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

Country Profile: Madagascar

OPM

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Abbreviations

CNaPS	Caisse Nationale de la Prévoyance Sociale
CPR	Caisse de Prévoyance de retraite
CRCM	Caisse de Retraite Civile et Militaire
DSY	Direction des Synthèses Economiques
DSM	Direction des Statistiques des Ménages
EPM	Enquête Periodique auprès des Ménages
INSTAT	Institut National de la Statistique de Madagascar
MAP	Madagascar Action Plan 2007-2012
OPM	Oxford Policy Management

1 Country and retirement system overview

Box 1.1 Country overview

Population 2008:	19.1 million
Proportion of population above 60 – 2008:	5.0%
Proportion of population above 60 – 2030:	7.3%
Proportion of population rural:	78%
GDP per capita:	Ar 830,000 $ 387
Proportion of population below poverty line ($2/day):	Not Available
Labour force:	9.4 million
Labour force participation rate 2005:	Male 90.1%, Female 86.1%
Unemployment 2005:	2.6%
Employment in formal sector 2005 (% of total employment):	14.9 %, dropped significantly recently

Box 1.2 Retirement systems overview

Formal systems

Social assistance

There is no national social assistance scheme in Madagascar, and there is currently no initiative to put one in place. Were such a scheme to be implemented, the extreme poverty of Madagascar, as well as the remoteness of a large number of its people, would pose considerable challenges. Many donor agencies are working in Madagascar, but no evidence was found for cash transfer schemes targeting the elderly.

National social insurance

There is a scheme run by the Caisse Nationale de la Prévoyance Sociale (CNaPS) and supervised by the Ministry of Finance and the Ministry of Labour. The Social Insurance Code of 1969 legislates for social insurance. The scheme covers formal sector employees (excluding government employees and the self-employed), and has 521,191 members and 32,162 registered employers (representing 5.5% of the labour force and 37% of formal sector workers). The average pension amount is Ar 86,458 per month ($30).The base scheme gives an average replacement rate of around 30%, and there is an optional complementary scheme to increase this.

Occupational retirement schemes

There are two occupational schemes for civil servants: the Caisse de Retraites Civiles et Militaires (CRCM) (which covers civil servants, government workers and the military); and the Caisse de Prévoyance et de Retraites (CPR) (which covers auxiliary agents employed by the government, who have not yet been granted full government employee status). The schemes are run jointly by the Ministère de la Fonction Publique, du Travail et des Lois Sociales and the Ministère des Finances et du Budget. The CRCM is governed by Act 62-144 (1962), while the CPR is governed by Act 61-642 (1961). In 2004, 100,000 people were affiliated to the two schemes, and 67,000 pensions, invalidity and survivor payments were made.

Private occupational and voluntary schemes

There are two main insurance companies in Madagascar that offer pension schemes, 'Assurances ARO' and 'NY HAVANA'. Both operate under Law 99-013 (2 August 1999), the insurance code for Madagascar, There is no legislation governing private pension schemes, which are currently treated under insurance regulations. ARO currently has around 31,000 members, and HAVANA currently has around 10,000 members. HAVANA estimates that 25% of their clients are individuals who have taken out the scheme independently, and that 75% of their clients come from employer-led schemes.

Informal retirement systems

Very little information is available on informal retirement systems. Little data could be found on the banking sector in Madagascar, and no studies were found on the assets of the elderly or on informal social protection mechanisms for the elderly. Madagascar is culturally highly diverse, and the position of the elderly within society is likely to vary significantly between cultural groups.

2 Country background

2.1 Demography

The last Census undertaken in Madagascar dates from 1993, and hence the reliability of data is always questionable. A Household Survey, the Enquête Periodique auprès des Ménages (EPM), was undertaken in 2005, and most data below is drawn from this (Ministère de l'Economie, des Finances, et du Budget, (2006)). There was also a Demographic and Health survey in 2004 (Madagascar (2005)). The Institut National de la Statistique de Madagascar (INSTAT), http://www.instat.mg/, is in charge of a large part of the national data.

Table 2.1 Population data

	2000	2005	2006	2007	2008	2009	2010	2015	2020	2025	
Total Population (de facto)	15,275,362	17,614,261	18,105,439	18,604,365	19,110,941	19,625,030	20,146,442	22,853,148	25,686,510	28,595,012	31,
Male	7,615,796	8,772,897	9,016,482	9,264,095	9,515,700	9,771,243	10,030,632	11,379,204	12,789,844	14,235,407	15,
Female	7,659,566	8,841,364	9,088,957	9,340,270	9,595,241	9,853,787	10,115,810	11,473,944	12,896,666	14,359,605	15,

Source: UN Department of economic and social affairs, Population division

Table 2.2 Elderly as a proportion of the population

	2000	2005	2006	2007	2008	2009	2010	2015	2020	2025
60+ as a proportion of the population	5.11%	5.00%	4.99%	4.98%	4.98%	5.00%	5.04%	5.46%	5.96%	6.55%

Source: UN Department of economic and social affairs, Population division

According to the 2005 Household Survey, the population was divided in the following way:

Table 2.3 Population breakdown – by gender & rural/urban, 2005

	Proportion of the population (%)
Male	50.4%
Female	49.6%
Rural	78%
Urban	22%

Source: 2005 Household Survey

A population pyramid taken from the 2005 Household Survey is provided in the Annex.

2.2 Labour market

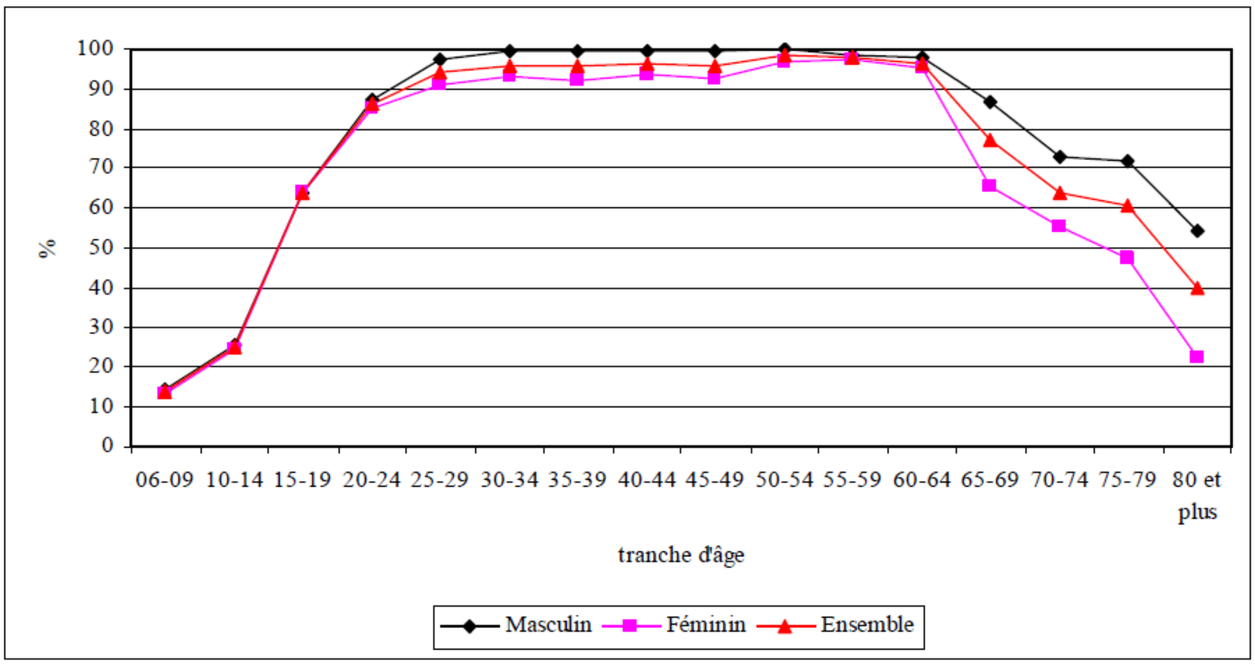
Madagascar's labour market is characterised by having an extremely high proportion (85.1% in 2005) of workers in the informal sector. Agriculture, textiles, mining and tourism are all important employers. Recently many of the formal sector positions which did exist have been lost, mainly due to the suspension of Trade agreements following the country's political problems in March 2009. For example, the preferential textiles trade agreement with the US has been suspended, leading to the closure of a great number of textile firms. This has resulted in more people entering into the already crowded informal sector, and has resulted in a burgeoning of unemployment and work in street markets.

