RESISTANCE, CONTINUITY, AND CHANGE

RESISTANCE, CONTINUITY, AND CHANGE: THE POLITICS OF PENSION REFORMS IN ENGLISH-SPEAKING SUB-SAHARAN AFRICA

BY

MICHAEL WHYTE KPESSA, B. A., M.A.

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Abstract

Pension reform has been on the social policy agenda in many countries across the world since the 1980s. The main debate has been whether to maintain the postwar Pay-As-You-Go (PAYG) pension programs or replace them with private pensions known as individual accounts. Institutionalists claim that (PAYG) pension programs are impossible to transform because they are not only fraught with interest group conflicts that have adverse implications for the electoral chances of reform-minded politicians, but also because they are popular among voters, and supported by beneficiaries and trade unions. On the other hand, those international political economists studying welfare reforms argue that the structural transformation of PAYG pension systems is possible and driven by a coalition of global policy actors led by the World Bank. Most of the data that informed these theoretical postulations came from OECD and middle-income countries in Latin America and Eastern Europe. The story of pension reforms in Sub-Saharan African (SSA) countries had until now not been factored adequately into the debate.

This thesis argues that an understanding of pension reforms in SSA countries requires an analysis of both the domestic and international political processes. But this understanding is only possible if the relative role played by domestic and international factors are taken into account and analyzed. Using pension reforms in Ghana since the 1980s as an illustrative case which can inform us about other English-speaking SSA countries, this thesis therefore takes the international level into account, but focuses on the domestic level and argues that domestic politics mattered much more than is assumed by some international political economists in the literature. The thesis affirms aspects of institutionalist arguments, but presents an alternative explanation of pension reforms in SSA that (a) for the first time analyzes the domestic politics of pension reform and (b) casts serious doubts on arguments about the dominant role of transnational actors, while suggests significant improvements to theoretical understandings of pension reform policy processes.

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List of Abbreviations and Acronyms

ACI	Actor-Centered Institutionalism
ADB	Asian Development Bank
ARPB	Association of Recognized Professional Bodies
ASDR	African Security Dialogue and Research
AULC	African Union Labour Commission
AYB	African Youth Brigade
AYC	African Youth Command
CDD	Center for Democracy and Development
CEE	Central and Eastern Europe
CEPA	Center for Policy Analysis
CFTU	Confederation of Free Trades Union
CSA	Civil Servants Association
CVC	Citizens Vetting Committee
DB	Defined Benefits
DC	Defined Contributions
DFID	Department for International Development
ERP	Economic Recovery Program
EU	European Union
FINSAP	Financial Sector Adjustment Program
FINSSP	Financial Sector Strategic Program
FSU	Former Soviet Union
FWAEO	Federation of West Africa Employers Organization
GAF	Ghana Arm Forces
GAMA	Greater Accra Markets Association
GBA	Ghana Bar Association

GCC	Ghana Chamber of Commerce
GCCSFA	Ghana Cocoa, Coffee and Sheanut Farmers Association
GCM	Ghana Chamber of Mines
GCTU	Gold Coast Teachers Union
GDP	Gross Domestic Product
GEA	Ghana Employers Association
GES	Ghana Education Service
GIA	Ghana Insurers Association
GMA	Ghana Medical Association
GNAG	Ghana National Association of Garages
GNAT	Ghana National Association of Teachers
GNFC	Ghana National Farmers Council
GNMA	Ghana National Manufacturers Association
GPPCA	Ghana Printers and Paper Converters Association
GPRTU	Ghana Private Road Transport Union
GSS	Ghana Statistical Service
GTA	Ghana Timber Association
IBRD	International Bank for Reconstruction and Development
ICESCR	International Convention on Economic, Social and Cultural Rights
ICSID	International Center for Settlement of Investment Disputes
IDA	International Development Association
IEA	Institute of Economic Affairs
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
IOE	International Organization of Employers
IPE	International Political Economy
ISSA	International Social Security Association
ISSER	Institute of Statistical, Social and Economic Research

JFM	June Four Movement
JTF	Japanese Trust Fund
KNRG	Kwame Nkrumah Revolutionary Guard
LTS	Long Term Savings
MMDE	Ministry of Manpower Development and Employment
MFEP	Ministry of Finance and Economic Planning
MIGA	Multilateral Investment Guarantee Agency
NAGRAT	National Association of Graduate Teachers
NBFI	Non-Banking Financial Institutions
NCTE	National Council for Tertiary Education
NDC	Notional Defined Contributions
NDC	National Democratic Congress
NDM	New Democratic Movement
NPF	National Provident Fund
NPP	New Patriotic Party
NRCD	National Redemption Council Decree
NSIFT	Nigerian Social Insurance Trust Fund
NUGS	National Union of Ghana Students
PAYG	Pay-AS-You-Go
PDC	Peoples' Defence Committees
PNDC	Provisional National Defence Council
PRLG	Peoples' Revolutionary League of Ghana
PSRS	Public Sector Reform Secretariat
SAP	Structural Adjustment Program
SSA	Sub-Saharan Africa
SFO	Serious Fraud Office
SSNIT	Social Security and National Insurance Trust
TUC	Trades Union Congress
TWN	Third World Network

UN	United Nations
UNDP	United Nations Development Program
UDHR	Universal Declaration of Human Rights
USAID	United Nations Agency for International Development
UTAG	University Teachers' Association of Ghana
WDC	Workers' Defence Committee

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CHAPTER ONE
THE GLOBAL PENSION REFORM TRAJECTORIES

Introduction

Why did countries in English-speaking Sub-Saharan Africa (SSA) shift their old age income protection institutions from defined contribution to defined benefit Pay-As-You-Go (PAYG) social insurance schemes between the 1980s and 1990s (Fulz, 2000; Turner, 2001), when many countries across the globe were adopting versions of defined contribution plans (Brooks, 2002, 2006; Muller, 2002, 2003; Orenstein, 2003, 2005b, 2008); and why have these countries, beginning with Ghana and Nigeria, started to incorporate defined contribution schemes back into their overall pension plans when the global pension reform narrative has shifted to social pensions (Craig & Porter, 2006; Holzmann & Hinz, 2005; Holzmann & Stiglitz, 2001; World Bank, 2003)? Can theories developed and used in explaining structural transformations in old age income support programs in Latin America, Central and Eastern European, and the Organisation for Economic Co-operation and Development (OECD) countries account for reforms in the same policy area in SSA countries? These questions are not only substantively interesting; they also have empirical (practical) and theoretical significance for comparative welfare analyses.

Empirically, while many countries throughout the world have opted for private pensions in the form of individual accounts with defined contributions, pension reform in English-speaking Sub-Saharan Africa (SSA) countries has focused on converting post-independence defined contribution provident funds into defined benefit PAYG social insurance schemes, particularly from the 1990s onwards. In the early twenty-first century, when advocates of private pension plans started to incorporate social inclusion and poverty reduction elements into their pension reform packages, English-speaking SSA countries (initially, Ghana and Nigeria) also began to transform their pension system by adopting more radical versions of private pension plans. The puzzling scenario is important because PAYG social insurance pension schemes are old age income arrangements that pay retirement benefits to current retirees out of contributions from current employees. They are usually government administered and are generally meant to redistribute resources within generations and ensure intergenerational income transfers. Private pensions, on the other hand, are neither redistributive across nor within generations, and retirement benefits are directly linked to individual contributions (Barr, 2006). A central difference between PAYG social insurance and private pension schemes is that under the former retirees are guaranteed lifetime benefits, while under the latter retirees face the uncertainties associated with varying interest rates. There are many different ways of organizing private pension arrangements including central and privately managed defined contribution (DC) schemes, individual accounts, and notional defined contribution (NDC) scheme. Private pension systems are usually supported via tax incentives and the management of this type of pension scheme is ordinarily entrusted to private fund managers. Nonetheless, private pension plans are united by the fact that benefits are directly linked to contributions, they are not based on inter-generational transfers, and there is little attention to collectivism, risk pooling and solidarity. Therefore, the choice between these types of pension systems has important implications both for the security of pensioners' incomes and the sustainability of public finances.

Theoretically, there are two major competing perspectives that seek to explain recent developments in pension system management around the world. First, international political economists (IPE) studying the shifts to private or defined contribution oriented pension systems especially in Latin America, and Central and Eastern European countries have situated the phenomenon within the confines of globalization and argued that pension reforms were induced by a coalition of global policy actors led by the World Bank based within a neo-liberal paradigm. If this theoretical premise of IPE scholars is correct, then we should expect English-speaking SSA countries to be among the first to adopt the World Bank's private pension ideas because (a) they already had rudiments of private pension plans in the form of their defined contribution provident funds; (b) these countries are heavily dependent on aid and can easily be coerced by the Bank and its allies; and (c) the World Bank and the International Monetary Fund (IMF) had been in firm control of policy making in SSA countries since the 1980s (Olukoshi, 2007). Against these expectations, English-speaking SSA countries discarded their defined contribution plans in favour of PAYG social insurance plans at the height of the World Bank's campaign against PAYG plans in the 1990s; in the early 2000s, these countries began to incorporate elements of private pensions into their overall pension programs when the Bank had relaxed its strict demands for defined contribution and shifted its priority to social pensions.

Second, neo-institutionalists using the *new politics* approach argued that because pension reforms in OECD countries were occurring in an areas of severe economic challenges, the goal of policy makers had been to cut down on existing pension benefits by shifting responsibility to individual citizens though active promotion of private pension arrangements. But the ability of policy makers to carry out the kind of radical pension reforms that occurred in Latin American countries were constrained by citizenry and interest group resistance to the potential of such reforms to alter the redistribution equilibrium. The ability of citizens and interest groups to block pension privatization is further strengthened by the configuration of political institutions in democratic societies. Mindful of the political cost associated with a radical benefit reduction approach to pension reforms, politicians in OECD countries have adopted gradual and incremental strategies in which the shift to private pensions were largely invisible and delayed to avoid blame for the consequences of this shift. Approaching pension reform strategies in this manner is useful, but since it casts the recent transformation of pension systems in the image of *retrenchment*, it subsequently concluded that the reforms became a battleground for different interest groups, as well as political parties. Thus, in its current form, the new politics approach is not able to adequately explain radical structural pension system transformation.

Argument of the Thesis

In this thesis, I argue that domestic politics is the main explanatory variable for pension reforms in Ghana. In this context, domestic politics is defined through labor mobilization and electoral coalitions in the wake of changes in national opportunity structures. The changes in opportunity structures refers to (a) transformation in ruling elites either through military coups or through multi-party elections, (b) strategies used in the search for legitimacy and broader support by politicians, (c) transitions from an authoritarian (military) rule to a democratic system of governance, and (d) specifically how different actors, especially stakeholders, in turn use these transitional moments as windows of opportunity to set, change, or shape the agenda for specific policy reforms. Mindful of the fact that pension reforms are fraught with interest group conflict and can hurt a politician's electoral chances, pension reforms were introduced by politicians outside the normal channels of decision-making in a way that ensured consensus-building among stakeholders as a mechanism to de-politicize the reforms, as well as enabling actors to collectively assume a pride of ownership over final policy decisions. In Ghana, structural changes in the domestic political system and the general processes of democratization re-empowered labour unions and other left-wing forces in the mobilization and assertion of their authority over social welfare reforms. By the late 1980s, it became clear that the Provisional National Defence Council (PNDC) military regime was transforming itself into a political party—the National Democratic Congress (NDC)—to contest the first multi-party elections under the Fourth Republican Constitution. To augment its pro-labour claims and offset the tension brought about by the social cost of the Economic Recovery Program (ERP), the military government—Provisional National Defence Council (PNDC)—opted for a defined benefit social insurance pension scheme as a strategy to woo the support of organized labour and to repair damage caused to labour by the economic reforms.

The shift to social insurance was first deliberated in the early years of the PNDC, but the actual transformation of the scheme was suspended in the wake of the ERP because of the World Bank's preference for defined contribution plans. Faced with challenging political circumstances, the government made a transition to PAYG social insurance against the options offered by the Bank. Similarly, in 2004, the unions prevented the government's unilateral decision to privatize the social insurance scheme by demanding an all encompassing and comprehensive review of the entire pension system. The unions were successful in forcing an alternative approach to the reforms because agitations for reforms coincided with 2004 general electioneering campaigns. Aware of the potential political cost of ignoring the labour groups in an election year, especially in relation to pension privatization, the government of the New Patriotic Party (NPP) rescinded its early decision and embraced a problem-solving approach based on consensus-building culminating inevitably in the adoption of a *three-tier* pension plan.

In my analysis, I affirm the central thesis of the *new politics* approach, however, I argue that radical or structural pension system transformation is possible when policy makers are able to depoliticize the reforms and encourage consensus-building or problem-solving interaction among actors. In the Ghanaian reforms, all the major actors—government and social partners—who had vested interest in pension policy played an important role in transforming the scheme to a defined benefit social insurance plan in the 1990s, and did so again in the transition to a three-tier system in the mid-2000s. By the late 1980s, all the stakeholders unanimously agreed that the defined contribution schemes were not only unsustainable, but that they were also pushing increasing numbers of retirees into abject poverty. For the actors, the only alternative available was to reform the pension system to a model that could ensure some regular income replacement for retirees.

Similarly in 2004, both government and the social partners shared the view that the institutional dualism that characterized the pension system was fraught with unfairness and inequity. The existence of two public pension plans offering different qualifying conditions, different computation formulas and different levels of retirement benefits was viewed as inappropriate and unfair. Thus, the government adopted a three-tier pension plan inspired mainly by previous and existing social security legislations as a strategy to streamline the pension system and solve the structural dualism. The two pension reforms in Ghana demonstrate that domestic politics not only matter, but that the national political context constitutes a vital and important consideration for pension reforming countries.

Thus, contrary to the claims by international political economists that the policy ideas around which recent pension reforms evolved were generated by the World Bank, I show that ideas about defined contribution and defined benefit plans had long co-existed in Ghana and SSA countries. I also show that while the international pension reform environment was characterized by fierce debate between the International Labour Organization (ILO) and the World Bank, it was the mechanisms of path-dependence and policy feedback rather than transnational actors' campaigns that explain the sources of policy ideas adopted by Ghanaian policy makers in the two pension reforms. Path-dependence and policy feedback are used to describe the processes through which long nurtured or existing policy ideas, institutions, and/or programs established in the past continue to shape and influence the politics surrounding particular policy choices in future governance. Therefore, I argue that an understanding of pension reforms in SSA countries requires an analysis of both the domestic and international political processes. But this understanding is only possible if the relative role played by domestic and international factors in each case are taken into account and analyzed. Consequently, this thesis takes international politics into account, but focuses on the domestic level and argues that these national politics are much more significant than is commonly assumed by some international political economists. In this regard, this thesis presents an alternative explanation of pension reforms in SSA that for the first time analyzes (a) analyzes the domestic politics of pension reform and (b) casts serious doubts on arguments about the dominant role of transnational actors, and (c) suggests important improvements to the theoretical understanding of pension reform management in relation to domestic and international political influences.

The premise of this argument is that the ideas and principles underlying both defined benefit and defined contribution old age income security programs have always lingered. In this way, these programs have constituted the policy instruments around which the historical development of social security programs in Ghana (and Africa) evolved over time since the pre-colonial era (this assertion is discussed in detail in chapter four). Both the shift in one of Ghana's major pension programs from defined contribution (provident fund) to defined benefit in the 1990sand the adoption of a three-tier system that combines the features of both defined contributions and defined benefits plans by the mid-2000s demonstrates the institutional inertia and the lingering legacy of these programs both in thought and practice. Therefore, I conceptualize the role of transnational policy actors in pension reforms within the broader framework of social learning. Transnational policy actors were part of a broader dialogue on and interaction with social security programs. They offered policy advice, shared their experiences and expertise, but, as the Ghanaian case demonstrates, their advice and recommendations were subordinate to domestic political considerations.

Contributions of the Thesis

In addition to helping to integrate welfare policy issues in SSA countries into the comparative welfare literature, my arguments about institutional change in pension systems in Ghana make a number of contributions to theories that seek to explain institutional transformation. First, existing models explain that pension programs are path-dependent and, hence, difficult to change. I provide an alternative explanation showing that institutional change is possible when policy makers de-politicise the reforms and integrate major stakeholders into decision-making processes under conditions based on problem-solving and consensus-building. This analysis does not only bring *agency* back into institutional transformation, but shows as well that radical policy changes are possible under democratic institutional arrangements embedded with veto points when policy makers have the courage to initiate reform dialogue outside the formal structures of decision making.

Second, international political economists argue that *retrenchment* of pension benefits was more likely to occur under authoritarian government due to high executive decree powers and a lack of veto points. My analysis, however, shows that authoritarian governments intending to enhance their legitimacy in power and popularity among citizens are likely to initiate reforms aimed at increasing pension benefits as a way of appealing to the working class and pensioners.

Third, this project contributes to the debates in the comparative welfare literature by showing that the ideas and institutions around which the recent round of pension reforms were organized are not new to the Ghanaian and SSA social policy environment. Versions of the various policy ideas at the center of pension reforms have co-existed and re-enforced one another at different times, depending on how policy challenges were defined by particular actors in history. Finally, in contrast to claims using the lack of a *global politics of attention* as the explanatory variable for why Ghana and SSA countries were not the first to adopt the World Bank's pension reforms, this study shows that the *global politics of attention* thesis is not only weak, it is erroneous, through analysing the activities of pension reforms within the nexus of international campaigns and the domestic politics of pension reform..

The Wave of Pension Privatization

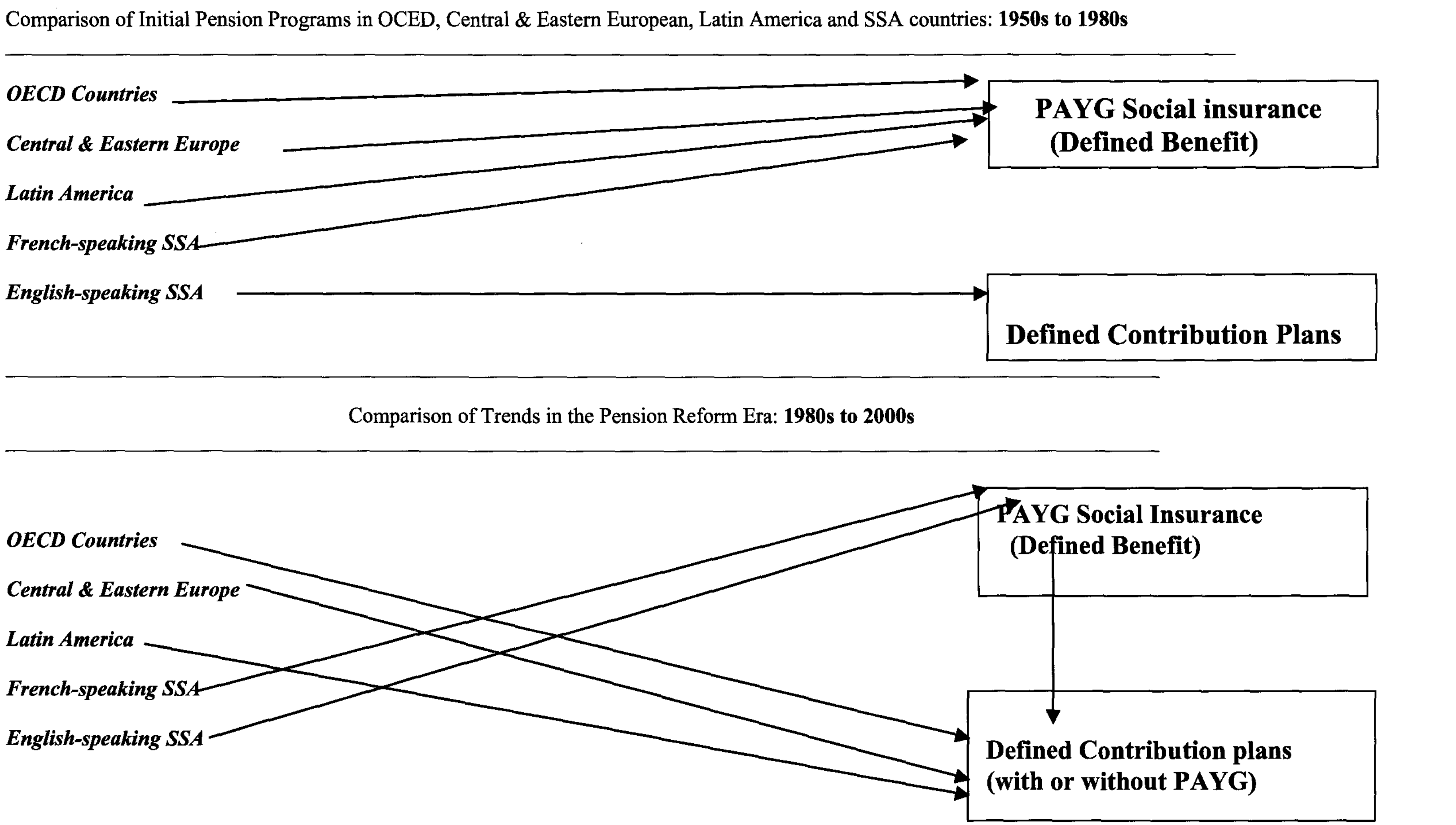
The recent round of pension reform began in Chile when Augusto Pinochet forced his way into the leadership of the country through a military coup d'état. The change in government paved the way for the return of a group of Chicago-trained Chilean economists, collectively known as "the Chicago Boys," (Kurtz, 1999; Madrid, 2005; Meso-Lago, 1994) to help resuscitate the dying Chilean economy. Upon the advice of these experts, the Chilean government introduced a series of radical policy reforms, and the country's pension programs were not excluded in this radical reforms (Edwards, 1998). The Chilean pay-as-you-go (PAYG) pension arrangement was denounced as inefficient and injurious to economic growth. Consequently, the government eliminated the PAYG scheme and replaced it with a private pension scheme, consisting of mostly defined contribution (DC) programs organized under competitive fund management arrangements. The promise of the Chilean reforms (Brooks, 2004; Nelson, 2004; Orenstein, 2005b, 2008) attracted the attention of transnational policy actors, particularly the World Bank and the IMF, who were already embedded in radical economic reforms in several other countries. Thus, the global policy actors perceived the Chilean reform as an endorsement of neo-liberalism and used it as a reference point to enter the social policy arena in several other countries. Ramesh (2006) argues that traditionally pensions had not been a major concern for the World Bank and its coalition of transnational actors until the 1980s when the Bank "stumbled upon the subject in the course of its work on poverty and safety nets in the context of economic recession" in the developing world (p. 109).

Chile's status as a prime mover in this instance is significant for several reasons. First, it is a reflection of the global transfer of particular economic policy ideas into the arena of social policy. Second, it explains why Latin American countries were the first to adopt these new policies. Third, it is a demonstration of how developing countries have become the testing ground for new economic policy ideas (Orenstein, 2005b). Fourth, it illustrates policy learning among global policy actors who later became active advocates of the Chilean model for pension reform. Fifth, Chile now signifies the birthplace of a paradigm change in welfare state and social policy thinking, given that several countries have undertaken similar reforms. The spread of private pension schemes as a new global pension paradigm is demonstrated by its prevalence in various forms in Latin American, Eastern and Central European, and OECD countries. The general trend was to move away from the intergenerational arrangements in favour of particular versions of private pension plans.

