# The politics behind the non-contributory old age social pensions in Lesotho, Namibia and South Africa

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## Abstract
Lesotho, Namibia, South Africa and Botswana comprise a cluster of southern African countries which provide monthly non-contributory benefits to their elderly citizens. This paper seeks to understand the differing political and socio-economic conditions in which the three pensions evolved and suggest what implications pensions may have for the nature of the citizen-state relationship. The paper argues that the motivation behind the long-established South African and Namibian pensions was 'supply-driven' to serve political ends. This has shifted over time and today all three pensions are increasingly 'demand-driven', that is, they serve welfare objectives of reducing poverty and promoting equality, although they must still remain acceptable to political and economic elites. This is demonstrated by analysing both ideological and practical facets of the pensions, including the design, the institutional home of the pension and the influence of geopolitical factors. It leads to the conclusion that a bond has built between citizen and state based on three characteristics. Firstly, their ability to foster social solidarity by reinforcing the value and contribution of the elderly to the household and restoring to pensioners a regained sense of citizenship; secondly the persistence of pensions which then become entrenched in the expectations of the citizenry, even before the sense of social contract develops in the political arena; and finally, acknowledgement by the state of its role in and moral commitment to provide welfare to its citizens, and the political expediency of doing so. These three mutually-reinforcing characteristics, maintain the momentum of the pension which, in turn, reinforces the contract.

## Acronyms

| | |
|---|---|
| SWAPO | South-West Africa People's Organisation |
| LCD | Lesotho Congress for Democracy |
| ANC | African National Congress |
| OAP | Old Age Pension |
| LDC | Least-Developed Country |
| BIG | Basic Income Grant |
| GEAR | Growth, Employment and Redistribution Framework |
| PRSP | Poverty Reduction Strategy Paper |
| PR | proportional representation |
| SADC | Southern African Development Community |
| IMF | International Monetary Fund |
| NGO | Non-Governmental Organisation |
| RDP | Reconstruction and Development Programme |
| PA | Public Assistance |

## Note on currencies

The Lesotho Maloti (M) and Namibian Dollar (N$) are both pegged to the South African Rand (R) at a unit rate of M1:N$1:R1. The exchange rate used throughout this paper is GBP 1: R 12.9.

## Contents

## 1. Introduction

Lesotho, Namibia, South Africa and Botswana comprise a cluster of four African countries which provide monthly non-contributory benefits to their elderly citizens.[1] Most states in Africa provide some form of contributory pension through social security or pension funds to those working in the formal sector and many also operate non-contributory pensions that apply to civil servants (including teachers, judges and the military) and war veterans and their spouses. Unlike in Western welfare states, these non-contributory pensions are funded from general taxation, rather than income from employees' social security payments which places an additional fiscal burden on the state.

Conceptually, pensions typically fit within the 'safety nets' category of social protection, that is they are viewed as protective, rather than promotive. However, in practise its impacts are highly variable depending upon the beneficiary and the beneficiary of the household. Moreover, the 'protective versus promotive' impacts seem to be more a facet of the design of the programme, such as the transfer size (how large a proportion of the beneficiary or household's income does it supplement?), or the beneficiary population, which may in implementation, reach large numbers of orphans and vulnerable children, rather than a structural feature of a pension. Over time, there has been a shift in thinking that reflects this temporal nuance between a safety net and a 'ladder', or other forms of longer term, transformative social protection in which the state has a more permanent role (see Aliber, 2001).

As a strategy for poverty alleviation, the assumptions underlying non-contributory pensions differ from contributory pensions in two ways. Firstly, state social pensions assume that the elderly are one of the most economically vulnerable groups in society or that they are providers to more vulnerable groups (such as orphans or people living with HIV/AIDS), unlike veterans' and contributory pensions which operate as compensatory or savings mechanisms. Secondly, there is implicit acknowledgement of the vast proportion of labour that (in developing countries) is outside the formal employment sector. However, it is the day-to-day politics and interests that mould the policy, giving shape to its execution and its success as a poverty alleviation strategy: a safety net "is more than a transfer of resources from 'haves' to 'have-nots,' rather it is "a relationship of power" (Devereux, 2002, p. 673).

This paper is concerned with three of the southern African states that operate an old age pension. It explores the politics behind the pensions – the factors which shaped the conceptualisation, design, policy-making and the implementation process. The influences on the political sphere include parliamentary debate and inter-party contest, the impact of civil society and non-governmental organisations and external influences, such as the international donor community.

The product of contrasting historical and political trajectories, the non-contributory old age pensions of Lesotho, Namibia and South Africa are complementary for analysis. The evolvement of the South African Old Age Grant over the last eighty years provides perspective on the ideological transformations that the pension has undergone. On the other hand, Lesotho's Old Age Pension, established only in November 2004, is an example of the process and feasibility of an independent least developed country (LDC) initiating a pension in a period when Poverty Reduction Strategy Papers, which acknowledge symbiosis of social alongside growth-led approaches, frame the development plans of less developed states.

[1] Six African countries provide non-contributory pensions. The other countries are Mauritius and Senegal. Mauritius provides a 'universal' pension for residents over 60 years which is subject only to an income test. There is conflicting information regarding the universality of Senegal's pension. Recent documentation states that the non-contributory pension is means-tested and is payable to those born before 1922 who are not eligible for a contributory pension and who have had at least 5 years' employment as a domestic worker (Social Security Administration, 2005).

The paper is framed within the context of a set of recurring issues around the pension that are repeatedly voiced within the parliamentary debates in all three countries. There is an ongoing ideological tension between the pension as an *entitlement* of the elderly versus *ensuring the basic needs* of a group that have been identified as one of the poorest and most vulnerable in the society.

This dichotomy is influenced by;

- a view of the state as either an institution with an implicit or explicit social contract obligated to protect its citizens, or alternatively as one that promotes social support and private transfers from family/community networks;
- a social debate over whether or not the pension exacerbates or arrests the disintegration of social networks; and finally,
- an economic argument about the fiscal sustainability, sagacity and returns to investment of a non-contributory state-run pension.

This adopts an alternative approach but covers much of the ground established in the framework set out in Hickey, 2005, which analyses social protection according to institutional features, systemic factors, societal factors and the global politics of social protection.[2] This divides broadly between the actions of those in the formal political system and those outside but to do so draws a distinction between two types of decision-making in relation to the establishment of a pension: decisions taken in response to events (‘*ex post’* decisions) and those taken in order to achieve political objectives or mitigate the risk of future events (*ex ante* decisions).

The paper will first provide a brief overview of the development of the three pensions to date, followed by an account of the political situations at the time the pensions were introduced and the political stability of the leading party today, in Section two. Section 3 considers the actors and organisations that drove the establishment of the pensions. External and global forces are a direct influence on the pension in South Africa but in an inverse way to that of Lesotho: A diffusion theory of geopolitics is another influence in the process. The first observation is that the pensions have largely been driven in the interests of the government and state, rather than by external forces, although in the post-independence years this has reversed. In Section 4, the ex-ante perspective is unpacked and the pension is discussed as a pragmatic answer to help realise political objectives and also ideology. The fifth section steps back from the *ex-ante/ex-post* approach, to explore the process and design behind the pension. It discusses how this can be used tactically, along with more tangible issues such as fiscal and capacity constraints, to mould the pension. This acknowledges an institutional perspective which reflects on the relevance of the physical home of the old age pension. The concluding section speculates on the impact a pension may have on the sense of citizenship for those that receive an old age pension and related to this, the extent to which the pension correlates to either establishing or reinforcing a sense of political contract between the citizen and the state. Furthermore the paper suggests that there may be a link between this and the ex-ante or ex-post establishment of the pension.

The research for this report comprised a desk review of the three pensions. Research regarding the politics that surround pensions and social protection policies more generally in Africa, are scant (Sagner, 2000; Hickey, 2005). Even in South Africa - by far the most widely researched of the three pensions - information focussing on the political process behind the

[2] Hickey defines the framework in the following way: Institutional features include the colonial legacy, policy history, forms of political rule and the ‘rules of the game’. Systemic factors encompass state and administrative capacity, the electoral and party system, decentralisation, the institutional home, political elites including attitudes, discourse and conflict. Societal factors incorporate public attitudes, pressures of civil society, social fragmentation and inequality. Finally, the global politics of social protection looks at the importance and space that the global arena has given to these policies, particularly via financing by foreign donors.

pension is lacking. Sagner observes of South Africa, that 'almost nothing' is known about the political impact of the pensions. '[N]either is it clear how and to what extent the impact of the state's social policy on age relations was tied to other economic and political transformations' (Sagner, 2000, p.524). In Lesotho to date there has been no substantial research into the pension and the fieldwork included here was the first review that had been undertaken.[3] In-country work was undertaken in Lesotho in June 2005 and included interviews with government officers, policy-makers and pensioners in three locations within the country.[4] Commentary on parliamentary debates in the three countries draws on research by Sagner, 2000 (South Africa), Devereux, 2001 (Namibia) and in Lesotho, translated transcripts of parliamentary debates from 2004 prior to the establishment of the pension.

## 1.1 South Africa's Old Age Grant

South Africa was the first country in Africa to institute a state pension. Of the three countries discussed here, South Africa has the longest history as a welfare state although the shortest history of universal democratic elections. The first parliamentary proposal for an old age grant was made in 1922, by the Labour Party. Following the recommendations of the 1926 Pienaar Commission (during the government of the National Party, under JBM Hertzog), it was instituted in 1928, carried forward by the coalition Pact Government and reformed under the National Party's apartheid rule (from 1948). Once it had been adopted, there was multi-party support for the pension. Act No. 22 entitled all 'White' and 'Coloured' residents of South Africa, aged 65 years and older, to receive a pension, subject to an income-based means test. At that time, the maximum attainable pension was £30 annually for white citizens and £18 annually for coloured citizens in order to bring claimants up to the poverty line of £54 and £36, respectively. In 1937, eligibility for women claiming the pension was reduced to 60 years but it was not until 1943 that the inequality embedded within the pension was challenged from the liberal wing of the United Party, by this time under the premiership of Jan Smuts. Reforms were proposed by his politically moderate Minister for Social Welfare Jan Hofmeyr, who amended the 1928 Act and extended the pension to all South Africans (excluding South-West Africans) in the 1944 Union of South Africa.

The evolution of the pension is dominated by two main events. Following Hofmeyr's campaign from the liberal wing of the United Party, black South Africans were first granted the right to claim the pension in 1944, albeit at a lower rate than the value transferred to white and coloured residents. There were also differentials in the higher rate paid to black South Africans in urban areas compared with the lower rate in rural areas, with stringent tests applied to urban claimants in order to prevent mobilisation of black South Africans to the towns. The second significant debate came with the end of the apartheid government in 1994, when the pension was finally equalised across all citizens (subject to meeting the age criteria and a means test).

Today, the Grant provides R740 (approximately £61) per month for approximately 1.9-2.1 million beneficiaries. This costs the Department of Social Development R13.2 billion (£1.1 billion) per year, the largest social security transfer by the South African government (ILO, 2000).

## 1.2 Namibia's Old Age Pension

Despite Namibia being an outpost under South African rule, the South African apartheid government did not extend the social pension to Namibia until 1949, even for its white

[3] The University of Lesotho, in conjunction with HelpAge International, is currently undertaking a qualitative and quantitative study of the pension.
[4] Research in Lesotho was undertaken as a case study for *'Making Cash Count'* a review of cash transfers in eastern and southern Africa by Save the Children, HelpAge International and the Institute of Development Studies.

residents. As in South Africa, it was provided to the white population alone and even more gradually extended to universal coverage of the elderly population with a racially-defined tiered pension rate. In 1965, the old age benefit was amended to include coloured (non-'native' and non-'white') residents and in 1973, for reasons 'unclear and undocumented' (Devereux, 2001), the benefit was extended to black Namibians. The watershed date for removing discrimination in the pension was independence in 1990.[5] The pensionable age for both men and women was later changed to 60 years old, which was consolidated in the National Pensions Act of 1992 (Devereux, 2001). The country has a young population, with the over 60s comprising 6-7% of the population. The distribution of the population is heavily biased towards the north, with only 10% inhabiting the south. In 1994, the uppermost pension rate which had been frozen since 1990 at N$382 (£31.80) was cut to N$120 (£10) and the pension was made equal across all pensioners. It is confirmation of the diminution of white political, and perhaps financial, power that the pension could be cut so dramatically. Today the pension is known as the Basic State Grant and stands at N$300 (£25) per month. As it is a universal pension, this does not attempt to impact upon redistribution and post-independent Namibian society remains highly unequal between settler and indigenous populations (cemented by the tiered pension system which established a hierarchy between categories of poor). Demand for a means-test which would help rebalance the disparities in wealth, reappears on the political agenda as a frequent item of debate but is consistently rejected. As in South Africa, the pension is the most significant state safety net in Namibia and in 1998 was consuming 83% of programme spending by the Department of Social Welfare (Devereux, 2001).

### 1.3 Lesotho's Old Age Pension

Lesotho is the most recent country in Africa to establish an old age pension. It is the only LDC in Africa to operate a non-contributory pension and along with Nepal, is one of only two LDCs worldwide to do so. The Lesotho pension is the outcome after many years of waiting on the sidelines of the policy agenda and has been advocated by many parties at various times. The ruling Lesotho Congress for Democracy (LCD) first announced that the pension was to be implemented in the 2004 Government budget and within months the first payments were made. Parliamentary debate of the pension was held shortly before registration began and following a month-long registration process, the first pensions were delivered in November 2004. In design, it closely resembles the pre-existing War Veteran's Pension, but is disconnected from Public Assistance, a cash transfer provided to the poorest families by the Department of Social Welfare, under the Ministry of Health. In contrast, the Old Age Pension is administered by the Department of Pensions, under the direction of the Commissioner of Pensions, within the Ministry of Finance and Development Planning. All Lesotho residents over 70 years old are entitled to receive the single rate of M150 (£12.50) per month. In May 2005, there were 69,046 registered recipients, out of a total of 74,000 citizens of 70 years and over (2001 updated census).

