees are the highest governing and decision-making bodies for social security institutions in Tanzania. Each social security scheme has a separate board of trustees.

The board of trustees of the National Social Security Fund⁶² is entrusted with the control and administration of the NSSF, among other functions.⁶³ It is also duty-bound 'to manage and administer NSSF ... and to protect, safeguard and promote the interests of the insured persons.'⁶⁴ The board is responsible for ensuring that the NSSF is administered in accordance with the *National Social Security Act* of 1997, and for guaranteeing that the beneficiaries' welfare remains intact.

Similarly, the board of trustees of the Public Service Pensions Fund⁶⁵ must manage and administer the PSPF, and protect, safeguard and promote the interests of the members of the PSPF.⁶⁶ The board of trustees of the Parastatal Pensions Fund is similarly responsible to the PPF.⁶⁷ The same obligations are given to the board of trustees of the Local Authorities Provident Fund.⁶⁸ Slightly different responsibilities are given to the trustees of the National Health Insurance Board, who are required 'to devise control measures to prevent abuse of services',⁶⁹ among other duties, and to the Council Health Service Board, which is obliged 'to ensure that funds are available for health development activities in the council and essential drugs, medical supplies and vaccines are timely available.'⁷⁰

It is evident from the foregoing that the boards of trustees must ensure that the social security rights of the members of their respective schemes are protected. However, the members' rights are not well protected because of

the differences that exist between one scheme and another, which essentially generate discrimination against workers because of the inconsistencies in the qualifying conditions, the social risks covered, and the value and number of benefits offered, among others. Therefore the chance of holding the boards of trustees accountable for the non-fulfilment of their legal obligations is very slim, because 'insufficient provision is made for proper accountability and feedback, as far as the members/beneficiaries of the relevant funds or schemes are concerned' (Olivier and Kaseke, 2005: 27).⁷¹

On account of the lack of accountability measures, there are incidents of careless investments and misappropriation of social security funds in Tanzania. For instance, the NSSF and the PSPF have invested enormous amounts of money in 'dubious investments' which are unlikely to yield any profits in the future, let alone recovery of the monies invested.⁷² Additionally, the social security schemes offer personal loans with or without collateral, the re-payment of which cannot be guaranteed.⁷³ It is high time that those who are entrusted with the administration of social security recognise that social security beneficiaries must be guaranteed:

[t]he right to have a reasonable return on the investment of contributions made, the right to transparency as regards the disclosure of information relating to his/her contribution and/or benefit portfolio, the right to have his/her interests cared for by the managing board of the institution concerned, the right to an adequate level of benefits, and the right to just administrative treatment (Olivier and Kaseke, 2005: 38).

Although the NHIF and the CHF have specified the grounds upon which complaints from their members may be based, it is doubtful whether members even know these grounds of complaints or even know that they have a say in the running of the NHIF and the CHF. This contention is based on the fact that some members are unable to claim benefits because they are 'unaware of their entitlements and/or the procedures to do so' (Olivier and Kaseke, 2005: 20). This being the case, one may ask: If beneficiaries are unable to claim their benefits because of lack of awareness, how will they even know about holding the boards of trustees accountable? If a beneficiary has never approached the social security institution, it is unlikely that this member will know what the board is obliged to do. This is even more likely to be the case if a member does not know his or her rights or entitlements under the scheme.

If boards of trustees need to reach out to beneficiaries, the question is whether they are autonomous bodies, as claimed by their establishing legislation. Political influence over the existing schemes will render the performance of the boards' functions meaningless. Although the government's influence over the undertakings and performances of the schemes is something that the social security institutions will not admit to, such influence is obvious from the constitution of the boards (Rwegoshora, 2005). For instance, the chairman of the board of trustees of the National Social Security Fund is a presidential appointee;⁷⁴ the Director-General, who is the secretary of the board, is also appointed by the President.⁷⁵ Similarly, the chairman of

the board of trustees of the Public Service Pensions Fund is the Permanent Secretary of the Ministry of Finance,⁷⁶ who is a presidential appointee, and the Director-General is also an appointee of the President.⁷⁷ Also, the chairman of the board of trustees of the Parastatal Pensions Fund is the Permanent Secretary of the Ministry of Finance and all other members of the board are appointed by the Minister of Finance.⁷⁸ Exceptionally, the Director General of the NHIF is appointed by the National Health Insurance Board.⁷⁹

In the current situation, it is submitted, the boards of trustees are not autonomous and they cannot act in defiance of orders which come from the appointing authorities. The board members are likely to be inclined to serve their political leaders rather than the members of their schemes. In a word, 'there are...clear indications in the various laws of the possibility of political interference in the appointment and management of and decision-taking by the Board' (Olivier and Kaseke, 2005: 27).

Besides appointments being made by political leaders, the ministers responsible for the social security schemes are authorised by law to give 'the Board directions of general or specific nature as to the performance of the Board of any of its functions in relation to any matter appearing to the Minister to affect national interest, and the Board *shall* give effect to every such directions.'⁸⁰ The fact that this all-encompassing statement does not specify the kind of directions a minister can give nor the limitations thereon 'increases the possibility of political interference and may compromise the independence of the Board' (Olivier and Kaseke, 2005: 19 and Rwegoshora, 2005: 54). Consequently, it would seem that social security schemes operate at the mercy of political leaders. It is believed that 'interference by the directives from the minister for most of the funds affects governance of many social security funds' (Rwegoshora, 2005: 50).

From another perspective, however, the appointment of the heads of social security institutions by the President is viewed as one of the mechanisms of ensuring that the social security funds are safe,⁸¹ which justifies the extensive government control over social security schemes' undertakings. Firstly, social security schemes are placed under different ministries and it is the minister in charge of a specific scheme who must report to Parliament (Rwegoshora, 2005).⁸² In this way, the law recognises that the minister needs to have control over a scheme for which he or she is responsible. As Rwegoshora notes:

[t]he National Assembly does control the functions of the Government, therefore, a Minister responsible for the Fund ... may be given directions, ordered to supply necessary feedback that is missing and may hold the Minister accountable for any mismanagement of the Fund (Rwegoshora, 2005: 41).⁸³

Secondly, the government acts as a guarantor for each and every social security scheme if there is a shortage of funds to perform its functions, including the provision of funds for paying out benefits which are due to the members.⁸⁴ As a guarantor of the schemes, it may not be possible for the

government to allow the schemes to be independent, hoping that they will control and conduct themselves responsibly. Because the government is responsible for financing the schemes in the event of a shortage of funds, it can justify its control of the schemes' undertakings.

There are strong connections between the appointment of the directors-general, the directives by the ministers responsible for the existing schemes, and the fact that payment of social security funds from the Consolidated Fund is guaranteed. The Consolidated Fund comprises state money, and therefore the government is justified in influencing the decisions of the schemes, firstly, by appointing the heads of the schemes, and secondly, by compelling them to give effect to the minister's directions.