According to the 2005 Household Survey, the activity rate for the working age population was 90.2% for males, 86.1% for females, and 88.1% overall.

The following shows how activity rate only falls slowly with age for the above sixties. The fact that it remains high into old age shows that the majority of the elderly are still working, or looking for work. In a country with a developed retirement system we would expect to see the activity rate fall very dramatically at the official retirement age, and continue to fall slowly afterwards.

The fact that activity rate continues to drop probably reflects people becoming unable to work as they become older, and supports the idea that in this context it is useful to think of the elderly as two distinct groups: those that are fit enough to be economically active; and those who are not, and hence cannot survive without support.

Figure 2.1 Activity rate by age and by sex (2005)



Source: INSTAT/DSM/EPM2005

A similar graph for unemployment rate can be found in the annex. Interestingly it shows two peaks in unemployment, one corresponding to the years running up to retirement, and one in the late years of retirement (75+).

The following tables are all using data from the 2005 Household Survey. Unfortunately, the statistics generally group 15 – 64 year olds together, which is different from the 18 – 59 years grouping used elsewhere in this report. In this age range the labour force is given as 8.52 million, 45.2% of the total population at the time (18.82 million).

Table 2.4 Labour force participation rate

Age range	6 - 14	15 - 64	65+
Male	-	90.2%	-
Female	-	86.1%	-
Rural	-	91.3%	-
Urban	-	77.9%	-
Total	19.6%	88.1%	65.3%

Source: Household survey 2005

Table 2.5 Unemployment rate (15 – 64 year olds)

Rural	1.4%
Urban	7.2%
Total	2.6%

Source: Household survey 2005

Table 2.6 Breakdown of labour force by formal / informal (15 – 64 year olds)

	Formal	**Informal**
Male	18.1%	81.9%
Female	11.8%	88.2%
Rural	9.4%	91.6%
Urban	37.0%	67.0%
Total	14.9%	85.1%

Source: Household survey 2005

Table 2.7 Breakdown of labour force by sector (15 – 64 year olds)

	Urban	**Rural**	**Total**
Agriculture	48.4%	89.9%	82.0%
Textiles	2.3%	0.4%	0.8%
Other industry	8.8%	1.6%	2.7%
Commerce	13.7%	2.8%	4.9%
Transport	2.8%	0.3%	0.8%
Private education	1.1%	0.3%	0.5%
Public administration	5.8%	1.2%	2.1%
Other private services	16.8%	3.7%	6.2%

Source: Household survey 2005

2.3 Socio-economic

According to the 2005 Household Survey, the economic dependency ratio is:

Table 2.8 Economic dependency ratio

	Urban	Rural	Overall
Dependency ratio	80.1%	99.5%	94.9%

Source: Household survey 2005

Table 2.9 Evolution of poverty ratio 1993 - 2007

	1993	1997	1999	2001	2002	2004	2005	2006	2007
Urban	50.1	63.2	52.1	44.1	61.6	53.7	52.0	50.3	48.8
Rural	74.5	76.0	76.7	77.1	86.4	77.3	73.5	72.4	71.4
Total	70.0	73.3	71.3	69.6	80.7	72.1	68.7	67.5	66.4

Source: INSTAT

The Madagascar Action Plan 2007-2012 (MAP) (Madagascar (2006)) set the following goals for key development indicators:

Table 2.10 Madagascar Action Plan 2007-2012 (MAP) – key targets

INDICATOR	2006	2012
UN Human Development Index (Ranking)	146 out of 177	100
Poverty Rate (% of population living below $2 a day)	85.1% (in 2003)	50%
Family Size (Fertility Rate)	5.4	3 to 4
Life Expectancy	55.5	58 to 61
Literacy	63%	80%
Percentage of Children Completing Secondary School	Lower Sec. 19% Upper Sec. 7%	Lower Sec. 56% Upper Sec. 40%
Economic Growth	4.6%	8% to 10%
GDP (USD)	$5 Billion	$12 Billion
GDP Per Capita (USD)	$309	$476
Foreign Direct Investment	$84 Million	$500 Million
World Bank Business Climate Ranking	131	80
Corruption Perception Index	2.8	5.2
Households Having Land Title	10%	75%

2.4 Economy and finance

	2003	2004	2005	2006	2007	2008
GDP (current price, billion Ar)	6,778.6	8,155.5	10,095.2	11,815.3	13,857.2	16,131.0
GDP (1984 constant price, billion Ar)	473.9	498.8	521.7	547.9	582.1	623.3
Growth rate	9.80%	5.30%	4.60%	5.00%	6.20%	7.10%
Real GDP per capita (Ar)	29,375.6	30,077.6	30,605.2	31,266.9	32,312.1	
Real GDP per capita ($)	339.3	266.0	284.0	309.2	400.7	

Source: Central bank report, 2008

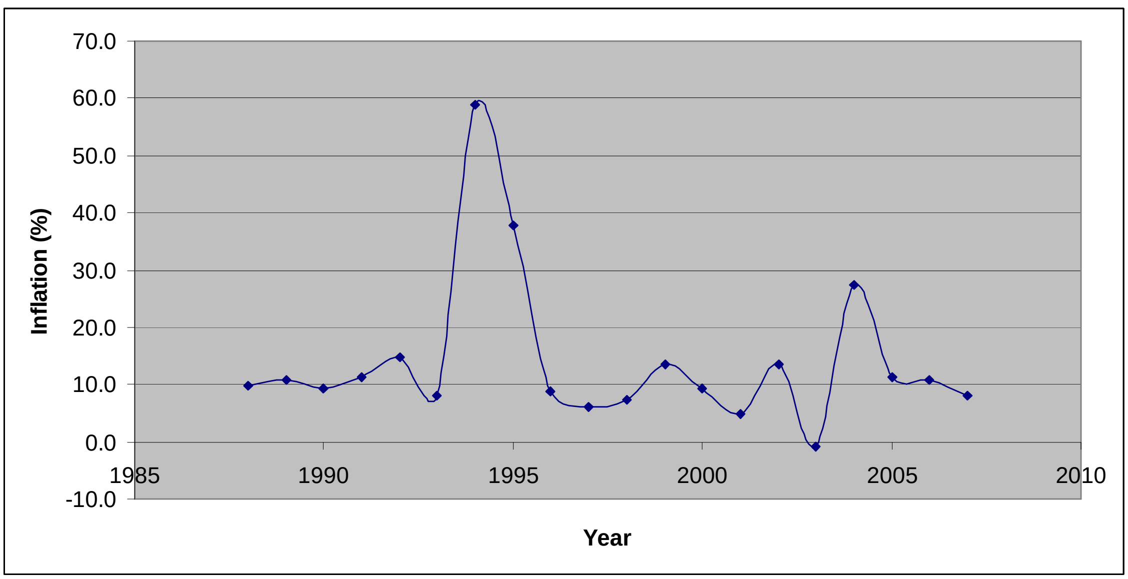
About 25% of government spending is on personnel.