## 2. Political systems

The three countries today operate under a similar political framework with a strong (and in Lesotho's case, increasing) emphasis on decentralised government. Their comparable political systems are mirrored by interlinked and dependent economies, with both the Namibian Dollar and Lesotho Maloti tied to the South African Rand. This comparable recent

[5] The government achieved this by levelling out the pensions. This involved holding steady the upper pension rate (then N$382) and setting a standard rate at N$92 for new entrants. In 1994, when the government recognised that it could not equalise all pensions at the upper rate it set the pension for all at N$120, regardless of the rate the pensioner had been accustomed to receiving. In 1996, the pension was raised to N$160 where it was frozen until 1999, due to financial constraints.

political history is mirrored by other close associations between the countries. As well as similar political structures (tripartite separation of powers, a multiparty proportional representation electoral system with a strong incumbent party and a weak multiparty opposition), the three countries share close economic ties. The fixed economy of Lesotho and Namibia to the South African Rand emphasises the regional dominance of the South African economy and their geographical proximity. Consequently, the secondary argument presented in this paper is that interlinkages between the countries influence and can even precipitate policy decisions and that this is important in understanding the motivation and forces behind the pensions, particularly latterly, in Lesotho.

### 2.1 The Executive and Legislature

Multi-party democracy and the universal ballot came late to Namibia (1990) and South Africa (1994). Today each of the three countries operates slightly differing procedures for a proportional representation (PR) electoral system with multi-party, five-yearly elections. The incumbent leader maintains some control over the first house through personal appointments or party lists. In South Africa, half of the 400-member National Assembly are elected from national parties, while the other two hundred are drawn from the provincial party lists. Namibia elects 72 members to its lower house, the National Assembly, including six non-voting presidential appointees. Its upper house, the National Council comprises 26 members, two from each of the thirteen regional councils, elected for six-year terms. Lesotho has the longest record of universal ballot and free multi-party elections and recently adopted a PR voting system which further aligns it to its southern African neighbours. Eighty parliamentary seats are elected directly by constituency (77 of which were won by the incumbent Lesotho Congress for Democracy (LCD) in the last national elections in 2002). Following political pressure after the disputed (and violent) 1998 elections, a further 40 compensatory seats were added to parliament for the 2002 elections, voted for by proportional representation and won across nine opposition parties. Constitutionally Lesotho is a parliamentary monarchy; the monarchy is devoid of executive power which is vested in the prime minister.

### 2.2 Parliamentary politics

All three countries are characterised by the weakness of their parliamentary opposition parties. In terms of voter support, the ruling African National Congress (ANC) has been in a strong position since it came to power and heralded the end of the apartheid government in 1994. The most recent legislative elections were held in April 2004 with the ANC, led by Mbeki, re-elected as the incumbent party. It received over 67% of the ballot, or support of around 38% of all eligible voters. Diminishing support for the New National Party, is reflected in the 1.7% of votes they received in 2004 (down from over 20% in 1994). The other main parties are the Independent Democrats, now the fifth largest party, the Inkatha Freedom Party who have lost support, particularly in their Kwazulu-Natal stronghold and the United Democratic Movement, whose supporters are in the Eastern Cape, but who like the New Nationals, again lost support in the most recent elections. This underlines the relative continued strength of the ANC.

In Namibia, the South-West Africa People's Organisation (SWAPO) has led the country since independence in 1990. Ideologically SWAPO is aligned to the far left and has its roots in Marxism, when it began as a military liberation movement in reaction to the German handover of South-West Africa to mandate by South Africa, at the end of the First World War. By the 1960s SWAPO had merged with other liberation movements (such as the South West Africa Union). Its electoral base stems from its roots in the Ovambo in northern Namibia, which also became a focus for South Africa's pacification 'winning hearts and minds' campaign in the 1970s and one likely motivation for extending the pension to black Namibians in 1973. Upon independence, Sam Nujoma was elected President and retained power for three electoral terms. The fourth and most recent national elections were held in November 2004 and resulted again in victory for SWAPO, which won 55 of 72 seats (76%) in

Parliament. In the presidential elections, the new SWAPO presidential candidate, Hifikepunye Pohambe gained over 65% of the votes. The next nearest rival, Congress of Democrats won only 7%. SWAPO has experienced increasing support over recent elections, gaining on the 44 seats in parliament in 1989. This has meant the demise of the main rival, the Democratic Turnhalle Alliance (DTA), which has gradually lost support from 21 seats in 1989 to 15 seats in 1994 and holding only five seats by 2004. The final ten seats were distributed among three smaller parties. Effectively, SWAPO now faces little competition. In the regional elections, SWAPO won even greater success, winning 97 out of 107 constituencies. Therefore, although there are multi-party elections and opposition parties are permitted, in effect, it is a one-party dominated state.

In Lesotho, the LCD was formed in 1997, a splinter from the Basutholand Congress Party. It came to power in1998 with over 60% of the popular vote, although the elections were so tense politically (allegations of vote-rigging led to a near coup and a call for SADC intervention to restore calm), that it resulted in another split in the party. Today the LCD is in a strong position. The nine other national parties with parliamentary seats remain weak: their seats were only won under the new PR system. This had an impact on the parliamentary debate on the political association of the new pension. The main rivals to the LCD are the conservative Basutho National Party and the liberal democratic Basutholand Congress Party but there is little ideological distinction between the parties and they provide a meagre opposition. Although the voter support for the incumbent government means that the pension may not be a particularly effective, or necessary, activity for winning votes, nonetheless it will at the very least, contribute to maintaining confidence in the incumbent government. Lesotho has undergone a reorganisation of its administrative system, implemented simultaneously with the pension. Its ten districts remain but, in an effort to decentralise, the central government-appointed district secretary has been replaced with a district administrator, who has responsibility for all line ministries at district level. The significance of this for the pension is that it has increased the number of different factions and individuals with interests in the pension (to be discussed further below).

The historical roots of the parties are important for explaining the impact of the racial colonial pension policy upon certain regions of South Africa and Namibia and indicate where patrimonial cliques may exist. While in South Africa and Namibia, the pensions were instituted under the far right, reforms and an end to the discriminatory policy came about under the left-wing independence parties that have retained power since independence. That both countries are ruled by the freedom movements which led them to independence, may partly explain a propensity for a pension that today focuses on rights.

**Table 1. Comparison of contemporary political systems**

| | South Africa | Namibia | Lesotho |
|---|---|---|---|
| State | Presidential | Presidential | Parliamentary monarchy |
| Division of power | Tripartite | Tripartite | Tripartite |
| 1st House - Members of parliament | National Assembly<br>400 members:<br>200 – voted from national parties<br>200 – from provincial lists | National Assembly<br>78 members:<br>72 – PR<br>6- non-voting, president appointees | National Assembly<br>120 members:<br>80 – single member, first past the post. 40 through PR from party lists. |

| | | | |
|---|---|---|---|
| 2nd House | National Council of Provinces<br>10 Delegations - 9 provincial and 1 Local Government Association each with 10 members (4 special and 6 permanent) | National Council<br>26 members – 2 from each of 13 regional councils | Senate<br>33 members: 22 are hereditary principal chiefs, 11 are nominated by the Prime Minister |
| Electoral term | 5 years | 5 years | 5 years |
| Electoral system | PR | PR | PR and first past the post |
| Most recent elections | 2004<br>ANC incumbent<br>Mbeki retains presidency | 2004<br>SWAPO incumbent<br>New leader: Hifikepunye Pohambe | 2004<br>LCD incumbent<br>Mosisili incumbent PM |

## 3. Drivers behind the pension

Drivers of change encompass both actors and groups that have asserted pressure upon the political system to encourage either the establishment or the reform of the old age pension. This encompasses formal and non-formal groups and organisations, including civil society, NGOs, political groups and parties, trade unions, national and international organisations and other groups and individuals. This paper makes a distinction between two classifications of pensions, according to the type of political decision-making that provoked the policy. Firstly, the pension was the *consequence* of politicians reacting to demand. These are labelled 'ex post' responses. The second perspective of 'drivers of change' focuses on the politicians as the drivers of the pension and therefore seeks to understand the events and incentives that motivated politicians *ex ante,* towards such a policy response. In other words, it is defined by being 'supply' driven. The premise is that whether the programme is 'supply' or 'demand' driven has a bearing upon the relationship between state and citizen, with respect to the pension and may mutually reinforce the relationship. In South Africa and Namibia, in particular, the development of the pension can be viewed as a mechanism to achieve political objectives alongside a supporting set of ideological arguments. However, in the post-apartheid or post-independence era of both states, the pension appears to have been increasingly demand-driven.

The argument asserted below is that the introduction of pensions in South Africa and Namibia were supply-driven, powered more by the politicians safeguarding their political position - reacting to circumstances other than a response to the demands of the electorate, or particular interest groups. The pensions in part were a response to an identified need but the implementation of a state welfare programme also advance political objectives and served to repress sectors of the population. The assertion about Lesotho which requires further research is that the pension is the realisation of a long-promised state benefit, implemented as the differences between the Basotho residing in Lesotho and their Basotho relatives and ethnic equivalents physically surrounding them in South Africa, become acute. Hence, the pension in Lesotho is a product of regional geopolitics and a concern for equity.

### 3.1 Ex-post responses

Case and Deaton assert that in developing countries, 'it is often the case that demand for social pensions is driven by poverty among the elderly as multi-generation living arrangements break down, when the young are either no longer willing or perhaps able to care for aging parents' (Case and Deaton, 1998, p. 1334). Further commentary on the poverty driven argument asserts that it is the onset of poverty that necessitates social assistance because in such situations, 'the limits of 'the economy of affection' are quickly reached' and consequently family networks give way (Grundfest Schoepf cited in Veenstra, 2004). Variations on this need-driven argument were levelled as justification either for or against the Namibian and South African pensions, in ongoing debates from the 1920s through to the 1970s. But in order for the increasing poverty to have provoked a 'demand-driven' response, it required a public expression of this need.

### *3.1.1 Political mobilisation and the response to interest groups*

This section examines the pensions as the state's response to groups which applied pressure on the state during a time of economic and social impoverishment. Prior to the pension in 1928, social assistance in South Africa had been in the form of employment insurance, therefore applicable only to those employed in the formal sector. The only other source of social assistance was poor relief, which according to an enquiry into the state of the pensions in 1931, was being claimed by the majority of the elderly. In Lesotho too, the only state cash transfer was Public Assistance, claimed by the poorest in the population, not the elderly alone.

### *3.1.2 Mobilisation of the beneficiaries*

At the time both the South African and Namibian pensions were implemented, there was no well-developed, politically influential, black civil society. Case and Deaton (1998) argue that it is this lack of political mobilisation which distinguishes South Africa from pension movements in other developing countries, giving weight to the argument that it was not a demand-led response. The elderly are physically and socially less able to organise themselves politically and consequently likely to require capacity for mobilisation to voice their needs.

The end of restraints upon political freedom during the apartheid and pre-apartheid years have made political mobilisation and public participation easier. In one study of public participation in South Africa by Roefs and Liebenberg in 2000 (Aliber, 2001), only 20% and 17% have a comprehension of the role of local councils and parliament, respectively; 23% participate in local councils and 22% in public hearings, although 46% of poor respondents participate in a community activity or organisation. Aliber concurs that today, there is no lack of political voice in South Africa[6]. However, although with the end of apartheid citizens have been 'reawakened politically' they remain mute at the community and household level; the poorest and most marginalised will still be excluded and voiceless in these communities. Of these, Aliber identifies the elderly as the first of six sub-groups who are the most marginalised. This implies that there remains a lack of mobilisation of the elderly population. This does not reflect on the strength of advocacy groups. In recent years, civil society organisations have successfully put pressure on the South African government to expand social grants, particularly for children (Veenstra, 2004).

In Namibia too, the public voice is increasing. Recently, the inadequacy of these benefits has caused increasing public discontent and there are increasing pressures to raise the benefit levels to N$500. This effort is being led by Council of Churches in Namibia with their justification being the necessity of older individuals to care for orphans in their guardianship (Bonerjee, 2003).

In Lesotho, the lack of public reaction to the pension, suggests an absence of a widespread pressure group campaigning for its implementation. There is only one organisation in Lesotho dedicated to advocating issues for the elderly, the Maseru Senior Citizens

[6] Political voice is defined as 'the opportunity to somehow participate in decisions that may affect her life, as well as having avenues to lodge grievances, with relevant authorities and institutions if she so wishes/ (Aliber, 2001, p. 27).

Association (MSCA). It is not a prominent organisation among Lesotho's NGOs and has been described more as a gathering for some of the more affluent women in Maseru who run it, rather than a targeted, politically-conscious organisation. There was some publicity of the pension by radio, billboards and government officials travelling between communities, prior to the registration process, but there was no public consultation, nor wide-scale open debate and at least one LCD MP raised concerns over the lack of participation by the elderly. It was confirmed that the MSCA endorsed the pension to prove that the government had the support of civil society groups. It was found that throughout three field sites uniformly, while all pensioners clearly valued the pension, they had been promised a pension for a number of years and when it finally arrived there was no evidence that it was received with a sense of triumph of a policy won with the government. This gives further impetus to the argument that the Lesotho pension was not instituted on the back of pressure from pro-elderly interest groups. The process through which the pension came into existence, in particular the lack of either mobilisation or the inclusion of elderly suggests that it was a process driven by the government.

### *3.1.3 Class politics and the trade union movements*

In common with the development of the welfare state in Western countries, it has been suggested that the new mass of waged labour created under capital industrialisation ignited a new social risk which had to be contained (Sagner, 2000). The introduction of the pension was just one aspect of a wide range of social reforms, including farming subsidies and employment creation activities for the white population. Hence, the institution of the Old Age Grant was only one part of a process to appeal to a broad (white) base and not a response to a single set of interests. The inclusion of the elderly in this package of reforms indicates the seriousness of their socioeconomic status at the time within a wider context of (white-based) social reform, or alternatively a response to demand for broad (white) social reform in South Africa. From this perspective, class politics was a major stimulus for the South African pension also, as the increasing poverty among the white workforce presented a political threat significant enough to spur the government to take protective action: this was part of the strategy of the state to 'co-opt the white labour movement and particularly the 'poor whites'' (Sagner, 2000, p. 552). However, there is contradictory evidence regarding the political weight of the trades unions. It is questionable whether the manifestation of this new social risk was significant enough to provoke major public activity from the trades unions which Sagner dismisses as no more than a 'coincidence' of social unrest with the timing of the pension reforms. Therefore, the political influence imposed by the white working class movement on triggering the pension in South Africa should not be overestimated (Sagner, 2000).