Although it is indisputable that the involvement of the government cannot be totally avoided, its immense influence on the undertakings of the social security schemes affects the schemes and places the beneficiaries at the mercy of presidential or ministerial appointees who can be disciplined only by those who appointed them. It follows that it pays the presidential or ministerial appointee to continue to be loyal to his or her appointing authority and the authority's allies so that the appointee is able to maintain his or her position. Beneficiaries in Tanzania have witnessed personal loans being given to ministers without clear conditions and contrary to the investment policies of these schemes.⁸⁵ Not only that, the public has also witnessed their monies being wasted on 'political investments' by the social security schemes who spend large amounts of money on congratulating political leaders or appointees in the public media (Rwegoshora, 2005). As indicated earlier on, this is where the problem of fragmentation, as a playing ground for competition between the schemes, and the need for harmonisation and/or amalgamation seem to converge. In the absence of competition, the levels of benefits could increase, as there would be no adverts to 'win customers and political favours'.

Following from this, it is argued that those heading social security schemes should be free from political influence because 'many schemes ... have suffered from bad management partly because of too much government interference, which has often strongly reduced the trust of members in the scheme' (Van Ginneken, 1999: 8–9). It is suggested that the positions should be elected, with a prescribed term of office. Chairpersons and directors-general of the schemes should be elected by the representative members of the stakeholders of a particular scheme (Diop, 2003). As long as the administration of social security schemes continues to be controlled by politicians, the extension of coverage will remain impossible, as 'extension of coverage to the whole population [depends on] improvement of governance' (Gillion, 2000: 40). Improvement of governance means 'involving the introduction of revised governance models, emphasising the role of Boards [of Trustees] with comprehensive responsibilities and chief executive officers with appropriate accountability requirements' (Mpedi, 2003: 165). This is in line with the ultimate goal of governance: that 'public administration must be accountable ... transparency must be fostered, by providing the public with timely, accessible and accurate information' (Olivier, 2003: 183).

Having seen how administration of social security in Tanzania is conducted, one question remains: How are accountability and transparency ensured under the current conditions? Although accountability measures are not expressly provided for by law, members of social security schemes are legally entitled to receive statements of accounts whenever they request them.⁸⁶ It is not clear, however, whether members can access information on the financial standing of the scheme, because participation of the members in decision-making bodies is too minimal to have any impact. For instance, there are only three workers' representatives on the board of trustees of the NSSF (which comprises 11 members), while the composition of the board of trustees of the PPF does not guarantee or state the number of workers' representatives.⁸⁷

The problem of fragmentation once again surfaces here: In the event of amalgamation, it is not clear whether workers' representatives will be the same individuals for all the social security schemes or will be different from one scheme to the other. If the former view prevails, then some workers will not be properly represented as the representatives may belong to only one or two schemes and know nothing about the rest of the schemes. If the latter view succeeds, then there is a danger of multiplicity of representatives and inconsistencies may arise in terms of the demands of the workers at large. The latter will foster discrimination against workers as there will be different representatives for each scheme, and while some may be vocal and effective, others may be timid and unable to represent workers adequately. As Olivier and Kaseke concisely state:

... while the composition of the various Boards, where appropriately, is generally of a tripartite nature, and may have to reflect experience in social security, financial matters or administration, the choice of a stakeholder representative may be restricted to a particular entity from amongst the stakeholders (Olivier and Kaseke, 2005: 19).

While uniformity is non-existent, the members of the social security schemes are unable to monitor their undertakings or even understand their financial position. An example here is that of the investment portfolio, where decisions are taken at two levels: by the investment committee of the scheme and by the board of trustees.⁸⁸ While the members have representatives at the board level, albeit with minimal influence, they are not represented at the committee level where most of the investment decisions take place.⁸⁹ It is therefore submitted that social security stakeholders should participate in investment decisions in order to guarantee good governance of the schemes.⁹⁰

Every social security scheme is obliged to follow the principles of democratic management, and this is even more obligatory for a scheme which is financed by contributions from members. Democratic management requires, as stated by Gillion:

[p]articipation of workers' and employers' representatives in management of social security schemes [as] the direct consequence of financing

through contributions. The aspect is a crucial one since it makes reference to the free use of salary whose suspension through the introduction of social security contributions (deferred salaries) becomes acceptable only when workers have, through their representatives, the right to influence the use of what, at the end of the day, remains their money (Gillion, 2000: 40).

It is the participation of different stakeholders that guarantees transparency and accountability. The representatives of members of the social security schemes will question the wellbeing of the schemes based on the information they receive and, in turn, the social security schemes will operate according to the principle of transparency. As Mpedi puts it, 'creation of optimum opportunities and processes for interaction with, and feedback from, beneficiaries and potential beneficiaries will promote better accountability and hence greater operational efficiency' (Mpedi, 2003: 165). The current social security system in Tanzania does not seem to pay attention to the participation of beneficiaries in the undertakings of the schemes. As summarised by Rwegoshora:

all Funds [tend] to leave the stakeholders behind in the whole process of feedback ... therefore the similar issues of participation, transparency, [and] reciprocal feedback are apparently missing in [these] social security scheme[s] (Rwegoshora, 2005: 44).

This being the case, one question remains unanswered: What is the situation of the beneficiaries and what quality of services do they receive?

5. The quality of service delivery in social security

The current state of affairs suggests that social security service delivery is poor: members of the schemes have expressed their dissatisfaction with the manner in which social security schemes take care of them. The major cause of dissatisfaction is the fact that 'in Tanzania, the institutional framework for the delivery of social security services is very fragmented and uncoordinated' (Rwegoshora, 2005: 58). This has led to complaints about:

inadequacy of benefits, lack of equity and fairness in the administration of the services, delays in payments, lack of up to date information about the schemes, lack of information on contributions made by the individual members and generally lack of understanding on the rights and obligations of members (Rwegoshora, 2005: 45).

Firstly, members of the schemes complain about inadequacy of benefits. In this respect, it is submitted that social security schemes should strive to offer better benefits instead of concentrating on 'political investments'. Likewise, benefits should be compatible with the changes that occur in the economy so

as not to deprive the beneficiaries of their right to be protected against destitution.