While in some countries these transformations were done by adding mandatory or voluntary individual accounts to existing schemes, other countries have chosen the outright privatization of their pension systems. Figure 1.1 illustrates the change in the direction or focus of pension policy from PAYG defined benefit old-age income arrangements to individual retirement savings based on defined contribution since the 1980s in Latin America, Central and Eastern European, and OECD countries. Prior to the 1980s, countries in all these areas operated state administered PAYG pension programs. However, beginning in the 1980s, popular catch-phrases in pension discourse like 'private pensions' or 'individual accounts' started to appear with increasing frequency. The strategies employed in pension reform range from full privatization, (as was the case in Chile, Mexico, Bolivia, El Salvador, Kazakhstan, Panama, Paraguay, Nicaragua, Venezuela, and Australia) to partial privatization or mixed arrangements, (as exemplified in Peru, Argentina, Colombia, Uruguay, Brazil, Costa Rica, Ecuador, Guatemala, Latvia, Hungary, Poland, Macedonia, Croatia, Bulgaria, Estonia, Romania, Mongolia, Kyrgyz Republic, Lithuania, Switzerland, UK, and Sweden), and the introduction of new pillars (Italy, Germany, Austria, Spain, and France, among others) (Hinz, 2003; Holzmann & Hinz, 2005).

Although the pension reform paths differ from country to country, in most cases, reform objectives converge around issues like linking contributions to benefits, funding and diversification of assets, private management, higher retirement ages, and fewer special privileges, as well as overall greater individual responsibility and risk. In effect, the solidarity and the elements of collectivism that characterized post-war PAYG programs were being phased out and replaced with elements that emphasized individual choice, responsibility, and risk in retirement provision.

Figure 1.1: Global Pension System Development and Reform Trajectories



Source: Compiled from the Social Security Worldwide database, International Social Security Association (ISSA); Hinz, R. (2003). *Pension Reform Around the World: The View From 40,000 Feet: Where World Bank Staff Seem To Spend Most Of Their Time)*: World Bank; Muller (2003) *Privatizing Old-Age Security: Latin America and Eastern Europe Compared* (Edward Elgar, Cheltenham, UK; Northampton MA, USA);, Holzmann & Hinz, (2005) Old-Age Income Support in the 21st Century (The World Bank, Washington DC, and Barbone & Sanchehez (2000) "Pensions and Social Security in Sub-Saharan Africa: Issues and Options" in ISSA (ed) Social Security in Africa New Realities (ISSA, Abidjan)

Latin America

In the last quarter of the 20^{th} century, several Latin American countries introduced mandatory individual retirement savings accounts operated by private pension funds. These schemes were introduced to supplement, complement, or replace exiting PAYG arrangements (Muller, 2003). Prior to the 1980s, Latin American countries operated PAYG defined benefits pension schemes (see Table 1.2) based on an old age social insurance model. However, the pension reforms introduced in the 1980s turned the old pension system upside down by eliminating the social insurance programs and introducing private retirement accounts managed by pension fund companies. The shift in pension policy in the region which began in Chile in the early 1980s was replicated either partially or fully in about ten another Latin American countries within a decade (Madrid, 2005). In many of these countries, the strategy used to privatize the pension systems included permitting or compelling the existing public schemes to transfer all or part of their social security contributions into individual accounts managed by private fund managers (Edwards, 1998; Madrid, 2005; Muller, 2003; Orenstein, 2005b). In Chile in particular, contribution rates in the new pension system were set at 10% of payroll for retirement and 3% for life insurance and disability. This led to an increase in take-home pay for workers and subsequently made the program very attractive among employees (Orenstein, 2005b). After initial difficulties, the Chilean pension system began to show a high replacement rate by international standards owing to rapid growth in the country's economy (Edwards, 1998). As a result of the performance of the new pension reforms, other countries, in this region in particular, saw Chilean reform as the appropriate model for social security reforms (Nelson, 2004). At the beginning of the 21st century, close to twenty Latin American countries had undertaken a full or partial privatization of their pension systems (Hinz, 2003; Madrid, 2005; Tapen, 2000).

Madrid (2005) argues that the performance of the Chilean reforms convinced Latin American policy-makers that privatized pension arrangements helped in boosting macroeconomic growth. For instance, Chile t only witnessed increases in saving rates between the 1980s and the 1990s, attributed to the transformations in its pension system, but it also maintained economic growth since the mid-1980s (Madrid, 2005). Consequently, Latin American policy-makers began to view the Chilean reforms as an essential regional experience which was "relevant to their own countries because their countries' numerous cultural and economic similarities to Chile" (Madrid, 2005 p. 31). Even though, the spread of pension privatization started as a regional phenomenon, it was quickly replicated in different forms in post-communist states.

Central and Eastern Europe and the Former Soviet Union

In Central and Eastern Europe, (CEE) and the Former Soviet Union (FSU), initial market reforms, which started in the 1980s, excluded existing PAYG social security arrangements (Muller, 2002); however, the economic reforms began to impact on the social protections arrangements in the post-communist societies. Due to labour market disruption caused by the economic reforms, many workers were forced out of their jobs prematurely. To deal with unemployment problems created by the economic reforms, pensions became the expedient, though costly, method for dealing with the subsequent exodus from the labour market. Along with existing budgetary challenges, the premature departure from the labour market in CEE and the FSU countries has caused an increase in the cost of pensions for these countries since the demise of the socialist era (Rajnes & Turner, 1996). With the mounting pressure for reforms, CEE and the FSU countries tried to avoid the political cost that accompanies radical pension reforms by instituting parametric reforms, such as increasing retirement ages, separating pensions from other social insurance programs, abolishing special privileges, placing restrictions on early retirement and invalidity pension, and active encouragement of employee contributions (Muller, 2002). By the 1990s, CEE and FSU started to move their pension reforms beyond parametric reforms by introducing Notional Defined Contribution (NDC) plans and other market-oriented retirement arrangements. The shift was introduced to encourage the notion of self-provision for old age among the citizenry. Pension funds introduced with the reforms in CEE and the FSU countries were also expected to contribute to the development of local capital markets through the process of long-term investment (Muller, 2002).

In recent times, some CEE and FSU countries have embarked on more radical pension reforms. The PAYG system in Kazakhstan, for instance, was eliminated entirely and a new system consisting of competing pension funds was introduced in its place. By 2003, some countries in the region, including Latvia, Poland, Hungary, Bulgaria, Croatia, Estonia, and Macedonia had introduced mixed pension arrangements that allowed individual retirement savings and some supplementary arrangements by the state, while Armenia, Azerbaijan, Romania, Russia, Georgia, Slovakia, Lithuania, and Ukraine were considering similar reform paths (Muller, 2002; Orenstein, 2008). The shift to individual retirement savings and other market-oriented approaches to organizing claims on the future have become very pervasive in CEE and the FSU countries.

OECD Countries

The move towards individualization of retirement income provision was not limited to Latin America and Central and Eastern Europe. The pension reform initiatives in these two regions coincided with and, to a large extent, were inspired by what was perceived as the crisis of the welfare state in OECD countries. Generous PAYG pension systems established in the post-war era came under a series of criticisms as demographic changes pointed to a decline in fertility, higher life expectancy, and the imminent retirement of the baby boomers. In addition, questions were raised about the fiscal sustainability of PAYG programs amidst constraints on the national budgets of western industrialized countries (Bonoli, 2000). Initial pension reform strategies among OECD countries focused on incremental retrenchment, including less generous indexation arrangement limits on benefits for upper income retirees, linking contributions to benefits, increasing retirement ages, equalizing gender differences in retirement ages, and increased payroll tax deductions.

In general, restructuring was comparatively modest among OECD countries. Unlike Latin America, and to a certain extent Central and Eastern Europe, pension reforms in OECD countries were directed at encouraging voluntary retirement savings through generous tax incentives. For example, Belgium, France, and Italy used tax incentives to encourage private insurers to manage the added pillar. Denmark, Germany, Sweden, and Finland offered similar incentives to promote individual retirement savings

(American Association of Retired Persons, 2003). In addition, countries like Sweden and Italy adopted a new approach known as Notional Defined Contribution (NDC) as a management strategy for their public pensions (Hinz, 2003). Thus, at the start of the 21st century, various forms of individual retirement accounts became common place in several OECD countries, including France, Germany, the Netherlands, the UK, and Italy, among others (Melo, 2004). The pension reform pattern among OECD countries was a gradual shift from defined benefit (DB) PAYG pension systems to funded defined contribution (DC) arrangements (Hinz, 2003).

English-Speaking Sub-Saharan Africa's Countertrend

Starting in the 1990s, SSA pension reforms were characterized by the spread of and convergence with social insurance schemes. This is a puzzling development as the historical trend of pension systems development on the continent shows traces of different colonial legacies (Bailey, 2004b). English-speaking African countries displayed a preference for Anglo-Saxon market-oriented systems, and French-speaking African countries for Bismarckian social insurance schemes[1] (see Barr, 2002; Overbye, 2005). Thus, in the years following their independence, English-speaking African nations introduced mandatory provident funds for all categories of workers (Bustare & Kaseke, 2003). Provident funds are compulsory retirement saving schemes that operate, to a large

[1]The origin of the Bismarckian social insurance model can be traced to 1880 in Germany. It is an earnings-related pay-as you-go defined benefits scheme. Under this scheme, contributions of today's workers are used for paying out the benefits of today's retirees and benefits are usually based on past promises made by governments or previous contributions by employer and or employees to the scheme or on a tripartite financing formula. See Overbye (2005) "Extending Social Security in the Developing Countries: A Review of Three Main Strategies" in *International Journal of Social welfare*, 14: 305-314; and Nicholas Barr, (2002) "The Pension Puzzle: the Pre-requisite and Policy Choices in Pension Design" in *Economic Issues* No. 29 (International Monetary Fund, March, 2002).

extent, on the principles of defined contribution schemes. In this pension model, financing is based on contributions made by the employer and the employee. These combined contributions are invested and when the employee reaches retirement age, becomes permanently incapacitated, or dies prior to retirement, the total contributions together with returns on the investment are paid as a lump sum to the employee or his/her dependants. IThe goal of provident funds focused exclusively on retirement income provision (Barbone & Sanchez, 1999). Nigeria was the first English-speaking African country to introduce provident funds as an instrument for organizing retirement income in 1961. This model was later reproduced (see Table 1.5) in The Gambia, Ghana, Kenya, Swaziland, Tanzania, Uganda, and Zambia—all former British colonies that gained independence in the 1950s and 1960s (Bailey & Turner, 2000).

Given the context of the new global pension paradigm from the 1990s and the immense influence of the international policy actors in SSA policy circles, (Olukoshi, 2007) we could expect very little or no change in pension policy in English-speaking African countries and extensive change in French-speaking SSA countries. Pension reforms in SSA countries in the 1990s, however, ran contrary to this expectation. French-speaking African countries maintained their social insurance schemes and where reforms were initiated, they were aimed at administrative efficiency. For instance, Senegal and Cote d'Ivoire transferred the management of their social insurance schemes from government ministries to autonomous state institutions (Diop, 2003). English speaking SSA countries converted their provident funds into PAYG social insurance schemes (see Table 1.1) starting in the early 1990s. Ghana, Nigeria, Zambia, and Tanzania all converted their various provident funds into social insurance schemes, in 1991, 1994, 1996, and 1997 respectively (Bailey & Turner, 2000; Cheta, 2005). Uganda is still in the process of converting its provident funds into social insurance (Dau, 2003) and Kenya has recently passed legislation to do so (Mogere, 2005a, 2005b). In the case of The Gambia, the PAYG social insurance scheme was introduced on top of provident funds (U. S. Social Security Administration, 2005). Thus, whereas, pension reforms in Latin America, Central and Eastern Europe, and OECD countries since the 1980s were focused on a shift from PAYG systems to private pensions based on defined contributions, reforms in SSA countries around the same time have been directed at moving from defined contribution-based provident funds to PAYG defined benefit schemes.

Scope of the Thesis

For the purposes of this research, structural pension reforms in Ghana since the 1980s are utilized as a key avenue for investigating the relationship between transnational policy and domestic policy. Ghana is one of only two English-speaking SSA countries that have carried out two major structural pension reforms in less than two decades. Ghana thus provides an appropriate fit not only for illustrating the empirical puzzle presented by the SSA case, but also for those interested in understanding broader developments in regional social policy. Although the empirical analyses focus on Ghana, the research structure is based on deviant case studies because trends in the Ghanaian pension system reflect developments generally throughout English-speaking SSA countries. The analytical accounts and the assertions made in this study, as is often the case for any such research, can strictly claim to represent only empirical findings relating to pension reforms in the specific case studied. Thus, even though the development and changes in pension programs in Ghana reflect much of what occurred or is occurring generally in English-speaking SSA countries, this thesis must be viewed as a working hypothesis where the wider applications must be validated in further empirical and large-scale comparative study among other SSA countries.

Nonetheless, given that SSA countries share similar levels of economic development, similar domestic political structures, relatively similar historical and political experiences, similar patterns in the development of the earliest institutions for old age protection, and converged around social insurance programs in the 1990s, I suggest that there is a significant scope for the development of theoretical generalizations from the study of pension reforms in Ghana that may yield to representational generalization and, perhaps, universal application (Eckstein, 1975; Lewis, 2003; Markus, 1989; Rueschemeyer, 2003; Weick, 1984). In the concluding chapter, I draw comparative and inferential lessons from the Ghanaian case for understanding and explaining pension reforms in other English-speaking SSA countries such as Nigeria, Tanzania, Uganda, and Zambia. Ghana has been selected for this study because it was one of the first English-speaking SSA countries to establish a defined contribution pension plan in its post-independence years. Ghana was also the first to transform its defined contribution scheme to a PAYG social insurance plan in the 1980s and the 1990s.

Being the first country south of the Sahara to gain independence from colonial rule, Ghana inspired other countries in the region to pursue the same path and goals. And after long years of authoritarian rule in all English-speaking SSA countries, Ghana was the first to return to a multi-party democracy in the 1990s. It was also the first to implement IMF and World Bank sponsored economic reform programs anchored in neo-liberalism, and it remains one of the few African countries often cited by the IMF, World Bank, and other agencies, as a model of steady economic and social progress. Within the region, Ghana is also the home to several of the international agencies noted in the literature as being responsible for influencing socio-economic reforms reforms. In the recent round of pensions reforms, Ghana and Nigeria are the only SSA countries so far that have joined the comity of countries across the globe to have undertaken structural pension reform by incorporating individual accounts. The Ghanaian reforms are also used to draw lessons for understanding pension reforms in other anglophone SSA countries because Ghana shares contingency and structural variables like its political systems political history, cultural environments independence of action, record and levels of development, and resource availability with other Anglophone SSA countries. Using Ghana's pension reforms to illustrate the arguments made in this thesis is guided by the fact that it is perceived as the most democratic, relatively more developed, and the poster child for explaining the success of structural adjustment programs initiated by the World Bank and the IMF (Nugget, 1995).

Plan of the Thesis

Following the illustration of the contrast between SSA countries and other regions of the world in this introductory chapter, chapter two focuses on the theoretical perspectives used in explaining the recent rounds of pension reforms. In doing so, chapter two discusses the premises and analytical insights of the two main schools of thought on the recent pension reforms and highlights their respective strengths and weaknesses. This chapter aids in learning about the state of existing knowledge on changes in early pension programs, refines my research questions, and helps to ascertain how interactions between the existing theories and observations from my case studies contribute to enhanced knowledge. Drawing on insights from actor-centered institutionalism and interactive policy learning, the chapter presents the analytical and conceptual framework employed for this study. This framework is developed on the basis that by first identifying and analysing the perspectives of domestic actors about the challenges that gave rise to the policy reforms, it is possible to unearth the sources and rationale for policy ideas they subsequently adopt, while further probing the policy making strategies utilized in reform processes and measuring the influence exerted by existing institutions, ideas, and policy legacies on pension policy reform.

Chapter three discusses the overall structure of the research through laying out the setup of the study and providing a justification for situating this research in comparative deviant case analysis, as well as showing that Ghana is an appropriate inferential case for the deviation in pension system development and reforms in SSA countries in relation to other regions of the world. Because Ghana is used to illustrate the exceptionalism of English-speaking SSA cases, the chapter provides a brief analysis of the development of formal social protection and old age income policy in Ghana in the years following independence. The concluding section of this chapter discusses data collection strategies and why a qualitative approach is the most suitable method for this research.

Chapter four provides a synchronic analysis of the institutional development of pension systems in Africa countries since the pre-colonial period. This chapter serves three main purposes: (1) providing the basis for understanding path-dependent arguments made in the thesis (2); developing a framework for typological analysis of old age protection policies in SSA countries (3) justifying the use of Ghana as a representative of a cluster of deviant cases. The analysis in chapter three shows that there is a strong basis for inferential lessons drawn from and generalized to English-speaking SSA countries. A key insight supporting the central arguments about path-dependence in this thesis is that the both the notions and policies of 'defined contribution' and 'defined benefit' as particular strategies for old age income protection have always existed in African social protection practice. In general, this chapter provides analysis of how the interactions between pre-colonial and colonial welfare regimes have shaped contemporary social policy-making and why formal pension policies in SSA countries tend to focus primarily on solely the wage-earning population.

Chapter five analyzes the international environment of pension reforms in SSA countries since the 1980s. This chapter shows there was a significant global politics of attention in the area of pension reforms in SSA countries, contrary to claims by international political economists that countries in the region suffered from a lack of a global politics of attention, and hence either did not adopt or delayed adopting the policy ideas promoted by the World Bank. The chapter examines the campaign for pension reforms in Africa by the International Labour Organization (ILO) and the World Bank. Both of these United Nation (UN) agencies led different coalitions of transnational policy actors to champion their respective and preferred policy options in what is described by some scholars as the globalization of social policy. While the ILO was promoting social insurance programs, the World Bank had been campaigning for individual retirement accounts. Yet as the analysis in the previous chapter shows, the various policy ideas advocated by these transnational actors were neither new to the Sub-Saharan African context, nor were the *exact* policy instruments accompanying respective policy ideas adopted by Ghanaian policy makers. The chapter provides a careful analysis of domestic policy and the political circumstances that guided the pension reform processes in Ghana. In other words, because the policy ideas and institutions promoted by the global policy actors have always co-existed in SSA social policy, and because pension system development and reforms deviated from expected claims made by international political economists, we must look closely at the domestic political environment to explain the factors that conditioned their reforms.

Chapters six and seven investigate the politics of structural pension reforms in Ghana between the 1980s and 2000s within the interface of domestic politics and the transnational campaigns. In the 1980s and 1990s, Ghana transformed its major pension system from a defined contribution program to a defined benefit social insurance program. By the mid-2000s, the country had once again undergone institutional pension policy transformation resulting in a three-tier pension plan. I argue that these changes were shaped by domestic politics in which major institutional players used events such as changes in government, return to electoral democracy, and presidential elections to force the issue of pension reform into the wider policy agenda. Because policy makers were able to bring different interest groups together under conditions of collective problem-solving outside formal channels of decision-making, resulting in the de-politicization of the issue, they were able to circumvent interest group conflict, and generate consensus among the major actors on policy choices. I also argue that although the transnational actors were part of the pension reform conversation in the country at different levels and times, specific policy choices were influenced largely by how policy challenges were defined by the domestic political actors, and the legacy of existing policy ideas and institutions. These chapters also show how deeply-held norms and policy instruments for social protection within a specific national context provide opportunities and constraints for policy reforms.

Chapter eight is separated into two main parts. In the first section, I show that institutional transformation via issue-depoliticization and consensus-building among stakeholders, conditioned by other substantive factors in the domestic political environment is not a case of Ghanaian exceptionalism through drawing inferences for understanding pension reforms in other English-speaking SSA countries—Tanzania, Zambia, Uganda, and Nigeria—since the 1980s. The second section highlights the major theoretical implications of my argument for existing explanations, and synthesizes the entire research project by conceptualizing the role of transnational policy actors within the broader framework of social learning.

CHAPTER TWO
EXISTING THEORETICAL EXPLANATIONS FOR PENSION REFORM

Introduction

This chapter maps out the existing knowledge on welfare policy transformation in the comparative welfare literature, discusses the major premises as well as the weaknesses of the existing explanations for pension policy reform, and provides an alternative analytical framework that bridges the conceptual distance between the two major theoretical perspectives on pension reform. By reviewing the state of existing knowledge on the subject, I aim to provide a firmer foundation for my research questions and establish the necessary connections between the empirical and theoretical aspects of the project. Since the 1990s, much of the literature on the welfare state had shifted attention from the development of welfare state to examining what was perceived as a crisis in the welfare states (Ramesh, 1990). This notion of crisis caused questions to emerge about how to reform postwar welfare arrangements. Pension policy had attracted significant scholarly attention because, in many countries, old age income provision constituted the largest portion of welfare spending (Esping-Anderson, 1990).

Explanations for the state of pension reforms and the difficulty of reforms came from two theoretical perspectives. First, based on observations of pension privatization in Latin America, and Central and Eastern Europe, international political economists (IPE) working within the broader traditions of policy diffusion postulated that pension reforms were generally driven by a coalition of global policy actors led by the World Bank. These scholarly explanations focused on strategies used by transitional policy actors to induce policy change in pension reforming countries. International political economy as used in the thesis is different from our understanding of the sub-discipline known as political economy. In my analysis, international political economy is used to refer to that branch of scholarly work that studies the ways in which international forces shape the systems through which domestic political and economic interactions are expressed, as well as the effects and outcomes of such interactions on domestic political structures, actors, and decisions. The lines between these two sub-fields of study in the social sciences, however, sometimes become blurred in usage and application. This blurriness is partially because both areas seek to understand power relations between economic and political forces, although from different perspectives. Among these international political economists, some employed theories of policy diffusion to explain the perception of the pervasive influence of transnational institutions and neoliberal ideas on post-war welfare programs.

Second, based on observations of the inability of policy makers in advanced industrialised OECD countries to undertake radical pension reforms in the wake of threatening fiscal and demographic challenges, institutionalists argued pension reforms were driven mainly by domestic socio-political circumstances. Thus, the former is linked to broader debates about neo-liberalism and globalization, while the latter maintained that domestic politics mattered in understanding recent reforms. In the OECD, Latin America, and Central and Eastern European countries, pension reforms have been focused on the adoption of a version of market-oriented and anti-statist policies. Although the fundamental principles underlying the policy direction of the reforms are the same, the theoretical explanations offered for pension reforms do not only differ, they have also challenged other perspectives and attempted to explain why pension privatization did not occur in SSA countries around the same time it started in other parts of the world.

Diffusion Theory

The spread of pension programs oriented towards individual responsibility and privatization in Latin America, Central and Eastern Europe and among OECD countries has generated renewed interest in diffusion theory. Studies of policy diffusion originally started in the United States of America as a way of explaining the adoption of similar policy ideas across the different jurisdictions that form their federal system (Rogers, 1995; Stone, 2001). As a theory, policy diffusion is defined as a "process whereby multiple states or agencies adopt a policy that represents an innovation for that state or agency, but similar in intent, purpose and design to a policy implemented in a first innovating country" (Orenstein, 2005b). In other words, diffusion analyses a trend of sequential or successive adoption of similar policy ideas viewed as innovations. Roger (1995), one of the pioneers of diffusion studies, argued that diffusion occurs when "an innovation is communicated through certain channels over time among members of a social system" (p.14). Strange and Mayer (1993) observed that this broad definition encompasses communication and influence mechanisms operating both between and within countries adopting innovations. The policy diffusion literature suggests that policy innovations percolate gradually in geographic space and through time. This theory denotes the dispersion, spreading, and dissemination of ideas, practices, and programs from a point of origin to other areas. The focus of diffusion studies has primarily been on the processes through which policies are disseminated, rather than the actual content of policy innovations.