The provision of a pension to the white population must have further exposed the racial disparity in living standards and treatment. In the late 1930s and early 1940s there was some political unrest from the South African trade union and labour movement and, along with campaigning by liberal movements such as the Institute for Race Relations, this possibly contributed to the impetus for reform of the pension in the 1940s (Aliber, 2001). Sagner argues that any changes in the political, economic and social status of the elderly are explained by the wider class change as a result of industrialisation. During the 1940s, the coalition United Party, favoured stemming the urbanisation of black South Africans, apprehensive that it would lead to economic dependence upon the state and encourage political mobilisation from the black population due to escalating poverty among the black population and the unrest that this could incite. One mechanism to cope with its impacts was to provide public welfare such as poor relief, in effect compensation for poverty due to unemployment.

It is not evident that the situation was any different in Namibia. Today the trades unions assume a more prominent political role with close ties to the ANC which helped bring about the downfall of the apartheid regime. The South African trade union movement has a clear interest in increasing the public welfare system, because it would share in the direct benefits and it would be able to reduce its remittances to poorer households (Nattrass and Seekings, 2002). The critical voice of the unions in areas of social reform and coalitions with NGOs and church organisations in widescale movements such as the People's Budget and the Basic Income Grant, illustrate the voice and prominence of the unions today. In Lesotho, trades unions are weak and undeveloped. The unions that exist are divided along religious, denominational lines and are poorly thought of by the voting public,[7] which suggests that the trades unions did not put significant pressure on politicians by strongly advocating the pension in Lesotho.

### *3.1.4 Commercial interests*

Political support may come from those that indirectly benefit from the pension, as well as direct beneficiaries, such as local shopkeepers near pension paypoints or extended family (who either receive part of the pension, or contribute less to elderly pensioned relatives). For certain interest groups, and for self-interested politicians, there were economic benefits to be gained from supporting reforms. Help Age International (2004), goes so far as to say that non-contributory schemes promote economic development because business centres arise in the areas surrounding distribution centres.

The influence of private interests is apparent in South Africa. Sagner (2000) argues that one of the key drivers behind pension reform included the private (gold-mining) sector, for reasons of economic self-interest. Having opposed the suggestion of a universal pension in the 1920s, the mining industry, favoured extending the pension to black citizens in 1944. As their profits fell during the 1940s, goldmine owners were reluctant to raise salaries and the pension presented an opportunity for increasing the income of their black workforce without the mine-owning community having to increase salaries. Therefore, rather than a response to ideological doctrine or for reasons of political expediency, the inclusion of the black population in the pension was 'indirectly, related to the needs of the economic structure' (Sagner, 2000, p. 538).

There is evidence in the cash poor economies of both Namibia and Lesotho that pensioners with their monthly cash income were attractive to traders who would offer goods on credit. In one research site in Namibia, shopkeepers saw their sales to pensioners increase by 30-60% and as the regular income of pensioners makes them a more reliable customer for purchase on credit (Devereux, 2001). In Lesotho also, pensioners remarked that one benefit of the pension was that shopkeepers would allow them to purchase on credit. Moreover, it is common for pensioners to spend all their pension as soon as they receive it due to the distances involved in collecting the pension from a local commercial area, the price advantage of buying in bulk and the fear of travelling back home with significant amounts of cash. This provides a monthly stimulus to the shops surrounding payment points, particularly where paypoints are located in a remote local shop which has no competition in the close vicinity (as with one paypoint visited). However, while there may be many groups of people who stand to benefit from the pension, it would be presumptive to make the link between the impact of the pension on small-scale commercial or financial interests and support for or lobbying with the government. In Lesotho there was no evidence that this had coalesced into any form of lobby group.

Alternatively, today the power of business and commercial interests may be more of a limiting factor on the pension, rather than a positive influence. Campaigns for the redistributive principle of the BIG suggest it should be funded through corporate taxation, but it has to be sensitive to the power of large corporations in South Africa and the political feasibility of imposing such a tax (Legido-Quigley, 2003).

[7] Interview with David Croome, National University of Lesotho, 4th January 2006.

### 3.1.5 International influences

This section explores the extent to which the international arena was a causal factor in the pension and later reforms by imposing pressure upon the domestic political agenda. South Africa's historical links with the West meant that treatment of the ruling white population was maintained on a par with European counterparts. As a colonial outpost of the West, White South Africans unquestionably had the same rights and entitlements to a standard of living equal to other Europeans. This supports the second assertion of this paper which argues that social protection policies can have a 'knock-on' impact in other countries whether precipitated by a desire for equity or motivated by political astuteness. [8] However, the entitlement to rights did not extend to the Black population from the start. The pension had already been extended to black South Africans by the time of the formal Apartheid regime and economic and other sanctions on South Africa.

Bonerjee claims that "[i]n contrast to the colonial heritages of provident funds and defined benefit schemes, the development of non-contributory schemes in southern Africa seems to be completely endogenous and independent of each other" (Bonerjee, 2003, p. 27). When considering the economic, political, ethnic and historical links between these southern African countries in particular, this view seems too isolationist. Instead, the evidence points to a gradual domino effect of the pension. With such fluid borders between the two countries, as the South African pension rises, the disparity between the Lesotho elderly and their ethnically identical South African neighbours is increasingly evident. This may be a factor that compels the government to treat its own citizens similarly (albeit providing less than one quarter of the value of the benefit in South Africa). As one pensioner remarked, 'We should set our standards by what happens in South Africa'. This may be an influence in helping to foster a social contract.

One of the most striking aspects of the Lesotho pension is the absence of the international arena. The intention to remain independent of donor assistance was expressed unequivocally by the Minister of Finance in parliament, ' We cannot depend on getting foreign aid to pay pensions, we must do it ourselves' (Dr Thahane, 2nd Reading, 17th November 2004). There was no consultation with, or announcement to, donors and although one donor agency recalled some brief communiqué from the IMF a few months previously, the donor community was only informed of the pension when it was announced to the public, during the registration process (October, 2004). This is another indication of how little reaction the pension caused in Lesotho. The IMF expressed a standard cautionary opinion over the sustainability of the pension, given that this is to be funded by the government alone. Donor agencies expressed interest and overwhelming support for the pension, but they had very little knowledge about it. No donor contributes funds directly to the pension (and at the time of the field research, there was no direct budget support to the Government from donors).[9]

There was some mild speculation that the pension may have been urged by the South African government concerned with the number of Basotho seeking to claim the Old Age Grant in South Africa. However, there is no substantiated evidence that the South African government directly influenced the pension. Basotho are automatically entitled to the South African pension after five years' residency in South Africa and there is a supposition that many Lesotho residents draw the Old Age Grant, thereby increasing the pressure on an

[8] Perhaps this question could also be asked of government social assistance (cash transfer) schemes in southern Africa, in general. If so, this would then embrace the region more widely, incorporating Mozambique, Malawi and Zimbabwe which all operate national, non-contributory social assistance schemes.

[9] Interviews with donor agencies during fieldwork confirmed that Lesotho had been especially vulnerable to the unreliability of donor funds during 2005, which had been redirected away from Lesotho, to assist with the aftermath of the Tsunami in December 2004.

already over-burdened South African welfare system. Given the decentralisation arrangement of South Africa, this issue of false or extra claimants from Lesotho will be particularly pertinent to the South African states surrounding Lesotho.

## 3.2 Ex-ante responses: political pragmatism versus ideological aspirations

### *3.2.1 The pension as an electoral pledge*

In both South Africa and Lesotho, the pension was backed by all political parties standing for election. Under South Africa's Pact government, the aligned parties did not dispute their commitment to the pension, even when the aligned parties became divisive over other issues. 'The pension rhetoric was undoubtedly useful to strengthen the political claim of the Labour Party, and later that of the Pact Government, to represent those most at risk, particularly the white poor and the white worker. And, at least to some extent, the pension scheme probably contributed to ensuring white working-class loyalty towards the state and to integrating 'poor whites' within it' (Sagner, 2000, p. 527). The pension therefore was an aid for gaining support (white support– in South Africa) and political stability, but was not a pivotal policy.

Similar observations can be made in Lesotho. The Lesotho pension was rolled out midway through the parliamentary term and although it fulfilled on the manifesto promises of the LCD since 1993 (Ntate Monare, Second Reading), it had never been advertised as a leading electoral pledge by the government. Unlike the start of the old age pension in South Africa, the Lesotho pension was a one-off reform and not part of a coherent social agenda. In Lesotho, all handouts of food and cash are locally referred to by the name of the Prime Minister, a 'Mosisili'. This indicates the inherent political association of formal transfers and hence it may enhance the government's position. However, given the political stability of the incumbent government (stability has returned to Lesotho since the post-election unrest in 1998, it could not have been a crisis response. Prime Minister Mosisili enjoys a personal style of government, made possible partly by the small size of the country (both physically and in terms of population). This affords him the ability to make decisions and have them acted upon without the political turbulence or lengthy administrative procedures that may hinder other democracies.[10] This implies that even if the pension encouraged political support, it was not a critical vote-winner.

The lack of weight on an election campaign of a proposed pension or pension reform reflects the extent of alignment between political parties and the lack of challenge to the incumbent. In contrast to Lesotho and South Africa, in post-independent Namibia, proposals from the opposition parties to augment the pension value were timed to coincide with the weeks prior to an election which suggests that it was a more direct electoral tool. In December 1999, the leader of the opposition declared it a 'moral obligation' and a 'categorical imperative' to raise the value of the pension. He proposed more than a threefold increase to N$500 from the N$160 at which it had been frozen since 1996. However, the moral argument of the pension as an unalienable right ('Is the pay-out of social pensions to senior citizens a right, a duty or a favour?') and a reminder that the constitution 'imposes a social responsibility on the state to help those who have difficulty to help themselves', was levied to put timely pressure on the government (Republic of Namibia, 1999, p. 7 cited in Devereux, 2001, p. 13-14). The evidence from all three countries unsurprisingly suggests that while the institution of the pension may encourage electoral support, its influence as an electoral strategy is also coupled with the vigour of the electoral contest.

The pension could be used strategically at times to win (white) votes as well as to extend and consolidate Nationalist control over the fringes. Conversely, Sagner suggests that under the United Party a fear of social and industrial disorder was deliberately generated in an attempt to win white support for the Party's liberalist objective to provide welfare for black South

[10] Conversation with David Croome, National University of Lesotho, 2005.

Africans. This emphasises the fine line ruling parties were treading between espousing its values on the one hand and maintaining electoral support on the other.

### *3.2.2 Consolidation of political power*

As suggested earlier, another understanding of the evolution of the pension under apartheid rule in South Africa and Namibia, is to examine the pension not as a means to win political support but instead as a malign mechanism for fulfilling social policy. Commentary on the 1940s to 1990s, views the pension as a political tool of the apartheid government in both pacifying Namibia and the South African homelands. A state welfare system reinforced the power of the white government by cementing, socially, the discrimination and inequity entrenched in the political and economic spheres. 'The National Party was to elaborate the most extensive welfare system in Africa, a system which, like the Apartheid programme, was born of urbanisation, inequality, state power and rampant technocracy' (Iliffe, 1987, p. 142 quoted in Devereux, 2001, p. 3). While the white working class had to be protected, the pension could not be extended to the workforce universally, in order to prevent too much power being vested in the non-white populace. Case and Deaton (1998) reinforce this argument, claiming that reform to include coloured and Indian populations was a symbolic gesture only to make the proposal acceptable to parliament. Simultaneously, the pension helped fulfil the values of the party: after their initial opposition to the pension, once they were in power in the late 1940s, the Nationalist government embraced it as it helped to enforce the apartheid principle of 'the patriarchal family and the control of the older generation over the younger generation' (Legido-Quigley, 2003, p. 30).

If social unrest had been a causal factor of the decision in 1944 to reform the South African pension to include the black population, then the extension of the pension amongst the black population, failed to invoke legitimacy for the white-controlled government (Sagner, 2000). When the hard right Nationalist Government had come to power in the late 1940s, rather than attempt to appease this sector of society, they utilised the state pension to reinforce the Bantu Authorities in the Reserves and thereby extend the control of the government. This endorses Devereux's conclusion that 'it seems perfectly plausible that the social pension was exploited as a policy tool in this deurbanisation strategy' (Devereux, 2001, p. 3).

This policy was replicated in Namibia. The pensions realised the political agenda of the South African apartheid government which was to segregate and control those in the homelands and drive back the Bantu population into the rural areas. It would help contain opportunities for political activism 'which would certainly have accompanied large-scale concentrations of population in Windhoek and other urban areas' (Devereux, 2001, p. 8). Although the 'underlying motivation for extending the social pension to black Namibians in 1973 is unclear and undocumented and will probably never be known with certainty' (Devereux, 2001, p. 8), it was not necessarily to the complete exclusion of poverty alleviation objectives. The extension of the Namibian pension to include black Namibians in 1973, can be seen as another politically astute move in keeping with the South African strategy to gain credibility with Black Namibians, through a campaign of 'winning hearts and minds'. This would help garner support to fight against the threats from ANC terrorism. 'Nowadays the purpose of the social pension is to alleviate poverty, but in those days the purpose was to improve the image of the South African Defence Force' (Paymaster in the Directorate of Welfare, cited in Devereux, 2001, p. 9).

There is no evidence that the Lesotho pension was instituted to achieve social control. The country is culturally, ethnically and linguistically homogenous, partly a factor of its small population of two million people. Further, the pension was brought in by a democratically elected government, not a protectorate, nor a racially-discriminating power. If a pension can be used as an instrument to meet socio-political objectives, then it would seem likely that the greater the social homogeneity, the lower the incentive to use a distinguishing policy such as a pension as a manipulative social instrument.

### 3.2.3 The pension as a tool of foreign policy

This section makes the distinction from section 3.1.5 above, which viewed the pension as a response to pressures from the international arena. It proposes that the pension can be a deliberate strategy to curry international favour while continuing to achieve the party's domestic political objectives.

The welfarist policies of the South African government were also used as tools of propaganda by the United government, and later the National Party administration, to project a benevolent image to the outside world. A pension system gave credence to Apartheid policies, which promoted the patriarchal family, by reinforcing the dominance of the elderly over the young. Between 1950 and 1960, the value of the pension more than doubled, which, according to Sagner, was in part a publicity effort by the National Party to placate the international arena's disapproval of the apartheid regime. In practice, the increase in funding (for welfare services, as well as pensions) did not reach the elderly poor but was handed to the Bantu Authorities in order to entrench the tribal system in the Reserves and accomplish the government's retribalisation strategy (Sagner, 2000).