Lack of equity and fairness in the administration of the services is another area of poor service delivery in the social security schemes. There are concerns about corruption in the administration of social security benefits and that service delivery is based on favouritism rather than on merit. For instance, some beneficiaries indicated that their benefits were given earlier than expected because they knew one of the employees at the social security institutions who helped to expedite their applications.⁹¹ Likewise, the fairness of these schemes in terms of service delivery is doubtful as some members have to travel long distances to access the services and in most cases they are given different dates for follow up which keep changing.⁹² The beneficiaries who travel long distances have to use their own money for travelling, which is never refunded by the schemes when the benefits are paid. In fact, some beneficiaries have to borrow money to cover travel costs, only to find that the benefits for which they are applying cannot be paid because, to take one example, the employer has delayed in remitting the contributions to the scheme.⁹³

A third observation is that delays in the payment of benefits also cause dissatisfaction and distrust with the schemes. The beneficiaries wait for too long after the due date to receive their benefits. Theoretically, almost all social security schemes pay benefits after a period of seven days to two months. However, in practice, the earliest a beneficiary will receive benefits is after six months, and some beneficiaries may wait for up to three years. The causes of this delay of benefits include the laxity of social security law, which does not specify when the benefits should be paid to the members, and careless investments that do not yield returns within the anticipated period of time. In addition, social security schemes tend to give personal loans to politicians, which negatively affects the financial ability of the social security schemes to disburse benefits on time (Rwegoshora, 2005 and Olivier and Kaseke, 2005). Delay of benefits is also caused by the cumbersome procedures in place which require the production of unnecessary documents upon retirement or when the benefits are due.⁹⁴

Another cause of delay of benefits is the fact that the headquarters of most social security schemes are located in Dar es Salaam, with the exception of the LAMPF, which has its headquarters in Dodoma. The fact that all the schemes operate from Dar es Salaam has caused dissatisfaction with beneficiaries who live up-country, who lack timely services compared to beneficiaries who live in Dar es Salaam. In most cases, employers have remained the main 'middle men' between the schemes and beneficiaries outside Dar es Salaam. In this respect, Van Ginneken suggests that '[b]enefit payment procedures need to be streamlined so as to shorten the period involved in claiming benefits and to decentralise benefit payment procedures' (Van Ginneken, 1999: 14).

However, almost all the social security schemes have offices in some parts of the Tanzania. The NSSF has offices in every political region in Tanzania and in about 16 districts.⁹⁵ All these regional and district social security offices are

allowed to administer social security services to the beneficiaries in those areas subject to a monetary maximum ceiling of TZS15 million (USD11,363.63) for Dar es Salaam offices, TZS7.5 million (USD5,681.81) for Arusha, Morogoro, Mwanza, and Kilimanjaro and TZS3 million (USD2,272.72) for all other regional offices.⁹⁶ The PPF has four zonal offices: Dar es Salaam, Arusha, Mbeya, and Mwanza for the coastal/eastern, northern, southern highlands and lake zones respectively.⁹⁷ Similarly, the NHIF has seven zonal offices: the eastern zone, western zone, lake zone, northern zone, southern zone, southern highlands, and central zone. The LAPF has three zonal offices, namely, the lake zone, northern zone and eastern zone. Unlike the other schemes, the LAPF zonal offices may only receive claims, which are transmitted to the headquarters for determination and other administrative procedures. The zonal offices come into play again for the payment of benefits to the beneficiaries. The PSPF and the GEPF depend entirely on the employers of their up-country members for receiving claims and paying benefits.

Although it may appear that many of the schemes operate on decentralisation principles, the reality is that the administrative activities of these schemes are still concentrated in their respective headquarters. The decentralisation of social security services is thus required for any quality social security delivery. Many areas are still far from reach and the beneficiaries in those areas are still suffering. Beneficiaries should not be prejudiced by the location of their residences. Co-ordination, harmonisation and amalgamation of the schemes would mean that a social security scheme which has an office in one area could service the entire group of beneficiaries of other schemes in a particular area. This approach would simplify the disbursement of benefits. In this way, services would be brought closer to the people, and the quality of social security delivery would be improved.

A fourth area of dissatisfaction is that beneficiaries have no knowledge of their rights and also have no idea about their obligations. Members of the social security schemes are not informed about the undertakings of schemes and therefore lack current information about the schemes. They do not know about the financial status of their schemes, nor do they have information about the contributions they have made. Only when they apply for their benefits do they find out whether they have made sufficient contributions and whether they qualify for any benefits.

Because members are unaware of their rights and obligations, they fail to address problems experienced with the appropriate authorities. For instance, members are entitled to obtain information about the contributions they have made to the schemes, but they complain that they are not given information about the state of their accounts.⁹⁸ Initially, schemes provided monthly statements for their members to their employers. This turned out to be too costly and it did not add any value, as the members were not given their statements; some of whom would approach the schemes directly for duplicate statements. Justifiably, the schemes decided to offer information on request. However, this approach has a negative side, especially where the services are centralised and the workers are located all over the country. It is impracticable for a member working up-country to travel to Dar es Salaam,

where the majority of the schemes' headquarters are, just for a statement of account. It is proposed that statements of account should be sent to the members directly, because some employers would not want to give statements of account to their workers when they know that they have not remitted their contributions to the schemes. As Van Ginneken suggests, '[r]ecord-keeping needs to be improved and statements of account should be sent to members regularly' (Van Ginneken, 1999: 14).

This approach will help both the member and the social security scheme. The worker will be able to approach the employer and inquire why his or her account does not reflect the deductions made from his or her salary for social security contributions for a specified period. The schemes will thus be helped in enforcing compliance at no cost to them. Therefore, it is recommended that the law should provide that members should get their statements of account, either annually, twice a year, or quarterly.

There are three major challenges, however, to effective social security delivery in Tanzania: the inability of the social security schemes to collect revenues from their members,⁹⁹ high administrative costs, and a lack of co-ordination of social security matters both within and outside the country.

An inability to collect contributions, coupled with contribution evasion by members, especially where the scheme is primarily mandatory and financed by contributions, has far-reaching effects. Inadequacy of benefits accompanied by stagnation of benefits seems to be the direct outcome of this state of affairs. Delay of benefits, caused by insufficient funds or non-remittance by the employer, is also a result of the inability of the schemes to follow up on revenues. Enforcement of compliance is impaired as the schemes are incapacitated by the fragmented state of affairs which causes competition between the schemes, while employers can, at any given time, switch from one scheme to another. To maintain their membership, the schemes have to be lenient about enforcement procedures, and this again leads to poor governance and lack of proper administration. Gillion notes that:

Contribution evasion has direct effects on governance and administration of the fund. Also payment of benefits will be delayed and the levels of benefits may be very low. Evasion also attracts high spending of social security fund to enforce compliance which may be [more] expensive than the contributions being sought (Gillion, 2000: 59).