Table 2.11 Inflation (1988 – 2007)

Year	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Inflation (%)	9.9	10.8	9.3	11.2	14.8	8.2	58.8	37.8	8.7	6.2	7.4	13.5	9.3	4.8	13.5	-0.8	27.4	11.4	10.8	8.2

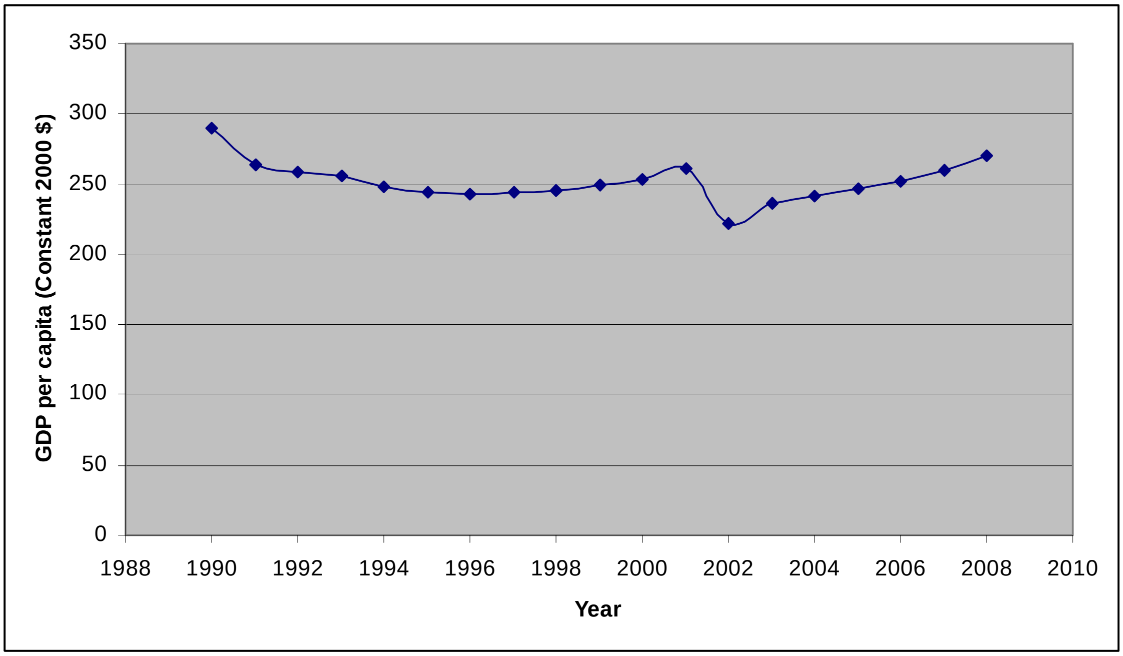
Source: INSTAT / DSM

Figure 2.2 Inflation (1988 – 2007)



Source: INSTAT / DSM

Figure 2.3 Evolution of GDP per capita (WDI)



Source: WDI

2.5 Social protection

Madagascar has a national social insurance scheme, covering formal sector workers, run by the Caisse Nationale de la Prévoyance Sociale (CNaPS). It provides retirement provisions as well as family allowances and insurance for accidents occurring at work. Coverage of the scheme is low: 5.6% of the working age population. Many health insurances schemes exist, run at a company wide level, but coverage is low and they are only for formal sector workers (in 2000 it was estimated that 200,000 workers had such schemes, covering themselves and their families, accounting for around 1 million people in total).

Many donor countries work in Madagascar, and social protection schemes form a large part of their work. In 2009 25.1% of NGOs working in Madagascar reported Social Protection as their main activity (Banque Centrale de Madagascar (2009), and in 2008 Social Protection accounted for 26.9% (98.7 billion Ar) of total NGO expenditure in Madagascar.

2.6 The elderly

Life expectancy in Madagascar is currently around 56 years. This, coupled with the evolution of the birth rate, means that the elderly, defined here as those over 60 years old, currently form a small proportion (5%) of the population. This is set to change as life expectancy increases and the current active population ages. This change will have important consequences for existing pension schemes.

Madagascar comprises 19 different ethnic groups, each which their own culture. Given this, the position and role of the elderly is likely to vary significantly within the country. More work is needed to investigate this.

One charity which works with elderly people living on the street in urban areas, Foyer de Vie, has been identified, but it has not been possible to contact them.

3 Formal retirement systems – Social Assistance

A national social assistance scheme does not exist in Madagascar, and there is currently no initiative to start one. The extreme poverty of Madagascar, as well as the remoteness of a large number of its people, would pose considerable challenges were such a scheme to be implemented. GDP per capita is around two-thirds of that of Lesotho, the poorest country in SADC to have a national social pension.

Many donor agencies are working in Madagascar but no evidence was found for cash transfer schemes targeting the elderly.

4 Formal retirement systems – National Social Insurance

4.1 Legal and institutional

The national social insurance scheme is run by the Caisse Nationale de la Prévoyance Sociale (CNaPS). The CNaPS is a “public institute of commercial nature” (indicating a public entity with a legal personality and some autonomy), placed under the joint supervision of the Ministry of Public Service, Labour and Social Law, and the Ministry of Finance, Economy and the Budget. It was incorporated in the order 62-078 of 29 September 1962, and completed in the law 68-023 of 17 December 1968. The decree 69-145 of 8 April 1969 fixed the Social Insurance code, and formed CNaPS officially, when provisions for pensions were added to the responsibilities of previous agencies.

CNaPS’s head offices are in the capital, Antananarivo. Its mission is to contribute to the achievement of the welfare policy of the state for private sector workers.

It is specifically responsible for:

- serving workers and their families, providing benefits for:
    - family
    - work accidents and occupational diseases
    - pensions (which form the major part of their income and expenditure)
- enforcing the rules of Social Security;
- undertaking the following activities within health and welfare:
    - prevention of occupational accidents and diseases,
    - promotion of hygiene and health at work
    - extension of the laws governing Social Security,
    - social activities for beneficiaries and their families.

The Caisse Nationale de Prevoyance Sociale is managed by a Board of Directors appointed by order of the Minister of Labour and Social Laws for a term of three years. It consists of twenty members:

- Four representatives of the state including:
    - Two representatives of the Ministry of Labour and Social Legislation;
    - Two representatives of the Ministry of Finance and Budget;
- Eight representatives of employers from the most representative groups of employers, designated by agreement between them;
- Eight representatives of workers from the most representative unions, designated by agreement between them.

4.2 Eligibility, access and coverage

Membership of CNaPS is mandatory for all workers covered by the Worker's Code, the Code du Travail, i.e. all formal private sector workers who work for companies, including household and salaried agricultural workers. Others, including self-employed formal sector workers such as lawyers, are not eligible to join.

Coverage of CNaPS is low, in 2009 7.14% of the male 15-60 population and 4.08% of the female 15-60 population were affiliated to CNaPS, and 4.16% of the over 60s received a CNaPS pension.

This can be explained by the following:

- Although membership of CNaPS is mandatory for all workers covered by the code du travail, there are in fact many companies which are not registered. This is described as "deplorable" in an ILO report on the governance of the social protection system in Madagascar (ILO Madagascar 2006), and explained as resulting from a lack of understanding of the scheme in some areas of the country. CNaPS are trying to address this by creating more regional offices and "antennae" branches.
- Only formal sector workers who work for a company can join CNaPS. Current regulation means that CNaPS must work with companies and cannot provide cover to individuals. This leaves large sectors of formal sector workers with no access to state run social security, such as doctors as lawyers. Whilst there is talk of trying to change the legislation, this problem has been well documented since at least the early 90s, and little progress seems to have been made.
- Informal sector workers have no access to CNaPS. This reflects a common lack of social security for informal sectors, and whilst there seems to be strong political will to address this issue, no solution is forthcoming. This is particularly pressing in Madagascar, as it has a very large informal sector, which has grown significantly with the recent political difficulties.