In contrast, the Lesotho pension was actively opposed to engaging the international arena; parliamentary debate emphasised the intention to ensure there was no reliance on or assistance from outside and this is reinforced by the lack of publicity in the international community. Donors had not been formally briefed about it and had little knowledge about it beyond awareness of its existence.[11] Subsequently, the pension has drawn attention to Lesotho's independence from the international donor community. Restating the quote from the Minister of Finance above, 'We cannot depend on getting foreign aid to pay pensions, we must do it ourselves' (Dr Thahane, 2nd Reading, 17th November 2004). Similar to the reasons given above for pension provision in South Africa in the 1920s, there has been speculation that the pension was instituted, in part, to help meet the Millennium Development Goals and to open Lesotho to more favourable outside assistance. However, the lack of international exposure of the pension does not bear out this argument.

### 3.2.4 The pension as a moral duty and political tool

The premise of a familiar normative argument is that in deciding upon the provision of a pension and the value at which to provide the transfer, the state makes a trade-off between meeting the needs of a group of its vulnerable citizens and encouraging citizens' dependence on the state to provide. This metamorphoses as both a debate over resource allocation (the state has limited resources to allocate) and a cultural argument (state transfers displace customary social networks). The resource allocation perspective is an ex-post response which proposes that the pension in South Africa was the government's pragmatic reaction to meet the needs of the elderly white population while minimising the burden upon the state.[12] This was concealed beneath rhetoric: '[A]ny debate on the plight of older poor whites in the 1920s was replete with allusions to and statements about the state's moral duty to help its needy older citizens and the entitlement of poverty-stricken older whites to such public assistance' (Sagner, 2000, pp. 527-528). The implementation of the pension

[11] According to bilateral donors interviewed in June, 2005.

[12] A further motivation behind the pension was that it would assist a vulnerable group, the '*outstryders'.* These were soldiers that had fought for the Boers in the Anglo-Boer war and whose current poverty was seen as the outcome of circumstances outside of their control. To the National Party (the main party in the Pact coalition government) these soldiers represented Afrikaner identity (Sagner, 2000). This is an interesting factor of the pension, which compares with Lesotho, where the pension, in design is born directly from the War Veterans' pension and a recognition that it was not only the war veterans that should be assisted out of the elderly population. For both, these are an identifiable group who comprise the 'deserving poor' and justified in receiving state protection.

was the first time that the state took active responsibility for the plight of the elderly, albeit in a limited way so as not to undermine the ultimate responsibility of families to take care of their older relatives. For those without families, the state relied on the existence of charitable assistance from informal networks and organisations (Sagner, 2000). A means test can be interpreted as a further indication that the Government aims to maintain only a marginal role in welfare protection.

To the public, the South African pension was couched in moral terms. The pension represented a reward by the state for the past contribution of the deserving white older generation. The Pienaar Commission stated unequivocally that this payback to the elderly population was a gesture and in no sense expected to create dependency. '[U]nless the amount given as a pension is much more than is usually given, help will still be required from children or other relatives, and it will be necessary to see that it is not fixed so high as will materially affect the welfare of the contributor's family' (Union of South Africa, First Report of the Commission on Old Age Pensions 1927, cited in Sagner, 2000). It was 'ideologically and politically constructed as a return gift', but it was concerned to encourage the extended family to care for dependent relatives, rather than act as a social programme, to provide economic security for the old (Sagner, 2000). A means-tested pension design which reaches a limited number of elderly citizens conflicts with the concept of providing a reward for the elderly population.

By the reverse reasoning with which the South African government publicly argued that the pension should be provided to the white population, the government proposed that the black elderly population be excluded from the pension altogether. The exclusion of the black majority from the pension was justified on ideological grounds. It was argued that extending the pension to the Black African community would hasten the breakdown of an assumed 'traditional system' and 'tribal bond'.[13] According to Sagner, there was a 'deep-rooted ideological aversion to public social welfare spending on Africans in the first half of the twentieth century' (Sagner, 2000), which contradicts the sympathy among South African elites towards contemporary international thinking on welfarism. This argument which asserted that state welfare would lower the willingness of black Africans to work and therefore create reliance on the state, also gave impetus to a financial argument. The reticence of the United Party to include the black elderly in the pension scheme was amplified by the low tax contribution of the black South African population. (Similarly up until 1945, state expenditure on educating black children was tied to tax receipts). This exposes the dualism in the public face of the pension; on the one hand, the pension was an appropriate means to assist the white poor as social structures were crumbling, but on the other hand, the pension could not be extended to the black poor because, the rhetoric argued, welfare grants would accelerate this perceived social breakdown.[14] This incoherence in thinking gives further credence to the argument that the pension served a political purpose.

The debates in Lesotho's parliament draw further attention to ideological discourse regarding the purpose of old age pensions. As in the early days of South Africa's pension, the Lesotho government acknowledged in parliamentary debates and interviews that while the value is small, the pension is a "helping hand", a token of thanks to reward the elderly in the

[13] In fact, the opposite has been found to be true. According to ethnographic research reviewed by Sagner, 'traditional' family systems remained strong in the early years of the pension, inferring that there was no apparent dissolution of family ties as forecast by those who objected to the pension. Indeed the pension, although small, became crucial to support households and also 'contributed, indirectly, both to increased self-respect and social status of old-age pensioners' especially as many of the young became dependent upon the elderly generation (Sagner, 2000).

[14] This was certainly argued in reference to rural areas, which were seen as self-sufficient. Another example of this in a different welfare sector, was the Child Maintenance Grant which was provided to urban children.

country.[15] In Parliament, the Minister of Finance stated that the pension is to meet basic needs, to enable pensioners 'to buy sugar and paraffin forever', in a climate of rising poverty and increasing inability of families to care for their aged relatives (Second Reading of the Pensions Bill, 16th November, 2004). At M150 (£12.50) per month, the pension falls a little short of providing the Lesotho elderly with US$1 per day.

The pension states that :

> "It is the policy of the Lesotho Government to care for the most vulnerable group in the society, notably, senior citizens from the age of seventy years and above by providing social protection against old age.
>
> "The aim of this policy is to increase the living standards and reduction of poverty, in line with the development strategies of Lesotho as outlined in the National Vision and the Poverty Reduction Strategy Programme." (Lesotho Government, 2004)

Moreover, it is a principle of the LCD to assist the elderly and those with disabilities, to ensure 'that no-one will be left behind' (Ntate Monare, Second Reading, 16th November, 2004).

With time, the design of the South African Old Age Grant has evolved alongside the ideology. One indication of this in South Africa is the serious debate to provide a monthly universal (not means-tested) grant aimed to give most benefit to the poorest in the population. Imposing a universal grant would be a recognition that there is a broader spectrum of poor beyond the elderly which must be provided with support, out of need, rather than for reward. This reverses the rhetoric used in the 1920s and reflects the responsibility that the government now accepts for the welfare of its citizens. However, the concern that the responsibility for support of the old should still lie with the family persists. Social assistance 'is working to support the mechanism of familial responsibility…the state provides only limited social assistance, of the opinion that the family network should continue to provide support (Veenstra, 2004).

In Lesotho, the opposition predominantly fall on the rights side of the argument, although not to achieve any clear political agenda. It argues that the size of the pension is too small to make a marked difference upon the lives of the recipient and views the pension as a redistributive step towards helping the elderly out of poverty. This is an idealised approach to the pension which is not cognisant that it is likely to be pooled within a poor household, rather than benefit the pensioner individually. In such a situation, it would be impractical to design a cash transfer large enough to cause a redistributive effect. One MP for the ruling LCD party argued that the pension should be provided in order to help overcome the marginalisation of the elderly. He pointed to the attention given to other marginalised groups such as women and children, who receive special protection under the law. The language used in the debate appealed to patriotism and a sense of familial duty. The instigation of the pension marked a 'new history' for how Lesotho society would care for the elder generations (Ntate Maphatla, MP Hloste, Second reading of the Pensions Bill, 17th November, 2004).

#### *3.2.5 Poverty reduction: social welfare versus the developmental approach*

As a mechanism for social welfare, pensions conceptually reflect an understanding of need and poverty as a persistent rather than fluctuating state of the beneficiary. The emotive assertion in both 1920s South Africa and Lesotho today criticised regular support for bringing about a breakdown in social structure and familial support. This fails to recognise that the perceived decline in social capital may be a product of increasing poverty rather than triggered by permanent welfare assistance. As Devereux argues, the pension does not partly

[15] Interview with the Commissioner of Pensions, Ntate Thulo. This idea of the pension as a help in old age, rather than a saving opportunity, was also repeated in parliament on several occasions by government MPs.

reimburse income lost on retirement, but provides an extra source of income to the pensioner's household. This is consistent with the view that in South Africa, 'old age pensions effectively function as a social welfare grant for poor households, the virtue of targeting the older household member is that this person may be more likely to share the grant in the best interests of the household, i.e. more so than other possible family member recipients' (Aliber, 2001, p. 28, footnote 17). It implies that in very low income households, pensions may help consolidate the family, rather than encourage the disintegration of interdependence within families.

However, family support will fail in times of adverse collective shocks which the poor in politically and environmentally unstable environments are particularly vulnerable to. Unlike other types of welfare, such as social insurance which protect against idiosyncratic risk, regular transfers can guard against such covariate risk. One-off insurance payments act as protective initiatives and aim to maintain the status quo, whereas the promotive nature of social assistance programmes 'attempt to raise the living standards of the poor, by improving their access to physical capital (e.g. roads, water supplies), by investing in their human capital (free or subsidised health and education), or simply *by transferring free food or cash* (food aid or income transfers)' (Devereux, 2001, p. 16, emphasis added). So by design, means-tested pensions correspond with a view of poverty as a static state, rather than an all-inclusive design of a universal pension which reflects a more dynamic understanding of poverty, in recognition that significant numbers fluctuate at the margins.

In South Africa, the role of the government was initially to maintain the status quo, rather than provide a springboard out of poverty. Firstly, if the South African pension can be argued as evidence of the government taking responsibility for social policy and the welfare of its citizens to reduce poverty, then this compassionate disposition extended only as far as the European and Indian settler populations. By committing to provide only the necessary minimum to meet needs, the government demonstrated that it did not see its role to provide a springboard out of poverty. The status quo was to provide white families with a nominal pension to provide some nominal relief (at a value low enough so as not to further jeopardise family support) and for the black elderly, by denying them the pension altogether so as not to trigger the anticipated social decline. Whatever the government's intention of the welfare programme, the policy contributed to reinforcing the apartheid order. The concern over the provision of social assistance was about maintaining rather than challenging the situation and implementing a poverty reduction strategy. In Lesotho, there is anecdotal evidence that the pension has induced both these impacts simultaneously. Some relatives declared they had stopped providing their elderly family members with a regular allowance as the government now provided that role for them. Other pensioners responded that they still continue to receive family assistance because their families recognised that the pension was too low to survive on. In parliament too, disintegration of informal assistance and dependence on the state was argued, respectively, as both a cause for and a consequence of the introduction or any subsequent increase in the rate of a pension.

The developmental approach combines both economic and social development policies, recognising that they are 'interdependent and mutually reinforcing' (Haarmann, 2000, p. 15). The current approach to poverty and development is further evidence that the progress of South Africa's Old Age Grant has not followed a coherent path (Veenstra, 2004). In the post-apartheid era, the ANC's Reconstruction and Development Programme (RDP) was aimed at attacking poverty through service provision by improving access to water, housing, electricity and health, in preference to welfare. A 1995 draft White Paper for Social Welfare was rebuked for paying too little attention to social grants and the Growth, Employment and Redistribution (GEAR) Framework in 1996, marked another shift in approach, towards neoliberal economic growth and job creation with a diminished place for welfare and grants (Veenstra, 2004). The final White Paper in 1997, which adopted a UN-advocated social development approach recognising that social and economic development are mutually dependent on and supportive of each other, is evidence that the pendulum has swung back in favour of social welfare. 'We have changed the paradigm within which we operate from welfarism to social development as reflected in our change of name [from RDP to GEAR]. We seek to promote services and programmes that enable people to move out of poverty' (Minister for Social Development, Dr Zola Skweyiya Budget Vote Speech to the National Assembly, 3rd April 2001, cited in Aliber, 2001:1).

The 1997 White Paper therefore projects an increasingly interventionist approach, in which government assumes the role of coordinating social and economic policies amongst different actors (Haarmann, 2000, p.16), albeit tempered by neoliberal strategies. Social spending is now seen as an investment and an opportunity – a ladder for the state and its beneficiaries, rather than a protective safety net. The paper embraces this symbiosis between social and economic development and explicitly recognises the promotive potential of welfare assistance:

> 'Social security, social services and related social development programmes are investments which lead to tangible economic gains and in turn lead to economic growth. Without such social investments, economic growth will be compromised. […] Welfare expenditure will only be able to expand as higher economic growth rates are achieved. […] Understanding the impact of social spending on growth is critical to ensure that trade-offs do not bias spending against social development or growth…A social security system is essential for healthy economic development, particularly in a rapidly changing economy, and will contribute actively to the development process. In a society of great inequality the social security system can play a stabilising role. It is important for immediate alleviation of poverty and is a mechanism for active redistribution' (Republic of South Africa, 1997, p. 51).

When compared with the narrow one-dimensional approach of the Pienaar Report, which saw a pension as maintaining the elderly at a minimum level, the White Paper illustrates the shift that the South African pension has made over time. Although there has been ongoing debate as to whether the pension is an inalienable right or a gift since the early years of the pension (Devereux, 2001), a defined shift has taken place in the pension since its inception. Over the decades and once all elderly South Africans were permitted to apply for an equal pension, it became perceived as a right and accepted by the government. 'Absent are the vituperative public and government debates about how to pry people off the welfare rolls and implicit is the recognition that government in particular must support some people over a long period of time' (Aliber, 2001, p. 37).

Namibia too has undergone a shift in the ideological attitude to the pension. Firstly, at independence there was a political turnaround when the Namibian-led and left wing SWAPO party succeeded from the right-wing, South African apartheid protectorate. Since then, there has been another shift in the pension, in a way which reflects government control over, rather than responsibility for, the welfare of its citizens (see below).