High administrative costs are a second challenge for the quality of social security delivery in Tanzania. High administrative costs may be a result of the fact that 'staff of the pension agencies may be too numerous and their salaries too high' (Gillion, 2000: 59). The beneficiaries may be scattered all over the country, which requires more staff to serve them in their areas. Harmonisation and co-ordination, with the eventual goal of amalgamation, will reduce the costs of administration as the facilities and staff of one scheme will be serving beneficiaries of other schemes. High costs of administration are also caused by the fact that schemes are 'compelled' to bribe the employers

to remit contributions. As Van Ginneken summarises, 'the costs of delivering the benefits are often high and, without an efficient and accountable control and monitoring system, leakages or corruption are likely' (Van Ginneken, 1999: 9). It is submitted that high costs impact on adequacy of benefits because the administrative costs are high, and therefore the proceeds from investment are used to supplement these costs rather than improve benefits.¹⁰⁰

A third challenge for quality social security delivery is the lack of co-ordination measures in the country, which poses problems for co-ordination efforts at regional level and the world at large. If at country level there are experiences of poor service delivery, worse can be expected for service delivery to migrant workers. Taking the example of disbursement of social security benefits, where a migrant worker in Tanzania wants to return to his or her home country, disbursement of benefits will be delayed. Similarly, where a Tanzanian who worked in another country returns home, his or her benefits will be delayed by the cumbersome procedure and centralised social security system in Tanzania, even if the benefits are sent timeously by the host country's social security scheme. As such, 'administrative inertia and institutional inefficiency in the area of social security delivery are ... major obstacles for co-ordination' (Olivier and Kalula, 2003: 656). It is argued that Tanzanian social security service delivery should be improved in respect of regional co-ordination.

The South African experience of workers' compensation pay-outs for Mozambican mineworkers who returned to Mozambique offers good lessons here. The South African social security scheme, Rand Mutual Assurance, remitted compensation for the returning migrant workers to the Mozambican government, which was required to pay the returned workers. After a random survey by the Rand Mutual Assurance on whether the beneficiaries received their benefits, it was established that '70 per cent of workers ... had never received any payment, despite Rand Mutual having remitted workers' compensation to the Mozambican government on behalf of all of them. Of the 30 percent ... who did receive compensation, payments were in each case lower than the remitted amount' (Fultz and Pieris, 1997: 11). After negotiations with the Mozambican government, it was resolved that a private agency, the National Institute of Social Security, would distribute the benefits to the workers (Fultz and Pieris, 1997).

A similar problem is likely to occur in Tanzania, where the contributors already experience considerable problems with benefit payments which are from the Tanzanian-based social security schemes; the problems will surely be worse for beneficiaries entitled to benefits from outside the country. It appears that there is close link between good governance, adequacy of benefits, extension of coverage to migrant workers, and co-ordination of social security issues. Therefore, it is important that the Tanzanian social security system strive for good governance in order to protect its populace against destitution, through the provision of adequate benefits, which is dependent on portability and co-ordination measures so that the periods spent and contributions made in the previous scheme or another country are not lost.

Therefore, the challenges for governance include a lack of participation of stakeholders in decision-making; competition between the schemes which has led to a scramble for customers which in turn affects monitoring and compliance; inability to invest the financial proceeds wisely (Gillion, 2000); ineffectiveness of adjudication of clients' claims; centralisation of services which causes poor levels of social security services; lack of equity and fairness in service delivery; fragmentation of social security services (Mpedi, 2003); a lack of databases and links between schemes because they operate as rivals; double dipping; a lack of understanding of the rights and the obligations of members; and centralisation of decision-making. As Mpedi summarises it:

a central challenge affecting service delivery within the public sector is operational inflexibility Poorly structured hierarchies, over centralised decision making, in particular, with respect to basic operational matters and the lack of appropriate performance evaluation and remuneration leads to poor morale and ultimately poor service delivery. In addition, it is proposed that organisational capacity needs to be addressed by the implementation of effective and disciplined management processes (Mpedi, 2003: 164).

Although there are numerous challenges for social security delivery, the improvement of governance – transparency, democratic governance, the participation of stakeholders, and devising yardsticks for accountability – may improve matters.

6. Good governance: the way forward

By and large good governance comprises eight major characteristics which may be presented as follows:

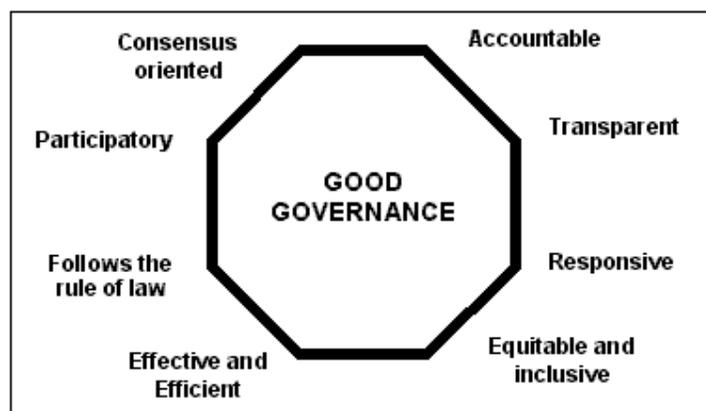


Figure 1: Characteristics of good governance

Source: UNESCAP

Although the 'characteristics' of good governance are not specifically intended for social security administration, it is submitted that the same components should be incorporated into social security administration for the improved governance of social security schemes.

As indicated earlier, participation is an important aspect of social security administration. Participation ensures that stakeholders are involved in decision-making which leads to satisfaction about service delivery because of a better understanding of the social security scheme's undertakings (Scholz and Drouin, 1998). It also reduces the complaints that the beneficiaries may have about a social security scheme as they will trust that their representatives are heard and their concerns are being addressed by management.¹⁰¹ It is recommended that the Tanzanian social security system should consider involving all social security stakeholders, including employers, employees and the government, in all decision-making. Gillion summarises the need for participation in the following words:

Some of the problems social security systems have encountered can be addressed by policies to improve management, governance and compliance. Governance can be improved by involving workers and employers in the process ... [and] participation in a management board. Management needs to be structured so that employers and workers have input into the structure of social security programmes. While, in some cases, it may be useful to have the formal input of these groups through their participation in management committees, in other cases, participation could occur through lobbying, voting, and their otherwise being involved in the political process' (Gillion, 2000: 45–6).

Consequently, participation of different stakeholders in decision-making will result in achieving a 'broad consensus in society on what is in the best interest of the whole community and how this can be achieved' (UNESCAP). With consensus, improvement of governance of social security schemes will be guaranteed, and the different interests of different groups in the scheme will be considered. Participation will thus 'ensure that contributors and beneficiaries have an opportunity to influence the decision-making process and to monitor the administration of social security schemes' (Gillion, 2000: 42).