Table 4.1 Key data on CNaPS

		2006	2007	2008	2009
Number of affiliates		487,627	472,099	526,609	521,191
Number of affiliated companies		18,601	18,279	20,883	32,162
Total contributions received	Ar	55,833,752,808	73,578,082,532	88,375,523,082	87,357,911,988
	$	27,916,876	36,789,041	44,187,762	43,678,956
Total technical charges	Ar	34,785,152,180	39,003,098,705	48,632,700,124	51,692,521,746
	$	17,392,576	19,501,549	24,316,350	25,846,261
Total administrative expenditure	Ar	14,124,454,970	12,194,286,129	14,112,090,426	15,368,430,954
	$	7,062,227	6,097,143	7,056,045	7,684,215
Annual amount of financial products	Ar	36,160,317,859	29,302,512,836	18,940,728,375	23,176,253,510
	$	18,080,159	14,651,256	9,470,364	11,588,127

Source: Service statistique CNaPS

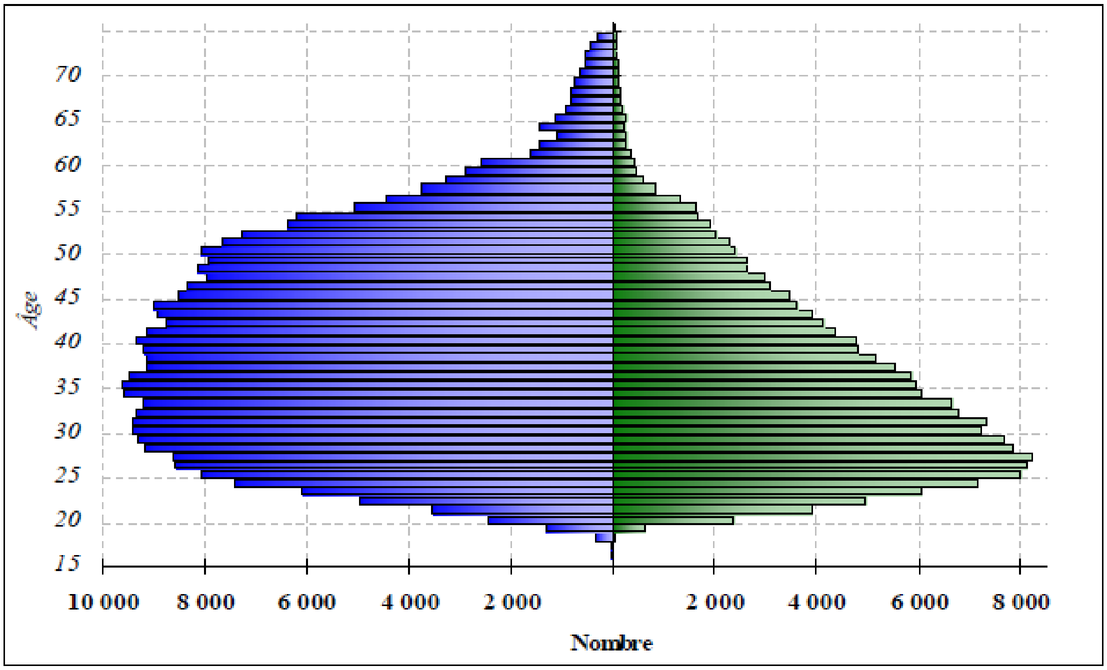
The structure of CNaPS is currently very centralised, and this is reflected in the high proportion of affiliates who live in Antananarivo:

Table 4.2 Number of pensioners affiliated to CNaPS by province in 2009

	ANTANANARIVO	ANTSIRANANA	FIANARANTSOA	MAHAJANGA	TOAMASINA	TOLIARY	TOTAL
Number	26,939	4,385	5,110	3,014	6,102	4,409	49,959

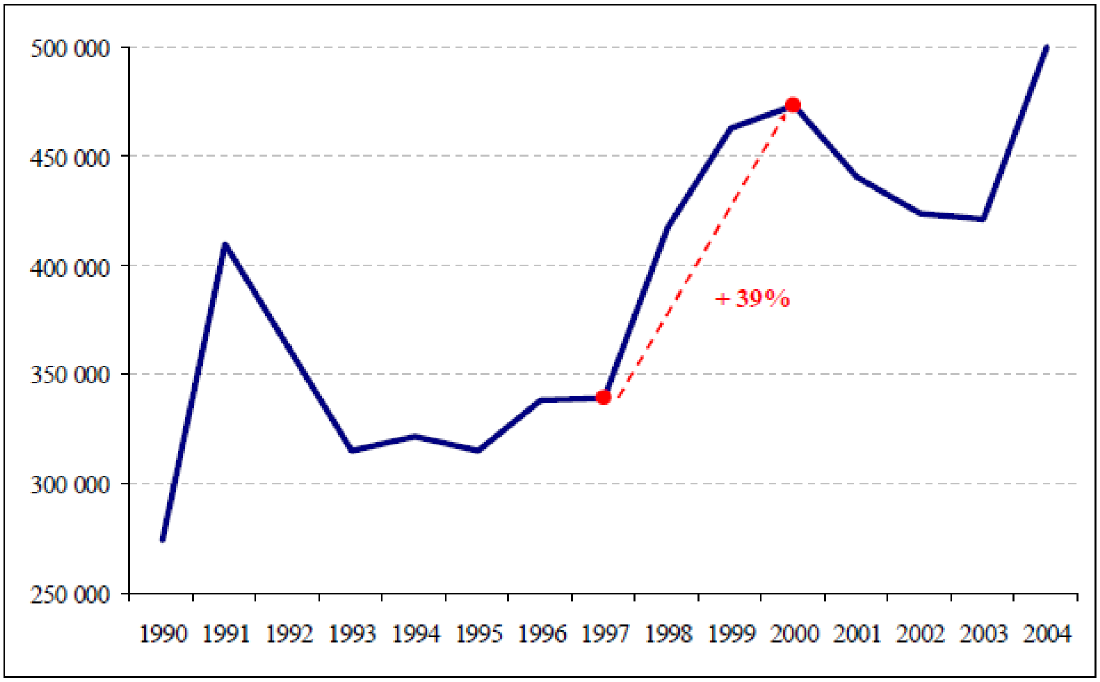
Source: Service statistique CNaPS

Figure 4.1 Age pyramid of CNaPS affiliates, 2005 (blue male, green female)



Source: Actuarial report

Figure 4.2 Evolution of the number of affiliates of CNaPS (1990-2004)



Source: Actuarial report

4.3 Financing

CNaPS's financing comes solely from contributions, which are payable quarterly and it is a funded defined benefit scheme. Currently contributions exceed benefits, and the excess is being invested according to the rules laid out in its governing legislation.

CNaPS runs a base pension scheme, mandatory for all those whom are covered by CNaPS as per regulation, and a voluntary complementary scheme, which may be taken by any employee with a base pension scheme if their employer is willing.