In Lesotho, although the pension was a hastily implemented reform, albeit proposed years before it became active policy, it too can be seen as part of an egalitarian, redistributive philosophy of the government, as well as part of an ongoing development strategy of the government.[16] In 2005, free primary school education was extended to cover all years of primary school. The debate that followed was whether to continue extending free education year on year or whether to put resources into other welfare programmes. Some government MPs were candid that their hope was for a Lesotho welfare state. They see this as still as a work in progress – which began with heavily subsidising medical treatment[17], the veterans' pension (introduced in 2000) and a third welfare grant is Public Assistance, which is a cash transfer to the poorest households. The Old Age Pension represents the next stage of the development of the welfare state. The package of support now available to assist Lesotho's poorest groups, suggests a basic acceptance that the state is a primary welfare provider.

[16] Discussion with David Croome, National University of Lesotho, 2005.
[17] A visit to the hospital now costs M10 (GBP 0.83) per visit.

The Lesotho pension was also a positive policy response to increasing poverty. With an HIV prevalence rate close to one third of the population (UNAIDS, 2006) resulting in a high occurrence of skip-generation families, the burden of responsibility as household heads has fallen on the older generation. These elderly, who previously nursed their own parents and raised their children are again providing support to their adult children as well as their orphaned or vulnerable grandchildren. During research, it was not uncommon for female pensioners to be caring for four or five young children. This was raised during parliamentary discussion: A.L. Lehohla, MP, an advocate of the pension, recalled how one female pensioner had explained to him that 'like many old people she had expected her children to take care of her. But they had died and left her alone' (17th November, 2004). This necessitated state intervention to suspend further increases in poverty. The Lesotho pension was a similar ex-post response to an absence of support but this time it was due to the demographic impact of the AIDS epidemic.[18]

The South African and Namibian pension illustrates how a pension policy can adapt to different political regimes and social and economic circumstances. These cases suggest that there seems to be an apparent permanence to a pension policy, once established. It assumes political weight which allows it to adapt to reflect changing political environments and approaches to development policy. Indeed, so much so, that its existence ceases to be questioned. Whether the pension is used as a policy for poverty reduction or as part of an overall state development strategy can alter over time but as it persists it becomes historically embedded and, it is proposed, as a result seen as an entitlement by its future recipients.

## 4. Process and Design

The crude distinction made so far regarding the pension as a vehicle to realise either political objectives or a welfarist agenda is of course, not necessarily mutually exclusive. In the design of the pension, objective may be met in addition to those that are articulated in public. The following section focuses on the design and procedural characteristics primarily of the South African pension, to understand how they furthered the objectives of the government. An ill-designed programme can impact upon the effectiveness of the system and at worst be used as a mechanism of control. This emphasises the crucial importance of understanding the chain of command for distributing and targeting payments and the imperative for a transparent appeals system that is not tied to the targeting system.

### 4.1 A tiered payment system: fulfilment of political objectives

Exclusion of black Africans from the pension until 1944 was defended on the grounds of administrative complexity, difficulty of establishing the age of the applicant and the problem of distinguishing between rural and urban residents. Such exclusion simultaneously satisfied Hertzog's segregationist policies which prevented black African participation in South African civil society, a 'problem' which by 1944 had apparently been overcome (Sagner, 2000). Even once the government extended entitlement to the black elderly, a racially discriminatory payment was still used deliberately to perpetuate the de-urbanisation strategy. One opposition MP remarked at the time, 'it is a great pity that economic pressure of this nature has to be applied to bring about a political ideology' (cited in Devereux, 2001, p. 4). Higher rates were paid to urban-dwelling pensioners compared with pensioners in rural areas but as a disincentive for migration to urban areas, there were strict eligibility criteria as to who could claim the urban rates. This also helped to limit a benefit system that would 'conflict with or

[18] In Lesotho the pension is a response to these changing demographics. In contrast, in the West, changing demographics of the elderly population and the greying of the 'baby boom' generation means the elderly as a priority and consequently their allocation of state support, are changing also.

break down their traditional foodsharing habit' (Human Awareness Programme, 1983, p. 3 cited in Devereux, 2001, p. 2). In 1965, the strategy was reversed in order to continue to prevent the growth of cities and the payment bands were eradicated altogether. Today, means-testing potential beneficiaries maintains this historical exclusionary approach.

### 4.2 The transfer system: entrenching power structures and authority

A second way in which the post-1944 design of the South African pension was used as a restrictive rather than an enabling instrument of the apartheid government, was to reinforce the patriarchal values of the apartheid system. As discussed in section 3, the introduction of black citizens was reluctantly conceded due to the fear that without inclusion of the black population, both the political and social consequences could be graver than ongoing suppression. However, the wary inclusion permeated into the pension and was used as a means to extend apartheid. By the 1950s, resources for welfare services to the Reserves were flowing through the Bantu Authorities. The increased flow of funds to the outlying areas was intentionally supplied to the authorities as patronage, in order to retain control of the 'tribal' administration (Devereux, 2001; Sagner, 2000). This manifested itself in incidences of corruption which included the authorities forcing bribes from pension applicants, or withholding the pension as a means to exert pressure over those they believed were 'politically troublesome individuals' (Sagner, 2000: 546). Local administrators in the Reserves therefore stood to gain political status and financial benefit, or alternatively were compelled to acquiesce with the apartheid regime.

### 4.3 Fraud and corruption

In both Namibia and South Africa, delivery of the pension has been privatised and has appeared to improve coverage as well as reduce the incidence of fraud (Devereux, 2001). Privatisation and the electronic system of payment has reduced the problems that Lesotho is now encountering such as queuing, potential incidence of fraud and mis-handled money, although he provision of armed guards to accompany officials to the pension paypoints guarantees some security. Even if privatisation removes some of the politicised element from the pension, in South Africa the payment mechanism has design problems, including inflexibility (such as not allowing families to receive the pension for the month in which the pensioner relative has died – when money is most needed) and ineffective thumbprint recognition. At the same time, a privatised distribution system physically removes the state one step away from its obligation to deliver services and the social contract that it is argued is evolving in South Africa.

Numerous loopholes in the Lesotho pension leave the way open for corruption and intimidation. Currently, there are no official reports of wrong-doings, but neither is there an official complaints or monitoring system. Few pensioners have identification documents or can prove their age so the responsibility is given to the local chief to verify the ages of pensioners putting considerable personal power into a hereditary role, at a time when chiefs' power is being rivalled by the establishment of decentralised government and a newly appointed administration. Alternatively to further reduce the authority of the chiefs may jeopardise the protective community that exists. There were no reports of bribery or corruption and the advantage of the pension being managed by a hereditary position is that there may be less need for patronage.

### 4.4 Constitutional and legal reform: entrenching (changing) ideology

It has been emphasised that the pension was advertised as a generous gift from the government to white South Africans and that a desire to avoid dependency or weakening informal support systems were justifications for excluding black elderly South Africans.

Subsequently, the ideological shift in attitude to the pension was also discussed. Such changes come about as the result of public and formal debate and are currently evident in the extensive involvement of the media and civil society in discussion of the BIG. This is now manifest in the extensive and interlinked system of welfare benefits provided by the South African government. Moreover, access to social security has become enshrined as a right in the Bill of Rights (Olivier, 2003). 'Everyone has inherent dignity and the right to have their dignity respected and protected…the state must respect, protect, promote and fulfil the rights in the Bill of Rights' (Older Person's Bill, South Africa, 2003).

Over time, Namibia too has undergone a change in the ideological approach to the pension, but in this case it is an example of how government control and pension provision does not necessarily equate with taking responsibility for its citizens' welfare. The 1998 amendment to the 1992 Pensions Act (proposed by the Department of Social Services), changed the name retrospectively from the 'National Pensions Act' to the 'Basic State Grant Act'. This reflects a 'fundamental shift in thinking by Namibian policy-makers' (Devereux, 2001, p. 13). The pension was being reconceptualised not as an 'objective' universal entitlement but as a grant for those that meet a 'subjective' set of livelihood standards. Devereux interprets this shift as an intentionally restrictive act by the government, evidence of taking increasing control over the rights and liberties of its people. He argues that it was attempting to remove a legal 'right' for the elderly to a pension and provides the government with 'unlimited ability to restrict and limit payments, by progressively tightening the definition of poverty and rigorously enforcing means testing' (Devereux, 2001). Although the amendment was withdrawn before passing to parliament, the argument intermittently arises in parliamentary debate. While there was ideological consensus over the pension's existence, it has been the design of means-testing that has provoked conflict.

Both the South African and Namibian cases illustrate how a state transfer may change to/from being perceived as a beneficiary's right in the legal framework. In Namibia, this took place over eight years from application of a universal, equal pension in 1990 to the first formal proposals for reform in 1998 and the consistent rejection of this proposal is affirmation of the extent to which it has become rooted as a right of the elderly. Devereux's observations about Namibia show that over time, while one party attempted to move the pension away from a being an entitlement, the passing of time and subsequent reforms had engrained it as such in the public consciousness or at least, the support of the Opposition. Therefore with time independence, democracy and political equality can engender a 'rights-based' approach in the legal and administrative framework.

It does not necessarily take so long for the pension to be seen as an entitlement in the eyes of beneficiaries and other citizens. In Lesotho, pensioners' reaction to the pension was twofold: firstly they expected to receive equal treatment to their relatives across the border in South Africa who have received a pension for years. Secondly, they saw it as the state's role to care for its citizens, particularly when relatives could no longer afford to do so. This differs from the views of parliamentarians discussed earlier, who viewed the pension as a reward or a helping hand but not an entitlement. This shows how the purpose of a pension may be construed differently by various stakeholders. While the Lesotho pensioners interviewed clearly believed they were finally receiving assistance that was long overdue, it may take longer for the Lesotho administrative system to secure such a unified attitude in the parliamentary arena.

### 4.5 Targeting design: financial versus political pragmatism

There may be political consequences to reducing inclusion and exclusion errors and reaching the targeted population alone. Excluding all taxpayers from receiving a pension, using an asset-based determinant for pension applicants, or certain registration processes that have stigma attached to them (such as queuing), which would deter the non-needy (Devereux, 2001), may be financially astute but politically counteractive. There is a trade-off between having political support by targeting the pension as a poverty-reduction and redistributive strategy versus having the political support of those that provide the economic backbone to the pension. In Namibia, the question of making the pension conditional on a means-test, has been frequently debated and rejected:

Introducing targeting criteria would certainly be regarded by white Namibians – most of whom would instantly lose their entitlement to the social pension if means testing was applied – as discriminatory against them, and might even be challenged as unconstitutional on these grounds. *It is vital that political support for the social pension is maintained among the (still white-dominated) economic elites,* not only among the new (African-dominated) political elites who have explicitly prioritised the interests of poor Namibians since 1990. (Devereux, 2001, p. 25. Emphasis added)

This gives impetus to Legido-Quigley's argument about South Africa earlier, that a fundamental concern over the pension is that it is politically acceptable to economic and political elites. The targeting aspect of the pension design is critical to this.

## 4.6 Pension administration and management: transformative or protective transfers?

The design and administrative location of the pension also set the parameters of the pension. This section discusses several of these aspects: how the real value of the transfer, the institutional location of the programme and the administrative capacity to deliver the programme can determine, and bring into question, the protective capacity of the programme.

### *4.6.1 The value of the transfer*

The scope for the pension as either a transformative or protective mechanism is partially determined by the value of the transfer. The value of the Lesotho, Namibian and South African pensions are Rand 150 (£11.63), R300 (£23.26) and R740 (£57.36), respectively. Neither the Namibian nor Lesotho pension are legislated to include annual or inflation-linked increases, nor even periodic reviews. The Namibian rate set in 1996 (N$154 or £11.94 at today's rate), was adequate to maintain a small family above the poverty line, but by 2001, as the pension rate had not risen with inflation, the pension was insufficient (Devereux, 2001). The consequence is that the Lesotho and Namibian pensions are tied to the state's political and economic circumstances rather than the numbers and needs of beneficiaries. Moreover, without an inflation-linked pension, in times of inflation, the value will have a decreasing marginal benefit on poverty.

A second reason why the effective value of the transfer is reduced is the reality of the situation in which the pension is utilised. Interviewees in Lesotho spent the pension primarily on food (mainly grain), paraffin, and maybe clothes, or education costs and social dues (such as burial societies). The only pensioners that invested their money in purchasing animals were two Maseru-based pensioners who were a couple and free of other dependents. In Lesotho, the pensioners interviewed pool their monthly income within the larger household. In an elderly-headed household with three dependents in a remote location in Lesotho M150 (£11.63) is not enough to meet the monthly grain needs and the travel costs to and from the pay point in 2005, even prior to any price inflation. Evidently the benefit to an extent determines the range of uses for the pension, therefore much about the scope of benefit of the pension is forecast in the design and, reciprocally, designers of the pension need to be cognisant of the household situation in which the pension is consumed, and the secondary impacts of the pension, albeit unintended. The sufficiency of the transfer and whether there are checks in place to ensure it continues to meet basic needs, inevitably becomes a lesser concern to the challenge of programme delivery. However, inherently, this can obstruct the long-term protective capacity of the programme.

### 4.6.2 Administrative capacity

The design of the Lesotho pension emulates the War Veterans' Pension (African Pioneer Corps Pension) which has 5187 beneficiaries.[19] It is administered in the same way as the Veterans' Pension, through the Department of Pensions, under the Ministry of Finance and Development Planning. However, there was no increase of administrative capacity when the pension was introduced, despite the thirteen-fold increase in the number of pensions they are administering. This inevitably imposes a huge burden at all levels on the logistical capacity of the bureaucracy. Employees in the Ministry of Finance felt overworked by the increased numbers they were dealing with. Inevitably this led to mistakes, particularly missing names off lists. With an inadequate appeal process, pensioners often travel long distances to Maseru, to speak to the office directly, which officials complained further inhibited their work. The capacity of local post office payment centres has not increased to cope with hundreds of pensioners rather than the fewer number of War Veterans that previously claimed the pension. Pensioners wait for many hours, even returning several days in a row because the money has not arrived. At one payment centre there were almost two hundred pensioners waiting at the roadside for the second day in a row for the money to arrive, only to be told in the afternoon that the pension would not be delivered until the next day. According to conversations with pension officials, this was not uncommon. Yet there has been no coordination with other bodies that do have an effective distribution system.