It is argued that 'government institutions must be accountable to the public and their institutional stakeholders' (UNESCAP) because 'accountability is the cornerstone of a democratic government' (Mpedi, 2003: 150 and Butare and Kaseke, 2004). As we have seen from the discussion earlier on, there are no clear mechanisms established for making those who are entrusted with social security administration accountable to the people they purport to serve and who are affected by either the schemes' non-performance or decisions that may be taken. It is proposed that social security schemes should be made accountable to the public: the law should clearly state the standards for performance of the social security schemes administrators, against which the beneficiaries can evaluate their performance. This should be done by

establishing 'a mechanism for monitoring and reviewing administrative performance' (Gillion, 2000: 42). As Olivier and Kaseke summarise:

Good governance in social security schemes is critical for the viability and sustainability of the schemes ... in order to improve governance ... the Board of Trustees should be made accountable to the three stakeholders groups, namely government, employers and employees. Thus the operations of the scheme should be transparent (Olivier and Kaseke, 2005: 45).

This would be in line with the spirit of the *National Social Security Policy* of 2003, which states that 'there shall be guidelines to ensure that all social security schemes are transparent and accountable to the members and the public at large.'¹⁰²

Further, social security legislation should also 'establish institutional arrangements which are accountable for the implementation of social security programmes' (Gillion, 2000: 42). Accountability mechanisms will ensure that investments are wisely chosen, that personal loans to politicians are avoided, and that 'political investment' by the heads of the institutions is also avoided. And, as indicated earlier on, the directors and chairpersons will be accountable to the public rather than to their appointing authorities. Independence from political and government interference will give autonomy to the administrators, which will improve governance of the schemes (Diop, 2003). The law should also devise mechanisms to 'ensure that contributions are collected and accounted for and that the beneficiaries are paid promptly and accurately and with appropriate explanation' (Gillion, 2000: 42).

Accountability has a flip side: transparency. The Tanzanian social security system should 'ensure that contributors and beneficiaries are aware of their rights and obligations' (Gillion, 2000: 42), which will result in disciplining anyone infringing their rights or failing to perform their obligations. In the absence of transparency, accountability cannot be achieved because the contributors will not know what their rights are and what the obligations of the administrators towards them are. In addition, management bodies will never be taken to task where social security beneficiaries and contributors do not know their rights. Equally, the law should provide for a transparent method of governance so that contributors, beneficiaries and other stakeholders can have access to information on the undertakings of the social security schemes. It is accountability and transparency that can guarantee efficiency and effectiveness of the social security administration in service delivery. Good performance by the social security administrators, however, requires proper training for social security delivery.¹⁰³

'Good governance requires that institutions and processes try to serve all stakeholders within a reasonable timeframe' (UNESCAP). As earlier noted, there are problems with the timely disbursement of social security benefits in Tanzania. This being the case, the law should establish a time limit within which all social security institutions have to pay the benefits. This will also take care of the problem of centralisation of social security services in Dar es

Salaam, which causes the late delivery of benefits to beneficiaries who are up-country. Therefore:

It is recommended that the existing social insurance funds require a reconsideration of their governance structure to ensure their operational efficiency. It is recommended that new decentralised governance structures be introduced for existing and future social insurance structures, ultimately reporting to the social security board (Mpedi, 2003: 164).

Good governance also embraces the principles of equity and inclusiveness. The two principles take into account the fact that 'a society's well-being depends on ensuring that all its members feel that they have a stake in it and do not feel excluded from the mainstream of society' (UNESCAP). In this way, good governance has a direct bearing on the need to extend social security coverage to the excluded majority. As Gillion states, 'achieving an extension of coverage is interdependent with good governance' (Gillion, 2000: 44).

Additionally, good governance in social security should aim to 'create a balance within the national policy between public and social security schemes and individual and private provision which ensures wide-spread coverage and achieves the desired level of redistribution' (Gillion, 2000: 42). Since the *National Social Security Policy* of 2003 notes that '[g]ood governance is the key to smooth functioning and efficiency in social security schemes',¹⁰⁴ the legislation should be enacted to give effect to all good governance principles so as to guarantee extension of coverage, adequate benefits through redistribution principles, co-ordination in social security matters and harmonisation between the existing schemes, with the eventual goal of amalgamation of public social security schemes on the one hand and private funds on the other.¹⁰⁵

Similarly, it is recommended that the law should 'establish financial control mechanisms to monitor the allocation and management of resources' with the ultimate aim of 'minimis[ing] the cost of administration within the desired level of service' (Gillion, 2000: 42).

Apart from the fact that it is important for social security schemes to uphold good governance principles, the state has a vital role to play in the facilitation, promotion and extension of coverage of social security (Bonilla-Garcia, 2005) *and*, for the success of extension of coverage efforts:

[a]ll [social security schemes] should conform to certain basic principles [of good governance]. In particular, benefits should be secure and non-discriminatory, schemes should be managed in a sound and transparent manner, with administrative costs as low as practicable and a strong role for the social partners.

Public confidence in social security systems is a key factor for their success. For confidence to exist, good governance is essential (ILO, 2001: 2; Ross, 2000 and Bonilla-Garcia, 2005).

As Van Ginneken summarises:

... administrative reforms may improve compliance and enforcement, for example by developing cooperation with other public agencies ... moreover, improved governance – supported by effective public relations and educational activities to increase awareness as to rights and obligations – needs to be underpinned by compliance and enforcement procedures and powers that reinforce the mandatory character of the scheme (Van Ginneken, 1999: 15).

7. Conclusion

The need for the improvement of social security administration in Tanzania is self-evident: delay of benefits, inadequacy of benefits, competition between the schemes and inability to enforce compliance, among many other problems, justify this assertion. These challenges, coupled with fragmentation and the scramble for customers by the social security schemes, make the harmonisation and amalgamation of social security schemes a goal towards which the Tanzanian social security system should strive.

It has been argued in this monograph that good governance principles must be adhered to and administration must be monitored to ensure a successful social security scheme. It was indicated that social security issues, *inter alia*, low coverage, inadequacy of benefits, lack of co-ordination in social security matters, and governance are interconnected. It was shown that improvement in governance automatically leads to improvement of the other issues, and improvement in all aspects makes for a desirable comprehensive social security system, which is ideal for the Tanzanian reforms which are currently underway.

It was also shown that good governance must be a top priority for any social security reform endeavour, because extension of coverage cannot occur in the absence of good governance:¹⁰⁶ there cannot be adequate social security benefits where there are no accountability measures, nor can there be portability and co-ordination measures, and the quality of social security delivery cannot be guaranteed amid fragmentation and competition between the schemes.