Thus, the study of policy diffusion focuses on the overarching structures of influence at the neglect of the minute details of deliberative decision-making processes where policy-makers' choices are informed and shaped by ideas of politics and political actors at the domestic level, rather than larger external factors. Scholars using diffusion theory have often predicated their assumptions about the spread of similar policy ideas across time and space on the influence of transnational actors. In the literature, the term 'transnational actor' is used to refer to international governmental organizations such as the United Nations, the World Bank, the International Monetary Fund (IMF), and the International Labour Organization (ILO), among others (Finnemore, 1996; Finnemore & Sikkink, 1998, 2001). In the recent study of pension reform, some analysts and scholars have adopted the term 'global policy actor' to include international organizations, policy networks, epistemic communities, universities, and domestic bureaucrats with external connections as part of the transnational forces that exert influence on domestic policy making (Deacon, 2007; Orenstein, 2003, 2005a, 2005b, 2008; Orenstein & Haas, 2000).

Consequently, there is a growing tendency among scholars to use these concepts interchangeably in their analyses of policy diffusion. For instance, several contemporary studies used different concepts, but generally emphasize the role of either some or all of the following as the main agents for the dissemination of innovations: trans-national networks, international organizations, non-governmental organizations, state agencies, think tanks, pressure groups, trans-national corporations, cross-national professional associations, academic experts, policy entrepreneurs, and bureaucrats (Dolowitz, 1998; Meseguer, 2004, 2006; Newmark, 2002; Orenstein, 2003, 2005a, 2005b; Rogers, 1995; Simmons, Dobbin, & Geoffrey, 2006; Stone, 1999, 2001; Strange & Meyer, 1993; Weyland, 2005, 2006). These policy actors are assumed to be involved in providing alternative policy frameworks; critiquing existing policy models; exchanging information at conferences, workshops, seminars, and symposia; advocating change; providing expert advice; and assisting with the implementation of innovations (Newmark, 2002; Stone, 1999).

These assumptions have generated renewed interest in both comparative public policy and international relations. Since the 1990s, the field of comparative public policy, has witnessed a proliferation of labels such as 'lesson-drawing' (Rose, 1993), 'policy shopping' (Freeman, 1999), 'policy brand-wagoning' (Ikenberry, 1990), 'external inducement' (Ikenberry, 1990), 'policy taking' (Carroll, Carroll, & Ohemeng, 2003), 'direct coercive transfer'(Dolowitz & Marsh, 1996) and 'systematically pinching ideas' (Schneider & Helen, 1998) as concepts aimed at capturing the processes by which policy ideas spread across time and space. Newmark (2002) argued that these labels fall under the rubrics of diffusion as the broadest concept denoting the spread of policies from one jurisdiction to another.

In recent studies of pension reform across many countries in the world, some international political economists argued that the World Bank was a new global actor in the area of pension policy, and, that by using its resource leverage, it was able to compel market-based reforms in several emerging economies (Muller, 1999; Orenstein, 2005b;

Weyland, 2005, 2006). The actual policy framework for pension reform advocated by the World Bank is discussed and analysed within the context of the reform debate within SSA countries in chapter five. In what follows however, this study reviews theoretical arguments advanced by political economists explaining the spread of private pensions in Latin America, Central and Eastern Europe between the early 1980s and the early 2000s.

World Bank and Pension Policy Diffusion

In relation to the recent spread of new pension policy ideas, some IPE scholars analyzing transformations in welfare policy have argued that the adoption of similar private pension plans in different national settings can be explained through thorough analysis and understanding of vertical imposition from the center of the international system (Dietmar & Gilardi, 2006). The force associated with policy imposition is exercised by international organizations, governments, and nongovernmental actors by means of sanctions and threats of conditionality-based assistance (Owen, 2002; Zattler, 2005), monopolization of information or expertise, and inducement through manipulation of economic cost and benefits strategies (Dobbin, Simmons, & Garrett, 2007). The core argument of this model is that influential international financial institutions such as the International Monetary Fund (IMF) and the World Bank encourage the adoption of innovations by resorting to *carrots and sticks* strategies (Weyland, 2005).

According to IPEs, the World Bank and the IMF do not only represent core decision-centres in the global system, but these institutions also possess the clout to "certify a country's standings with the international investment community" (Weyland, 2005 p. 269). These international financial institutions also have the power to compel policy change by making the adoption of new policy ideas a key condition for development assistance (Dietmar & Gilardi, 2006). As a result, Brooks (2002) argued that pension privatization is more likely to happen in countries that benefit from loans and development assistance provided by these international financial institutions. This relational logic developed because these international financial institutions have been at the forefront in the campaigns for privatization (Brooks, 2002, 2006; Orenstein, 2008; Stallings, 1992). The move towards privatization or mandatory individual retirement savings, as a general pattern in pension reform, indicates responses to global and regional innovation under the "influence of norms and ideas spread by the leading international organizations and epistemic communities of the day" (Orenstein, 2003). The World Bank and the coalition of global policy actors promoting the new pension reform ideas did not leave any room for alternative options. To effectively exercise control over domestic policy agenda, transnational actors employ a complex strategy of mutually reinforcing elements that revolve around material and ideational influence. These include strategies such as conditionality-based lending, policy leadership, and issue-framing.

Conditionality-based lending occurs when powerful nations, international organisations, and international non-governmental organisations set requirements or conditions for weaker nations or members—in the case of international organisations—as the basis for aid, loan, and technical assistance (Dobbin et al., 2007). La Ferra (1994) argued that developing counties often agree to conditions set by international financial institutions because they need capital for infrastructural development or to offset financial crisis. While some scholars have argued that conditionality-based assistance was designed to encourage repayment of national debts (Babai, 1988; Fafchamps, 1996; Hopkins R., 1997), others maintained that its purpose was to promote international financial stability, (Guitian, 1995; Mishkin, 1999) and to safe-guard investments made by lending institutions (Guitian, 1995; Khan & Sharma, 2001). Kevlintian (2001) argued that the use of aid-conditionality as a carrot and stick strategy has spread widely, and is often coordinated among donor institutions. As a result, the options for aid-dependent nations to resist prescriptions from the international financial institutions are practically non-existent.

Conditionality-based lending has been one of the main instruments used by the World Bank and the IMF in promoting neo-liberal economic policies in the global south since the 1980s. In one study, Mosley, Harrigan and Toye (1995), analysed the roots of aid-conditionality as a lending strategy by the Breton Woods institutions, and observed that the use of conditionality as a lending instrument is pervasive and well-coordinated among donor institutions to ensure compliance by developing countries. Huber and Stephens, (2000) argued that conditions attached to development loans and assistance were the main instruments of policy diffusion and transfererence.

In the recent wave of pension reforms, the World Bank offered conditionality-based financial assistance to many countries that led towards reform implementation. For instance, the World Bank provided more than $3 billion in aid to Latin American countries from 1992 to 2004 for the purposes of structural pension reform based on its own template for pension policy reform (Holzmann & Hinz, 2005). Within this period, the World Bank provided a total of US $5.5 billion for pension reform related lending

(Andrews, 2006). This amount represents sixteen percent of total lending for that period, and within this category of lending, the Bank incorporated pension reform goals as key operational conditions (Holzmann & Hinz, 2005). Conditionality-based lending is targeted at the material incentives of policy makers.

Apart from conditionality-based leading, the World Bank also adopted strategies intended to shape the ideational beliefs of policy actors in pension reforming countries. For instance, the World Bank took the lead in examining global population aging within the context of economic growth and consequently pointed out the inadequacies of existing postwar PAYG pension programs in dealing with what was framed as an imminent demographic crisis (World Bank, 1994). Issue-framing is an important aspect of contemporary social policy making (Daviter, 2007; F. Ross, 2000), and as Kingdon (1995) observed, policy-makers tend to give attention to an issue if policy challenges are well-framed or compellingly defined. Framing shapes policy options and the choices made by actors whose responsibility it is to make final policy decisions.

The World Bank made effective use of problem definition and issue framing. Old age income security was situated within the broader perspective of economic growth and inter-generational fairness, and framed as "crises" that demand prompt attention from countries (World Bank, 1994). The World Bank portrayed the challenges of pension systems as a looming old-age crisis that deserved immediate attention (Holzmann & Hinz, 2005; World Bank, 1994). The crisis scenario was the Bank's 'policy story,' which related how both aging and retirement income were to be perceived (Erviks, 2005). The apocalyptic picture painted by the Bank policy actors evoked three main fears: (a) the rise of an aging society, (b) high unemployment rates, and (c) uncertainties of old age income security. These fears questioned the sustainability of existing retirement income arrangements and the security of the aged in general. In many countries, the pessimistic picture painted by the Bank and its allies was accepted as an evident and true reality that required structural pension reforms.

By portraying the challenges of PAYG pensions as a crisis, the World Bank and other transnational actors supporting pension privatization invited in a compelling fashion the attention of domestic policymakers. The coining and deliberate use of phrases such as "*mandated fully funded individual accounts system*", and *private pensions (*Holzmann & Hinz, 2005) as the points of reference for discussions pertaining to pension reforms, allowed the Bank to not only demarcate the limits of reform deliberation in several domestic settings, but also aided close the door on alternative ways of thinking about pension problems. In an effort to make the new pension policy appealing to governments, the World Bank and its supporters put forward two compelling arguments: (1) existing social insurance models were unsustainable, and (2) structural pension reforms needed urgent attention. The Bank's problem definition and policy preference were framed around these two prepositions.

In addition, on one hand, the traditional PAYG social insurance pension schemes were portrayed as exacerbating the demographic crisis by reducing the reasons for having children, while, on the other, private pension arrangements were framed as instruments for enhancing economic growth, individual choice, and consumer sovereignty (World Bank, 1994). By wrapping the new pension ideas around ideas of individual freedom, personal choices, a traditional family ethos, and inter-generational equity, the World Bank was appealing to already existent values—a key condition for effective problem definition (Schmidt, 2000)—and reaching out to both policy makers and individuals in the general populace who believed in the values evoked by its policy solution.

According to IPEs, the Bank's leadership role in pension reform was not limited to initiating the debate about how policy reform would proceed. The Bank had also invested in research on aging and pension systems and published its findings as evidence in support of its pension reform template. It also played an active leadership role in the dissemination of pension reform information by organizing conferences, workshops, training sessions, and seminars as both conditions for lending, and to acquaint policy-makers in pension reforming countries with the rudiments of private pension arrangements. In most cases, policy-makers in pension reforming countries were also sent to Chile—as a kind of laboratory state—to interact with Chilean experts and the learn first-hand about the socio-economic outcomes of pension privatization (Orenstein, 2003). Edwards (1997) argued that the contributions of the World Bank towards the intellectual debate over socio-economic policy outweigh the impact of conditionality-based lending.

IPEs maintained that, although the Bank's decision to incorporate pension reform goals into its lending efforts started as a unilateral decision, by the mid-1990s, several other institutions and governments jumped on the pension reform wagon, with the Bank serving as the main coordinating institution for their collective activities. These institutions included: the US Agency for International Development (USAID), the UK's Department for International Development (DFID), the Japanese Trust Fund (JTF), the

Swedish International Development Agency (SIDA), the Asia Development Bank (ADB), the Inter-American Development Bank (IDB), the IMF, the UNDP, the EU, and the German, Danish and Japanese governments (Andrews, 2006). IPEs argued that at the level of individual countries, the Bank's policy leadership strategy was focused on gaining the support of key government ministries and departments that were already staffed by neo-liberally trained economists. These local agents often acted in alliance with the World Bank because they perceived the Bank's pension privatization efforts as an appropriate fit with their overall strategy to reduce the size of the economy (Muller, 1999, 2003).

The alliances between local actors and the Bank were usually cemented through technical assistance, policy advice, recommendations, and policy workshops (Madrid, 2005; Orenstein, 2005b, 2008). Consequently, scholars studying the spread and shift towards private pensions in Latin America, and Central and Eastern Europe maintained that the influence of the World Bank in these emerging economies is the major explanatory variable for both the reforms and the policy choices made. In addition, they argued that the implementation of the radical reforms promoted by the World Bank in Latin American and Central and Eastern European countries were made possible by the undemocratic, or less than democratic nature of the countries in these two regions at the time of their reforms. In a democratic context, the degree of executive control of the legislature and veto points built into the political system alters the opportunity structures and enhances the ability of particular interest groups to block reforms (Meso-Lago, 1999; Mora, 1999; Muller, 2003).

IPEs explained away the countertrends in pension reforms among English-speaking SSA countries by arguing that the adoption of private pension plans did not occur and, for the most part, was delayed in SSA countries due to a *lack of global politics of attention* (Orenstein, 2003, 2005a, 2005b). By a global politics of attention, IPEs argued that the World Bank ignored or neglected pension reform in SSA countries because it could not "focus equally on all regions of the globe at once" due to resource constraints (Orenstein, 2003, p. 186). The thrust of this argument is that the World Bank makes its decisions about which countries to target with reforms on the basis of "a country's importance in the global economy, their evaluation of a country's likelihood and political will for reform" (p. 188).

On the other hand, due to the processes required for accession into the European Union, the Bank targeted Central and Eastern European countries as clients with a relatively higher chance of successful reform, and thus spent much of its reform time and resources in this region (Orenstein, 2003). By extension, the proximity of Latin American countries to the United States may have explained their inclusion in the World Bank's evaluation of important countries within the global economy. Therefore political economists working in the traditions of policy diffusion argued that just as the activities of the ILO were key to explaining the spreading of social insurance schemes within and between regions, so too did the World Bank's campaigns for privatized pension plans explain the patterns of recent reforms (Orenstein, 2003, 2005b).

Furthermore, IPEs also argued that World Bank style pension reforms either delayed or did not occur in SSA countries due to the absence of a regional example

(Orenstein, 2003). Scholars using this theory argued that in the first phase of pension policy development, the adoption of a social insurance model in Germany in 1819 exerted pressure on other European countries to respond to workers' demands for greater old age income security. Thus, early social insurance pension policies spread within European and high-income OECD countries for a period of 30 years before they were adopted in Latin America, Asia, and Africa, in that sequence, "creating a regional cascade effect" (Orenstein, 2003, p. 178). Similarly, when Chile privatized its pension system in the 1980s, the approach spread among Latin America countries prior to being adopted in Central and Eastern Europe and other parts of the world. Consequently, political economists argued that private pension plans were not adopted or were delayed in SSA countries relative to other parts of the world due to the absence of regional examples to follow, and a lack of global politics of attention (Orenstein, 2003, 2005a, 2005b).

Limits of International Political Economy Approach

The strength of the theoretical explanations provided by IPEs studying pension reform lies in the keen attention paid to the influences of transnational actors in social policy making at domestic levels. However, this is interestingly also the greatest weakness of their theory. By focusing almost exclusively on transnational actors—in this case, the World Bank—political economists ignored the politics and dynamics of pension reform at the domestic level. For instance, little attention is paid to the interaction between existing policies and new ideas for the reforms. From the explanations provided, we do not know whether existing policies aided or obstructed the adoption of new ideas.

In addition, because political economists focused heavily on the role of the World Bank, domestic actors were treated as second-order actors consigned merely to policy implementation. Thus, the preferences, interests, institutional milieu, ideas, perceptions and interactions among domestic actors, and how these elements shape policy decisions were not accounted for in political economy analyses. In their explanations, political economists failed to account for the role and impact of domestic politics in setting pension reform agenda, as well as in shaping actors' preferences, and final policy outcomes. However, scholars working within the broader perspectives of institutionalism have identified domestic politics, and especially interest group politics, as a major explanatory variable for the recent wave of pension reforms (Myles & Quadagno, 2002; Pierson & Weaver, 1993; Weaver, 2003, 2004). The following section discusses the explanations provided by institutionalists for the recent shifts to private pensions in advanced industrialised countries.

Neo-Institutionalism Contrary to the thesis of political economists, institutionalists, using the tradition of the 'new politic' approach, dismissed globalization and the influence of transnational actors as the key explanatory variable for pension reforms (Myles & Pierson, 2001; Myles & Quadagno, 2002; Pierson, 1994, 1996, 2001; Pierson & Weaver, 1993). There are various strands of institutionalism and historical institutionalists, in particular, take *history of a policy* as their point of department from other versions of institutionalism. In their view, institutionalized programs and the commitments that grew out of them, as well as the actor-coalitions that developed around them, determine subsequent decisions in an encompassing manner. In other words, when earlier decisions in the career of a policy are not adequately understood, it becomes difficult to explain the logic of the development and transformation of that policy (Peters, 1999). As a result, Krasner, (1984) argued that policies are 'path-dependent' in the sense that once initiated, a policy sticks with that path until a significant political force cuts through that path and causes the original trajectory to change. As an approach, historical institutionalism also seeks to understand policy development over time with close attention to the effects and impacts of institutions and policies in shaping the politics of a given policy area. Pierson and Skocpol (2002, p. 695) argued that historical institutionalists take "'time' seriously, specifying sequences and tracing transformations and processes" of a given political phenomenon. For this reason, path-dependency is viewed as a central unit of analysis in the works of many institutionalists. Because of the importance attached to timing and policy processes over time, historical institutionalists pay closer attention to critical moments, sequencing, and positive feedback that surface in the career path of a given policy.

A critical juncture refers to the moment in the history of a policy when a window of opportunity opens for the direction in the path of the policy to change. According to institutionalists, at this point, options for policy change are relatively open because constraints on the policy are automatically relaxed, and the possibility for choosing different pathways is apparent. Hacker (2004) argued critical junctures are periods of "political opportunity when significant new policy departures may be put in place or when forces of change are strong enough to cut into the ongoing path-dependent development of an existing policy and alter its trajectory" (p. 59). Sequencing, on the other hand, refers to the order in which events develop in the career path of a given policy. The step-by-step tracing of events helps to explain the nature of policy outcomes because it allows for detailed attention on the trajectory of the policy. Pierson (2004) argued that a difference in sequence of the exact same events in a given policy may result in different outcomes. Thus, for historical institutionalists, the sequence of events in the development of a policy generally have greater impact than events that occur later in the sequence (Pierson, 2004; Thelen, 2003) because later events in the sequence are themselves largely the products of earlier events or decisions, and hence constitute part of the feedback from the policy. In the assessment of institutionalists, positive feedback occurs when the early outcomes of a policy create favourable conditions for further development of the policy along the originally chosen path. Developing a policy further along the original path does not only increase commitments to its direction, but it also constrains the possibility of choosing a different path at this point because the existing path may have been "locked in" (Thelen, 2003).

The combination of these three policy characteristics creates a unified notion of politics that "involves some elements of chance (agency, choice) but once a path is taken, once viable alternatives become increasingly remote, as all relevant actors adjust their strategies to accommodate the prevailing pattern (Thelen, 2003, p. 209-219)." The confluence of "some contingency at the front end and some degree of determinism at the back end of path-dependent processes" (Thelen, 2003, p. 209-219) may result in a punctuated equilibrium in the policy path (Sabatier, 1993; Sabatier & Jenkins-Smith, 1993) producing periods of policy drift, policy conversion, policy layering (Hacker,

2004) and subterranean policy changes (Beland, 2007; Hacker, 2002), followed by periods of institutional stasis or being *locked in*. (Thelen, 2003). Therefore path dependence is understood as a phenomenon characterized by historical sequences in which contingent events set into motion institutional patterns and event chains that become self-reinforcing. The process is tracing a given outcome backwards to a particular set of past events, which are themselves contingent developments, inexplicable by any prior historical event other than the one upon which their contingency is established. In other words, established policies create constituencies or coalitions whose existence transform or shape politics in the future. Historical institutionalists have contributed immensely to our understanding of the forces that account for stable configurations or continuity of a given policy, and the mechanisms of change within those configurations. Policy changes in the absence of 'critical junctures' are possible, but are largely contingent upon past decisions and bounded by policy legacies, and are seen as path dependent (Hacker, 2002, 2004; Mahoney, 2000, 2006; Thelen, 2003; Thelen & Steinmo, 1992). These central ideas of institutionalism inspired the 'new politics' approach to pension reforms.

The 'New Politics' Approach

The 'new politics' approach follows a different kind of logic compared to theories used in explaining the development, growth, and expansion of post-war welfare programs. According to the 'new politics' approach, the goals of pension reforms since the 1980s were defined broadly in terms of *retrenchment* rather than expansion of benefits (Pierson, 1996, 1998). Policy makers have resorted to *retrenchment* because of fiscal constraints, slower economic growth, increasing government commitments, and ageing populations that are forcing governments to recast their welfare programs in ways that would enable them to reduce cost (Pierson, 1998). However, *retrenchment* as a policy is largely constrained by the path dependence and policy legacies of the postwar welfare programs. According to Hacker (2002), postwar pension programs especially in the advanced industrialized countries are path dependent and hence it is impossible for Chilean-styled reforms to be successfully implemented due to four main reasons. First, they have developed large scale organizations and have significant set-up expenditure; second, they have large or sizeable constituencies as beneficiaries; third, the beneficiaries make important life and other decisions on the existing programs; and fourth, the expectations and institutions of postwar pension programs are "interwoven with broader features of the economy or society, creating an interlocking network of complementary institutions" (p. 55).

From this perspective, scholars working in the traditions of the 'new politics' approach argued that pension programs have created a 'dense network of interest-groups' capable of blocking radical reforms. In other words, although policy makers intend to reduce the cost of administering postwar PAYG pension programs by reducing benefits, they are constrained by electoral incentives consistent with beneficiary and/or citizenry support for existing programs. This connection explains why postwar pension programs in advanced industrialized countries have not been dismantled, as happened in Chile and other emerging economies, even when the influence of left-wing parties and labour movements that helped to create such programs have declined (Pierson, 1994, 1996). The inability of policy makers to undertake radical pension system restructuring in the era of 'permanent austerity' and declining power resources of the left-wing actors was due to constraints imposed by programs and policies inherited from the past (Myles & Pierson, 2001; Pierson, 1994, 1998, 2001, 2004).