In South Africa although there was planning and control over legislating the pension, there is considerable evidence cited by Sagner, to show that similar to Lesotho, the administration of the pension was haphazard and unregulated. In 1931, the Pension Laws Amendment Act gave all authority over pensions to the Pension Commissioners, under the Minister for pensions. The Commissioners were responsible for the final decision to accept or deny all pension applications, including settling the amount of each pension. Pensioners had the right to prosecute their children who did not provide support to them. By the 1950s, after the National Party had regained power, they manifested their long-standing opposition to the pension in their directives over pension payments. These factors led to arbitrary decision-making; pension commissioners had the authority to 'interpret the eligibility requirements as narrowly as possible, they were required to exercise the greatest care when awarding pensions, and were encouraged to keep expenditure to a minimum' (court circular, 1957 cited in Sagner). This was enforced through a group of pensions inspectors sent out from central government to observe proceedings. Sagner states that this strongly influenced the decisions of magistrates and pension commissioners.[20] However, the pension was most successfully curbed by the circulation of 'informal figures' recommending numbers that should be eligible for the pension. Effectively, this was a quota system and one formidable enough such that one magistrate of the Trankeian Mqandull District, considered that for over three per cent of the population to be receiving the pension, was excessive. Sagner concludes that pensioners were susceptible to the state's 'fiscal interests' (Sagner, 2000). In this case, the right for elderly to receive financial support (indicated by their prerogative to prosecute their family) was in fact, subsidiary to fiscal interests which illustrates how the design of the pension can consolidate policy intentions.

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[19] The African Pioneer Corps Pension was set up with British money after the Second World War specifically to provide pensions for the returning soldiers. The money was mis-administered and it was suspended in the 1960s. The pension was only restored in 2001, when of course, there were far fewer war veterans and their spouses alive to claim the benefit.

[20] Sagner also presents evidence to illustrate the compassion shown by magistrates as he goes on to reveal that many magistrates granted the maximum pension rate permissible to black South Africans, in sympathy for their destitute circumstances, although this changed in the 1950s with the newly elected National Party. The Nationalist government pressed for contracting pension-spending and consequently, the pension granted to an applicant became increasingly arbitrary (Sagner, 2000, p. 546).

In the post-apartheid years, the new ANC government had to reform the apartheid structures into a bureaucracy to reflect the newly democratic South Africa. 'The purpose of the reforms was to secure equal access and the same quality of service for all South Africans…' (Legido-Quigley, 2003). It amalgamated the fourteen separate social security systems, which had each been administered individually and had led to loopholes in the system rendering it vulnerable to abuse. Streamlining the administrative system and ensuring accessibility to the services reflected the equality of access and benefit that the ANC effected when they assumed leadership.

### *4.6.3 Institutional location of a pension*

In all three countries, the pension is housed within, or closely linked to, the Finance ministry. Changes in transfer value are left to the discretion of Finance Ministers, rather than a social welfare-focused department which may be better placed to advocate the needs of the elderly, leaving the pension particularly vulnerable to other demands on the national budget. When the disparity between rural and urban pension payments to black pensioners ended in South African in 1965, it was announced by the Minister of Finance. [21] The move complemented the 'homelands' strategy the government was pursuing, which encouraged (or coerced) the relocation of residents to their 'ethnic' homelands. In Namibia, the pension is administered by the Ministry of Health and Social Services who have autonomy over pension delivery but defer to the Ministry of Finance over deciding matters such as the pension amount and settling disputed cases. In Lesotho, the pension is fully under the jurisdiction of the Department of Pensions which is currently within the Ministry of Finance (it has in the past been housed in Social Welfare). There is no connection with the Department of Social Welfare who administer a widescale cash transfer. Aside from not benefiting from the experience and capacity of Social Welfare, this has caused problems with switching elderly Public Assistance beneficiaries to the Old Age Pension.[22] Only the Namibian pension has its institutional home within a social welfare ministry. Given that both countries have other cash transfers managed by welfare ministries, housing the Lesotho and South Africa pensions within their respective finance ministries, questions whether in reality, the pensions are identified conceptually as closer to economic rather than poverty reduction or social welfare programmes.

This section has attempted to demonstrate how crucial the design specifics of pensions are to the effectiveness and the objectives of the programme. Without being legally enshrined, sufficient debate or implementation capacity, the outcome of the programme may be compromised. Even if the pension is part of a rights-based agenda, features of the design give a better indication of the motivations and/or drive for the programme

## 4.7 Formalising the pension: the impact on programme delivery

The process of instituting the pension evolved very differently in Lesotho, compared with South Africa and Namibia. In South Africa, each set of proposals for reforms has been substantiated by a commission (the Pienaar Commission, the Social Security Commission and Lund Committee). For example, the United Party reformer Jan Hofmeyr, established the Social Security Commission which surveyed all social welfare programmes in South Africa and concluded that all South Africans, excluding South-West Africans, were entitled to social welfare. This resulted in the universal means-tested pension for all South Africans.

[21] The new value of the pension for black Africans was set close to the average of the former differentiated pension rate.
[22] A Lesotho pensioner cannot benefit from the Old Age Pension and another state transfer consecutively.

In the short history of Lesotho's pension, the approach to establishing the pension has been less rigorous. It was first announced in the April budget, six months before preparations began on the pension. Changes to the Minister of Finance's budget speech were made hurriedly, at the request of the Prime Minister, only three days prior to it being read in parliament. Until this point, there had been no information campaign, public or parliamentary debate; even the Department of Pensions did not know an Old Age Pension was to be introduced.[23] It seems to have been an almost impulsive move by Mosisili. His personal style of government affords him the ability to make decisions and have them acted upon without undergoing the political scrutiny or lengthy administrative procedures that may hinder other democracies.[24] The speed with which the pension was introduced reflects the personal style of prime ministerial politics in Lesotho, but has not necessarily established a precedent for future reform.

Further, like the Westminster Parliamentary system, Parliamentary Bills pass through three readings and committee stages in both houses. For the pension, this process took place over three days, in mid-November, after registration of pensioners had occurred and only twelve days before the first payment was due. There was no White Paper preceding the Bill, as would be customary, instead a 'national dialogue' to discuss the pension planning document took place, but only in the capital. Preparation for the pension (publicity, registering pensioners, delegating roles and responsibilities) had already taken place in June 2004, prior to parliamentary discussion that November. Consequently, in spite of the pitfalls identified in the Bill during parliamentary debate, the pension was passed with few amendments[25]. The government assured that any omissions could be addressed at a later time but it caused important matters to be overlooked leaving the programme vulnerable to inefficiency, delays and corruption.

While this is not significant in itself - bills are occasionally rushed through parliament - the haste with which the Pension Bill was put together obstructed the transparency of the process and the quality of the design. The programme fails to address security issues of pension delivery, justice and potential fraudulent claims or corruption on the part of administrators; there is no clearly defined structure of administration; an inappropriate and unclear complaints process[26]; and as yet, no supervision or evaluation procedure to monitor the pension over time. In contrast to the extensive research that has backed the reforms for the South African pension over the years, in Lesotho, there was no assessment into the demand, use or feasibility of a pension. It was driven through by the personal style of the Prime Minister, who has the autonomy to effect rapid changes in policy and the approach to the pension therefore is very much *ad hoc* with a pragmatic approach to addressing problems as they arise.

Lack of consultation of both in-country and external experience was another example in Lesotho of the way in which the process of designing the programme influenced the effectiveness of programme delivery. There was some review of pension programmes in other SADC countries, (contributory, rather than non-contributory programmes) and more significantly, the pension did not benefit from the experience gained through the other government cash transfer welfare programme, the Public Assistance.[27] This grant, intended

[23] Interview with Commissioner Thulo, Department of Pensions. June, 2005.

[24] Conversation with David Croome, University of Lesotho, 2005.

[25] Clause 5 was amended in order to enable imprisoned pensioners to continue receiving their pension once they return from prison.

[26] The pensioner must complain to those that have either granted them with the pension (community chiefs) or to those that directly distribute the pension to them (i.e. paypoint/post office officials, which is open to intimidation. Many pensioners, to overcome this, have travelled all the way to Maseru to complain directly to the Department of Pensions in person, as they feel the current system to register complaints is ineffectual. This puts staff at the Pensions Department under even greater pressure.

[27] The Public Assistance consists of a monthly transfer of M100 (£8.33), free medical costs and a coffin, for the poorest citizens assessed, registered and administered by the District Health Officer.

for the poorest members of the community is run by the Department of Social Welfare under the Ministry of Health and the Pension has failed to capitalise on the experience of Social Welfare in food and cash distributions. Although one member of the Department of Social Welfare was included on the Pension Planning Committee, there was limited interest from Social Welfare as the pension was set outside their remit, and the lack of interest to integrate the two programmes, and overcome the problems that Social Welfare officers were facing in the regions in transferring elderly recipients of the PA onto the pension, is indicative of the larger problem of a lack of inter-ministry coordination. This has a negative impact upon programme effectiveness.

### 4.8 Redistribution versus equality: a means-tested or universal policy?

As mentioned above, 'inclusion-errors' which are generated in a universal pension may be a necessary bad to protect political support (as well as to simplify programme design). Alternatively, exclusion errors, generated in a mean-tested design, reduces the redistributive impact of the programme.

As South Africa has a two-pillar pension system, with a contributory pension for higher income earners alongside the non-contributory pension, to limit leakage to non-poor households, a stringent means test has been consistently applied[28]. In defence of the means test, it is argued that there would be high fiscal costs of abolishing the test itself (although unconditional cash transfers are usually favoured on the grounds that they absorb lower administrative and organisation costs compared with conditional schemes) and it would jeopardise the sustainability of the pension overall, with the increase in the number of beneficiaries. From a redistributive perspective, the design appears effective: most of the white population are excluded while 80% of black Africans over sixty years old are included. The pension constitutes the primary source of income for older persons who are chronically poor and it is estimated to reduce the poverty gap for older people by 94% (Committee of Inquiry into Comprehensive Social Security, 2002 in Legido-Quigley, 2003, p. 10). The findings of Case and Deaton (1998), provide further evidence that it reaches the poor, particularly poor children and the elderly. It is even argued that it is the most effective social programme in targeting and reaching economically vulnerable groups (Case and Deaton, 1998; Haarmann, 2000).[29] Inclusion errors still arise and it is estimated that 15% of all claims are fraudulent (Devereux, 2001:7). Moreover, the pension has been less successful at addressing social cohesion. The two-pillar structure creates 'little social solidarity in the system', which indicates how the post-apartheid system has cemented rather than eradicated the disparity between rich and poor the consequence of which perpetuates 'not only the ever-present inequality, but also abject poverty in this country' (Olivier, 2003, p. 6).

Without any monitoring or evaluation procedures or any substantive quantitative research yet undertaken, the effectiveness of distribution under the Lesotho pension is unclear. The journey time for many pensioners to collect the monthly pension can be a day's travel which can cost up to half of the value of the pension. If after three months, the pension is not collected, the pensioner will be struck from the list and have to reapply. This is a serious worry for the most remote pensioners where the need is greatest. There was reassurance from government officials in interviews that during the month-long registration process, all

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When a beneficiary of the PA reaches 70, they graduate over to the pension and new beneficiaries are enrolled on the PA.

[28] This measures income and asset value of the proposed pensioner, in isolation of other household members.

[29] See also the Committee of Inquiry in to a Comprehensive System of Social Security for South Africa, 2002 in Barrientos, 2003.

communities were reached but certainly, the remoteness of communities and the difficulty of physical access raises a concern that it will be easy for many pensioners to slip from view[30].

## 4.9 Fiscal sustainability

A lack of fiscal sustainability and the drain of state resources is frequently proffered as an argument against providing state cash transfers to the elderly. However, 'there is no economic law that prevents societies from deciding to allocate more resources to old age security and less to some other expenditure' (Beattie and McGillivary, 1995: 68 cited in Devereux, 2002, p. 22). In South Africa, the pension is financed from tax income and consumes approximately 1.4% of GDP (the highest spending on any social security transfer in South Africa). In 2001-2, for the first time the pension was increased above the rate of inflation (approximately 5.3%), raising it to approximately twice the median rural income and around 10% of incomes in manufacturing industries (Legido-Quigley, 2003). This suggests that a pension could be effective at keeping the elderly out of the job market and freeing jobs for younger generations. It corresponds with the change in government rhetoric which today acknowledges that the pension does more than 'catch' people; it can assist as a step up and is a mechanism for distributing resources to others, beyond the elderly alone.

Not surprisingly, the fiscal sustainability of the pensions and freezing pension rates surfaces in the debate in all three countries. To cope with the increasing fiscal pressure, previously in Namibia, the social pension was frozen in 1996 so that over time, its real value declined. The defence was that 'the country has reached the limits of its ability to mobilise public revenues (Integrated Poverty Reduction Strategy, 1997, cited in Devereux, 2001, p. 22). However, Devereux suggests it is a factor of 'government commitment and policy priorities' as much as an issue of fiscal prudence and budget planning (Devereux, 2001). The situation in Lesotho today is similar to that of Namibia, and the government's need to retain the ability to do this, gives logic as to why the pensions in all three countries remain closely bound with (or in Lesotho and South Africa's case, directly under), the finance ministries.

On the other hand, it increases the government's intrusion into the state and marks a move towards the welfare state rather than away from it, at a time when the welfare state is being heavily questioned by Western governments. The Government plays a significant role in the South African economy in terms of its expenditure as a proportion of GDP: 31.7% of GDP in 1996/7. This is high compared with most middle income countries and higher than the US and Japan, but still lower than many European welfare states (Kruger, 1998). The Review of the Social Security System argued that the pension discourages younger generations from accumulating savings or retirees from conserving their retirement benefits. In a non-banking, rural economy however, financial savings may be less feasible. Moreover, the security of having a guaranteed income in old age may encourage future beneficiaries to adopt riskier but potentially more rewarding strategies earlier in adulthood. For the time being, the rate of elderly graduating to the pension is slower than the rate of increase of the elderly population in South Africa and therefore the pension is still fiscally manageable. However, the Treasury announced in 2004, that the current rate of increase of social grants cannot be maintained beyond the medium term (Veenstra, 2004). Indeed, the cost of Namibia and South Africa's social pensions are expected to rise to 3-5% of GDP by the year 2050, imposing significant rethinking of budget planning (Bonerjee, 2003).