ENDNOTES

- ¹ This law is still in force to date.
- ² The *Pensions Ordinance* of 1954, Cap 371, was repealed by the *Public Service Retirement Benefits Act* of 1999, Act No. 2 of 1999 and the *Provident Fund (Local Authorities) Ordinance* of 1944, Cap. 53 was repealed by the *Local Government Service Act*, of 1982, Act No. 10 of 1982.
- ³ Established under the *National Social Security Fund Act* of 1997, Act No. 28 of 1997; the *Parastatal Pensions Act* of 1978, Act No. 14 of 1978; the *Public Service Retirement Benefits Act* of 1999, Act No. 2 of 1999; the *Political Service Retirements Benefits Act* of 1999, Act No. 3 of 1999; the *Provident Fund (Government Employees) Ordinance* of 1942, Cap 51 of the Revised Laws of Tanganyika; the *Local Authorities Provident Fund Act* of 2000, Act No. 6 of 2000; the *National Health Insurance Fund Act* of 1999, Act No. 8 of 1999; and the *Community Health Fund Act* of 2001, Act No. 1 of 2001, respectively.
- ⁴ See s. 2 of Act No. 28 of 1997.
- ⁵ See s. 2 of Act No. 14 of 1978, s. 3 of Act No. 2 of 1999, and s. 3 of Cap 51 of the Revised Laws of Tanganyika, respectively.
- ⁶ See s. 6(3) of Act No. 3 of 1999.
- ⁷ See s. 3 of Act No. 6 of 2000.
- ⁸ See s. 3 of Act No. 1 of 2001 and s. 3 of Act No. 8 of 1999, respectively.
- ⁹ For instance, while the GEPF and the LAPF are provident funds, the NSSF, the PPF and the PSPF are pension schemes.
- ¹⁰ Speech by President J. M. Kikwete of the United Republic of Tanzania, delivered on the World Workers' day in Shinyanga, Tanzania, on 1 May 2006.
- ¹¹ See also '*Social Security Funds regulatory board in pipeline*' *Tanzanian Guardian*, Thursday, 16 November 2006 where the Deputy Minister for Finance, Mr. Mustafa Mkullo, is reported to have said that '[t]he main objective of the regulatory Board is to ensure fair competition for all social security funds in the country....'
- ¹² Part 3.14 of the Tanzanian *National Social Security Policy* of 2003.
- ¹³ See the *South African Social Security Agency Act* No. 9 of 2004. For now, the Agency is mandated to co-ordinate social assistance.
- ¹⁴ See ss. 327 and 3 of the draft *Social Security Act* of 2005, the international experts' version and the social security institutions' version, respectively.
- ¹⁵ See the South African *Pension Funds Act* of 1956 which sets out the minimum operational requirements to which all social security schemes must adhere.
- ¹⁶ There are about 16 000 retirement funds operating in South Africa (Olivier and Kalula, 2003: 137).
- ¹⁷ See ss. 9, 14 and 217 of the international experts' version of the draft *Social Security Act* of 2005.
- ¹⁸ See '*NSSF gives new cards*' *Tanzanian Mtanzania*, Sunday, 2 July 2006 and '*Smart card: new technology for computerised record keeping*' *Tanzanian Majira*, Thursday, 20 July 2006.
- ¹⁹ Personal interviews with administrators of social security institutions, conducted from December 2005 to mid-March 2006.

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- ²⁰ More details on service delivery problems follow in part 5 of this monograph.
- ²¹ See part 5 of this monograph for more details on the centralisation of service delivery and the delay of benefits.
- ²² Information obtained from personal interviews with the social security administrators from December 2005 to mid-March 2006.
- ²³ See s. 87 of Act No. 28 of 1997. The fact that the NSSF uses inspectors does not place it in a better position to enforce compliance, because there are cases where the NSSF has been misled by employers who register fewer employees than they have. See '*NSSF denies the investor's report*' Tanzanian *Mtanzania*, Saturday, 8 July 2006, where it is stated that a company employing about 120 employees registered only 36 of them.
- ²⁴ See also Mpedi, 2003: 165 where it is stated that 'bad management ... leads to many eligible people being excluded from access to social security.'
- ²⁵ See s. 11 of Act No. 14 of 1978, ss. 12 and 13 of Act No. 28 of 1997 and s. 41(3) of Act No. 2 of 1999.
- ²⁶ See s. 14(1) of Act No. 28 of 1997.
- ²⁷ See s. 8(3) of Act No. 14 of 1978 as amended by s. 5 of Act No. 25 of 2001.
- ²⁸ See s. 14(3) of Act No. 28 of 1997.
- ²⁹ See s. 45(1) of Act No. 8 of 1999, s. 44 of Act No. 6 of 2000 and s. 9(1) of Act No. 14 of 1978 respectively.
- ³⁰ See s. 9(2) of Act No. 14 of 1978 as amended by s. 6 of Act No. 25 of 2001.
- ³¹ See '*Retirees in Temeke cry for their [long awaited] pensions*' Tanzanian *Alasiri*, Wednesday, 15 November 2006 (authors' translation) where two retirees are said to have not received their benefits ten years after their retirement.
- ³² See the speech by President J. M. Kikwete of the United Republic of Tanzania, delivered on the World Workers' day in Shinyanga, Tanzania, on 1 May 2006 where it is stated that 'a pension is the only benefit for a public servant when he/she retires.' (authors' translation).
- ³³ See s. 41(c) of Act No. 8 of 1999 and s. 27(2)(a) of Act No. 1 of 2001 respectively.
- ³⁴ See Part VIII of Act No. 28 of 1997, Part VII of Act No. 2 of 1999, Part VIII of Act No. 25 of 2001, Part VII of Act No. 6 of 2000, s. 29 of Act No. 1 of 2001, and Part IX of Act No. 8 of 1999.
- ³⁵ See s. 49 of Act No. 8 of 1999, s. 57 of Act No. 6 of 2000, s. 88 of Act No. 28 of 1997, and s. 72 of Act No. 2 of 1999.
- ³⁶ See the Second Parliamentary Session, 9th Sitting, 17 February 2006, Hansard No. HS-2-8-2006.
- ³⁷ Currently, social security rights are part of the Directive Principles of State Policy which are not enforceable in any court of law. See the United Republic of Tanzania Constitution of 1977 as amended.
- ³⁸ See s. 15 of Act No. 28 of 1997 and s. 39 of Act No. 2 of 1999.
- ³⁹ See part 3.13 of the Tanzanian *National Social Security Policy* of 2003.
- ⁴⁰ See s. 2 of the Act No. 28 of 2001.
- ⁴¹ *Mes v Art Medical Equipment Pension Fund (Now Liquidated) and Others* (2) [2005] 4 BPLR 33 332 (PFA). See also '*Trustee hit with hefty bill*,' South African *Business Day*, 23 May 2006, accessed through http://www.moneyweb.co.za/shares/financial_services/409460.htm, 23