In addition, scholars using the 'new politics' approach also argued that the inter-generational basis of the postwar pension programs render them impossible to change largely because the inter-generational principle is a self-reinforcing mechanism. Thus, the main causal mechanism in PAYG pension systems undertaking reforms is the *double payment problem* because once such programs are well established; it is difficult to shift to funded programs without committing current working generations to double payment. As Green-Pedersen and Lindbom (2006) have argued, if PAYG schemes were universal pension plans paying simply a basic pension, citizens may be willing to continue paying their contributions, but asking people who have already accumulated savings for their own pension to make contributions to a scheme offering earnings related benefits at high levels to people who have not accumulated savings for their pension is politically suicidal. In other words, the path dependence of pension programs transcends historical processes and institutional trends to include self-reinforcing mechanisms and increasing returns because the postwar PAYG pension programs were difficult to change by design. Both *retrenchment* and double payment were fraught with issues relating to equity and inter-generational fairness in ways that could generate public resistance. Pierson (2001) argued that, "the politics of retrenchment is typically treacherous, because it imposes tangible losses on concentrated groups of voters in return for diffuse and uncertain gains" (p. 145)

Thus, according to the 'new politics' approach, the popularity of existing postwar pension programs has proven to be a major obstacle for the structural reform of such programs. This occurs because the "large core of constituencies for welfare state have concentrated interested in the maintenance of social provisions" (Pierson, 2001, p. 143). And politicians, being conscious of the political cost of benefits reduction have adopted a series of strategies including exempting current retirees new policies changes, disguising reforms through technical changes (Myles & Pierson, 2001), and policy layering, drift, or conversion (Hacker, 2002, 2004). The reason for this stealthy approach to reform is because of the inherent conflict in the objective of maintaining existing pension provision held by core constituencies, and the goal of policy makers to cut costs through benefits reduction. This situation creates interest group conflict between supporters of *retrenchment* and those who oppose it, hence politicians aiming to maximize electoral fortunes must work to avoid blame, which could result in electoral defeat (Pierson, 1996; Pierson & Weaver, 1993; Weaver, 1986). Thus, the 'new politics' portrayed pension reforms as a conflict situation in which different vested interests mobilize their constituencies to influence reforms in ways addressed to their specific concerns. Such constituencies are not only a crucial component of the policy legacies of postwar pension programs, they are also capable of blocking major policy changes (Pierson, 1994, 1996).

Drawing on insights from *empirical institutionalism* (Peters, 1999), the 'new politics' approach argued political systems provide many veto points for interest groups to influence or block major policy changes that are detrimental to their interests. Thus, variation in the arrangement of political institutions across different national jurisdictions account for cross-national disparities in political capabilities of governments to unilaterally implement *retrenchment* policies. The reasons being institutional veto points in the form of bi-partisan checks and balance (U.S.), presidential cohabitation (France), federalist second chamber and constitutional courts (Germany), regional-national government compromises (Canada), small party coalitions (Continental Europe), and popular referendums (Switzerland) provide opportunity structures for even relatively small interest groups to block reforms by appealing to public sympathy, working through political parties, directly mobilizing, or building coalitions against the reforms (Bonoli, 2000, 2001; Weaver, 1986, 2003). Consequently, Bonoli (2000) argued that when non-institutional variables like demographic and budgetary pressures are kept constant, the key variable in pension reform decision-making would "highlight the impact of political institutions on government capabilities and the ability of the political system," or "degree of power concentration granted to governments by political institutions" (p. 29) to impose or negotiate policy change.

The Limits of the 'New Politics' Approach

Although the 'new politics' approach is useful for analyzing and understanding the shifts in the welfare state, it has assumed some linearity in pension reforms, and thus portrayed reforms as a mechanical process in which policy makers were only determined to cut benefits—the reason for citizenry resistance. Specifically, the 'new politics' approach has the following limitations. First, the approach is limited in explaining pension policy changes that were aimed at increasing benefits or simply directed at institutional re-organization of pension plans. Because the approach casts recent pension reform initiatives in the mould of *retrenchment*, it cannot adequately explain reforms in response to the inadequacy of existing levels of retirement benefits. Second, because the 'new politics' approach portrayed benefit reduction as the main goal of policy makers, it logically over-emphasized interest-group and citizenry resistance to pension reforms, thereby ignoring the possibility that interest groups may subordinate their interests to cooperation, consensus building, or problem-solving approaches in pension reform deliberations. Third, by highlighting government capabilities and the arrangement of political institutions as constraining factors, the approach assumed that pension reforms were always politicized, and thus ignored the possibility of reform deliberations occurring outside normal channels of decision-making or under de-politicized institutional settings. Fourth, the approach ignored the possibility that recent pension reforms could have been necessitated by factors other than demographic shifts and fiscal constraints.

Where do we go from here? In chapter four, I contest the claims by IPEs that a lack of global politics of attention explains the delay and deviation of SSA countries from the rest of the world in pension policy reform, and provide evidence to show that the global policy actors did campaign for pension reforms in SSA countries. Using the logic of political economists that views the World Bank's influence as stronger on resource dependent nations, we expect SSA countries to be first to adopt the Bank's pension reform ideas. The fact that this did not happen in SSA demonstrates that theoretical explanations by political economists are incapable of explaining cases where the World Bank campaigned for pension privatization, but domestic actors opted for different policy options. Because the political economy explanations present pension privatization as a World Bank project, they also ignored the possibility and conditions under which domestic actors may opt as well for a private pension plan as an alternative or in addition to existing plans. Here the 'new politics' approach is useful, but it needs to be refined in a manner that addresses the aforementioned shortcomings. Such refinement must disaggregate pension reform dimensions in ways that would increase our ability to make sense of the political processes.

The process of disaggregation would enable us to analyse the interests, goals, and interactions among actors (both global and domestic) within particular institutional settings in a given national context. This refined approach must not dismiss globalization and global policy actors completely, although the causal link between globalization and pension reform is difficulty to find and "where the causal link has been found, the effect is often not the one expected" (Myles & Quadagno, 2002, p. 43). Rather, this approach must treat global policy actors like the World Bank and the ILO, among others, as merely one part of the many actors involved in a complex process of social learning (Heclo, 1974). This is especially relevant in the case of SSA countries where knowledge and practice of social insurance and private pension plans have always existed side-by-side and also pre-date their respective transnational sponsors.

Towards a Refined Analytical Framework

The research framework used in both data collection and analysis is guided by the following questions: (1) Who were the key actors involved in the decisions that led to the pension reforms in Ghana? (2) How did the various actors individually and/or institutionally define the pension policy challenges that led to the reforms? (3) What were the actors' individual and/or institutional policy orientations—*perceptions and preference*—during reforms? (4) What was the actors' action or resource capabilities? And (5) what, if any, were the constraints or incentives actors experienced during the reform processes? The answers to these questions helped to develop a clear picture of the actors involved and the level of conflict and cooperation—*actor constellation*—among those who participated in the pension reforms in Ghana. This knowledge does not tell us anything about how (potential conflicts between actors were resolved or cooperation was managed) actors opted for choosing PAYG social insurance in the 1990s and three-tier pension in 2000s. Therefore, to understand why these policy instruments were chosen in lieu of other options, this study poses the question: What were the patterns of communication—*modes of interaction*—among actors during the reforms in the 1990s and 2000s? What, if any, action capabilities or resources did actors use in their communication with others actors during the reforms? These questions provided the study with a systematic road map for delineating the patterns of interaction in the policy-making processes. They also provided an opportunity to further investigate which decision-making forms—unilateral, negotiation, majority voting, public consultation, or hierarchical direction—were used in the course of deliberations during the reforms.

The analytical framework is grounded in the notion that policy formulation involves interaction among actors (See Figure 3.1). Interacting patterns of the policy-makers involved in the decision-making process is key to understanding policy outcomes emerging from such a process. It is, therefore, essential to establish the patterns of interaction so as to understand the factors that led actors to choose defined benefit social insurance in the 1990s, and the subsequent choices made in the 2000s, especially in relation to the case of Ghana and Nigeria. Doing so also requires a careful analysis of the techniques used and resources mobilized by various actors in arriving at those decisions. Since actors have preferences and interests, we cannot assume that they have no strategies to achieve these goals. Bargaining, negotiating, and persuading others to push one's preference or interest is an interactive process that involves the use of various communication strategies and techniques. The resources, techniques and strategies used in the process of policy-oriented interaction, therefore, serve as crucial links for understanding how actors arrived at a decision binding to all actors, the compromises made in the process, and why certain options were discussed but inevitably discarded.

Given the claims about the influence of transnational actors in pension reforming countries, this framework categorises actors in the pension policy area into four groups: (1) transnational or global policy actors in the form of international organizations such as the World Bank, IMF, the ILO and the ISSA, among others; (2) the policy or epistemic community which comprises research institutes, policy think tanks, universities, individual experts who share interest and knowledge in public policy, and attempt to influence public policy; (3) interest groups or stakeholder actors which consist of institutions such as trade unions, employer associations, and others with vested interest in a policy, because they are perceived as the direct beneficiaries or victims of policy changes in a specific existing arrangements; and (4) policy makers—elected officials and bureaucrats who have the legitimate mandate for policy making—are located in the various ministries and government agencies and are those vested with authority for policy-making, as well they may be consequently held responsible should things go wrong. This structure implies that the first three categories of policy actors—transnational actors, epistemic communities, and stakeholder actors—try to influence policy making in a country from different locations 'outside' the decision-making circle. Networking, therefore, is the relationships—collaborations, alliances, coalitions—that are created between any of these various categories of actors for the purposes of ensuring that their policy preferences are taken into account in the final decision-making process.

These distinctions are important because public policy making in SSA countries is still seen as based on classical organizational theory and, thus, characterized by a rigid bureaucratic structure that associates jurisdiction with intellectual superiority. Policy formulation is, therefore, perceived not only as separate from implementation, governments also assume firm control over policy making by intentionally excluding other potential actors from actively engaging in the process (Carroll et al., 2003; Tsikata, 2001). These were legacies of the colonial regimes in SSA countries. Instead of viewing the public as a resource of clientele, the colonial state, and the current post-colonial state, perceived the public as the source of problems that the public servant must endeavour to solve. As a result, policy making is treated as a secretive affair preserved for only a few political elites (Juma & Clark, 1995), and implementation is assigned to junior administrators whose obedience is always expected to be "prompt, automatic and unquestioning" (Thompson, 1961, p. 11).

However, with recent growing attention to public consultation and civic engagement in governance processes, this study investigated the mode of interaction between policy bureaucrats and all other categories of actors to understand communicative practices involved in the policy making, and their impact on final policy choices. This is important because as will be noted in chapters six and seven, the two pension reforms in Ghana did not follow the classical bureaucratic model discussed previously, but instead were open to domestic public consultation and active stakeholder participation.

To track the activities of transnational actors, this analytical framework takes the view that explanations provided by coercion theorists, social constructivists, and world level culture analysts in themselves, do not adequately elucidate the adoption of innovations across time and space. However, these theories give us an idea of the interactive or communication strategies employed by transnational policy actors and networks used to teach, define best practice, persuade, convince, gain leverage, or exert influence in the domestic policy circle. This understanding, however, does not imply the automatic influence of transnational actors in domestic settings that incorporate what are perceived as 'new policy' ideas into their reforms. As the English-speaking SSA cases show, the programs paraded since the 1980s by the World Bank as new pension policy—defined contribution—existed since the 1960s in the region. Given that knowledge of both defined benefits and defined contributions had long existed in the region, it would be naïve to assume that a future adoption of the same policy instruments was solely due to adoption of the ideas from transnational actors.

The extent to which transnational actors can push their pet policy preferences in a domestic setting is limited by the fact they do not have a policy making mandate in domestic policy environments. To understand what role, if any, transnational actors play in the reform processes, this analysis examines the debate between the two major transnational actors promoting different policy preferences and the respective stages in the reforms processes at which the transnational actors were invited or involved actively or passively in the reform deliberations. As the two pension reforms in Ghana show, domestic policy makers perceived the transnational institutions not as actors that will *school, teach, coerce, instruct, or educate* them about what policy choices to make, rather transnational actors were viewed as institutions that can *share the experiences* of other countries in relation to policy choices previously made almost exclusively on the basis of domestic politics.

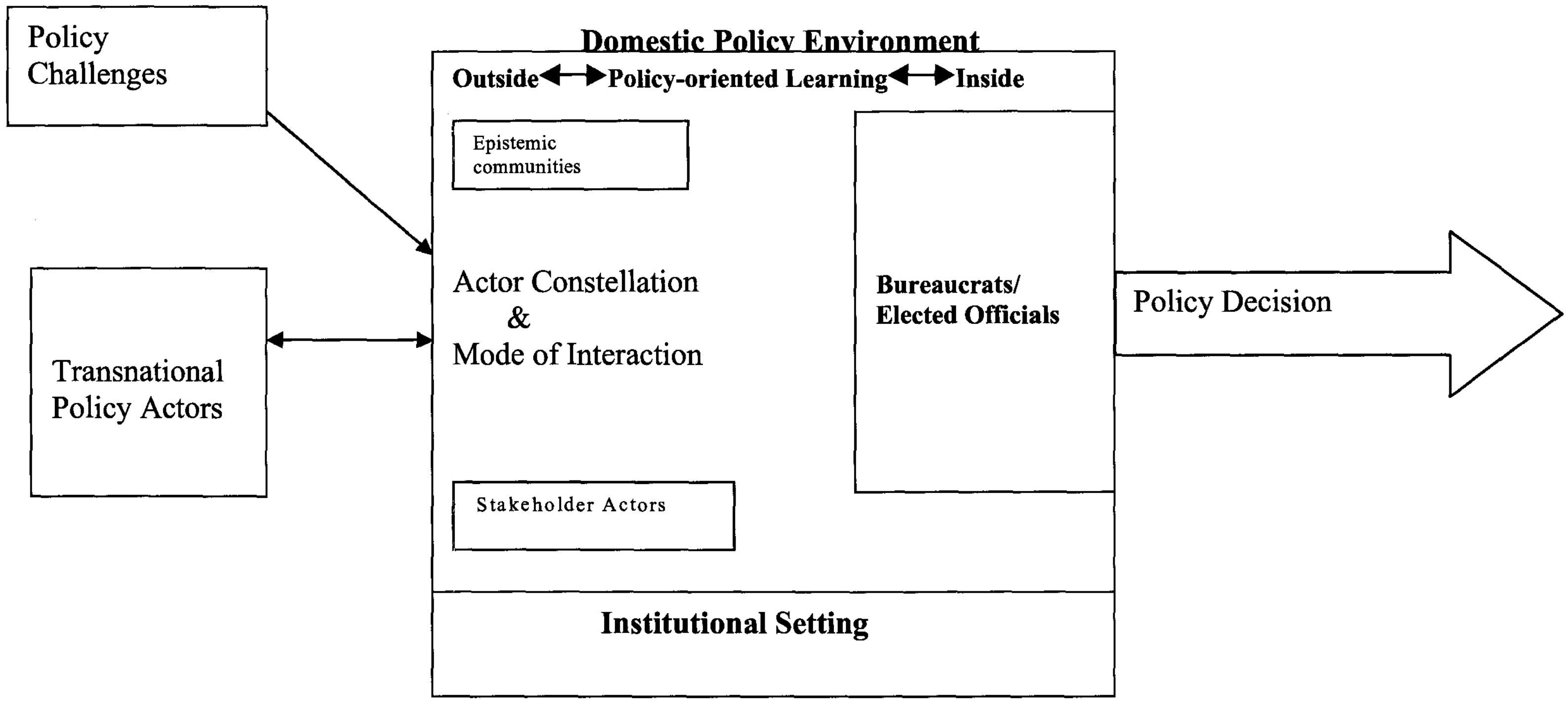
Consequently, in this research I argue that when actors engage in deliberative processes such as those found at the domestic policy subsystem (Howlett & Ramesh, 1995, 2003) or at a multi-lateral setting (Risse, 2004), they deliberately or intuitively attempt to discover in a shared interactive process (1) whether their causal beliefs about the world or a policy are correct, and (2) whether the normative or moral basis of a particular course of action can be justified. Interaction—debates, exchange of ideas, mutual discussions, bargains—suggests that policy-makers have the opportunity to challenge validity claims underlying any causal or normative presumptions, and through the processes, search for consensus about "their understanding of a situation as well as justifications for the principles and norms guiding their action" (Risse, 2004 p. 294). When actors—both domestic and global—agreed to engage in policy-oriented interaction, they also agree by the logic of interactive rationality, to be persuaded by the best argument. In this instance, interaction is defined as goal-oriented strategic interaction. The goal, however, is not to achieve individual fixed preferences or options, but to find a reasoned and justifiable consensus. Risse (2004) notes that interactive rationality prevails when actors abandon the quest to attain or justify their fixed preferences and interests, and are prepared to challenge the validity assumptions within them as a means to transform their worldview or interest under circumstances of better arguments.

Thus, even though for strategic reasons actors may begin interactions in a particular policy area with fixed preferences, they may equally be opened to challenges to their preferences, resort to truth-seeking rather than maximizing satisfaction, initiate dialogue and deliberation rather than persuasion, and engage in problem-solving rather than compromise. Similarly, the openness of interaction in a policy deliberation energizes actors to move beyond what are perceived as historically constructed or rule-guided modes of operation in affecting policy changes. Thus, interaction constitutes a *learning* process or mechanism through which actors acquire new information, assess their preferences, interests, and perceptions "in the light of new empirical and moral knowledge, and—most importantly—can reflexively and collectively assess the validity claims of norms and standards of appropriate behaviour" (Risse, 2004, p. 288).

Cowan *et al.* (2000) argued that information is a set of structured signals that go into human consciousness through the senses; it is a 'memo' containing ordered data. When an actor processes or finds the information acquired meaningful, that information constitutes or becomes *knowledge* (Fleck, 1997). Huber (1991) argues that an actor in the course of processing new information learns if the range of potential behaviour changes. Thus, learning is about knowledge because what we call processing information involves the update or change in existing causal beliefs. As a result, Sabatier and Jenkins-Smith (1993) argue that policy learning is "a relatively enduring alteration of thought or behavioural intentions that are concerned with the attainment (or revision) of the precepts of a policy belief system" (p. 19).

But as Howlett and Ramesh (1995; 2003) argued, the impact of transnational policy actors in a domestic setting is complex and difficult to map out. Dobbin et al (2007) observed that diffusion theorists often claim their favored mechanism is at work but have failed to provide evidence to support such claims. Chwieroth (2007) argued that the idea that global policy actors, particularly the World Bank and the IMF, solely use coercive strategies is not empirically grounded and called for the need to incorporate "a broader more sociologically informed views" (p. 7) of these actors as agents of persuasion. Figure 3.1 below illustrates the conceptual and analytical framework employed in the analysis in this research.

Figure 2.1: Analytical and Conceptual Framework



As indicated in Figure 3.1, policy challenges also provide opportunities for learning. Several studies have shown that that the strongest reason for policy learning and transfer is the urgent search or need for solutions to policy challenges and problems (Berry & Berry, 1990; Dolowitz & Marsh, 2000; Dolowitz, 1998; Rose, 1991; Rose, 1993; Tavits, 2003). Domestic policy makers react to policy challenges by identifying the problems, establishing objectives, enumerating alternative options, and finally selecting an option (Sens & Stoett, 2005). However, it is not uncommon for transnational policy actors to seize upon or see the emergence of a policy problem as a window of opportunity (Kingdon, 1995) to push their pet solution. For example, both the World Bank and the ISSA/ILO have been advocating different solutions to what is perceived as an ageing and pension crisis in countries across the globe (Charlton & McKinnon, 2002; Maier-Rigaud, 2005; Queisser, 2000).

Whatever the influence of global policy actors or the external environment on domestic agenda-setting, "the locus of decision-making remains the nation-state" (Parsons, 1995 p. 245). In other words, final policy decisions are dependent on, or a function of the processes of policy formulation and *modes of interaction* (Scharpf, 1997) among various domestic actors and the opportunities granted by their institutional and political arrangements (Pal & Weaver, 2003; Pierson, 1996; Pierson & Weaver, 1993; Weaver, 1986, 2003). Analysis of the actual policy process in this study, therefore, draws on sights from actor-centered institutionalist (ACI) frameworks.

ACI was developed mainly to solve the dualism between *institutional level* and *actor level* analysis on one hand, and the dichotomy between the *governing state* and *governed society,* on the other (Scharpf, 1997, 2000) that have long characterized theory development in the social sciences. In this regard, ACI shares similarities with advocacy coalition framework (Sabatier, 1993; Sabatier & Jenkins-Smith, 1993), institutional analysis development framework (Ostrom, 1990, 1992; 1999; Ostrom, Schroeder, & Wynne, 1993) and other network-oriented analysis models (Knoke, 1990; Richardson, 2000). In particular, this study draws from aspects of Scharpf's (1997; 2000) actor-centered institutionalism for a number of reasons. First, ACI is used to demonstrate how policy formulation and institutional change are connected. Second, it provides a means for understanding how institutions influence or shape perceptions and interactions among different actors. Third, it provides the grounds for analyzing the policy processes and adaptation structures by focusing on the interaction among key actors. Fourth, it offers a theoretical justification for treating organizations, social movements, and corporate entities as actors for the purpose of policy analysis. Finally, through the *actor constellation* and *mode of interaction,* ACI illustrates the complex nature of political interactions in the policy process and the influence of such interactions on outcomes.

As a theoretical framework, ACI is grounded in the belief that public policy-making can on longer be properly understood by a clear distinction between the *governing state* and the *governed society,* and that top-bottom approaches which view 'the state' as a unitary actor are ineffective in explaining contemporary policy processes and outcomes. The s*tate* and the *society* now form part of multiple policy actors. Both private and public actors actively participate in and shape policy outcomes, thereby making the distinctions between "governing and governed" obsolete. Consequently, ACI provides a new perspective for understanding policy processes and outcomes by investigating policy-oriented interactions among actors in a given institutional setting (Scharpf, 1997, 2000).

Thus, the starting point for explaining decision-making processes and outcomes of a given policy is identification and close analysis of the key actors that participate in the policy deliberation process (Scharpf, 1997). Actors, as demonstrated in the ACI framework, could be individuals or corporate entities because in the political process, major actors operate within the limits of institutional arrangements that stipulate actors' competencies and resources, filter information actors acquire, and shape actors' normative and cognitive world-views, so that they can represent their organizations in ways expected of them (Scharpf, 1997). Hence, actors "are typically acting in the interest of and from the perspective of large units, rather than for themselves" (p. 12). This provides a theoretical justification for treating "a limited number of large units as composite (...) actors with relatively cohesive *action orientation* and relatively potent *action resources*" (p.12).

Actor orientations refers to their specific *preferences* and *perceptions* of actors in relation to a given policy issue, challenge, or problem and their understanding of the causal mechanism underlying them. Actor preferences and perceptions, therefore, "refer to the desirable or undesirable nature of the status quo, to the causes of a perceived problem, to the efficacy and desirability of perceived courses of action, and to the outcomes associated with these" (p.43-44). The human and financial resources, knowledge, competencies and rights possessed by actors are termed *actors' action resources* because they determine actors' action capabilities and, generally, ability to act within a given framework. Actor orientations and capabilities are both shaped by the institutional settings and can remain relatively stable or change in the course of a deliberative process. Hence, analysis of policy processes and outcomes in this study includes a close study of the actors' preferences, perceptions, and capabilities since the behaviour of political actors is partially determined by these factors (Scharpf, 1997).

Even though ACI focuses primarily on interaction among actors, it also recognizes the importance of institutions in explaining and understanding final policy decisions. Scharpf (2000) argued that "actors and their interacting choices, rather than institutions, are the proximate causes of policy responses [however] institutional conditions, to the extent that they are able to influence actor choices, are conceptualized as remote causes" (p.3) [because] "actors are characterized by specific capabilities, specific perceptions and specific preferences" (1997 p. 43). Thus, rather than focusing on how institutional settings influence actors (North, 1990), ACI is concerned with analyzing how actors are influenced by institutional settings.

Institutional settings refer to the formal and informal rules that enable and constrain actors' opportunity structures. Formal rules include constitutions, laws, regulations, political and juridical rules, economic rules, such as property rights, and contracts. Informal rules consist of "(1) extensions, elaborations, and modifications of formal rules, (2) socially sanctioned norms of behaviour, (3) internally enforced standards of conduct" [and] "conventions" (North, 1990 p. 37-40). Informal rules are the product of socially transmitted information that constitutes part of social reality. Different institutional rules produce different institutional settings. Institutional setting also include national elections, existing policies, and national political culture, any of which may be distinguished by specific institutional rules that may or may not permit specific modes of interaction (Scharpf, 1997).