An argument levied at both Namibia and South Africa is that it is the wide inequality between black and white incomes that makes funding the scheme through income tax possible. The major obstacle to the extension of the Namibian pension to include all elderly citizens was the South African administration of Namibia up until 1990. South African MPs objected to paying taxes in order to finance social welfare in Namibia, when there was no expectancy of

[30] One academic revealed that some communities are not marked even on government maps, because they are too remote to access.

a flow of resources in an opposite direction (Devereux, 2001). This raises more questions about government commitment to these social programmes rather than fiscal sustainability, a criticism that was charged at the 1994 World Bank report, Averting the Old Age Crisis (Devereux, 2001). In Lesotho, it has even been suggested that pensions are a backhanded way to increase tax revenue for the government. One consequence of increasing the elderly pension is to make it possible to expand the number of tax payers and augment government revenue.[31] The Minister of Finance suggested that rather than raising the size of income tax by a large amount, the government could lower the income level at which people start paying taxes and increase it incrementally (Second Reading of the Pensions Bill, 18th November, 2004).

The age criteria of the Lesotho pension is a good example of how economics rather than social need has driven the design of the policy and dilutes the argument that the sincere objective of the pension is to reduce poverty. The 70 year age boundary is inconsistent with the Government's acceptance of the 65 year age used by UNDP and WFP to define old age as well as with the age at which civil servants are entitled to receive a pension, which is 60 years.[32] To meet the costs, the opposition has challenged the government to find more creative ways of affording a lower age and higher value pension, for example by demanding contributions to civil service pensions.

### 4.10 Distribution of beneficiaries

South Africa's pension is a successful example of the use of a welfare grant as a check on the geographical spread of communities. In South Africa the poor were unevenly distributed across the provinces. Most of those in the lowest twenty percent of the poor remained in the Eastern Cape, the Northern Province and KwaZulu Natal, followed by the Free State and the North West. In contrast, the wealthiest reside in the Gauteng and the Western Cape. Seemingly the social pension was therefore successful at containing black communities and resisting rural-urban migration in South Africa and Namibia (Devereux, 2001).

In Namibia, the varying distribution of the pension has been explained by the diverse administrative capability, or more insidiously, related to areas of political strategic value (Devereux, 2001). This left the most remote areas abandoned by the pension. By contrast in the northern border inhabited by the Ovambo, where South Africa targeted its campaign to win over the hostile homeland areas in the 1970s and 1980s, there was a relatively high proportion of pensioners. However, coverage was extremely variable and even after independence coverage was tipped towards the south where on average 77% of the over-sixty population received pensions, compared with 39% in the north. This is seen as authenticating the racial policy to contain the black population within the central and southern rural areas (Devereux, 2001). Again, this sustains the claim that the pension was a successful policy for containment in apartheid South Africa and Namibia. Devereux concludes that the rise in coverage (generally agreed to be at around 88%) 'is a positive reflection on the government's commitment to achieve universal coverage by the year 2000, while retaining the social pension's real value' (Devereux, 2001, p.19). Although there is no such evidence of a social agenda in Lesotho, the pension may still have implications on demographic movement by helping to stem the flow of out-migration from Lesotho.[33]

The impact of the pension on intra-household distribution is unclear. Several studies in South Africa have shown that poverty was accentuated amongst rural households that did not have

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[31] On the other hand, it many of Lesotho's elderly are perceived to be among the poorest of the population, this may be less likely goal of the pension.

[32] Until recently, a civil service pension began at 55 years. It remains 65 for teachers and 70 for judges interviews collected during fieldwork) and doctors at 45 years (Second Reading, 17th November, 2004).

[33] One interviewee even suggested that the pressure on the South African state of benefit claims from Lesotho citizens may have prompted the establishment of the pension

access to a pension income, while those that did contained more children on average.[34] Further research is necessary on the impact of the pension on intra-household change in Lesotho. The elderly increasingly look after more grandchildren as a result of the high HIV/AIDS rate, there was no indication in interviews that this had resulted from the pension that had been introduced eight months earlier.

## 5. Impact on citizenship: participation and the social contract

Political action by the elderly themselves is physically difficult and if the institutions advocating the welfare of the elderly are lacking, there may be few ways that the needs of the elderly can be heard. Without a well developed sense of community protection, an active rights movement, or private pension companies with vested interests in the state pension system, mobilising the elderly presents greater problems than with other social groups. Trade unions and similar interest groups may be less interested to mobilise if the pension excludes their constituencies – that is, those which are primarily in the formal labour market, which may occur with a means-tested pension.

The premise is that a pension can foster a sense of citizenship and lead to a social contract between state and citizen, if there is a complicit agreement that the state has a duty to provide a minimum level of protection to its citizens and if the pensioners are also aware that they can demand these rights from the government.

### 5.1 Status and participation of the elderly: a sense of citizenship

The first assertion is that a frequent, predictable pension can increase the participation of the elderly generation in the household and community. The evidence for this is strong. Case and Deaton (1998) provided some of the major research on this, confirming that a pension creates rather than destroys social capital because it reasserts pensioners' financial contribution to household and community activities and, secondly, the pension is commonly pooled within the household which can help consolidate rather than disintegrate family interdependence. As a result of pensions, '[c]itizens are generally more willing to participate in the community' Help Age International (2004). Contributing to the economic assets of the household validates their status and reasserts their social contribution to the community, particularly for women. This also reinforces the incentives to put demands on the government to provide the pension and reinforces the social contract. Research has shown that in South Africa, pensions are the most regular source of income to households (Forbes *et al.*, 1993, in Devereux, 2001). Pensions carry lower associations of stigma compared with welfare programmes that target particular socio-economic groups. A transfer based on an age criterion (albeit means-tested in South Africa), may be more likely to be associated firstly with entitlement, prior to poverty.

In South Africa previously, the socioeconomic structure had shifted in favour of the younger generation who with greater access to wage labour, also had access to cash. With the onset of the pension, the pendulum swung back towards the older generations and lessened the younger generation from dominating access to cash in the household. Sagner mentions the moral significance attached to the convention of pooling pension money, which was also a sign of valuing 'family welfare over self-interest;' in return the pensioner gains respect and status. 'Insofar as pension sharing affected living arrangements in old age and the moral density of familial/kinship ties, it was, undoubtedly, conducive to the social integration of old-age pensioners and helped to secure their care.' This had a dual impact of making pensioners more financially independent, while simultaneously increasing their dependency as it reinforced the 'moral pressure' on them to support other members of their family

[34] See Case and Deaton, 1998. Devereux 2001, also cites Ardington and Lund (1995). Devereux goes on to explore the pension and its relation to household demographics in Namibia.

(Sagner, 2000, p. 548). ‘Old age pensions were not only of direct economic value but also of eminent social and symbolic significance’ (Sagner, 2000, p. 547).

In Lesotho, there is anecdotal confirmation that a social pension can indirectly serve to integrate community members. One Lesotho pensioner remarked, “I’m happy because I can now contribute to the household.” The regular cash income provided the pensioners with a regained sense of self-worth in the community even though the benefit of their pension had to be split within the household. The culture of family support is in fact better characterised as one of reciprocity and therefore pensions encourage remittances because the beneficiary can return the assistance. Whereas, ‘[w]ith fewer assets in the hands of the elderly, the young have correspondingly lower incentives to remit since they gain nothing’ (Bonerjee, 2003, p. 38). In Lesotho, the pension frequently is spent on rejoining and contributing to local burial societies, an increasing expense, given that today funerals occur weekly. “Since I got the money, I can now contribute to the community.” Pensioners also mentioned that they could now pay on credit for purchases and services, such as local doctors (the same too, was observed in Namibia, (Devereux, 2001). Evidence in Lesotho and South Africa contradicts the arguments presented in South Africa in the earlier twentieth century and the evidence suggest that an old age pension can go some way towards re-building rather than accelerating apparent loss in community and family support.

Pensions can have a substantial benefit for women in particular. In South Africa, women previously accounted for over 80% of pensioners in some districts and the old age grant gained the name ‘widows’ pension’ (Sagner, 2000). With the increase in female-headed households, Sagner argues that the impact on the status of female pensioners in the community is greater today than it was in past. Skip-generation and female-headed households are increasingly common, as a result of the prevalence of HIV/AIDS and for many in Lesotho, this represented the first time they had received a cash income.

### 5.2 Towards a social contract

A second assertion which influences the social contract is the persistence of pension programmes once begun. Over time, the South African programme, which was designed as a safety net, has become a permanent fixture in the state mechanism and it is implied, in the public mind. ’The social grant system has become less of a net devised to catch an unfortunate few in times of temporary distress, than a major commitment to help a large fraction of the population over sustained periods of time’ (Aliber, 2001). This permanence over time appears to become a symbolic link between pensioner and the government.

Even if this commitment is upheld by the government for political reasons initially, time itself becomes a sustaining force and the pension is seen as a right.[35] In Namibia and South Africa, this acknowledgement by the state that it has a role and obligation to protect its citizens today, is enshrined in the political doctrine of both countries. Devereux suggests that the re-naming of the Namibian pension to Basic State Grant indicates a move away from the idea of entitlement (Devereux, 2001). However, in 2004 Namibia adopted Vision 2030, a document that marks out the development strategy and national objectives for the country over the next three decades. ‘Inequality and Social Welfare’ is the first category on the list of ‘driving forces’ identified in the government’s ‘Vision’ to realise the country’s endeavour to improve life of all Namibians to the level of those in the developed world.[36] Of the five areas

[35] This does not mean that substantial reforms are not possible over time, nor that beneficiaries’ sense of entitlement to a pension or other welfare will not be challenged; a dilemma that Western states and their citizens are having to confront as they are coping with increasingly aging populations.

[36] This is followed by peace and political stability; human resources development and institutional capacity building; macroeconomic issues; population, health and development; Namibia’s Natural resources sector; knowledge, information and technology; and factors of the external environment.

of action, social welfare would fit best into in the area of peace and social justice.[37] This articulates that social welfare is an ideological component in the government's strategy, rather than a needs-based reactive policy. These factors all indicate that the government now accepts its permanent role in the welfare of its citizens.

The majority of South Africa's anti-poverty spending is on social security grants and subsidised healthcare, which is 'likely to remain an indispensable part of the country's anti-poverty approach for the foreseeable future' (Aliber, 2001, p. 50), which is at variance with the approach to poverty adopted under the GEAR Framework. Consequently, 'South Africa's social security system…has become less of a net devised to catch an unfortunate few in times of temporary distress, than a major commitment to help a large fraction of the population over a sustained period' (Aliber, 2001, p. 37). There has been a fundamental ideological shift in South African politics. The ANC embarked upon a new strategy which recognised development as a factor of both economic development *and* poverty alleviation. The pension was no longer a privilege, but critical part of the country's overall development strategy, which recognises that social spending yields investment returns. This does not reflect that it was seen as a right by the state but it does indicate a shift in ideology away from pension as a protective mechanism towards a transformative approach

The reality of this ideological transition was enshrined in the Bill of Rights and re-asserted in the Older Person's Bill. This shift is also reflected in the discussion of a BIG and South Africa's extensive system of grants to help the poor. The rhetoric of the South African pension was 'replete with allusions' both to the state's duty to help the needy and the entitlement of the white poor to state assistance (Sagner, 2000, p. 5). In South Africa and to a lesser extent, in Namibia and Lesotho, the pension is one of a wide range of social welfare direct (cash) transfers to support the citizen at each stage of life from childhood upwards, should a person fall into need. The approach to state-provided welfare assistance has evolved into being an accepted duty of the state, and a recognition of the redistributive failure of neoliberal economic policy. This may be due, not least, to the increased power of trade unions since independence. In South Africa, the state has taken charge of providing a safety net for all its needy citizens. The acknowledgement of welfare as a right obligates the government to be a provider of last resort, in effect, a commitment to a social contract.

In Lesotho too, increasingly there is recognition of the obligation of the state. The pension is one part of the wider country development strategy which provides social assistance through free primary education, subsidised medical treatment, a re-instated veteran's pension, a welfare grant (Public Assistance) and most recently, the Old Age Pension.

## 6. Conclusion

'Non-contributory pensions are known for their indirect and, often unintended political, economic and social benefits. Politically, they promote state accountability and transparency while encouraging citizen participation' (Johnson and Williamson, 2005, p. 7).

This paper has traced the pension of three southern African countries in order to explain how the politics of the country motivated and shaped their old age policies. Being non-contributory, the beneficiaries do not contribute financially through social security or employment payments. Unlike in Western welfare states, in Lesotho, Namibia and South Africa, the pensions departments compete for funds from general taxation, rather than organise a separate guaranteed income from employees' social security payments. The politics behind Namibia's inherited social security pension (Schleberger, 2002), is closely interrelated with the evolvement of the Old Age Grant in South Africa. Consequently, Namibia and South Africa initially shared a similar ideology behind the pension. Historically,

[37] The five areas for action are (in order): education, science and technology; health and development; sustainable agriculture; peace and social justice and gender equality.

however, each pension strategy is a product of their individual political legacies (Johnson and Williamson, 2005). The recent inauguration of Lesotho's Old Age Pension distinguishes it from the other two in terms of context, ideology and the relationship between the state and the citizen and only Lesotho implemented its pension as an independent, democratic country. In Namibia and South Africa, the pension was presented as a 'right' for elderly whites, (although it was also in part, a response to need) and this has entered the political psyche. In Lesotho the parliamentary records reveal that the pension is couched in terms of needs, rather than rights. Today, this limits the need to use the pension as a political tool.

The motives for understanding the political dimensions of the pensions were organised into ex-post and ex-ante causes. The first of these saw the pension as a reaction to pressures on the state and looked at possible driving groups such as labour movements and international influence, where as the *ex-ante* aspect explored the internal political motivations for government and politicians instituting the pension, that is, exploring it from the centre, out. The design of the pension vindicates some of the political motives. There are several recurring themes that have shaped the debate about the implementation and reform of pensions. Firstly, a discussion around the appropriateness of the elderly as a target group for poverty reduction, or whether limited resources are best used elsewhere. Secondly, a debate as to whether pensions substitute for, or supplement, pre-existing informal support networks. Thirdly, the extent to which there is a need, or a right, to receive a pension, and fourthly, whether it is ultimately the duty of the state to ensure the welfare of its citizens.