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- May 2006. See further the case of *Mostert NO v Old Mutual Life Assurance Company (SA) Limited* [2001] 8 BPLR 2307 (SCA).
- ⁴² See 'Trustee hit with hefty bill,' *South African Business Day*, 23 May 2006, *op cit*.
- ⁴³ *Mes' case, ante*, para 29. See also 'Trustee hit with hefty bill,' *South African Business Day*, 23 May 2006, *op cit*. See also 'R7m payout for 19 road workers' *South African Dispatch Online*, 27 June 2006, accessed through <http://www.dispatch.co.za/2006/06/26/Easterncape/abpay.html>, on 27 June 2006. It was reported that the High Court awarded R4,83m in pension fund benefits and R2,2m in interest to 19 workers who were retrenched three years ago by Amathole District Municipality and faced financial hardship. The High Court ordered that the Amathole District Municipality should pay the beneficiaries within ten days.
- ⁴⁴ See s. 4(2) of Act No. 28 of 1997.
- ⁴⁵ See s. 80(1) of Act No. 28 of 1997.
- ⁴⁶ See s. 81(1) of Act No. 28 of 1997.
- ⁴⁷ See s. 81(2) of Act No. 28 of 1997.
- ⁴⁸ See ss. 84(1) and 81(3) of Act No. 28 of 1997.
- ⁴⁹ See s. 83(1) of Act No. 28 of 1997.
- ⁵⁰ See ss. 42(1) and 40 of Act No. 8 of 1999.
- ⁵¹ See s. 41 of Act No. 8 of 1999.
- ⁵² See s. 28 of Act No. 1 of 2001.
- ⁵³ See s. 27(3) of Act No. 1 of 2001.
- ⁵⁴ See s. 27(1) of Act No. 1 of 2001.
- ⁵⁵ See s. 27(2) of Act No. 1 of 2001.
- ⁵⁶ See s. 21(4) of Act No. 14 of 1978.
- ⁵⁷ See 'Appeals Court denies Urafiki workers 300m/- in...' *Tanzanian Guardian*, Thursday, 19 April 2007 where the determination of Civil Appeal Case No. 86 of 2002 involving social security benefits was reported to have taken at least five years.
- ⁵⁸ Information obtained from personal interviews with social security administrators conducted from December 2005 to mid-March 2006.
- ⁵⁹ See Chapter VA of the *Pension Funds Act* of 1956 inserted by s. 3 of Act 22 of 1996.
- ⁶⁰ See s. 30D of Act No. 24 of 1956, inserted by s. 3 of Act 22 of 1996. See also Sub-Part XX and Part VIII of the Drafts of the *Social Security Act* of 2005 by both the international experts and social security institutions respectively.
- ⁶¹ See s. 4(1) of Act No. 28 of 1997, s. 7 of Act No. 14 of 1978, and s. 53 of Act No. 2 of 1999.
- ⁶² Established under Part VI of Act No. 28 of 1997.
- ⁶³ See s. 55(b) of Act No. 28 of 1997.
- ⁶⁴ See s. 56(a) and (b) of Act No. 28 of 1997.
- ⁶⁵ Established under s. 32 of Act No. 2 of 1999.
- ⁶⁶ See s. 54(a) and (b) of Act No. 2 of 1999.
- ⁶⁷ Established under s. 17 of Act No. 14 of 1978. See also s. 19 of Act No. 14 of 1978.
- ⁶⁸ Established under s. 11 of Act No. 6 of 2000.
- ⁶⁹ Established under s. 29(1) of Act No. 8 of 1999. See s. 30(b) of Act No. 8 of 1999.

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- ⁷⁰ Established under *Local Government (District Authorities) Act* of 1982, Act No. 7 or *Local Government (Urban Authorities) Act* of 1982, Act No. 8. See s. 12(e) of Act No. 1 of 2001.
- ⁷¹ See also 'Bank Seeking Reforms in Tanzania's Pension Funds' available at <http://www.globalaging.org/pension/world/2005/tanzifunds.htm>, last accessed on 19 February 2007, where Mr. Mpango, a senior economist with the World Bank, is quoted as saying '[Tanzania] should learn from experiences of other countries and adopt arrangements where the management of the funds is more accountable to members and where workers' savings are not put into risky ventures.'
- ⁷² See Hansard of 25 July 2005, 34th Parliamentary sitting. See also 'Unions are furious over wasted money' Tanzanian *THISDAY*, Saturday, 18 March 2006; one paragraph reads: '[s]ocial security funds in the country are under pressure to invest pensioners' money more transparently following revelations that the National Social Security Fund may have sunk 47.5bn [TZS] into a project that could take close to a century to pay back.' Similar concerns were raised about the PSPF which also sank TZS36.0 billion in acquiring the Quality Plaza Building. See 'Public Service Pensions Fund: public notice' Tanzanian *SUNDAY CITIZEN*, Sunday, 2 April 2006.
- ⁷³ The incidents of misappropriation of social security funds are clear from the recent allegations that the NSSF, among others, has given 'fat' loans to its senior officers without proper procedures. For instance, one of the 'beneficiaries' of these loans was awarded TZS46 million, which is equivalent to USD36,377. See 'Treasury finally queries fat loans at NSSF' Tanzanian *THISDAY*, Thursday, 21 September 2006. Exchange rate obtained through <http://www.bot-tz.org/FinancialMarkets/ExchangeRates/ShowExchangeRates.asp>, accessed on 26 September 2006. See also 'GEPF gives 200m – loans to 500 members' Tanzanian *Guardian*, Tuesday, 7 June 2005 where it is stated that 'the Government Employees Provision (sic) Fund (GEPF) has spent a total of 200m [TZS] to offer loans without interest to 500 members...' See further 'All can get loans from PPF, seminar told' Tanzanian *Guardian*, Thursday, 23 June 2005 where it was stated that 'senior government and party leaders can get loans from the Pension Provident Fund (sic) even if they are not members.' See further 'Finally, Bunge agrees to probe PSPF suspect deal' Tanzanian *THISDAY*, Monday, 30 October 2006.
- ⁷⁴ See Item 1 of the 2nd schedule of Act No. 28 of 1997.
- ⁷⁵ See s. 4(2) and Item 5 of the 2nd schedule of Act No. 28 of 1997.
- ⁷⁶ See s. 52 of Act No. 2 of 1999.
- ⁷⁷ See s. 34(1) of Act No. 2 of Act No. 2 of 1999.
- ⁷⁸ See Item 1 of 1st schedule of Act No. 14 of 1978.
- ⁷⁹ See s. 6(1) of Act No. 8 of 1999.
- ⁸⁰ See s. 60 of Act No. 28 of 1997, s. 23 of Act No. 14 of 1978, s. 62 of Act No. 2 of 1999 and s. 18 of Act No. 6 of 2000.
- ⁸¹ Personal interviews with the administrators of social security schemes, conducted from December 2005 to mid-March 2006.
- ⁸² See also Hansard of 25 July 2005, 34th Parliamentary sitting where the then Minister of Labour, Youth Development and Sports had to answer questions about the investments which the NSSF was making.