There are four divisions of the base schemes, one for general workers, one for agricultural workers, one for house workers and one for teachers and members of religious organisations. The main difference between the schemes is the relevant contribution rates. They are as follows:

Table 4.3 CNaPS contribution rates (as a percentage of salary unless otherwise stated)

		Retirement insurance	Work accidents	Family benefits
Mandatory	**General scheme**	10.50%	1.25%	2.25%
	Employer part	9.50%	1.25%	2.25%
	Employee part	1%	-	-
	Agricultural scheme	5.50%	1.25%	2.25%
	Employer part	4.50%	1.25%	2.25%
	Employee part	1%	-	-
	Household worker scheme	664.6 Ar	77 Ar	138.4 Ar
	Employer part	584.6 Ar	77 Ar	138.4 Ar
	Employee part	80 Ar	-	-
	Teacher and religious organisation scheme	5.50%	1.25%	2.25%
	Employer part	4.50%	1.25%	2.25%
	Employee part	1%	-	-
Complementary	**Total**	4.50%	-	-
	Employer part	3.50%	-	-
	Employee part	1%	-	-

Source: Service statistique, CNaPS

Deductible earnings are capped at 8 times the national minimum wage, so for the purposes of calculations the maximum salary is fairly low.

4.4 Contingencies covered

CNaPS is supposed to be a comprehensive social insurance scheme. It thus also covers family allowances and insurance against accidents at work.

The retirement age for CNaPS is 60 for men and 55 for women, and is 5 years earlier for Sailors. It may be reduced by 5 years in the case of disability with at least 60% incapacity, in which case the Disability Pension is given, and by 10 years in the case of death, in which case the Survivors' Allowance is given. The survivors' allowance awards 30% of the pension to the spouse, 15% to the first and second orphan, and 10% to any additional orphans.

If the affiliate dies more than 10 years before retirement age, survivors are entitled to receive all contributions, including those of the employer, revalued at an interest rate of 2% per year.

4.5 Benefit type and levels

The basic pension run by CNaPS is a mandatory, funded, defined benefit scheme. The complementary pension is an optional add-on to this scheme, increasing levels of benefits. The basic pension is split into four schemes: the standard old-age pension, the solidarity allowance, the disability pension, and the proportional pension. There is also a survivors allowance for spouses and children.

The Old-age pension gives the largest benefit levels, and requires at least 15 years of affiliation to the scheme, with 28 quarters of contributions during the last 10 years before retirement. Those who do not satisfy the second condition but who have contributed for at least 25 years (20 years for women) can claim a Proportional pension. Those still not qualifying are entitled to receive their contributions, revalued with an interest rate of 2%, provided that they have contributed for at least a year. Given that employees are contributing around 1% of their salary, this amount is usually negligible. The solidarity allowance is a legislative relic, and applies to people who were working between 1964 and 1968. It provides similar levels of benefits to the standard old age pension, but eligibility requires are slightly less stringent.

If somebody becomes at least 60% disabled[1] then they are entitled to the disability pension which is 85% of the pension they would have received according to their contributions if they had applied for the pension at normal retirement age. Upon death, spouses and children under the age of 18 are entitled to a percentage of the pension, this being the survivors' allowance.

Once pensions have started to be paid, they are indexed to the national minimum wage. Benefit levels are calculated according to the following formulae:

<u>Old-age Pension</u>

The base pension is calculated as follows:

- 30% minimum wage
- + 20% of mean inflation adjusted deductible salary in 10 years before the age able to retire
- + 1% of above mean salary for every period of 4 quarters of contributions beyond these 10 years.

The minimum base pension is 60% of the minimum wage, and the maximum is 40% of the maximum deductable salary attained, which cannot be more than 8 times the national minimum wage. Various top-ups to the base pension exist. These are:

- +10% for a spouse
- +5% for a bronze workers medal
- +10% for a silver workers medal.

[1] According to the scale used by the fund, and disability must be verified by an approved doctor

With these additions the pension must not exceed 75% of the average salary used to calculate the pension level.

Proportional Pension

The Proportional pension is calculated as the Old-age pension, except that the last ten years salaries are not inflation adjusted when taking their average, resulting in a penalty whose magnitude depends upon the economic situation. Given regular double-digit inflation in Madagascar, this penalty is quite severe.

The complementary pension adds the following to the base pension:

Complimentary pension

1% of average adjusted salary, as calculated for the base pension, for each 4 quarters of contributions, with a maximum of 30% of this average salary. There is thus no reason to contribute to this for more than 30 years.

General consensus is that the base pensions administered by CNaPS leads to an average replacement rate of around 30%, in large part because of the ceiling on chargeable earnings. This leaves people unable to fund the lifestyle to which they are accustomed in old age, and critics of the scheme often cite the ceiling as one of the biggest problems. The ILO report (ILO Madagascar 2005) criticise the entitlement rules as being complex, difficult to understand and to administer, and resulting in payouts that are not large enough to ensure a decent living standard.

Table 4.4 Pension benefits in Ariary (2006 – 2009)

	2006		2007		2008		2009		MOYENNE
Old-age pension	18,557,969,901.40	72.05%	21,171,036,558.02	71.95%	27,776,010,184.90	72.88%	30,415,570,913.81	73.08%	72.49%
Solidarity allowance	2,727,777,646.00	10.59%	2,764,283,499.40	9.39%	3,210,060,407.55	8.42%	3,063,062,673.23	7.36%	8.94%
Disability pension	476,111,305.00	1.85%	499,239,328.00	1.70%	590,659,678.31	1.55%	616,158,612.20	1.48%	1.64%
Survivors allowance	2,419,833,899.00	9.39%	2,783,955,260.42	9.46%	3,463,216,307.36	9.09%	3,610,880,240.27	8.68%	9.15%
Proportional pension	531,094,478.00	2.06%	893,144,781.06	3.04%	1,387,732,698.62	3.64%	1,887,366,605.40	4.53%	3.32%
Complementary old-age pension	955,753,400.00	3.71%	1,193,296,777.20	4.06%	1,455,932,152.20	3.82%	1,727,274,004.51	4.15%	3.93%
Complementary proportional pension	23,273,200.00	0.09%	39,229,391.40	0.13%	60,689,523.54	0.16%	78,700,112.12	0.19%	0.14%
Complementary solidarity allowance	14,134,400.00	0.05%	15,230,400.00	0.05%	16,064,583.40	0.04%	12,245,670.20	0.03%	0.04%
Complementary survivors allowance	25,430,275.00	0.10%	36,431,990.48	0.12%	116,841,908.79	0.31%	173,669,120.66	0.42%	0.24%
Complementary disability pension	25,616,200.00	0.10%	28,537,600.00	0.10%	35,433,248.14	0.09%	37,197,446.16	0.09%	0.09%
TOTAL	25,756,994,704.40	100.00%	29,424,385,585.98	100.00%	38,112,640,692.81	100.00%	41,622,125,398.56	100.00%	100.00%

Source: Service statistique, CNaPS

Table 4.5 Pension beneficiaries (2007 – 2009)

	2007			2008			2009		
	TOTAL	Male	Female	TOTAL	Male	Female	TOTAL	Male	Female
Old-age pension	28,192	20,526	7,666	29,084	20,832	8,252	29,788	20,963	8,825
Solidarity allowance	4,803	3,886	917	4,616	3,775	913	4,253	3,459	794
Disability pension	785	577	208	748	547	201	733	548	185
Survivors allowance	10,698	10,325	373	11,549	11,155	394	11,755	11,338	417
Proportional pension	2,039	1,425	614	2,751	1,956	795	3,540	2,529	1,011
Complementary old-age pension	2,234	1,585	649	2,348	1,651	697	2,548	1,791	757
Complementary proportional pension	278	185	93	353	238	115	438	297	141
Complementary solidarity allowance	58	49	9	54	45	9	48	42	6
Complementary survivors allowance	24	21	3	759	718	41	819	777	42
Complementary disability pension	83	65	18	72	60	15	76	64	12
TOTAL	49,194	38,644	10,550	52,334	40,977	11,432	53,998	41,808	12,190

Source: Service statistique, CNaPS

Table 4.6 Average pension amount (2009)

	Quartly average	Monthly average
Old-age pension	259,372.74	86,457.58
Solidarity allowance	173,117.78	57,705.93
Disability allowance	199,153.80	66,384.60
Survivors allowance	76,285.53	25,428.51
Proportional pension	143,695.89	47,898.63
Mean pension paid	**170,325.15**	**56,775.05**

Source: Service statistique, CNaPS

4.6 Preservation, withdrawal and protection of rights

According to article 282 of CNaPS legislation “Retirement benefits and private pension insurance are not transferable”. However, CRCM (the civil service pension scheme) legislation suggests that CNaPS pensions can be transferred to the scheme.