Insights from two of the key analytical tools of the ACI framework—*actor constellation* and *mode of interaction*—are relevant for this study (See Figure 3.1). Actor constellations refer to the complete picture that emerges when the perceptions, preferences, and capabilities of different actors are visualized or brought together. As Scharpf (1997) has noted, "actor constellations are meant to represent what we know of a set of actors that are actually involved in a particular policy interaction—their capabilities (…), their perceptions and evaluation of outcomes obtainable (…), and the degree to which their pay-off aspirations are compatible or incompatible with one another. The constellation therefore describes the level of potential conflict" (p. 72) associated with a given policy-oriented interaction.

The modes of interaction, on the other hand, illustrate the relations among actors and how potential conflict is resolved and/or cooperation is managed. Hence, while actor constellations provide a 'snapshot picture' of actors in a given policy area, the mode of interaction provides a 'motion picture' of the interaction processes and relations among actors in a given policy area—in this case, pension reforms. The two concepts are symbiotic and shaped by institutional rules. In contemporary policymaking, modes of interaction range from unilateral decision-making, to majority voting, to bureaucratic decision-making, to public consultation, and to consensus by major actors.

CHAPTER THREE
CASE SELECTION AND METHODOLOGY

Introduction

This chapter describes the research structure and the methods of data collection employed in the study. The first section describes the set-up of the study and provides a justification for situating this project in comparative deviant case analysis. Subsequently, the rationale is provided for choosing Ghana as the most appropriate inferential case for the deviation of SSA countries in the development and reforms of their pensions in comparison with other regions of the world. Then, an analysis occurs of the formal social protection institutions that were established in the years immediately afterwards in Ghana, and the actors who emerged to shape subsequent reforms of those institutions. The last section of this chapter presents reflections on data collection strategies employed in this research.

The project is comparative case research in which I provide a detailed analysis of pension system reforms in Ghana since the 1980s and draw inferential lessons for explaining similar reforms in other English-speaking SSA countries—Nigeria, Zambia, Tanzania and Uganda. Yin (2003) observed that case studies are particularly relevant when one is interested in an in-depth understanding of an issue, phenomena, or organization. Flyvbjerg (2006) also noted that case studies provide a unique and systematic way of collecting and analyzing data that enables researchers to gain a sharpened understanding of why certain policy outcomes prevail over others, and allows for the discovery of other important issues that may ignite future research projects. Thus, Yin (2003) argued that case-oriented research represents "an empirical inquiry that investigates a contemporary phenomenon within its real life context, especially when the boundary between phenomenon and context are not clearly evident" (p. 13). The term *case study* refers to both single and multiple case studies, and relies on multiple sources of information (Yin, 2002).

Case Selection

Among other reasons, this research aims to bring SSA countries into the comparative welfare research and dialogue on the development and transformations of social policy. The relevance of focusing on English-speaking SSA cases lies in the fact that they have been largely ignored in the development of the theories about the processes of social policy development in relation to recent transformations. Many of these theories were developed in advanced industrialised societies and, therefore, reflect the ethnocentric biases of the milieu within which they were developed. In addition to time and resource constraints, the detailed analysis focuses on one case, due to the potential for paying close attention to minute patterns of policy continuity, resistance, and change in ways that help draw lessons for other SSA countries.

Empirically, the development of formal old age income support programs in English-speaking SSA countries deviated from the patterns prevalent in other parts of the world. Whereas in the advanced OECD, Latin American, and Central and Eastern European countries, the development of formal old age income support programs started with generous PAYG social insurance programs, in English-speaking SSA countries, old age income support programs started with defined contribution programs. In the former group of countries, the development of such programs was developed in response to industrialization, economic growth, and labour demands. In the latter case, however, the programs were developed out of concerns about the breakdown of traditional family and community social protection mechanisms brought about by mobility, rural-urban drift, and associated with formal employment.

Furthermore, unlike the other parts of the world, old age income support arrangements were designed to replace traditional social protection strategies in SSA countries. The development of formal social security programs was based on minimalist principles and, as a result, these programs were designed to and continue to compliment traditional mechanisms for protection, although the latter as well are weakened by globalization and migration. Since the 1980s, again English-speaking SSA countries have reinforced their deviation from countries elsewhere in the world by: (1) transforming their defined contribution plans to PAYG social insurance at the time when most countries in the world were adopting and or incorporating defined contribution plans into their pension systems, and (2) starting with Ghana and Nigeria in the 2000s, SSA countries began to incorporate defined contribution back into their pension plans when the global debate had shifted to social pensions. These empirical observations are a strong basis for the basis of new and exciting theoretical insights that can be drawn from studying SSA cases.

Juxtaposed with developments elsewhere in the world, the patterns of old age income policy income development in English-speaking SSA countries deviates from what is known empirically and theoretically about pensions in other parts of the world. Eckstein (1975) noted that a deviant case is not simply a single negative or exceptional case, and argued that it is important for scholars researching a deviant case to demonstrate that the deviation is not limited to the case being studied solely; rather, the deviant case must meet the criteria of being a representative of other cases that show similar patterns of exception. In Markus' (1989) view researchers investigating critical cases have the burden of demonstrating that the case is "not unique or an atypical event but rather representative of a presumably large class of conditions for which the theory does not hold" (p. 20). Weick (1984) maintained that deviant case analysis is more convincing when researchers are able to show persuasively that a deviant case shares similarity with other cases through which the theory could equally be tested. This key condition is present in this study and is reflected by the fact that Ghana's shift to social insurance in the 1990s, and recent market reform in pensions reflects developments in English-speaking SSA countries.

Relevance of Deviant Case Studies for Comparative Research

Deviant cases have the ability to bring to a researchers' attention the factors that may not be obvious in 'normal' cases. Smelser (1976) argued that the study of deviant cases is a special and innovative way of using the method of difference, because it is premised on implicit comparison. Similarly, Lijphart (1971) argued that the study of deviant cases has a comparative edge because "deviant cases may be likened to the 'experimental group' with the remainder of the cases constituting the 'control group'" (p. 693). Hence "the analytical power of the case study method increases the more it approximates the comparative method in the form of deviant case analysis" (p. 693).

In general, deviant case studies share some of the objections raised against the case study method as a strategy for generating, testing, and refining theories. First, King et al. (1994) referred to the case study method as a single observation study. In their view, this approach to social science is not capable of testing alternative explanations. The thrust of their argument is that when a single observation study that is meant to refine or test a theory confronts an alternative hypothesis, the norm for researchers is to provide different causal effects for both hypotheses, yet this method is impossible with case studies. In their view, even if the researcher is able to create a "perfect match on all relevant variables," the researcher will still be required to "compare two units in order to observe any variation in the explanatory variable; a valid causal inference that tests alternative hypothesis on the basis of only one comparison would therefore be impossible," (p. 208) because such an endeavour is not capable of leading to generalized conclusions (Tillis, 1997). This objective is based on the notion that case methodology is microscopic, in the sense that it lacks sufficient number of cases necessary for theory building (Yin, 1993). Contrarily, Scharpf (1997) argued that in order to conduct thorough study, the focus of research must be case-specific. In this way, it is possible to explain an isolated sequence from causation. Like many others, Scharpf (1997) also maintained that the relevance of small-N cases lies in their ability to draw lessons that are applicable elsewhere with the twin objective of ensuring the practical validity of findings and evaluating their potential for the development of broader generalizations.

In support of deviant cases, Rueschemeyer (2003) argued that the objection by King et al. made is based on the misconception and "mistaken identification of single case study with single-observation" (p. 318). Yin (1993), for instance, argued that irrespective of relative size or the number of cases involved in research, ten or more does not convert a multiple case into one that accounts for all factors. The core of the argument is that case studies do not require a minimum number of cases; instead, the researcher must, at all times, and, at every level, work with the empirical situations of a case or cases as they become apparent (Tillis, 1997). In Tillis' (1997) view, the goal of research is to outline the parameters applicable to all cases so that even if a single case study meets the established objectives, it can be considered acceptable. Drawing from the insights of some case-oriented works as *prima facie* evidence, Rueschemeyer (2003) argued that the study of single cases, particularly deviant ones, does not only help in redeveloping theories, it can also lead to the development of new hypotheses used for explaining outcomes. The literature is replete with celebrated case-oriented works that became the basis for improving the foundations of existing theories (Rogowski 2003).

A second objection raised against deviant case study is that it presents the danger of rejecting an otherwise "true hypothesis" with a single case study that is fraught with measurement errors. It is argued that large-N studies have the capacity to avoid measurement errors due to the sheer number of cases involved. Thus, because this is lacking in single case studies, "there is always some possibility that measurement error will be crucial in leading to a false conclusion" (King et al., 1994 p. 208). As a result, case study investigations are unfit for theory refinement. This objection to case and deviant case studies is weak because, while measurement error can create serious problem for conclusions drawn from single case research, it is not a problem limited to single or deviant case studies alone. Measurement error can occur even in large-N studies and could be the result of negligence or factors hidden to researchers. In addition, what is referred to as a "true hypothesis" can potentially be the result of some missing variables in the original works from which they were generated. For this reason, there is a need to subject such theories and, possibly all theories, to more specific and vigorous case analyses. In other words, the solution to measurement error does not lie in multiplying the numbers, but in the purposeful choice of cases and meticulousness of the study.

Cases are not "equal in terms of their probability for successful analysis" (Markus, 1989, p.20). Thus, objections raised against the suitability of case studies for the purpose of redeveloping theories have a doubtful premise. Such objections rest on the assumption that examining an existing theory, especially in deviant cases, necessarily involves the use of the same data employed to generate the theory (Markus, 1989). The idea of using the same data defeats the essence of generalized conclusions if theories cannot be examined or evaluated within contexts other than those in which they are generated. What is the use of a theory or hypothesis if it cannot be re-evaluated in a different environment? And how do we know if theories are generally applicable in view of the fact that cases may not be equal in their probability of successful analysis? As Markus (1989) has noted, the correctness of such a *modus operandi* is doubtful.

In many instances in which theories were subjected to rigorous analysis, they "prove themselves to be in need of further refinement or development" (Markus, 1989, pp. 20-26). In situations like this, deviant cases have rendered case-oriented research both efficient and largely superior (Eckstein, 1975) in refining theories not only because of their cost effectiveness, but also because they are appropriate for developing alternative and new theoretical insights (Markus, 1989). These considerations and neglect of SSA countries in the comparative welfare reform literature provides a solid ground for the choice of cases for this study. The deviation of the SSA cases, however, is defined by their collective move to and convergence upon social insurance pension plans at the time when countries elsewhere in the worldwere replacing such plans with defined contribution plans that share similarity with those discarded by the English-speaking SSA countries in their reform in the 1990s, and recent shifts to market-based pension plans which started in Ghana and Nigeria in the early 2000s. Since Ghana is used as to represent the exceptional situation of SSA cases in pension system development and reforms, a brief background of the policy making practices, and the specific nature of the pension system prior to the reforms, and the actors that emerged to shaped it, must be understood.

The Ghanaian Pension System: Policy Making, Institutions and Actors

Policy making in Ghana since the colonial era was guided by the bureaucratic decision making model. In the large majority of cases, the formulation and implementation of policies were undertaken exclusively by politicians and a small group of bureaucrats who often kept policy discussion opportunities away from the general public (Omanboe, 1966). Juma and Clark (1995) have argued that instead of viewing the public as a potential source of policy ideas, bureaucrats and politicians have traditionally viewed members of the public as the source of problems for which the bureaucracy provides solutions. Therefore like the colonial era, the early post-colonial period was also characterized by the exclusion of civil society and interest groups in policy deliberation processes. Even within the highest echelons of decision-making, "all important projects have had to be initiated by politicians who committed the nation to certain courses of action before the technicians are consulted" (Omanboe, 1966, p. 461).

This model is illustrated in how the establishment of provident funds in Ghana was handled. The nation's first post-colonial president Kwame Nkrumah, simply announced the establishment of the pension plan at an occasion to commission the office complex of the Trades Union Congress (TUC) prior to any policy discussions on the issues (SSNIT, 1992). This approach to policy making left no room for public participation. But for the most part, the exclusionary nature of the policy machine in Ghana was due to the authoritarian predilection that characterized the first four decades of the country's postcolonial politics. The authoritarian political environment did not only block access to state policy-making apparatus, it also cowed open dissent and public involvement in governance. The development of early pension plans in the postcolonial era was no exception to this mode of governance.

In Europe, North America, and Japan, pension programs were developed in direct response to industrialization and labour mobilization (Castle, 1982; Castle, Gerritsen, & Vowles, 1996; Esping-Anderson, 1985, 1990; Huber & Stephens, 2001; Korpi, 1983), while in Ghana, and much of Africa, the development of such programs were influenced largely by colonialism and state paternalism. Colonial rule introduced Western-style, old age protection programs in Ghana as a necessary framework for mitigating the social dislocation ushered in by internal migration and urbanization. However, like most programs introduced during this era, old age protection policies were designed to cater to the needs of urban dwellers, especially Europeans and the few Africans working in the colonial bureaucracy (Asamoah & Nortey, 1987). Thus, pension programs were developed without adequate consultation with, and the participation of relevant social partners or interest groups.

The practice of confining pension related deliberations to the bureaucratic arena of the state in Ghana persisted from the early era of post independence into the early 1980s. For almost four decades after independence from colonial rule, politicians and bureaucrats considered welfare policy as a political project of the state, and thus developed pension programs with paternalistic attitudes (Aina, Chachage, & Annan-Yao, 2004). Consequently, pension plans in Ghana largely reflect the political history of the country. The colonial regime designed and operated a non-contributory pension plan called CAP 30. The authoritarian one-party regime under Kwame Nkrumah established a defined contribution scheme known as provident funds for workers not covered by the CAP setting the path for parallel pension plans in the country.

As noted earlier, the initial development of formal old age retirement income policy in Ghana and the rest of Africa has been a piecemeal project undertaken mostly by state policy makers without adequate involvement of relevant social partners. The absence of the social partners in the development of pension programs in Ghana is largely due to the way the state is perceived and projected. First, the state since colonial times had been projected as the provider of social services such as education, health, and other types of social infrastructure. Thus, although missionaries augmented the efforts of the colonial state, especially in the era of health and education, the making and delivery of social services occurred largely within the framework set up by state policy makers, and was restricted to the few privileged individuals with political power. As noted earlier, the earliest form of pension plans in Ghana (then Gold Coast) provided coverage only for individuals, especially expatriates working colonial administration (Adjei, 2000). The colonial state operated as a single unit, and hence, interest group influence on policy making was very restricted.

The second reason is that nationalist leaders framed the anti-colonial struggle as an endeavor to attain better social amenities. Thus, after independence, the state assumed a paternalistic posture as the main provider of the social services promised in the independence struggle. State paternalism left no room for interest group influence or maneuvering in the area of social policy. Third, to stimulate and accelerate national development, it was thought that the state must shoulder the responsibility of providing social services, as an important basis for encouraging productive attitudes in the labour force. As a result, national development programs designed in the immediate post-independence era prioritized social welfare programs. Fourth, African culture and value systems emphasize humanness premised on collectivism and this conception largely informed the welfare approach to development adopted by African leaders like Kwame Nkrumah of Ghana in the years immediately following independence. For instance, the overriding ideology in Nkrumah's philosophy of 'conscientism' was a concern for human welfare and peaceful co-existence in a unified state (Aina et al., 2004). Finally, for the majority of the first five decades of the post independence in Ghana, the state assumed a very dictatorial character that intimidated participation of interest groups and other social forces in policy making. Less than a decade after independence, Ghana became a *de facto* one-party state and between 1966 and 1990, the country has witnessed at least five different military governments, all of which clamped down on social activism and dissenting views (Berry, 1994; Chazan, Mortimer, Ravenhill, & Rothchild, 1992).

The dominance of the state in social welfare policy making was also made possible by the resilience of traditional forms of social protection. Ghanaians, including those working in the formal sector, continue to rely on their families for old age income provision and care. The reciprocity of family protection arrangement makes it extremely difficult for any member of a family to renege on his or her responsibility to honour the traditional familial obligation. Thus, individuals tend to focus on investing in family relations as a reliable means for old age protection rather than in policies designed by the state. Even those who are covered by state policies find it imperative to invest in family as a security against the uncertainties of old age. Furthermore, the weakness in design and operations of existing formal pension policies has undermined the confidence of Ghanaians in social protection policy instruments of the state. Prominent among such weaknesses are the government abuse of retirement funds, poor record-keeping, mismanagement, and overall limited coverage of pension plans (Ofori, 1976). In addition, for the large majority of Ghanaians in the informal sector of the economy who were not covered by formal pension plans, retirement is simply not an option. For these Ghanaians, retirement is not only alien to African philosophical thought, it is associated with work in the formal sector. Hence, informal sector workers find no reason to participate in policies designed purposely and only for the wage-earning population (Apt, 1992, 2002). The combination of all these factors has rendered old age income policy largely fragmented in Ghana. In the section that follows analysis of the various formal old age income protection programs that emerged in the post-independence era provides insight into Ghana's pension reforms.

The CAP 30 Pension Scheme

The colonial administration left a legacy of a non-contributory pension plan—the CAP 30—that provided coverage for public sector employees only (Government of Ghana, 2006). After the country established its first post independencd contributory pension plan, the CAP 30 scheme was made contributory, but remained defined benefit and unfunded. This change in the funding arrangement compelled members to contribute 5% of their basic salary while the government paid 12.5% on behalf of each worker. All CAP 30 pension members are public servants (Kumado & Gockel, 2003). Despite this funding arrangement, no funds are set aside or invested for the purposes of paying retirement benefits. As a result, the cost of paying for members' benefits is included in annual national budgetary allocation and paid out of general revenues. In 2005, expenditure on the CAP 30 benefits constituted 1.3% of the country's GDP. Qualifying conditions under this scheme included at least ten years of continuous and unblemished service, and a minimum of 45 years of age for voluntary retirement or 60 years for statutory retirement. Under this scheme, beneficiaries were paid a lump sum gratuity and monthly benefits upon retirement. Other contingencies include disability benefits, survivors' benefits, and a death gratuity. Although this program is unfunded, it offers comparatively generous benefits to members compared to benefits offered by other plans that emerged after independence, including the provident fund plan. In 2005, the scheme had a membership of between 101, 000 and 177, 000 pensioners on its payroll, and about 369, 000 active workers contributing to the scheme (Government of Ghana, 2006). The CAP 30 plan is extremely popular and has proven resistant to closure. As a result, it continues to exist as a parallel pension scheme, despite several attempts to collapse it into the major pensions plans established in the post-independence era (Adjei, 2000).

Provident Funds Defined Contribution Plan

In the immediate post independence era, formal old age income security policy thinking constituted part of the welfare project in the broader national development program. Ghana embarked on an ambitious industrialization project to transform the economy from a largely rural and agrarian economy to one based on commercial marketing and manufacturing. This change led to a tremendous rural-urban drift as many people moved into the cities in search of jobs (Aina et al., 2004). The direct consequence of this phenomenon was a further breakdown in family ties and the traditional methods of family maintenance inherent in an extended family system. While older family members who rely on the inter-generational support from the younger generation were left to their fate in the migration processes, the younger workers also found themselves alienated from their original social settings and, hence, became stripped of the security offered by the tradition system of protection. To address the growing social insecurity of workers, a compulsory retirement savings scheme was introduced in 1962, primarily to provide income security for retirees but also to serve as a means of capital formation (Dorkenoo, 2006; SSNIT, 1992). The program was a mandatory scheme and deductions were made from the monthly salaries of all workers and deposited into an account managed by the government. This plan was designed to provide workers with lump sum benefits. Benefits were directly linked to contributions. In other words, each employee retiring under the plan was expected to receive his/her total contribution and any interest generated through investment. This scheme, however, collapsed in less than five years after its establishment due to poor record-keeping and a general lack of interest (Dorkenoo, 2006; SSNIT, 1992).

In response to the failure of the compulsory retirement saving scheme, a new law under the Social Security Act of 1965 was introduced to provide a a legal framework for the establishment of a more comprehensive retirement income program based on the principles of defined contribution programs (Darkwa, 1997; Dorkenoo, 2006). The new law basically reorganized and implemented the defunct mandatory retirement saving scheme. Similarly to other English-speaking African countries, this type of pension scheme was known as the National Provident Fund (NPF). The objective of the 1965 social security policy was to institute a nation-wide policy framework to address the retirement needs of all private and public sector employees in Ghana who were excluded from the CAP 30 scheme. This pension plan was designed to cover several contingencies including old age, disability, death benefits for survivors, emigration, and unemployment benefits (Dorkenoo, 2006; Government of Ghana, 1982; SSNIT, 1992). Retirement age for men and women were fixed at 50 and 45 respectively under the policy. The scheme was financed by shared contributions from employers and employees. At its inception, employers contributed 15% while employees were made to contribute 7.5% of an employee's monthly income. The 22.5% total contribution rate was later fdeemed too high by the government and social partners, and it was reduced to a total of 17.5% consisting of 5% for employees and 12.5% for employers respectively (Dorkenoo, 2006). In terms of governance, the general administration of the provident funds was entrusted to the Ministry of Finance, while the State Insurance Corporation (SIC) was responsible for operational and inspectorate issues (Dorkenoo, 2006; Ofori, 1976). This arrangement was later changed and the governance of the fund was transferred to a statutory institution—the Social Security and National Insurance Trust (SSNIT)—in 1972 (Ofori, 1976).

It worth noting that the provident funds were set up to exist alongside the CAP 30 scheme, with the former covering certain sections of public sector and all private sector employees, while the latter caters solely to public sector employees, and especially civil servant (Adjei, 2000). In other words, the 1965 Social Security Act set the path for the existence of two parallel public sector pension schemes in Ghana. Iin 1972, through the National Redemption Council Decree (NRCD) 127, attempts were made to phase-out the CAP 30 scheme completely, and all workers were shifted into the provident fund system (Dorkenoo, 2006; Kumado & Gockel, 2003). However, in 1974, NRDC 127 was amended to give all CAP 30 participants the opportunity to make a decision to remain in the scheme or join the provident funds. To this end, all CAP 30 members were given a grace period of 12 months to choose between the two pension plans, after which CAP 30 members who failed to make a decision were automatically shifted to the provident funds

(Adjei, 2000). With the exception of the armed forces, the police, prison officers, and staff members in universities in Ghana who had their own separate retirement schemes, the 1972 changes made participation in the defined contribution (provident fund) scheme, mandatory for employees (Asamoah & Nortey, 1987; Government of Ghana, 2006; Kumado & Gockel, 2003). The inability of policy makers to close down or decisively phase-out the CAP 30 program meant that two parallel public pension schemes—one defined benefit, the other defined contribution—have existed side-by-side in Ghana since 1965 (Government of Ghana, 2006; Kumado & Gockel, 2003; SSNIT, 1992).