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- ⁸³ See also the Drafts of the *Social Security Act* of 2005 by both the international experts and the social security institutions which provide that '[t]he Minister shall give regular accounts to the National Assembly on social security affairs in Mainland Tanzania, including/particularly the national policy framework for social security and its implementation' in ss. 320 and 93(1) respectively.
- ⁸⁴ See s. 64 of Act No. 28 of 1997, s. 52 of Act No. 14 of 1978 as amended by s. 14 of Act No. 25 of 2001, s. 46 of Act No. 2 of 1999, and s. 33 of Act No. 6 of 2000.
- ⁸⁵ See 'Government plans to regulate schemes' Tanzanian *THISDAY*, Tuesday, 28 March 2006 where the Deputy Minister for Finance, speaking about the government's plans for social security schemes, is quoted. See also 'Treasury finally queries fat loans at NSSF' Tanzanian *THISDAY*, Thursday, 21 September 2006, and 'NSSF staff cry foul over loans' Tanzanian *THISDAY*, Thursday, 21 September 2006.
- ⁸⁶ See for instance s. 45 of Act No. 2 of 1999 which states that '[i]t shall be the duty of the Director General to inform any member of the Fund on request about the welfare of the member's account.' In addition, s. 26(2) of Act No. 6 of 2000 provides that 'within six months after the end of every financial year each contributing employer shall be informed of the amount standing to the credit of all depositors under his employment and the contributing employer shall within one month after receiving such notification inform the said depositors accordingly.' Other information obtained from personal interviews with social security administrators, conducted from December 2005 to mid-March 2006.
- ⁸⁷ See 2nd schedule Item 1 of Act No. 28 of 1997 and 1st schedule Item 1 of Act No. 14 of 1978 respectively.
- ⁸⁸ Personal interviews with social security administrators, conducted from December 2005 to mid-March 2006.
- ⁸⁹ See Hansard of 25 July 2005, 34th Parliamentary sitting. See also 'Unions are furious over wasted money' Tanzanian *THISDAY*, Saturday, 18 March 2006. Information also based on personal interviews with social security administrators, conducted from December 2005 to mid-March 2006.
- ⁹⁰ See Hansard of 13 June 2006 where a Member of Parliament of Gairo constituency inquired about how the members of the NSSF participated in investment decisions. See also 'Pension funds generate heated debate in House' Tanzanian *Guardian*, Wednesday, 14 June 2006.
- ⁹¹ See 'Treasury finally queries fat loans at NSSF' Tanzanian *THISDAY*, Thursday, 21 September 2006 where it was reported that the incumbent Director of Human Resources and Administration 'allegedly got his job on favours of his father, who sits on the NSSF Board.' In view of this, the chances are that what the beneficiaries alleged is likely to be a reality in most of the schemes.
- ⁹² There are cases where social security beneficiaries have died while waiting for their benefits. See 'A retiree dies at the Treasury while hunting for [his] pension' Tanzanian *Mtanzania*, Saturday, 15 July 2006, 'NSSF member dies while following up [his] pension' Tanzanian *Nipashe*, Wednesday, 22 June 2005 and 'NSSF clarifies a death incident of its member' Tanzanian *Nipashe*, Friday, 24 June 2005. (translations are the authors').

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- ⁹³ See 'LAPF members from Chunya Complain' Tanzanian *MAJIRA*, Thursday, 20 July 2006 (translation is the authors') where Mr. Mgaya, one of the members of the LAPF, stated that while contributions were deducted from his salary, his 55 months of contributions were not remitted to the LAPF by his employer and that he, together with other employees of the District Executive Director of Chunya District, Mbeya Region, did not know the fate of their contributions. See also 'TAZARA fails to remit 4bn/- to NSSF' Tanzanian *Daily News*, Monday, 27 February, 2006.
- ⁹⁴ See the Second Parliamentary session, 9th Sitting, 17 February 2006, Hansard No. HS-2-8-2006.
- ⁹⁵ There are about 120 administrative districts in Mainland Tanzania.
- ⁹⁶ These were the exchange rates in August 2006.
- ⁹⁷ The zonal offices for the PPF were established in 2003.
- ⁹⁸ See s. 45 of Act No. 2 of 1999.
- ⁹⁹ See 'TAZARA fails to remit 4bn/- to NSSF' Tanzanian *Daily News*, 27 February 2006. See also Gillion, 2000: 59 where it is stated that '[t]he ... major problem of pension schemes in developing countries is that of governance. Many schemes, or their beneficiaries, are in financial difficulties simply because of inability to collect all the revenues due to them, to invest any reserves wisely, or to pay benefits promptly and in full.'
- ¹⁰⁰ See s. 43(1) and (2) of the Draft *Social Security Act* of 2005 by the international experts which states that the 'Board shall administer the Fund in such manner as to give greater priority to the improvement of the benefits payable to contributors and control of administration costs ... [and] the Board shall ensure that the Fund adhere to the keeping of administrative costs, which shall include all personnel expenses, at a maximum of three percent of the insurable earnings.' A similar view is indicated by s. 72(1) and (2) of the Draft *Social Security Act* of 2005 by the social security institutions.
- ¹⁰¹ See Mpedi, 2003: 164 where it is stated that '[t]he opinions of the people who are served by the social security system are currently not given enough consideration. It is thus proposed that the views of vulnerable and marginal groups should be sought whenever the programmes are being evaluated. They can also be encouraged to participate in decision making'
- ¹⁰² See Part 3.13 of the *National Social Security Policy* of 2003.
- ¹⁰³ See Butare and Kaseke, 2004: 8 where it is stated that '[i]n ... search for better governance, social security organisations will increasingly need to pay attention to better skills training in the various areas of social security administration'
- ¹⁰⁴ See Part 3.13 of the *National Social Security Policy* of 2003.
- ¹⁰⁵ See s. 4 of the Draft *Social Security Act* of 2005 by the international experts which states that the objects of the Act include the alleviation of poverty and the amalgamation of public schemes into a single public scheme and private schemes into a single private scheme. The Turkish social security system is a good example of the possibility of amalgamation of social security schemes; three social security schemes, namely, the Social Security Institution, the Social Security Organisation for Tradesman and Craftsman and the Retirement Fund of the Turkish Republic, amalgamated to form a single scheme.

¹⁰⁶ See Van Ginneken, 1999: 13 where it is stated that 'there is ... a close connection between the extension of coverage and the administrative capacity of employers and the social security agencies.'

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