4.7 Administrative cost

According to the actuarial report, in 2005 administration costs amounted to 13.3% of total contributions or 9.9% of total revenue. This seems to have since risen, with the following being provided by the statistics service of CNaPS.

Table 4.7 Administration costs as a percentage of total contributions (2006 – 2009)

2006	2007	2008	2009
25.3%	16.6%	16.0%	17.6%

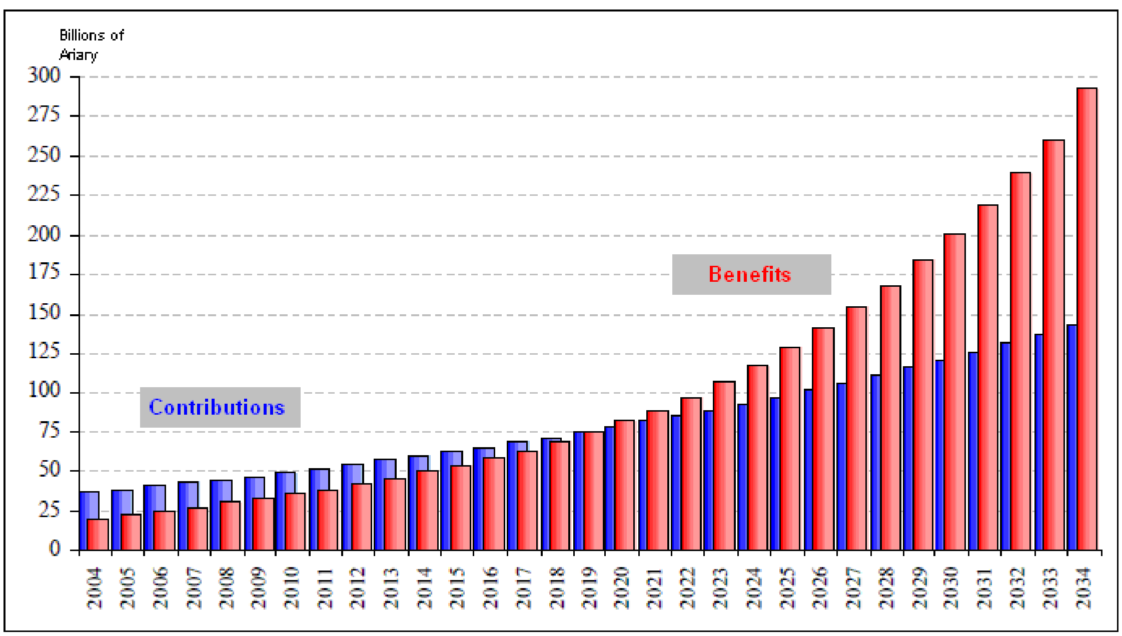
Source: Service statistique, CNaPS

This is at odds with CNaPS legislation, article 43 of which states that "Operating expenses of the Fund shall not exceed 10% of the amount of contributions received"

4.8 Financial and social sustainability

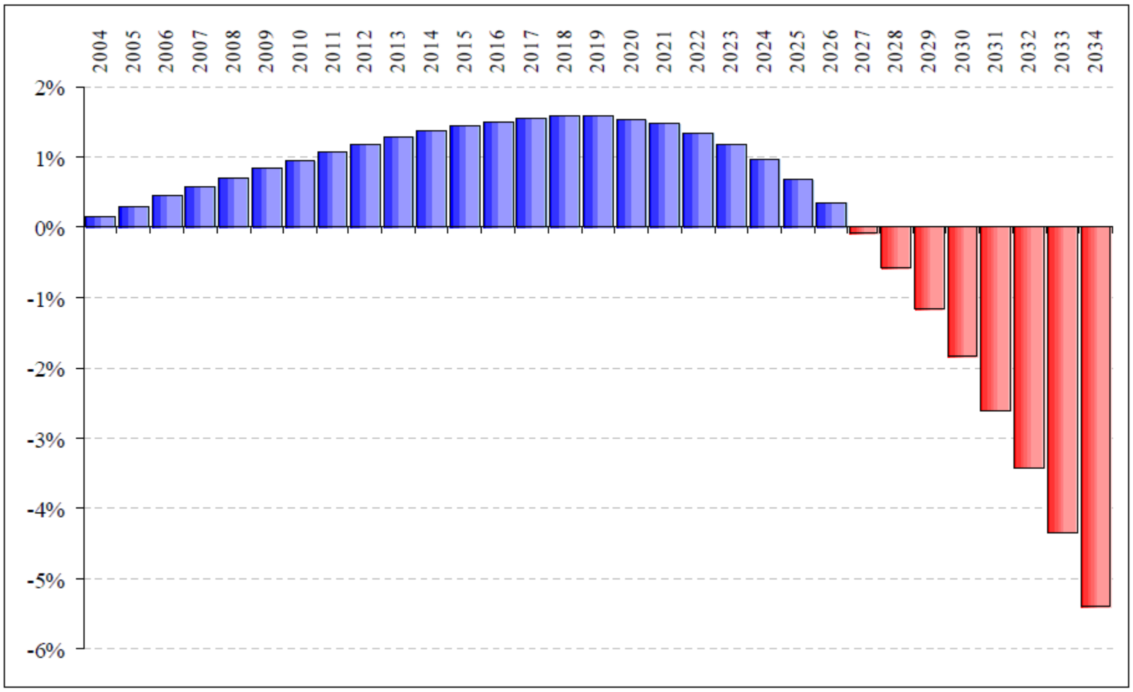
The actuarial report undertaken in 2006 suggests that the long term outlook of CNaPS under its current setup is not good: current payout levels are unsustainable. This is partly because of the demographic structure of Madagascar's population. Whilst contributions currently significantly outsize benefits, the relationship is set to reverse, with benefits being larger than contributions for the first time in around 2020.

Figure 4.3 Simulated evolution of contributions and benefits in constant 2004 Ariary (2004 – 2034)



Source: Actuarial report

Figure 4.4 Evolution of CNaPS total balance as a percentage of GDP (2004-2034)



Source: Actuarial report

The actuarial report analyses the expected effect of various possible reforms, such as changing contribution levels, accrual rates, retirement age, and manner of indexing pensions. It concludes that quite stark reforms are needed. CNaPS are currently trying to implement some of these reforms, such as a raising of the contribution levels, but there is significant political opposition.

One recommendation regards the investment portfolio of CNaPS:

Table 4.8 Advised reform to CNaPS investment portfolio

	Average weight 2003-2005	ACTUARIA recommendation	Difference
Current account / bank	8%	2%	-6%
Savings deposits	10%	5%	-5%
Government bonds	63%	30%	-33%
Tradeable securities	3%	20%	17%
Other financial assets	9%	5%	-4%
Property	7%	30%	23%
Loans	0%	8%	8%
Total	100%	100%	0%

Source: Actuarial report

4.9 Reform initiatives

In 2009, CNaPS started paying benefits through microfinance institutions as well as the Post Office which it had traditionally used. This was to try to improve their coverage, especially in remote areas, and also to encourage banking among affiliates. The impact of this is not yet known.