Occupational Schemes

In the private sector, several privately managed companies took advantage of the provident fund policy to establish their own occupational pension schemes which were operated along the lines of defined contributions prior to the 1991 reforms (Government of Ghana, 2006; KEA Consult Ltd, 2005). Several private companies including Unilever Ghana Limited, Ghacem Ghana Limited, Ghana Breweries Limited, and others in the mining and manufacturing sectors, operated their own defined contribution schemes financed through employer-employee contributions. Funds from most of these schemes were managed by professional fund managers, banks, insurance companies, stock brokers, under Trust Deeds and Rules, even though there was no central regulatory authority (Government of Ghana, 2006; KEA Consult Ltd, 2005). The proliferation of private retirement savings plans was due to tax incentives that allowed employees and employers exemptions up to 35% of employees' final salary for retirement related savings (KEA Consult Ltd, 2005). This tax provision was later closed in 1991 when the provident funds were converted to social insurance. In addition, the state's monopoly over social policy making was relaxed in the wake of severe economic and political crises in the 1980s and the 1990s. This change in approach to social protection policy paved the way for participation of actors like employers and unions in pension-related deliberations. In recent times, policy making in this issue area has shifted almost completely from a state-centered to an actor-centered approach that requires the inclusion of social partners and other stakeholders that have hitherto been marginalized.

The Rise of the Social Partners and Other Actors

Ironically, it was a military government that provided an opening for interest groups and social partners to participate in the pension policy process. In Ghana, the participation of the social partners in pension reforms started in the early 1980s when the Provisional National Defence Council (PNDC) government assumed office. To a large extent, it was the pension policy challenges of the 1980s and the political environment of the time that opened windows of opportunity for active participation of interest groups and the social partners in pension decision-making. The PNDC was a military regime that achieved power in Ghana through a *coup d'état*, and hence lacked the legitimacy of elected governments. Realizing the dangers that this lack of legitimacy posed to its survival, the regime generated an image of itself in its early years as a pro-worker and labour friendly government, subsequently enlisting the support of different labour unions (Berry, 1994; Ninsin, 1981; Yeebo, 1991).

The major labour unions comprising the Trades Union Congress (TUC), the Ghana National Association of Teachers (GNAT), and the Civil Servants Association

(CSA) took advantage of the vulnerability of the new government to demand structural transformations of the existing provident fund into a social insurance scheme in exchange of their support. The government responded immediately and established a committee that comprised unions, employers, and government officials to provide the policy guidelines for reforming the pension system. In more recent times, other think tanks have also taken a keen interest in this policy area, and have been making attempts to influence decisions and the direction of pension policy in the country. The shift from a purely state-centered approach to an actor-centered approach illustrates the importance of the actors that have emerged in this issue area over the last four decades. Thus, the following section provides a brief background analysis of the major stakeholders and policy actors that have emerged to shape pension reforms in Ghana since the 1980s. These include the TUC, the CSA, the GNAT, and the Ghana Employers Association (GEA), among others.

The Trades Union Congress

The Ghana TUC was established in 1945 as the national platform for promoting the interest of organized labour, and was given legal status through the Industrial Relations Act of 1958. TUC began as the umbrella organization for fourteen affiliate unions with a total membership of 6,030. The number of its affiliate organization rose significantly by 1958 to over 80 unions; however, through a major restructuring and the withdrawal of some unions, the number of institutions affiliated with the TUC have been reduced significantly to seventeen national unions. An amendment to the original Industrial Relation Act in 1965 eliminated the monopoly status given to the Ghana TUC and this enabled several unions to withdraw from the TUC to work for their own autonomy. Nonetheless, the TUC represents a large section of Ghana workers on labour related issues in the country and abroad (Anyemedu, 2000; Dokenoo, 2008).

In the early 1990s, the TUC had a total membership of about 600,000, representing around two-thirds of the total labour force in the formal sector. However, the membership of the TUC has reduced significantly to approximately 350,000 (Dokenoo, 2008) due to job cuts and lay-offs in the public sector, where the union has historically drawn its core membership (Gyimah-Boadi & Essuman-Johnson, 1993; Yeebo, 1991). The main source of funds for the Ghana TUC is membership dues, returns on investment in government bonds and treasury bills, and donations from friendly international organizations. As one of the main institutional actors in labour related issues, the Ghana TUC derives its strength from the membership numbers, and financial resources generated from the contributions that come with membership numbers. At the international level, the TUC is affiliated to several friendly organizations, including the ILO (Anyemedu, 2000).

Ghana National Association of Teachers

Another autonomous group that forms part of organized labour in Ghana is the GNAT. This interest group represents all pre-tertiary level teachers in Ghana. GNAT was originally an affiliate of the TUC, but broke away to concentrate solely on promoting the interests of teachers in pre-tertiary public and private schools, training colleges, technical institutes, and the administrative staff of educational units across Ghana (Fukour, 2008). GNAT emerged out of protests by teachers against the colonial government's decision to impose a 29% tax on teachers in the 1920s (Nyoabe, 1996). In 1958, known as the Gold

Coast Teachers' Union (GCTU), GNAT joined the TUC as one of the earliest affiliate unions. This occurred because the 1958 Industrial Relations Act vested all negotiation and discussion of labour related issues in the TUC. In 1962, when the Industrial Relations Act was amended to recognize the existence of other autonomous unions, GNAT ceded from the TUC and has been recognized through various legislations as an association that has the responsibility for promoting the welfare of its members in accordance with law. GNAT's main source of revenue is membership dues. In the mid-2000s membership was approximately 178, 000 (Fukour, 2008).

Civil Servants Association

The Civil servants Association (CSA) is the union that represents all employees in Ghana's civil bureaucracy. Like many formal British colonies, the civil service is both an important and integral part of the executive arm of government in Ghana. The civil service is Ghana's largest employer. Thus, the CSA draws its membership mainly from the various ministries and statutory agencies of government (Berry, 1994). The CSA is financed by membership dues and represented on various statutory institutions including the management board of Ghana's pension schemes. Prior to the early 1970s, all CSA members were covered by the CAP 30 pension scheme. However attempts to phase out the CAP 30 in the 1970s compelled some members of the CSA to join the contributory scheme managed by SSNIT while others remained in the CAP 30 program. The Union has been a key actor in Ghana's pension reform processes (Government of Ghana, 2006). Generally CSA membership consists of a hierarchy of graded personnel including administrators, analysts, and other technical experts working in different sectors of the economy (Berry, 1994). They have direct access to government policy documents and, hence, have the capacity to influence the final outcome of policy decisions.

Ghana Employers Association

The Ghana Employers Association was formed in the late 1950s to provide employers a collective voice in their dealing with organized labour and government. It is the only organization that represents all employers in Ghana. Like all the policy actors described above, the GEA is fully recognized by government and labour organizations and is the legitimate voice for employers in the country. The GEA also has a well-staffed head office in Accra, publishes a monthly newsletter that informs its members about changes, policy innovations, and initiatives in the business environment in Ghana, and lobbies policy makers on behalf of its members. The GEA has representation on about eighteen national boards and statutory committees including SSNIT. At the international level, the GEA is affiliated with the ILO, the International Organization of Employers (IOE), the African Union Labour Commission (AULC), and the Federation of West Africa Employers' Organization (FWAEO). Funds for the GEA are generated through membership subscription fees, special membership levies, and donations from local and internationally friendly individuals and institutions (Personal interviews).

The Epistemic Community

The 1990s witnessed a proliferation of several local policy actors in the form of think tank and research institutes in Ghana seeking to actively participate in the processes of policy making and governance in general. Their emergence was largely due to the liberalization of the Ghanaian political environment that began in the late 1980s.

Prominent among these epistemic communities were the Institute of Economic Affairs (IEA), the Center for Policy Analysis (CEPA), the Third World Network (TWN), the African Security Dialogue and Research (ASDR), the Center for Democracy and Development (CDD), and the Institute of Policy Alternative (IPA). Individually, these actors remain policy entrepreneurs. They promote their preferred policy preferences and use series of strategies to acquire the attention of politicians and bureaucrats. Because policy ideas promoted by these actors may differ, they compete for the attention of policy makers. Collectively however, these actors are described as an epistemic community because they share interest in, expertise about, competence working with, knowledge in, and influence public policy (Haas, 1992).

The epistemic community in Ghana assists policy makers to develop appropriate policy responses as well as to design institutions as a means of sharing in the governance processes. Ideologically, CDD, IEA, and CEPA adopt neo-liberal approaches to resolving public policy problems. TWN, on the other hand, is more concerned with issues such as social justice, equitable distribution of resources, poverty alleviation, and how to mitigate the social cost of economic adjustment programs. Many of the policy entrepreneurs that constitute Ghana's policy community maintain a close relationship with transnational actors with whom they share ideological or specific policy positions. Gyimah-Boadi (2004) and Makumbe (1998) argued that the close relationship between some Ghanaian policy entrepreneurs and transnational policy actors has largely reduced the former to entrepreneurs of the latter's policy preferences.

Ohemeng (2005) illustrated this point by showing how the influence of new public management ideas in administrative reforms in Ghana was made possible by the links between domestic epistemic community and transnational actors such as the World Bank and the IMF. In spite of the growing importance of the epistemic community in Ghana, until recently they have largely ignored issues relating to pension policy and reforms. Close attention was paid to how these actors defined the policy challenges that led to the reforms, their institutional preference, the strategies and processed used in the reforms during the data collection and analyses stages of this project.

Data Collection Strategies

There are three broad approaches to social science research. These are quantitative, qualitative, and mixed methods (Creswell, 2003). The mixed approach involves the application of research strategies associated with both quantitative and qualitative approaches. The quantitative approach involves the use of cause and effect logic as well as reduction of the phenomenon or object of study to specific variables. This approach pays close attention to measurement and relationship between variables, and it is used most often to test theories (Creswell, 2003). The quantitative approach is associated with experimental design and statistical analysis. Both the experimental and statistical strategies aim to establish empirical relations between or among variables.

In terms of application, the experimental method divides a group of similar cases into two. One group usually called the experimental group is then subjected to some form of stimulus. The second group known as the control group is not subjected to the stimulus. By doing this, researchers are able to determine the relationship between the two groups of variables with approximate certainty because “in all respects but one the two groups were alike” (Lijphart, 1971). Thus, experimental design provides the appropriate strategy for eliminating rival explanations through its *control* mechanism (Collier, 1991). The experimental design is, however, weakened by ethical and practical limitations. Countries, political institutions, and policy processes may not lend themselves to such experimental manipulation. Even if we assume that governments could lend themselves to such experimentation, we would be constrained by how to account for historical and cultural factors that may explain why groups exposed or not to the stimulus behaved the way they did. Similarly, with social phenomenon one cannot be certain that the variables to which the experimental strategy is applied are alike in every respect, therefore such a methodological approach is considered inappropriate for this study.

The second strategy of the quantitative approach—statistical analysis—involves the “manipulation of empirically observed data—which cannot be manipulated situationally as in experimental design—in order to discover controlled relationships among variables” (Lijphart, 1971 p.684). The statistical method reduces social phenomena to quantifiable variables and through mathematical calculations attempts to uncover the relationship between the variables so quantified. Like experimental design, statistical analysis is also able to assess the basis of a rival hypothesis by controlling for other variables through partial correlation. It is however, weakened by the fact that certain social phenomena such as interactions in the policy formulation process, verbal exchanges, and underlying assumptions in policy documents cannot be easily reduced to quantifiable variables. Thus, although statistical analysis uses partial correlation to control for other variables, one cannot be sure that all possible variables that impact phenomena under investigation are effectively and efficiently controlled, especially in research of this kind which takes the interactions, goals, and policy preferences of actors as significant units of analysis.

Because of this orientation in the research, the qualitative method has far superior analytical tools and appropriateness of fit for study than the quantitative method. The qualitative approach involves in-depth analysis and understanding of human behaviour and interaction. This approach focuses closely on the *why* and *how*s of policy decision-making. Patton (1990) argued that the qualitative approach allows for in-depth and detailed analysis of select issues. This approach is also associated with research strategies like grounded theory, document or content analysis, open-ended interview, and case study (Creswell, 2003) all of which are important for analyzing the policy reforms in questions.

For instance, grounded theory allowed this project to arrive at deductive and abstract inferences of the processes, actions, or interactions situated in the views of the actors involved in the policy processes in Ghana, as representative of SSA cases, by comparing information obtained in the region to other areas of the world. In this study, the method of obtaining information demands the use of content analysis and open-ended interviews because these strategies offer the most appropriate way to delve into the minds of policy actors and uncover their preferences and perceptions. Scharpf (1997) argued that, in policy interaction-oriented research, data and other important information can be reliably and easily obtained from public records and competent newspaper reports because the content of these materials often corresponds in extraordinary ways with insider information, which could only be obtained through access to classified documents and confidential interviews. In the course of this research, the qualitative method has proven to be suitable, appropriate, and has allowed for the necessary flexibility in combining different data collection strategies, which in turn ensured adequate triangulation of the obtained data.

Specifically, the collection of data for the project started with a thorough review and analysis of existing literature on social security and pension system development, in particular. At this stage, historical documents and academic studies of various pension systems across the world were reviewed. The process shaped the research in four main ways. First, it helped to identify and gain a better understanding of previous and current patterns in pension policy development between English-speaking SSA countries and other countries in the world. Second, the analysis of existing documents and literature in this issue area provided the opportunity for evaluating the state of theoretical, as well as the intellectual debate in the comparative welfare literature against developments in social protection among SSA countries. Third, the processes of content analysis assisted in gaining a sense of the major institutional actors—both domestic and international—that have been involved in pension-related interactions, thereby assisting in the development of an initial contact list of actors interviewed in the process of the reforms. Fourth, on the basis of the literature and document review, specific questions were formulated to shed additional light on important patterns and major issues, and to make up for the absence of pre-existing questions and answers developed through the process. The issues that were identified in this process constituted the central themes for fieldwork, interviews, and the other correspondence around which this project evolved.

The data collected were broadly primary and secondary data on social protections, with special attention paid to those that focus on issues pertaining to countries in SSA. These data include government documents, policy briefs, actuarial evaluations of various pension plans, historical documents, budgetary statements, and archival materials relating to this pension policy in the region. At the international level, data was also obtained from the databases of the ILO, the ISSA, World Bank, and the IMF, among other such actors, involved in the recent debates on pension reforms. Data obtained from these sources aided in understanding the nature of policy ideas, institutions, and the actors who shape pension policy in Africa, while also helping to establish a stronger basis for explaining the countertrends in pension system development and reforms in the region.

Among others, these types of documentary sources largely formed the basis of the analyses made in chapters four and five. These analyses were situated in the region as a whole to provide grounds for the regional inferences drawn at the end of the project. In addition, and for the purposes of the detailed analysis of the pension reforms in Ghana, interviews were conducted with various institutional actors. Specifically, interviews were conducted with representatives of the labour unions, employers' associations, state officials, as well as other major stakeholder who participated in the Ghanaian reforms. The list of institutional actors interviewed was developed from a series of online database searches, and associations developed through snowballing strategies. Individual interviewees representing institutional actors were those deemed by their organizations to have the knowledge and expertise in the issue area, and/or represented their institution during the reform deliberations. This approach fits existing criteria that demands interviewees must be people with extensive knowledge about the phenomenon under investigation (Patton, 1990; Rubin & Rubin, 1995).

The use of interviews was meant to triangulate for ambiguities in information obtained from various documents. In all over fifty (50) interviews were conducted in Ghana with officials representing various labour groups, employer associations, government officials, and policy think tanks as well as regional representatives of international agencies whose work touch on social security reforms. The interviews were semi-structured by design, and were conducted face-to-face. Both prior to, and after the interviews, there were several email and telephone contacts with interviewees. Keeping in touch with the interviewees and their organizations in this way has been helpful in clarifying particularly complex issues when they have emerged. The subject of discussions in these interviews covered pension reform initiatives in Ghana between the 1980s and the 2000s. Because Ghana is the major access point for the African regional office major transitional organizations such as the World, Bank, the ILO, the IMF, and the ISSA among others, it provided an opportunity to also conduct interviews with the relevant regional officials from these institutions in Ghana. The representatives of the ISSA and the ILO provided extensive information and materials pertaining to their approach to pension reforms in Africa. World Bank officials in Ghana indicated that their pension reform positions were directed by the Social Protection Department in

Washington, and pointed to the unit's database as the most appropriate library from which to access data on the Bank's pension reform campaigns (Personal interview). All the data obtained for the empirical analysis of the Ghanaian reforms were evaluated and analysed against the context of domestic political developments and the transnational campaigns at the time of the reforms.

In addition to the use of secondary literature and interviews, a significant portion of the discussions in the empirical chapters are based on content analyses of the confidential memorandum file of the pension reforms in Ghana. This file contains about nine-five (95) memoranda, policy papers, and petitions submitted by various institutional actors and individuals to the pension reform commission in Ghana. Unfortunately, I am unable to include detailed information in relation to my interviewees and the specific materials cited from the memo file in my references. The information from these sources was used under the guidelines of the McMaster University Research Ethics Board and the requirements for strict confidentiality and anonymity in accordance with its regulations. I also made use of interim and final reports submitted to the government of Ghana by various pension reform commissions and committees since the 1980s. This reports provided detailed information that helped to understand the processes and participant, as well as, the factors that prompted the various pension policy reforms discussed in the study.

In the next chapter, I provide an analysis of the policy ideas and institutions that exist in SSA countries since pre-colonial times, and develop an ideal typology for classifying and understanding the nature of old income protection policy in SSA countries. Specifically, the analysis shows that versions of the ideas and institutions around which modern debates and campaigns for pension reform revolved have long lingered in SSA social policy thinking and practice.

CHAPTER FOUR
DEVELOPMENT AND TYPOLOGY OF WELFARE SYSTEMS IN SUB-SAHARAN AFRICA

Introduction

This chapter provides an analysis of the institutional development and typologies of welfare regimes in Sub-Sahara Africa, with particular reference to pension systems. In SSA countries, governments generally took a minimalist approach to the provision of old age income support with respect to public commitment, depth and extent of coverage, and the nature of financing. In the large majority of cases, blue-collar workers and the urban middle class enjoy access to relatively generous modern old age income protection arrangements, while rural inhabitants and informal sector workers continue to rely on traditional social protection mechanisms. Thus, modern social protection institutions in SSA countries generally reflect the interest and biases of the urban political coalitions that challenged colonial rule. Contrary to the claims by political economists that ideas about private pension plans were recent innovations developed and promoted by the World Bank, this chapter shows that knowledge and practice of both private and public pension plans in the form of defined benefit, social insurance, defined contribution, and PAYG schemes existed in SSA countries long before global debates about pension reforms started in the 1980s.

In recent years, public policy literature has been giving increased attention to the role of 'ideas' in shaping the course of political development (Rochon, 1998; Torfing, 1999), forming political coalitions (Berman, 1998), and shaping the preferences of actors (Blyth, 2002). Using a historical institutionalist framework, the literature on the role of ideas suggests that once ideas are successfully institutionalized, they affect policy outcomes, and "once ideas are institutionally embedded, policy making becomes possible only in terms of these ideas" (Blyth, 2001, p. 4). Hall (1993) describes an institutionalized policy idea as a policy paradigm, and this is seen as "a framework of ideas and standards" that specify the "goals of a policy" and the "nature of the problems" that policy in that area is intended to solve. A policy paradigm, therefore, conditions the way in which actors "see the world and their role within it" (Hall, 1992, p. 2). From this perspective, it can be argued that the disruptions caused by colonialism and the poor institutionalization of both colonial and post-colonial social protection policy ideas have foisted multiple unstable policy paradigms into the policy atmosphere of most SSA countries, which makes it relatively easy for policy makers to switch between paths depending on how policy challenges are defined.

In Sub-Saharan Africa, old age income security programs were not developed in isolation of other social protection measures. In fact, as was the case in other parts of the world, the institutional development of SSA pension systems was intertwined with the general development of other social security programs. The origin of the current institutional arrangements of pension programs in SSA countries can be traced to both pre-colonial and colonial eras. Traditional social protection plans designed around the 'family' and the 'community' were the only institutional providers of social security in the pre-colonial era; however, the advent of colonial rule ushered in modern—"state" and "market" based programs, initially designed to reward 'loyal' civil servants and employees. Therefore, unlike advanced industrialized countries where market and state-based social security programs had completely replaced family and community-based arrangements, market and state-oriented social security programs were and remained additions to the traditional forms of social protection in SSA countries (Sanda, 1987). As a result, there are arguably four uncoordinated institutional providers of old age income and social security generally in SSA countries.

While the state and the market-based pension programs are designed specifically in the colonial and post-colonial eras to protect workers in the formal sector against the uncertainties of retirement, the family and community-based arrangements continue to be the central pillars of social protection for many Africans, and particularly for the large majority of informal sector employees. The rest of this chapter provides an analysis of the social protection ideas and institutions in SSA, and develops an ideal typology on the basis of the family, the market, and the state for classifying the institutional arrangements for old income support provision in the region.

Traditional Social Protection Systems

In the pre-colonial era, and well into post-colonial times, it was commonly believed that the family was the legitimate institutional provider of social protection for the aged and needy. This was partly because prior to the institution of colonial administration in SSA countries, the idea of 'work' and 'retirement' as distinct phases of life were not part of African philosophical thought on social protection (Apt, 1997; Apt, 2002). Life activities such as farming, hunting, fishing, mining, barter exchanges, and logging were not pursued for economic reasons and profit, rather these activities were treated as part of the normal routine of life, and were organized primarily on a subsistence basis (Apt, 2002; Boon, 2007; Gerdes, 1965). Apt (1992) argued that even in the post independence era, the notion of "retirement is closely related to education in the sense that official retirement mainly affects people engaged in wage-earning employment, who can expect a pension or social security" (137). This observation resonates with the argument that concepts such as *social security* and *pensions* "were originally applied to economies where the formal sector was predominant, that were culturally homogenous, and where poverty was viewed as transitional" (Marc, Schacter, & Schmidt, 1995 p. 11). Poverty in SSA countries is also regarded as transitional, but the context is different. Traditionally, the elderly in Africa continue to work into their old age to the point when, for reasons of ill-health or age related frailties, they can no longer do so (Apt, 1992).

In the event that the normal livelihood activities of an individual are interrupted by sickness, disability, or old age, the appropriate course of action was that immediate family members provide for that individual. Even though this arrangement was not backed by legislation in the modern sense, it was rooted in traditional values and based on the principles of intergenerational reciprocity (Gerdes, 1975; Khapoya, 1994). Apt (2002) argued that the family in Africa, despite the pressures from globalization and urbanization, continues to play a dominant role as an institutional provider of old age security. Gerdes (1965) noted that the lack of effective national pension programs, particularly, for those in the informal sector is "somewhat offset because the elderly often remain under the tribal [family] protection and are thereby assured of some care" (p. 460). It is therefore, not uncommon to find those working in the urban centers returning to their local villages when they retire and providing resources for the building of houses for them, their siblings, nieces, nephew, and parents, in anticipation of care in old age.

Analytically, the institutional design of the family's social protection mechanism for the aged can be described as an 'assured benefit PAYG' program. Every working generation supports the previous one and the cost incurred in raising and educating children is regarded as an investment against the uncertainties of old age. Under this arrangement, there are no institutional retirement ages and the elderly, while they are cared for, continue to contribute to the general welfare of the family by helping to raise, educate, and pass on respected traditional values to younger generations, and provide assistance with minimal house keeping duties, except in the case of extreme illness. Apt (2002) observed that the family social protection arrangement in SSA countries is a "complex system that includes reciprocal care and assistance among generations, with the older people not only on the receiving end, but also fulfilling an active, giving role" (p. 41).