While in the past political motivation was the predominant factor, i.e. pensions were an *ex-ante* measure, today the pensions and social welfare more generally is increasingly demand-driven and it is this responsiveness which to contributes establishing the social contract. However in South Africa, there were three important *ex-post* responses at the time. Firstly, it was a response to the demands of the labour movement. The Pact government under which the pension adopted, was a (white) pro-labour coalition particularly in favour with white labour unions since the failure of the Smuts government to improve the living situation of the impoverished white population after the war. However, the extension of the pension to the black population in South Africa in 1944 was coincidental rather than a response to the social unrest in the 1940s (Sagner, 2000), especially given the weakness of the black labour market. Racial inequality was gradually phased out because white labour markets no longer needed protecting through discrimination. Today, trades unions, which gained political influence as they backed the ANC into power are a force for reform most visibly through their campaign for the BIG. The pension can create business centres and in Lesotho and Namibia the pension brought benefits to the local small-business community (Help Age International, 2004, Devereux 2001, Pelham and Nyanguru 2005) but again, there is no evidence that this has had any political influence.

At the same time as responding to political demand, pension reform cannot be to the exclusion of the economic elites, as the Namibia case illustrates. In each of the pensions, fiscal sustainability was and is, reliant upon the tax base and the government cannot risk ostracising those who were effectively, funding the pension. This partly explains the lack of success at introducing a means test in Namibia. It may be necessary to abandon the redistributive impact of a means-tested pension in order to keep favour with the tax-paying rich and business elites. A balance must be struck between reaching the poorest while safeguarding the financial security of non-contributory state pension schemes.

Secondly the pensions were in part a response to poverty. In South Africa, impoverishment among whites had increased significantly and necessitated government support; an increase in wage labour exposed people to new types of risk (Sagner, 2000). In Lesotho, it was due to the impact of HIV/AIDS increasing the vulnerability of households. This is a compelling argument. It also assumes that the best returns to social welfare expenditure in Lesotho, are to be gained through grants to the elderly, which is a contested debate. In South Africa, this may have been the public justification for the pension but is an unconvincing motive, because this humanitarianism cannot be reconciled with a racially discriminatory policy.

Moreover, the later tiered payment system is evidence of how neither the Namibian nor South African governments were concerned predominantly with the poorest. Rather, the moral justification was coupled with political designs. Sagner concludes that 'the decision not to allocate public resources to Africans was thus barely influenced by needs of Africans, but was determined by group membership and ideological assumptions, mediated by structural factors' (Sagner, 2000:532).

Thirdly, geopolitics was a factor in stimulating the pensions, a response to the tacit influence of the international community. The emulation of the Western welfare state was discussed in relation to providing the Old Age Grant to white South Africans. White South Africans had to be regarded as equal to their European counterparts and hence they must be entitled to the same rights and privileges. The emergence of the pension for white Namibians was an inevitable extension of its coloniser's domestic policy. It raises a question of whether it is significant that a nexus of countries operating non-contributory pensions has emerged in southern Africa. In Lesotho it the old age pensions in neighbouring countries exerted pressure for a similar national policy for domiciled Basotho.

Yet in spite of the public image which appears to be responsive to the needs and demands of beneficiaries, the design of the pensions fulfils broader government objectives. The discriminatory payment system and the restrictions on claims for the urban pension had two impacts *ex-ante,* in pre-independent Namibia and apartheid South Africa. It was a useful mechanism for containment and social control in the Bantu homelands and it helped consolidate political control over remote or potentially resistant regions. Patronage was also fostered by the apartheid government to help retain control in the homelands. Financial and political rewards were granted to keep favour with Bantu administrators. In Namibia, regional biases were significant in terms of controlling particular areas and for maintaining a strong electoral base. The South African government was concerned to gain the loyalty of the Namibian population to prevent them from being a haven for ANC terrorism. It was also a mechanism for suppression of the economic and political empowerment of the black population and consolidation of white supremacy. State expenditure on the black population was more a vehicle for social control, rather than welfare. This attitude spilled over into other policies, such as health and housing (Sagner, 2000). In South Africa, '[t]he pension therefore provided a subsistence income to economically marginalised communities and simultaneously entrenched their political marginalisation, essentially enabling the colonial state to ignore these groups' claims to substantive economic and political rights' (Devereux, 2001, p. 8)

In South Africa the pension was one way to provide welfare, but with the minimum expenditure. The pension was kept low enough so as not to displace informal assistance Ideologically it was presented as a reward, thereby reinforcing patriarchal ideology and maintaining the status quo. This dualism between fiscal prudence and providing welfare remains visible today in the 'rhetorical commitment' to minimum income and poverty reduction in the ANC's polices which were enshrined in the post-apartheid Bill of Rights (Natrass and Seekings, 2002). Yet, there are numerous ways in which to accommodate the financial burden of the pension, through decisions upon age criteria, wealth criteria (means-testing) and the pension value. The remarkable instigation of the Lesotho pension proves that it is not beyond the scope of an LDC to implement a pension, funded from general taxation.

The pensions are not inflation-linked in Lesotho or Namibia and increases in the Namibian pension have been erratic, which underlines the prevalence of the fiscal concerns. Further, unlike other social grants and welfare programmes which are typically housed within welfare, health and gender ministries, the three old age pensions are situated in their Ministries of Finance, or in the case of Namibia closely attached to the Ministry for procedural matters. This physically detaches the pensions from the welfare objectives of the pension. Moreover, a lack of institutional linkage between different government departments compromises the smooth running of the pension and further undermines the welfare impacts of such schemes.

This has been the case in Lesotho, where the Ministry of Finance has failed to capitalise on and learn from the Department of Social Welfare's experience in managing the country's other major non-contributory cash transfer scheme.

Lastly, the pension can be a means to win political support and legitimacy. Although in Lesotho, with its small population that is linguistically and ethnically homogenous, there is little need for the social control that was perpetuated in pre-independent South Africa and Namibia, the pension gives political credibility to the new line of regional administration who retain authority over granting and withdrawing pensions, to the exclusion of the traditional line of authority, the local hereditary chief system. Such policies can take on a political significance. In South Africa and Namibia, equal pensions for all was one way to realise the change and optimism that the new governments symbolised. It was a reciprocal requirement from the pressure of the trades unions and a recognition of the need as well as the political astuteness of such a policy, by the government.

Personalities and political factions were, and are, crucial to shaping pensions policy, either reflecting divisions in the party (South Africa) or a lack of direction and cohesion (Lesotho). 'Without the availability of and the state's elites access to ideological justification for new state activities, such needs do often go unheard' (Orloff, quoted in Sagner, 200, p. 551). In South Africa, while all parties sanctioned the pension for the white population, Prime Minister Smuts and his Social Welfare Minister Hofmeyr drove the 1940s' reforms. In the early 1920s, Smuts had strongly advocated and was defeated on a pension for all citizens and asserted the humanitarian argument in their appeal for a universal pension. The welfare impact was tempered towards the conformists through a low pension rate and a tiered system of pension payments to black Africans in a way that would keep control over population movement. But in the coalition government there were opposing forces who also had to be accommodated. In Lesotho the Prime Minister enjoys a presidential, personal political style, which allows him to implement policies at his discretion, without formal consultation or preparation and at short notice, which leads to an approach that is both *ad hoc* and pragmatic. Critically, Mosisili's political authority is bolstered by the social homogeneity and lack of rigorous political opposition in the country.

The final aspect explored in the paper, is to what extent if any, did the pension impact upon a pensioner's sense of citizenship and the creation of a social contract between state and citizen, by which, the state was obliged to provide pension support and the beneficiary expects to receive a welfare transfer. The three pensions have fostered, or in Lesotho is in the process of fostering, a contract between citizen and state, where there is tacit agreement that the state will provide safety nets to guarantee a minimum subsistence. It is argued that pensions can develop this contract in several ways.

Firstly, they foster a sense of citizenship in the beneficiaries as they give greater value to the elderly in the community. There is evidence in Lesotho that the status of the elderly improves with pensions; their regular financial contribution to the household gives them economic value, possibly the only regular income into the family. This can increase the status and consequently dignity of the elderly, particularly for women.

The second contributory factor to the ability of pensions to establish a social contract is temporal Once initiated, pensions may adapt but they persist take on political significance with the target population – a situation in which Lesotho finds itself today. There is a long history of the social pension and other welfare programmes in both South Africa and Namibia which become embedded within the status quo. In Namibia, the failure of the government's frequent attempts to impose a means-test reaffirms the popularity, permanence and the political importance that pensions assume. With time, pensions and welfare transfers assume permanence, not least in the eyes of future beneficiaries and as it does so, it becomes politically binding. In Lesotho there is no consensus in parliament the Lesotho parliament that it is the state's duty to provide welfare assistance but pensioners have welcomed the pension as their long overdue right. The expectation of state support has been given impetus by witnessing neighbours and relatives across fluid national borders receive cash entitlements. In the public mind therefore, it seems to have already been identified as an entitlement, before it has been accepted in the political arena as such.

The third and final factor in the contract, is the state's acknowledgement of its role, itself implying that the introduction of social pensions also increases state accountability. South Africa, Bolivia, Namibia and Nepal report greater levels of local accountability and support of citizens towards the working of government, due to the regular transfer of income to the older poor' (Johnson and Williamson, 2005). Over time and changing political situations, a sense of the moral duty of the state has evolved and all three countries recognise some commitment to state welfare. This of course is strongly tied to the political prudence of maintaining a pension

A pension can be a fluid and evolving mechanism and neither the ideology behind the pension nor the objectives it was designed to fulfil need be consistent over time. Namibia and South Africa show how pension policies, while enduring, are by no means static in either ideology or design. The pensions emerged over a prolonged period of time. Proposals for the pensions in Lesotho and Namibia came about years before the pension or substantial reform was introduced. This temporal issue means that there was a long period of promise of a pension from the state, which contributed, ultimately, to the sense of entitlement to the old age transfer. Moreover, there is a synergy between the reflection of safety nets as transitory rather than static and the increasingly prevalent focus on the vulnerability of the poor. Discussion is still framed as a dichotomy between macroeconomic development versus social welfare and poverty alleviation, in which a balance has to be found. This exemplifies the simplified view of safety nets espoused in the rhetoric of policy-makers, failing to capture the transformative potential of such welfare mechanisms.

Public transfers, and especially the government's old-age pension system, was, and continues to be, a major mechanism for redistribution in South Africa (Case and Deaton, 1998, Ardington and Lund, 1995). While a pension is not necessarily initiated to gain political support, indeed the Lesotho, South African and Namibian pensions were not bastioned by an individual party, political buy-in from both political *and* financial elites remains critical. However, in Namibia and South Africa the pensions were tools of the political objectives and their design manifested the patriarchal ideology espoused by the apartheid government and protectorate. Without an inflation-linked pension, in times economic flux the pension could have a decreasing marginal benefit on poverty. This is a further indication of how the pension assumes a symbolic role, rather than an entitlement and right. The argument is that recipients may develop the sense of a contract long before the political arena, which lasts not least because it takes on political significance. Although a pension may continue to evolve, at least in the medium term, a commitment develops which endures and becomes part of the state welfare package which is a political commitment by the state and is entrenched in the expectations of the people. While it must be balanced with the support of financial elites and the fiscal prudence of such a policy, in a democracy it persists because it would be political reckless to eradicate it and in this way, it is self-reinforcing.

## Annex 1: Summary of the pensions

| | Lesotho | Namibia | South Africa |
|---|---|---|---|
| Name | Old Age Pension | Basic State Grant | Old Age Grant |
| Year of inception | 2004 | 1948 | 1926 |
| Coverage | 65,745 (2005) | 96,767 (2001) | 1.9 million |
| Current transfer value (monthly) | £12.50 (M150) | £25 (N$300) | £61.67 (R740) |
| Pensioner age | 70 | 60 | 60/65(male) |
| No. of beneficiaries | 69,000 | 1,900,000 | 2,100,000 |
| Targeting method | Universal | Universal | Means-tested |
| Value of total transfer (monthly) | £863,100 (M10,357,200) May 2005 | £ 1,750,000 (N$ 21,000,000) | - |
| Cost of delivery (monthly) | £20,833 (M250,000) | £ 11,806 (N$ 141,667) | - |
| Total cost of pension (annual est) | £10,607,200 (M127,286,400) | £37.93-39.51 million (N$455.1-474.1 million) | - |
| % of GDP per capita | - | 16 | 32 |
| Expenditure (% of GDP) | - | 0.7-2 | 1.4 |
| % population over 65 years | - | 6 | 6 |

**Sources: HelpAge International (2004), Devereux (2001), UN (2003) and author's research**

## Annex 2. Chronology of events in the evolution of the Lesotho, Namibia and South African pensions.

1919 Treaty of Versaille: The Union of South Africa accepts a mandate to govern German West Africa (Namibia)

1924 The Pact government of the South African Labour Party and Afrikaner National Party comes to power under J.B.M. (Barry) Hertzog, defeating Jan Smuts' Unionist Party

1926 Pienaar Commission (South Africa)

1928 Old Age Pensions Act. Introduction of Old Age Pension in South Africa for Whites and Coloureds, only

1931 Pension Laws Amendment Act, South Africa

1934 The United Party comes to power (a merger of the National Party with the South African Party under Jan Smuts). A diminished National Party remains

1939 B. Hertzog resigns and J. Smuts becomes leader of the United Party (a union between the South Africa Party and the Unionist Party)

1944 Pension Laws Amendment Bill: The Old Age Pension is extended to all South Africans over 60 (women) and 65 (men).

1948 United Party loses national election to the National Party of South Africa

1949 Introduction of Old Age Pension in Namibia, white population only

1965 Value of South African pension equalised across all black pensioners. Namibian pension extended to all coloured Namibian citizens

1973 Namibian Pension extended to include all Namibians (with discriminatory, ethnically-determined rates).

1990 Independence of Namibia and end of the South African governing mandate

1992 National Pensions Act.

1994 African National Congress becomes the ruling party in South Africa

1996 Namibian pension standard rate raised to N$160 (last amendment to pension value)

1999 Namibia's Old Age Pension changes to Basic State Grant.

2004 Introduction of the Lesotho Old Age Pension

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