The CNaPS are currently considering many reform initiatives, both to increase coverage and to develop a more sustainable position. Firstly they would like to increase contribution rates to a level similar to that of the civil service pension scheme (20%). Secondly they wish to expand CNaPS presence in the more remote areas of Madagascar. This is not an easy task, as the country is about the size of France, yet has poor infrastructure. They intend to do it by creating more branches, and by setting up “antennae”, micro branches covering very remote areas. Thirdly, they hope to change legislation to allow self-employed formal workers to join. Finally, they would like to extend their coverage to include informal workers, but this is a long term aim and no framework on how to achieve it currently exists.

Many people complain that the regulation governing CNaPS is 40 years old and that it needs to be reviewed. Some reforms are obviously needed, as shown by the actuarial report, and it is not always obvious why they have not already taken place. Given this it is difficult to say when change may happen.

5 Formal retirement systems – Civil Service Occupational Schemes

5.1 Legal and institutional

Civil servants, the military and other government employers are not covered by CNaPS but instead have their own schemes. The schemes are the Caisse de Retraites Civiles et Militaires (CRCM) and the Caisse de Prévoyance et de Retraites (CPR).

CRCM covers civil servants, government workers and the military, and CPR covers auxiliary agents employed by the government, who have not yet been granted full government employee status. The schemes are run jointly by the Ministère de la Fonction Publique, du Travail et des Lois Sociales and the Ministère des Finances et du Budget. When changes to legislation are being considered the two groups come together, but it seems to be the latter who are concerned with the day to day running of the scheme.

CPR was founded on 29th November 1961 by act 61-642. It has since been modified by acts 65-430, 67-342, and 95-155.

CRCM was founded on 21st March 1962 by act 62-144. It has since been modified by acts 64-084, 72-359, 89-094 and 92-1005.

Current information on the schemes is very difficult to obtain, and the relevant ministries seem reluctant to give it. An audit of the schemes is taking place, as recommended by numerous previous studies. If the results of the audit are made available, they will cast much more light upon the details of the two pensions.

5.2 Eligibility, access rules and coverage

In 2004, the ILO report (ILO Madagascar 2005) reported that during the last year at least 100,000 people were affiliated to the two schemes, and that 67,000 pensions, invalidity and survivor payments were made.

For both schemes there is a full pension or a partial pension. Under CRCM, for the full pension (pension d'ancienneté) one needs to be at least 55 years old and have worked for the government for at least 25 years. For the partial pension (pension proportionnelle) one needs to satisfy one of the following:

- To be at least 60 years old and have worked for the government for at least 15 years.
- Become physically incapacitated.
- To be at least 45 years old and have worked for the government for at least 15 years.
- To have worked for the government for at least 25 years.

5.3 Financing

For CRCM, contribution rates are 4% of salary for the employee and 16% of salary for the employer (the government).

For CPR, contribution rates are 3% of salary for the employee and 6% of salary for the employer (the government).

There is also a line of financing from the budget should contributions not cover benefit payouts. In practise this happens every year. Precise information on the burden that this places on the government budget is unknown, and Ministry of Finance budget reports have not been obtained. However ILO Madagascar (2005) suggests that total government expenditure on the two schemes in 2004 was around 6 billion Ariary ($2.8 million) per month.

5.4 Contingencies covered

The pension can start early if the individual becomes classified as an invalid. There are provisions for widows and orphans.

5.5 Benefit type and levels

Accrual rates are 2% per year for CRCM and 1.3% per year for CPR, and pensions are calculated according to the last salary grade attained. Popular opinion is that civil servants attain a replacement rate of nearly 100%.

60% of the pension is passed on to spouse or orphaned child in the case of death of the individual.

Under CRCM, full pensions have 5% added to them for each child raised until the age of 15.

5.6 Financial and social sustainability

Common opinion suggests that the current system places a large burden on government finances and that it is unsustainable. More precise information on this is unavailable, but the audit being undertaken is likely to show that significant changes are needed.

5.7 Reform initiatives

There is significant call for delaying the retirement age of civil servants to 65 – around 35% of current government employees will retire within the next 5 years, and this is expected to put a large strain on the system.

6 Formal retirement systems – Private Occupational Schemes and Voluntary Schemes

6.1 Legal and institutional

There are two main insurance companies in Madagascar offering pension schemes, “Assurances ARO” and “NY HAVANA”. Both operate under law 99-013 of 2nd August 1999, the insurance code for Madagascar, which includes rules on how funds must be invested. There is no legislation specifically for private pension schemes in Madagascar: the 2006 IMF Financial System Stability Assessment (IMF (2006)) reports that “Private pensions operate in a legal and regulatory vacuum”, and goes on to recommend that “A legal and regulatory framework for private pensions must be put in place”.

6.2 Eligibility, access and coverage

All are eligible, but minimum contributions are 5000Ar ($2.30). ARO currently has around 31,000 members, and HAVANA currently has around 10,000 members. HAVANA estimates that 25% of their adherents are individuals who have taken out the scheme independently, and that 75% of their adherents come from employer led schemes. Further detail on fund sizes is unavailable, and the IMF in 2006 (IMF (2006)) reported that “…the scope of private [pension] funds is not known as there is no reporting requirement”.

6.3 Financing

A 3% tax is applied to contributions. HAVANA estimated average contributions to be 10,000Ar per month ($4.60)

6.4 Contingencies covered

In the case of death before reaching retirement, a percentage of net contributions made will be refunded to the spouse or children. For HAVANA, this percentage is between 100 and 115%, depending on the length of time spent as an adherent. For ARO, the percentage is either 0%, 60% or 110%, depending upon the scheme chosen.

Before taking retirement, both insurers allow individuals to choose to make the annuity reversible to their spouse in case of death whilst retired. Doing so costs a penalty of a percentage of the size of the annuity, the size of this penalty depending on the ages of both of the individuals.

6.5 Benefit type and levels

Benefits depend on contribution and are paid quarterly or annually. Interest rates on the fund depend upon investment performance. ARO guarantees a rate of 4.5% whereas HAVANA does not seem to make a guarantee. Details on recent fund performance were considered confidential and not provided. Similarly information on total fund sizes was considered confidential and thus not made available.

Both schemes offer annuities, and these annuities may be capitalised, either in half or in full, at the time of retirement. Annuities are however considered as an income and taxed accordingly, hence capitalisation of funds is popular.

ARO Annuities being paid are revalued by at least 4.5% every year, the exact amount depending upon fund performance.

6.6 Preservation, withdrawal and protection of rights

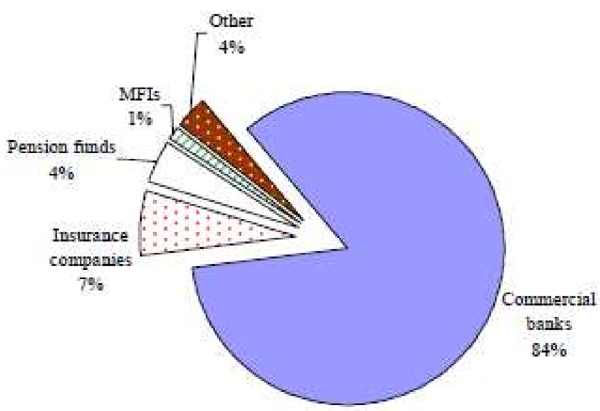
Both pensions may be taken up to five year early or late, subject respectively to a penalty or a benefit. Rules regarding exit from the schemes are identical for both insurers: members can exit completely and get back the total buyback value, equal to the provision level calculated according to the standards rules of they have belonged to the scheme for at least 10 years; or 95% of this for less than 10 years.