The economic importance of the family has been widely documented (Becker, 1981), however, the notion that family units are both responsible and capable of providing for the welfare needs of their members is arguably stronger in SSA countries. Even though modernization and urbanization are adversely impacting the efficiency of the family's social protection role (Apt, 1992, 2002), family members have adapted in ways that combine individual self-interest with wider family interest. For instance, it is common to find members of the working generation of a family paying for the cost of education of the younger generation as a strategy to increase the productive capacity of the younger generation, but more importantly; this is done to increase the working generation's level of security in old age.

The design of this arrangement encompasses the logic of PAYG schemes. People are generally expected to contribute in whatever form to the well-being of their families on the basis that the old age income and security needs of today's contributors will be met by tomorrow's younger generation in the family. As Collard (2001) has pointed out, in Africa, "we look after the old, knowing that they had looked after their old, and expecting that we, in our turn will be looked after. The bargain is hardly ever written down and almost always remains implicit.... the bargain may be driven by affection or duty or by self-interest and implies some degree of reciprocity" (p. 54). Several studies have shown that continued participation in reciprocal family relationships is very crucial to the self-esteem and confidence of the elderly (Stroller, 1985; Wentkowski, 1981). Wentkoswski, (1981) argued that in societies with strong traditional ties and extended family systems, the elderly operate with norms of generalized rather than specific reciprocity in the sense that exact repayments are not expected. Consequently, the elderly often view such reciprocal arrangements as a way to build and maintain harmonious interpersonal and intergenerational relationships. In SSA countries, even individuals who are covered by state or market pension plans continue to view the family as the main line of support in old age. Similarly, many people in Africa's working generation, at any point, continue to feel responsible or obliged to provide old age income and other support services for their parents and other family members who cannot support themselves (Okoye, 2005).

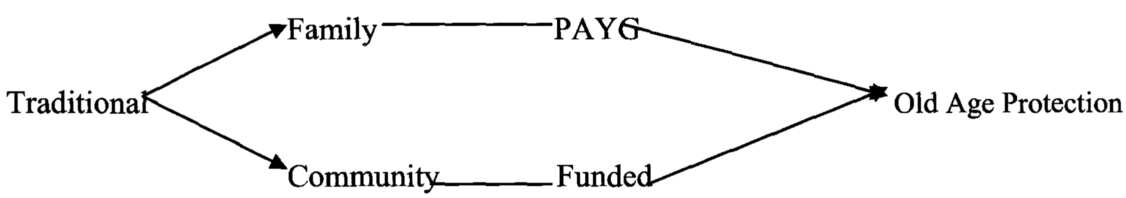
Beyond the family, there exists at the community level, a second pillar for social protection in SSA countries. Like the family system, this arrangement also has its origin in the pre-colonial period. Gerdes (1971) has argued that there were several community-level arrangements in most African societies long before the colonial era. Even though there are different versions of the community's type of social protection arrangement, the "rotational savings scheme" is the most popular (Boon, 2007). The rotational savings scheme is an informal mutual-help arrangement. Under this plan, members pay specified amounts periodically into a common pool. The funds are later distributed back to members who contributed following predetermined criteria such as old age, illness, unemployment, or disability (Bouman, 1995; Gerdes, 1975).

The rotational savings scheme is conducive to societies that lacked active market securities. Contributors usually know each other and the small-scale nature of such programs makes it easy to adapt them to changing circumstances. Gerdes (1975) captured the reality of community-level social protection arrangements by arguing that "throughout tropical Africa, it has long been the practice, especially in the rural areas, to rely on self-help associations of varying kinds, and different purposes, in order to provide assistance or comfort to their members" (p. 211). While rotational savings plans were primarily perceived as measures for wealth accumulation against old age income insecurity, they are also used in some cases as a means for capital accumulation, or a measure of protection in times of unemployment, illness, and hardship. Bouman (1995) argued that approximately 95% of the SSA adult population participates in rotational savings schemes. Gugerty (2000), and Anderson and Balan (2002) argued that rotational savings schemes are sustained by an inherent principle anchored in obligation to other members. Though this program is linked to the rural areas where community relations are closely knit and people generally "live a relatively uncomplicated life…depending on agriculture, nature and their fellow-men, accustomed and willing to share" good and bad times (Gerdes, 1975 p. 223), it can also be found in the major urban centres among people who work in the informal economy (Hyden, 2006).

Unlike the family program, coverage under the community level programs extends to a wider degree to include a broad segment of the population. As Gerdes (1975) noted, a single community level program might be extended to cover everyone in a community, tribe, sub-tribe, or institution. Membership is voluntary in most cases and open to every member in the community. Non-monetary contributions were common and usually included rendering other services that were beneficial to the entire membership of the scheme (Gerdes, 1975). As a mechanism to ensure compliance with the regulations of rotational saving plans, each contributor was expected to provide guarantors, and in the event that a plan member defaults, the guarantors were made to meet the obligations of the defaulting member.

Depending on the rules that govern such programs, benefits were originally tailored to meet the need of the beneficiaries and could be in cash or kind (Gerdes, 1975). However, in more recent times, benefits are paid in cash. Often the extent and nature of benefits provided is informed by an evaluation of the prospective recipients circumstances (Gerdes, 1975). Under the community level arrangement, an individual receives old age benefits because of prior contributions—cash or kind—to the community. Analytically, the community-level social protection plans are inherently funded programs. Individual benefit rights are based on the accumulated value of their contributions. Thus, where the family's old age protection programs were designed in the form of PAYG, the community-level arrangements were mainly funded or pre-funded in nature. The configuration of old age social protection institutions with origins in the pre-colonial times is illustrated in Figure 4.1 below.

Fig. 4.1 Institutional Configuration of SSA Pre-Colonial Welfare system



The importance of the family and community social protection for the elderly was given prominence in early post independence social policy, particularly in English-speaking Sub-Saharan Africa. For instance, Julius Nyerere, the first president of independent Tanzania, and a prominent proponent of African socialism argued that the extended family and the community must be the foundation of post-colonial African social policy thinking. Nyerere argued that prior to colonization, Africans lived in extended family networks grounded in a collective ethos, in which everyone shared their resources, owned some property in common, and cooperatively worked their lands purposely to provide for the needs of the entire community. Thus, President Nyerere placed both the family and community at the center of his country's strategy for social development (Khapoya, 1994; Nyerere, 1968). For the most part, English-speaking SSA countries delayed in establishing effective national pension programs in the years following independence due to the perceived efficiency and effectiveness of the family and local communities at performing the roles of social protection. For instance, in Ghana, early post independence social policy stressed self-reliance by encouraging individuals and communities to initiate programs that foster productivity and enhance human well-being (Asamoah & Nortey, 1987; Nkrumah, 1961).

However, the design of these informal systems had several flaws. The family protection for the aged, in particular, was based on combined altruism and strategic self-interest to ensure inter-generational transfers. It is sustainable only if the motives for transfer are guaranteed at all times and the current working generation has enough reason to believe that there will be sufficient future workers to ensure their security in old age. For example, if they imagined that, at some future date, there would be no new people to contribute to and continue the generational bargain, the current working generation would question the relevance of the bargain and probably refuse to provide care for the elderly, and this terminate the bargain. Traditional family protection is also open to abuse because a working generation might end up consuming more than they transfer to a younger generation. This development could lower the productive output of the next generation of workers and affect their capacity to provide old age income for the elderly. As Collard (2000) noted, a new working generation also might be inclined to withhold resources from the aged for previous poor investment decisions. These are hypothetical problems posed to the traditional social protection arrangement, yet most of these are now becoming real due to migration, the breakdown of extended family structures, and general changes in the economic structure of African societies (Apt, 2002).

The rotational savings arrangement at the community level was also challenged by migration and mobility. The rotational saving system was only conducive in places where people are permanently settled because traditional societies lacked modern market securities. With the growth in urbanization and modernization, the community-level old age protections in SSA countries were confronted with serious portability problems. As people migrate to other areas in search of better jobs and living conditions, the community-level social protection schemes could not move with them, and, in most cases, the migrating individuals forfeited their savings because they moved away from where the programs operated. In spite of these problems, colonialism eventually undermined the effectiveness and efficiency of the family and the community as cohesive units of social protection in SSA societies. In its wake, colonialism brought modern cities, new tastes, and new life-styles. It also transformed the face of African economic transactions by intensifying, broadening, and deepening pecuniary exchange. As a result, there were huge demands for labour in mines and on farms controlled by the colonial authorities.

Consequently, men moved to employment centers to work in the mines, farms, or in colonial civil service, while women were left to continue subsistence activities for the families left behind (Apt, 1997; Kumado & Gockel, 2003). The use of migrant and wage labour, and the emphasis on industrial development, urbanization, and commodification transformed African economies, and in the process disrupted the standard operations of the traditional social protection systems. Nonetheless, the pre-colonial social instruments for social protection continue to exist alongside those introduced in the colonial era.

Although the family and community-based social protection plans were institutionally underdeveloped compared to the modern PAYG defined benefit and defined contribution schemes, they are comparatively similar in the normative ideas that underpin these arrangements. The family income support arrangements share the values of the inter-generational bargain with the PAYG defined benefit schemes, while the community-based approaches like the rotational savings plan are akin to modern defined contribution pension plans.

The Emergence of Modern Pension systems in SSA

The various colonial administrations in Africa responded differently to the disruptions in the traditional forms of social protection. In the French territories, France set up defined benefit schemes for civil servants working in the colonial administration, and encouraged the establishment of voluntary schemes for other categories of workers in its colonies. Soon after independence, the voluntary plans were also later transformed into compulsory defined benefits social insurance schemes patterned on what existed (Bailey, 2004b; Bailey & Turner, 2002). These programs continue to be the major pension plans in French-speaking SSA countries (Turner, 2001). The British, on the other hand, operated non-contributory defined benefit social insurance programs for British officials working in the colonial civil service. Like most programs introduced during this era, old age protection policies were initially designed to cater for the needs of urban dwellers, and especially for Europeans, but were later extended to the few Africans working in the colonial bureaucracy (Asamoah & Nortey, 1987; Darkwa, 1997; Turner, 2001).

The first attempt by the British to institute a pension program in the African colonies was the introduction of the Colonial Development and Welfare Act in the 1940s (Darkwa, 1997). In the 1950s, the British government promulgated the Pensions Ordinance for its colonies with the view of unifying the Pension (European Officers) Ordinance (CAP-29, 1936) and Pensions (Non-European Officers) Ordinance (CAP-30, 1936) into a single and non-discriminatory pension scheme designed to offer equal benefits to both expatriates and local workers in the colonial administration (Government of Ghana, 2006). This was designed as a non-contributory pension program to reward colonial civil servants who had provided at least ten years of loyal service. Under this scheme, employees could voluntarily retire at age 45, or at the compulsory retirement age of 50. The intention of the scheme was to promote efficiency and loyalty within the colonial administration. Section 6 (1) of the colonial Pension Ordinance stipulates that "pension and other benefits under the scheme are not a right" (Government of Ghana, 2006 p. 31). This gave the colonial government exclusive rights and control over decisions relating to pensions. More importantly, it shows that pension programs during this period were developed without the input and participation of the workers. Owing to the fact that CAP-30 only catered to a section of colonial workers—civil servants—a parallel scheme was created under the Pension Ordinance of 1955, to serve the retirement needs of teachers working in non-government educational institutions. Later, a separate scheme was designed for university staff in the few universities in the colonies (Government of Ghana, 2006). From the onset, then, the pension system in English-speaking Africa was fragmented.

British colonial pension policy only catered for the needs of public sector government workers. The large majority of Africans who migrated to urban centers, mines, and farms to work for private companies were excluded from the colonial pension schemes. Maclean (2002) argued that the British strategy was to increase "African's standard of living to enable them to support themselves and their extended families rather than to provide a public safety net" (p. 71). Consequently, while the French colonial pension policies were designed with all inclusive features, the British limited their colonial retirement programs to administrative staff in the colonies and excluded private sector workers. This difference in approach to pension policy, and social security in general, between the French and British during the colonial period in Africa largely reflects the way each nation conceptualized their respective colonies.

Table 4.1: Divergent Normative Frameworks of British and French Colonial Rule

Normative Viewpoints	**British in SSA**	**French in SSA**
Role of state in the economy	Liberal	Statist
Organization of the State	Decentralized	Centralized
Governance strategy	Indirect Rule	Assimilation
Perception of society governed	Ethnic Communities	Individual Subjects/Potential French Citizen
View of Family System	Extended Family System	Nuclear Family
Relationship between colonial state and informal social welfare in the colonies	Strengthen informal system through policies focusing in only state employees	Replace informal system through bureaucratic extension

Source: Maclean, Lauren M., (2002) "Constructing a Social Safety Net in Africa: An Institutional Analysis of the Colonial Rule and State Social Policy in Ghana and Cote d'Ivoire" in Comparative International Development, Vol. 37; No., 3

The French did not only conceive of the colonies as overseas territories, they also perceived and treated them as part metropolitan France. Thus, policies in the colonies were formulated from France and implemented by French nationals in the colonies (Mazrui, 1983). Through a policy of "assimilation," the French sought to transform Africans into French men and women. Understandably social policy in France had a tradition of extensive centralization and a stronger role for the state. Illiffe (1987) argued that the direct application of the laws of metropolitan France to the colonies explains the relative generosity in social security provision and state-based programs in French-speaking SSA countries.

The British, however, perceived the metropolitan state as distinct from the colonies, and thought of themselves as only supervising an already existing decentralized social policy designed and operated within diverse extended family and community systems (Maclean, 2002). British colonial pension policy, therefore, only targeted those who were torn from their families as a result of being employed in the colonial administration, on the assumption that the family and community were no longer there to protect them against social insecurities. MacLean (2002) has argued that this resulted in a "limited and decentralized colonial social policy aimed at supplementing pre-existing social support systems" in the British colonies (p. 65). The problem though, is that the British failed to acknowledge and address the fact that colonization, urbanization, and modernization disrupted the efficiency and effectiveness of the traditional social support system in ways that left a large majority of people without formal means of obtaining old age income and social protection in general.

At independence, the French-speaking SSA countries maintained their colonial defined benefit social insurance schemes for both public and private sector workers. The English-speaking ones, however, transformed the non-contributory schemes for civil servants inherited from the colonial regime into contributory PAYG schemes and established pre-funded plans—provident funds—for all other categories of workers in both the private and public sectors. These schemes were not intended to replace support already provided by the family and the community. Like the colonial system, these plans only catered for the retirement income needs of individuals who worked in the formal sector of the economy. The family and the community arrangements continued to serve as the major institutional providers of old age income and care in the informal sectors in SSA countries. Table 4.2, below, illustrates the broader institutional mix of post-independence pension provision in SSA countries.

As indicated in Table 4.2, there are currently four main institutional providers of welfare in SSA countries: the state, the market, the family, and the community. State-based pension plans in SSA countries are either DB social insurance for specified groups of workers, often those in the formal sector, or programs emphasizing universality in the form of flat benefits or means-tested benefit provision. Market-oriented plans come in various forms with the most popular being the provident funds found mainly in old English-speaking SSA countries. Some business establishments also operate various forms of occupational pension plans for their members in several SSA countries (Barbone & Sanchez, 1999). The community level programs were based mostly on reciprocal or mutual agreement, while the family support was based on kinship and blood relations.

Both the community and family systems of old age support remain the most pervasive mechanisms for social protection in the informal sector in SSA countries due to the limited coverage provided through 'new' programs designed around the market and the state.

Table 4.2: Post-Independence Institutional Mix of Old Age Income/Care Provision in SSA Countries

	State	**Market**	**Family**	**Community**
Contractual Arrangements	DB Plans Universalistic	Voluntary Provident Funds—DC Occupational plans	Gifts/Transfers Old age care, Contingent loans	Voluntary work Mutual agreement
Governance	Top-down with Tripartite management	Profit Maximizing	Bottom up	Bottom up
Instruments and Sanctions	Taxation Legal framework	Profit Maximizing, Market Signals	Voluntary Self interest Social exclusion & Pressure Reciprocity and Solidarity	Altruism & Reciprocity Social & Family norms Strategic Self interest
Actors	State officials Ministries, Departments Agencies	Businesses Government Individuals	Family members— Sons, daughters, Nieces, Nephews etc	Membership Based-Organizations

From the legacies of colonial administrations and their aftermath, Bailey and Turner (2002) infer that there are five patterns of social protection arrangements in SSA region. The first group includes the former French colonies that basically maintained and expanded the DB social insurance schemes inherited from France. This group is characterized by heavy state involvement in pension provision. The second group is former British colonies—Ghana, Kenya, Nigeria, Tanzania, Uganda, The Gambia, and Zambia. These inherited non-contributory DB plans limited to civil servants from the colonial administration but transformed them into contributory schemes, and established defined contribution provident funds emphasizing market dominance for all other categories of workers (Asamoah & Nortey, 1987; Government of Ghana, 2006; Turner, 2001). The third pattern includes countries that did not establish any national pension plans because of delayed independence relative to other countries. They are southern African countries such as Malawi, Namibia, Swaziland, and Zimbabwe. These countries have shown preference for DB social insurance pension programs (Bailey & Turner, 2002).

The fourth group includes countries that lacked credible national pension programs due largely to internal conflicts. Countries in this group include Eritrea, Ethiopia, the Democratic Republic of the Congo (DRC), Lesotho, Sierra Leone, Somalia and Liberia (Bailey & Turner, 2002). Arguably, families are the major providers for old age support in these countries. The sixth group includes mostly SSA countries that have relatively higher per capita income and are comparatively more developed. These include South Africa, Botswana, Mauritius, and Seychelles (Bailey & Turner, 2002). Pension programs in these countries emphasized universality and citizenship rights, through the provision of basic old age income to all citizens over a specified age either in the form of means-tested or flat rate benefits.

While this categorization of pension systems in SSA countries is helpful for understanding the post-colonial institutional clusters in SSA pension programs, the classification is only based on observations from the contour lines of social policy programs that emerged after independence. These patterns fail to account for how the state, the market, and pre-existing norms interact to produce pension programs in SSA countries. In addition, the patterns did not take into account the continuing importance of traditional social support systems in SSA countries, given that the majority of people in SSA countries were not covered by any of the formal pension plans. Within the patterns, the distinction is not particularly clear between the first and the third categories. In both cases, social insurance programs with a heavy role for the state are the preferred policy. Hence, de-linking the two groups based on colonial heritage is not enough. It is, therefore, imperative for any classification of this kind to examine the extent of commodification, de-commodification, and degree of redistribution in various programs or policy regimes in the region.

Unfortunately, Esping-Anderson's (1990) typology, developed through a thorough analysis of the extent of commodification, and de-commodification in advanced industrialized states cannot apply to SSA countries. This is because as Esping-Anderson (1990) himself noted, the typologies were based on the "historical characteristics of states, especially the history of political class coalition" (p. 1) and the interaction between the nature of working class mobilization and political action structures. Besides, welfare systems in SSA countries are still developing and there is no reason to believe that the welfare paths currently being pursued by countries in the region will end in the same regime types in which the advanced industrialized were located in Esping-Anderson's typology.

Nonetheless, Esping-Anderson's (1990) work provides the necessary toolkits for constructing appropriate SSA ideal-type welfare typologies. Esping-Anderson's approach in the *Three Worlds of Welfare Capitalism* breaks with a long-standing tradition in cross-national welfare comparison that relies exclusively on the relationship between economic development and public welfare spending, to examine the historical and political factors that shaped the character of welfare states. In fact, the relationship between economic development and the welfare-spending matrix is even less relevant in the choices made by SSA countries and developing countries, in general. The central argument of Esping-Anderson's (1990) thesis is that even though analyses of welfare expenditure are important, it is the extent to which a welfare regime 'decommodifies' its citizens that distinguishes the various welfare typologies. Esping-Anderson (1990) illustrated this argument with an analysis of the role of the family, the market, and the state in welfare development in advanced industrialized societies.

Following Esping-Anderson's (1990) publication of *Three Worlds of Welfare Capitalism,* several authors have tried to develop alternative typologies either as critiques or modified versions of Esping-Anderson's framework (Bonoli, 1997; Castle & Mitchell, 1993; Ferrera, 1996; Korpi & Palme, 1998; Leifried, 1993; Seekings, 2005; Siaroff, 1994). With the exception of Seekings (2005), whose work attempted to provide a typology for welfare regimes in the global south, all the other authors followed the lead of Esping-Anderson (1990) by focusing their analysis on mature welfare states. Seeking (2005) argued that countries in the global south fall into one of three typologies—agrarian, corporatist, or redistributive. Agrarian welfare regimes were dependent on access to land with the subtle support of state policy. Corporatist welfare regimes were based on old age "income security through risk-pooling and or savings that are dependent on employment", while the redistributive welfare regimes were defined by "their recognition of citizens right to income security through, especially, non-contributory social assistance" (p. 13).

Like Esping-Anderson (1990), Seekings (2005) makes distinctions between the role of the traditional, the state, and the market. These distinctions resonate with the SSA countries experience of pension reform. Seeking's (2005) analysis, however, bites off more than it could chew. The global south displays a bewildering diversity in state development and social policy than can be accommodated for in a single typology. In addition, Seeking's (2005) concept of agrarian welfare is not fully developed. It is not clear if he was referring to traditional welfare among rural farming communities or simply referring to the traditional forms of protection by agrarian. Seeking's (2005) analysis also did not explain the logic behind the various welfare regimes and why they exist in the forms they do. In others words, Seeking's (2005) typology of welfare regimes in the global south lacked analysis of the historical and political factors that interact to shape the development and character of welfare regimes in developing countries. The global south is made of several countries located in different regions, with varied political institutions, different historical legacies, and different levels of economic development. In this sense, welfare typologies are better suited for countries at similar levels of socio-economic development and/or located in the same region. Thus, using insights from Esping-Anderson's analysis of welfare states' history and his distinction between the family, the state, and the market, a uniquely SSA welfare typology can be constructed by modifying Seekings' (2005) framework.

Typology of Sub-Saharan African Welfare (Pension) Systems

The welfare systems in SSA countries were the product of interaction between pre-colonial norms, colonial influence, and post-colonial development efforts. The pre-colonial system left a legacy of *reciprocal welfare regimes*; the colonial system initiated *wage-based welfare regimes;* and the independence (post-colonial) era is witnessing *redistributive welfare regimes* in some SSA countries. This distinction is not only based on the role of the family/community, the market, and the state, but it also illustrates the lingering legacy of *pre-commodification*, and the extent of commodification and de-commodification in the provision of old age income and welfare generally in the sub-region.

The reciprocal welfare regime consists of investment in mutual, shared, or give-and-take relations with others—family or community members—as a strategy for meeting social welfare needs, otherwise impossible to achieve under a given circumstance. These regime types have their origins in pre-colonial social support systems designed around the family and the community and continue to exist in contemporary African societies due to the limited coverage, and, in some cases, absence of formal "welfare state set of institutions aimed at providing citizens with a measure of social security" (Hyden, 2006, p. 88). Thus, the reciprocal welfare regime types operate or serve the welfare needs of the Africans caught in the "moral economy" (Thompson, 1971) or what Hyden (1980; 1983; 1986; 1987; 2002; 2004; 2005; 2006) referred to as the "economy of affection." Arnold (2001) defined the moral economy as "non-economic norms and obligations (e.g., reciprocity) that mediate the central, social, political, and/or economic relations of a given (almost always pre- or non-market) people" (p. 85).