7 Informal retirement systems – Long-term savings vehicles

7.1 Legal and institutional

The financial system in Madagascar is dominated by commercial banks. According to the 2008 central bank report, there are 8 commercial banks in Madagascar. At least seven of these are foreign owned, and the four largest banks have 89% of market share (according to African development bank). Non-bank financial institutions account for around 16 percent of financial system assets.

Figure 7.1



No data has been found regarding typical household savings and on how savings accounts are being used to redistribute consumption to old age.

7.2 Eligibility, access rules and coverage

In 2006 "Only 35% of low income households (roughly 80% of the population) have access to depository services" (IMF 2006).

8 Informal retirement systems – Asset accumulation

Like elsewhere, there is an understanding that owning property provides security in old age. The background to land and to inheritance in Madagascar interesting, and has some relevance on provisions for the elderly. Inheritance laws until recently gave very little importance to the spouse, with blood relations being considered more important. Whilst the laws on this have since changed, in remote places it is still common practise for the spouse not to benefit from inheritance. This is particularly the case with widows, and is exacerbated by a tradition in which women rarely own land.

For very large parts of Madagascar there are no formal land deeds (it is estimated that as little as 10% of land has official title), entitlements being according to unwritten agreement. This clearly leaves land owners in a vulnerable position.

9 Informal retirement systems – Other support systems

Anecdotal evidence from NGO workers and Madagascan people suggests that elderly people who are not covered by formal schemes tend to work until they are no longer able to do so. Their fate then depends upon whether they have a family or community who are willing and able to support them.

As an ex-colony of France, still with strong ties to the country, migration and subsequently remittances play a role in the provisions for the needy in Madagascar. The size of these remittances, and what they are being spent on, is unknown. Anecdotal evidence suggests that remittances are quite large, and are very often spent on education.

An important point with all of these mechanisms is that they are most likely to fail for the neediest, such as those who are socially excluded and those who have not had the means to educate their children to a high standard.

Madagascar has 19 different ethnic groups, and it is likely that the position and protection of the elderly within them varies significantly. For instance, in several places in the south of the country, little is given to women, making life as a widow very difficult. Anecdotal evidence suggests that often communities support widows immediately following the death of their husbands, but that this support fades quickly. No studies however have been unearthed on this.

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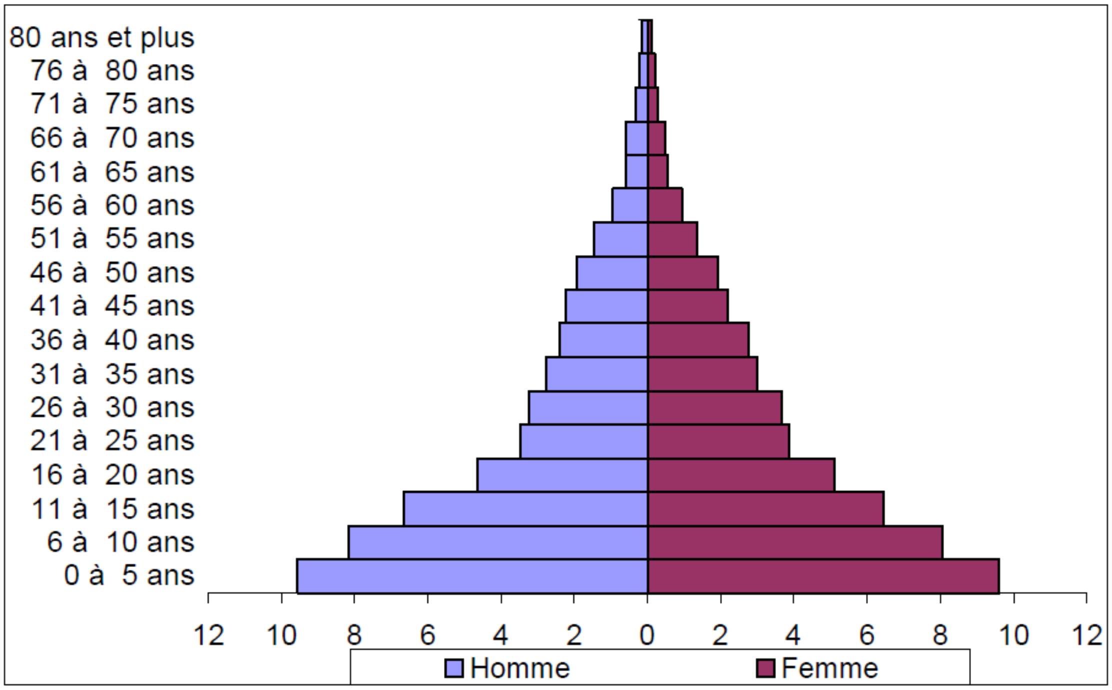
Annex A

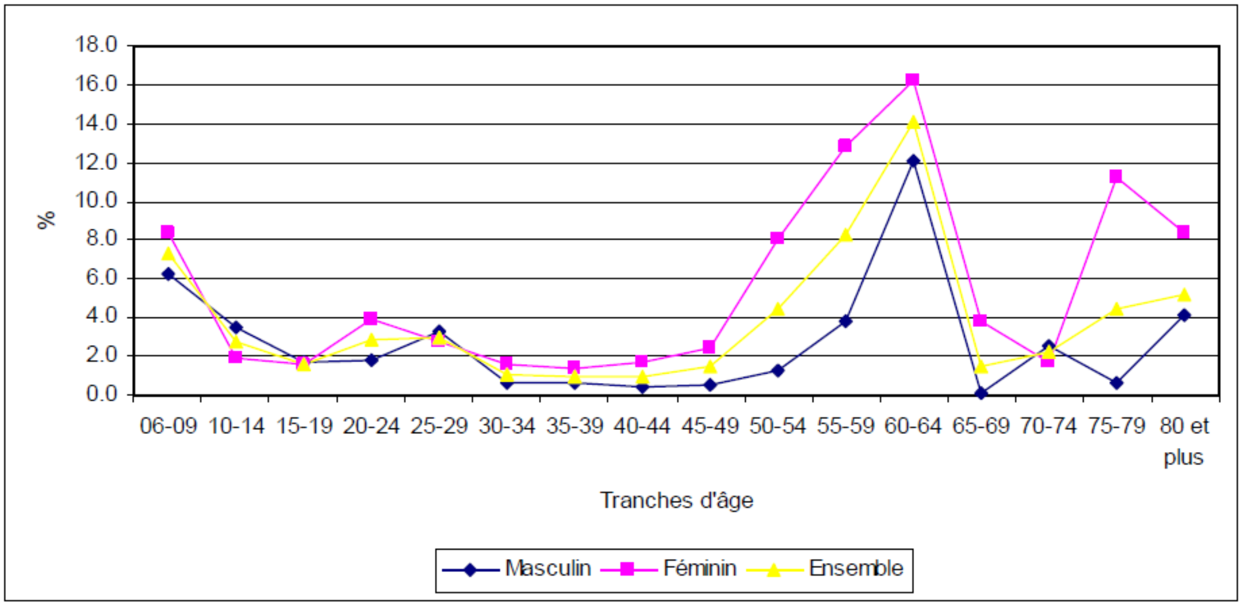
A.1

Figure A.1 Population Pyramid, 2005



Source : INSTAT/DSM/EPM2005

Figure A.2 Unemployment rate by age and by sex (2005)



Source: INSTAT/DSM/EPM2005