The reciprocal welfare regimes are the products and legacies of Africa's moral economy with origins in pre-colonial times. The persistence of the moral economy in SSA is both an illustration of indigenous resistance to modernization and the weaknesses of modern African states. Hyden (1980; 2006) has argued that African states were not able to capture Africans in the moral economy in the rural areas due to their own de-linked modes of production. But the moral economy is reproduced in various forms in urban centers of all SSA countries. Hyden (2004; 2005) observed that urban informal sector workers in SSA countries have extended the *practices* of the moral economy to the cities because they also remained 'uncaptured' by both the modern state and the formal market system.

MacLean (2002) argued that city-dwelling Africans who work in the informal sector engage in new horizontal relationships that transcend the boundaries of the extended family for social security needs. The reciprocal welfare arrangement in the moral economy as it exists in SSA countries is not an expression of irrationality. Instead, "it is a practical and rational way of dealing with choice in the contexts of uncertainty and in situations where place, rather than distanciated space, dictates and influences people's preferences" (Hyden, 2006, p. 76). Due to lack of proper understanding of the nuances and workings of the moral economy in SSA societies, it has been negatively referred to as as prebendalism (Joseph, 1987), politics of the belly (Bayart, 1993), patrimonialism (Bratton & deWalle, 1994), and instrumentalization of informal politics (Chabal & Daloz, 1999). But as Adi (2005) argued:

> The moral economy in Africa is composed of a complex web of interdependent relationships of solidarity and mutuality that most often shape economic decisions. Most times, the sense of group loyalty and solidarity overrides the need to conform to rational economic principles. Economic exchanges are often, not underwritten in monetary terms and transactions are not always motivated by profit. Payments for certain goods and services are made, not in cash but in kind - a situation that creates enormous problems for quantitative analysis. Political economists usually refer to the combination of these features as the lack of complete monetization of the economy...These practices are articulated in the theory of indigeneity which attributes the dynamism of the moral economy to the resilience of indigenous African norms of social organization, namely the norms of (organic) group solidarity and mutual self-help which are expressed in the practices of sharing and community as opposed to individual welfare. Although these norms are often presented as "naturally" African, historical evidence suggests that they evolved and became significant following the failure of pristine states to protect the interests of ordinary people in the pre-colonial era and to defend them in times of adversity.

The underlying normative principles of the reciprocal welfare regime pre-dates the era of commodification. As such, the exchange and social protection arrangements in this welfare regime type are based on mutual agreements and adherence to traditional norms. In effect, pre-commodification assumptions continue to serve as the fundamental basis of reciprocal welfare regimes. It is estimated that only 30% of the world's elderly population remain uncovered by formal social protection arrangements while only 40% of the working population in the developing world participate in formal retirement and old age income schemes (World Bank, 1994). In SSA specifically, Coheur (2007) argued that approximately 80% of the population are without any formal social protection arrangements because they work either in rural areas or in the informal sector. It is mostly these populations that invest in and rely on the reciprocal welfare arrangements for old age income support.

The reciprocal welfare regime is pervasive across the continent by default, and is most dominant in countries like Eritrea, Ethiopia, the Democratic Republic of the Congo, Lesotho, Sierra Leone, Somalia, and Liberia, where years of internal conflict are delaying the establishment of nation-wide pension plans for all types of workers. As illustrated in Table 4.3, reciprocal welfare regimes emphasized family and community as the locus of solidarity and risk-pooling. Individual contributions or investment in the reciprocal welfare regime are not commodified. Unlike the wage-based welfare regime types, participation in reciprocal welfare regimes is not based on employment, rather it is determined by one's kinship to family schemes, and locale in relation to community-based arrangements.

Table 4.3: Typology of Sub-Saharan Africa Welfare Regimes

	Reciprocal Welfare Regimes	**Wage-Based Welfare Regimes**	**Redistributive Welfare Regimes**
Role of:			
Family/Community	Central	Marginal	Marginal
Employment	Marginal	Central	Marginal
State	Varied	Varied	Central
Welfare state Features:			
Mode of Solidarity	Kinship	Individual or Occupational	Universal
Focus of Solidarity	Kinship/Locale	Market	State
Degree of Solidarity	High	Varied	High
Rules of Access	Kinship/community	Formal earnings	Citizenship
Redistribution	Varied	Low	High
Risk-Pooling	High	Varied	High
Degree of Decommodification	Non-commodified	Low	High (de-commodification)
Modal examples	Malawi, Sierra Leone, Eritrea, Somalia, Liberia, etc	Senegal, Burkina Faso, Cameroon, Ghana, Nigeria, Tanzania, Zimbabwe, etc	Botswana, South Africa, Mauritius, Namibia, etc

The *Wage-Based Welfare Regime* types, on the other hand, are defined by their exclusionary nature. This type of welfare applies only to people who are employed in the formal sector of the SSA economies, either by the state or by other business entities. In SSA, several countries have specific provisions in their welfare legislations that explicitly exclude workers in the informal sector or the moral economy from participating in formal old age income provision arrangements (U.S. Social Security Administration, 2005). In this regime type, employers and employees make contributions into a pension scheme designed either as a defined benefit plan or defined contribution scheme. Thus, governments contribute for employees and not on the basis of income redistribution or citizenship rights. As indicated in Table 4.3, there is a high degree of commodification and a low redistribution in the wage-based welfare regime types.

Eligibility for old age benefits is based on prior employment in the formal sector. Due to the limited scope of the formal sector in SSA countries, the large majority of the population were pushed into the reciprocal welfare regime by design of the wage-based welfare systems. As the state becomes stronger and more effective in allocating resources, the relative importance of the reciprocal welfare system diminishes (Hyden, 2006; Maclean, 2002), because individuals will then be covered either by the one of the regimes defined by formal legislation. In most SSA countries, however, both the wage-based welfare regime and reciprocal welfare types co-exist within the same national jurisdiction as a result of the relative weaknesses of the state and design flaws in old income arrangements. Solidarity in the wage-based welfare regime is not only low, it is also focused on participation in the formal marketplace. The large majority of African countries belong to this category of welfare regime due to the nature of both colonial influence and the design of post-colonial social security legislations. Countries in this category include French colonies—Senegal, Benin, Cameroon, and Burkina Faso among others-which maintained and expanded the defined benefits social insurance schemes inherited from the colonial administration; while the former British colonies—Ghana, Nigeria, Tanzania, Kenya, Uganda, Zambia, and the Gambia, among others-that established their own defined contribution provident fund schemes in the post-independence era.

Unlike the French, the British did not bequeath a pension program with national appeal to its former colonies. As a result, they opted for provident fund plans soon after independence. Both the defined benefit social insurance and defined contribution provident funds were designed purposely for wage-earning populations in SSA countries. While the former emphasized an active state role in ensuring, risk-pooling, and guaranteed retirement income, the latter emphasized the primacy of the market, de-emphasized risk-pooling and collectivism, and linked benefits directly to contributions. Thus, both the French and English-speaking SSA countries belonged to the wage-based welfare regime. However, until the pension reforms in English–speaking SSA countries in the 1990s, the institutional arrangements and design of pension policy in these two categories of SSA cases had profound differences with implications for income security of the retirees. The defining feature of the wage-based welfare regime is that the operations of the market were encouraged by the state either actively—by supervising mechanisms for risk-pooling—or passively—by encouraging individual savings through tax incentives. Like the reciprocal welfare regime, there are no direct state subsidies of old age income in the wage-based welfare system. This is what distinguishes both regimes from the redistributive welfare regime types.

The *Redistributive Welfare Regime types* are defined by a state's recognition of citizens' rights to old age income security through non-contributory basic social assistance programs (Seekings, 2005). In this regime type, the state crowds out the market by ensuring that every citizen above a specified age is provided a constant flow of income at old age. As illustrated in Table 4.3, solidarity is high in the redistributive welfare regime types. The level of de-commodification is high and the operations of the welfare arrangements are directed at achieving a system of generous universal and highly distributive benefits, ultimately not dependent on individual contributions. Here, the state plays a central role in welfare provision and benefits are either means-tested or provided in the form of flat rates for eligible citizens. This regime type is illustrated by the old age income provision practices in South Africa, Namibia, Mauritius, and Botswana (Bailey & Turner, 2002; Devereux, 2001), where the state directly subsidizes and supervises the provision of old age income to citizens above statutory retirement ages.

Structural Transformations

In the 1990s, the English speaking SSA countries that established defined contribution provident fund schemes in 1960s undertook retirement income reforms involving major institutional transformations of their pension systems. More specially, Ghana, Nigeria, Tanzania, Zambia moved their pension programs from defined contribution provident fund plans to PAYG defined benefit social insurance programs. While the Gambia added social insurance to the existing provident funds, Kenya and Uganda are in the process of transforming their respective provident funds to social insurance programs (Dau, 2003; Turner, 2001). Provident fund plans were described as mandatory individual retirement savings programs under which benefits are directly linked to contributions. Benefit payments under provident fund systems had no relations to duration of work, and computational formulae are not based on final salary (Gerdes, 1971).

As a defined contribution scheme, benefits were mostly paid in the form of a lump sum at the time of retirement. Bailey (2004a) argued that provident funds were established in SSA countries because they were viewed as "simple to operate and also consistent with African workers who were expected to return to their village on retirement where they would benefit more from a lump sum" (p. 37; see also Gerdes, 1971). As contributory plans, both employers and employees finance provident funds through shared contributions, while the self-employed pay 100% of contributions required under any specific plan (Gerdes, 1971). Contributions were usually credited and maintained in separate accounts for employees and paid out with accruing interest to them upon retirement (Dixon, 1993). In essence, provident funds are a form of defined contribution plans (Iglesias & Palacios, 2000) because they were not only meant to prevent inter- and intra-generational transfers, but they were also designed to eliminate risk and resources pooling (Bailey & Turner, 2002; Dixon, 1993). In the early 2000s, however, Nigeria and Ghana undertook structural pension reforms of their respective pension systems. While the former adopted a purely defined contribution scheme (Casey & Dostal, 2008), the latter opted for a three-tier pension plan that comprised a mixture of defined benefit and defined contribution arrangements (Dorkenoo, 2006).

Conclusion

By and large, the institutional arrangements for old age income provision in SSA countries are very complex because of how they are configured. Although the complexity is a function of underdevelopment, the existing arrangements allow for co-existence of market-based, state-based, community based, and family income support within specific national contexts. Because traditional forms of social protection persisted into, and remained largely in, both the colonial and post-colonial periods, market and state-based old age income support arrangements introduced in the latter periods came to represent additional social protection layers on top of the earlier arrangements. Consequently, in SSA countries, no one particular social protection policy idea or paradigm is deeply entrenched to ensure the stability of one path over others. As a result, policy makers have greater flexibility to switch between already existing paths and policy paradigms depending on how policy challenges are defined by actors, and what options fit their collective view of the "logic of appropriateness (March & Olsen, 1989).

Thus, rather than assuming that global policy actors such as the World Bank and ILO invented the specific policy pension reform options or ideas they are promoting, it is imperative to carefully examine the historical development of social protection policy ideas in pension reforming countries, and highlight policy ideas that may have persisted in the margins, and have the tendency to reinforce themselves more broadly whenever a window of opportunity is available. Long nurtured policy ideas and institutions have the capacity to influence politics and policy choices in the future, although some of those ideas and institutions may have been considered insignificant in the past. The ideas and principles underlining both defined benefit and defined contribution old age income security programs have always lingered in, and constituted the policy instruments around which the historical development of social protection mechanisms in SSA evolved since the pre-colonial era. Consequently, the shift from defined contribution plans to PAYG defined benefit plans in English-speaking SSA countries in the 1990s, and the move to defined contribution in Nigeria, and a three-tier pension system comprising a mixture of defined contribution and defined benefit arrangements in Ghana, were largely decisions made within the confines of path-dependence of ideas (Cox, 2004) and not necessarily brought about through inducements by global policy actors.

CHAPTER FIVE
TRANSNATIONAL CAMPAIGNS FOR PENSION REFORMS IN SUB-SAHARA AFRICA

Introduction

This chapter describes and explains the international context, including the ideas and the global policy actors, in which the domestic politics of pension reform in Africa have taken place. I analyze the international context because political economists who view the World Bank and other global policy actors as the major explanatory variables for pension reforms contend that the general shift to private pensions did not occur or was delayed in SSA countries due to a lack of global politics of attention in which the global policy actors focused their pension reform campaigns on Latin America, Central and Eastern Europe, and ignored SSA countries for lack of resources. This chapter contests the claims of political economists researching the recent round of pension reforms that argue that pension privatization did not occur in the SSA countries around the same time it was adopted in Latin America, Central and Eastern Europe because the World Bank and a coalition of actors promoting private pension plans were constrained by resources and hence did not pay attention to pension reforms in SSA countries.

I argue that there was not only significant attention to pension reforms in Africa by global policy actors, but also that the international pension environment in SSA was characterized by fierce debate between the World Bank and the International Labour Organization (ILO), with each institution promoting a different policy preference for pension reforms. By and large, the preferences promoted by these global policy actors mirror the already existing policy paradigms in the region. So while these global policy actors may have helped some domestic actors to legitimize their specific policy options over others in a broader process of social learning (Heclo, 1974), the global policy actors were by no means the causal mechanisms for pension reforms in SSA countries.

Pension reforms in SSA countries since the 1990s occurred in a global policy environment characterized by competing, as well as conflicting, policy paradigms for the perceived problems of social security. The World Bank and the International Labour Organization (ILO) led two different coalitions of transnational policy actors to champion their respective 'pet' policy options (Deacon, Stubbs, & Hulse, 1997; Queisser, 2000). This phenomenon was described by some scholars as the "globalization of social policy and socialization of global politics" (Deacon et al., 1997, p. ix). For the most part, pension reforms were a highly contested global policy space, and largely controversial due to the varying normative perspectives from which the two transnational actors developed their definition of existing policy problems and framed their preferred policy options. Unlike Latin America and Central and Eastern Europe, where the World Bank was arguably unmatched in diffusing its pension reform ideas (Muller, 2003; Orenstein, 2005b, 2008), in SSA, the spread of pension reform ideas was characterized by a fierce battle of competing ideas by the World Bank, on one hand, and the ILO, on the other. Therefore, beginning with the description of their institutional settings and policy preferences, this chapter presents an analysis of the battle of ideas and campaigns by the ILO and the World Bank for pension reforms in the SSA policy space.

ILO: Institutional Settings

The ILO was established in 1919 as an agency of the League of Nations through the Treaty of Versailles, which ended the First World War. Its emergence out of the

Peace Treaty symbolized the concerns for labour protection in the post war years. Thus, since its formation, the ILO assembles delegates from its member states annually to openly discuss issues of mutual interest and share innovative ideas about the welfare of labour. Delegations to ILO events usually consist of workers, employers, and government officials from among member states. When the ILO was first formed, only a few countries had social security programs, and most were insurance-based (ILO, 1984). Hence, prior to 1939, the organization was devoted to promoting the notion of protection for workers through the development of social-insurance-based programs. After 1944, the ILO expanded its scope of activities as a strategy to broaden and diversify the notion of social security. This change was marked by the adoption of *Income Security Recommendation 1944(No. 67)*, which provided broad guidelines for the application of social security in several other issue areas pertaining to the protection of workers. This transformation resonated with the dictates of the organization's constitution, which among other things prioritizes "the protection of the worker against sickness, diseases and injury arising out of his employment...provision for old age and injury, protection of workers when employed in countries other than their own" (ILO, 1984, p. 163).

The ILO had operated in the area of pensions, labour market development, and worker protection for several decades. Its standards regarding pension provision and social security in general are contained in various ILO conventions developed in consultation with member states. The conventions provide member states with reasonable and attainable targets for ensuring effective social protection. Even though the ILO conventions are not automatically binding, they do have persuasive effects on member states. Prior to 1939, ILO conventions on social security were largely uncoordinated. However, at the 35^{th} session of its legislative wing—International Labour Conference—in 1952, a new policy framework known as the *Social Security (Minimum Standard) Convention—No. 102* was developed. This framework, which was based on 30 years of experience, codified all the organization's existing conventions on social security into a single comprehensive and well-coordinated policy standard covering nine contingencies for all its constituents (ILO, 1984). As one of the senior specialized agencies of the United Nations (UN) family, the ILO perceives regular old age income support and protection of labour against economic and social risks as major human right issues backed by the Universal Declaration of Human Rights (UDHR) and the International Covenant on Economic, Social, and Cultural Rights (ICESCR) (Kulke, 2007).

In Africa, the development of pension systems since independence relied heavily on the expertise and advice of the ILO and its affiliate institutions like the International Social Security Association (ISSA). The ILO's standard definition for social security "as the protection which society provides for its members through a series of public measures: to offset the absence or substantial reduction of income from work resulting from various contingencies (notably sickness, maternity, employment injury, unemployment, invalidity, old age and death of the breadwinner); to provide people with health care; and to provide benefits for families with children" (ILO, 2000b, p. 29), continues to serve as the standard guide for pension policy making in SSA countries. The diffusion of ILO pension policy standards were facilitated through the use of conferences, seminars, training sessions, and through the ratification of its conventions by African states (ILO, 2000a; ISSA, 2000).

According to the ILO, Africa generally has an excellent record as far as ratification of the organization's labour-related conventions are concerned (ILO, 2007b). The organization also boasts of long working relations and experience in pension-related issues in Africa. For instance, in one of its several studies on African pension systems, the ILO noted that it had:

> been closely involved in these [pension] issues through its technical cooperation with its constituents developed by responsible Area Offices and by Multi-disciplinary teams in Harare and Abidjan. As a result, the regional office of the ILO approached the Training Centre in Turin with a view to arranging a seminar on social protection strategies at which these [pension] issues could be studied and discussed. A similar seminar had already been held [by the ILO] for French speaking countries in Africa in October 1996. The seminar for English speaking Africa was accordingly organized and took place in Harare from 21 to 25 April 1997. It was organized on tripartite basis with representatives from government, employers and workers and, as resource persons, from selected social security institutions. Thirty-eight participants from 18 countries attended the seminar. The programme of the seminar was arranged so that initially it revolved around presentations by ILO officials on relevant social security themes and issues with each presentation followed by a debate (ILO, 2000a, pp. 1-2).

Like elsewhere, the thrust of the ILO's pension reform campaigns in Africa revolved around social insurance and social assistance strategies for income maintenance in old age. The paramount concern of the ILO in its programmatic ideas was the need to ensure inter-generational transfer, collectivism, and solidarity in designing pension programs. Although the position and pension policy preference of the ILO has been seriously challenged by a coalition of actors led by the World Bank since the 1980s (ILO, 2000a; Muller, 2002, 2003; Orenstein, 2003, 2005b; Queisser, 2000), the former is still committed to its preferences and original frameworks for social protection which have long guided its work in the field. In 2001, the ILO reaffirmed its commitment to universal and collectivist social security arrangements as the most appropriate mechanism for achieving the objectives of the UDHR and other international agreements to which most states are signatories (Kulke, 2007).

The ILO and the World Bank are both specialized agencies of the UN, however, they differ on the direction of pension and social security policies and have both been promoting their preferences in countries across the globe. The Bank has been leading a coalition of transnational policy actors that have taken a purely economic view of pension reforms and continue to argue against the sustainability of postwar PAYG programs (Deacon, 2007; Kulke, 2007). The ideological battle between the two transnational actors on pension reforms demonstrates the internal disagreements within the UN on the direction of global social policy in the post-cold war era. The Bank's unilateral move to campaign for alternative pension reform policy prescriptions was a rude awakening to the ILO and other more socially inclined agencies of the UN. For such agencies, the Bank's new found love for pensions is nothing but a departure from its original mandate and an encroachment upon the expertise of the ILO (Deacon, 2007; Deacon et al., 1997).

The World Bank: Institutional Setting

The World Bank consists of two organizations; (1) the International Bank for Reconstruction and Development (IBRD) which was established after the Second World War to assist in rebuilding devastated Europe and Japan, and (2) the International Development Association (IDA) which was set up in 1960s to address what were perceived as weaknesses in the operations of the former. These two institutions have come to be collectively referred to as the World Bank. Currently, however, the World Banks has expanded to include the International Finance Corporation (IFC)—mainly responsible for financing private sector initiatives- and the Multilateral Investment Guarantee Agency (MIGA)—which provides insurance against investment risks-and the International Center for Settlement of Investment Disputes (ICSID)—entrusted with resolving investment related conflicts between domestic governments and foreign investors (Gros & Prokopovych, 2005; World Bank, 2008).

Theoretically, the World Bank is owned by 184 member countries; in practice, however, the wealthier countries have more influence and leverage over the poorer ones in areas of governance and policy orientation. For instance, the administration of the Bank revolves around a 24-member board of directors, five of whom represent the United Kingdom, the United States, France, Germany and Japan as the largest shareholders. Interestingly, none of these five influential members of the Bank has ever borrowed from the institution since World War II (Gros & Prokopovych, 2005). Saudi Arabia and Russia are each represented by one person on the board and the remaining members of the board are shared among 176 countries. SSA countries together have two representatives on the board (Gros & Prokopovych, 2005).

By convention, the Bank's president is always an American, just as the managing director of the IMF has always been European. The US is undoubtedly the most influential member country of the World Bank. Apart from the advantages it derives from the power of appointing the most powerful officials of the Bank, the US is also highly favoured by the processes of decision-making within the Bank. The Bank's decision-making process provides each member country 250 basic votes with additional votes, but the latter is dependent on the size of a country's domestic economy. By implication, as the economy of a country expands, that country automatically accrues additional voting rights in the World Bank. As at the end of 2006, the US maintained its lead as the World's largest economy accounting for about ¼ of global GDP. Consequently, the US accounts for about 15% (the threshold at which a country can veto decisions) of total votes in policy or decision-making and governance of the World Bank (Gros & Prokopovych, 2005).

Even though the Bank had gone through several phases and changes since its establishment, it has always been guided by free market ideology in its policy prescriptions and orientation. The institution uses two main strategies—investment and adjustment—in its lending practices. Loans granted by the World Bank for investment purposes are aimed at financing the development of (1) physical infrastructure in the form of roads, railways, ports, and water systems, and (2) social development in areas such as health and education. These types of World Bank loans were generally meant to reinvigorate national economies under a scheduled duration of 5-10 years. Adjustment loans, on the other hand, were meant to assist countries carry out structural economic reforms in line with the tenets of neo-liberalism and free market principles. Thus, adjustment loans were directed at financing legal and regulatory systems reform, eliminating market distortion, enhancing competition, private sector activism, and scaling down of government bureaucracies (World Bank, 2000a).

In SSA, the Bank emerged as the prime lender and financier of national development projects since the 1960s for a number of reasons. For instance, in their struggle to defeat colonialism, nationalist leaders in Africa had portrayed de-colonization as a necessary and sufficient condition for the provision of social amenities in a post-colonial system (Chazan et al., 1992; Hyden, 2006; Schraeder, 2000). In effect, the legitimacy and acceptability of postcolonial order was dependent upon the ability of African nationalist leaders to honour their promises by building roads, factories, and dams, as well as effectively providing education, health services, and quality water. This situation provided both the Bank and post-colonial African elites an opportunity to justify their relevance to the new states in Africa. At the minimum, the Bank has to demonstrate some modicum of sensitivity to its new clients so as to enhance its legitimacy in the then emerging regions (Gros & Prokopovych, 2005). Postcolonial African governments, on the other hand, saw relying on funds from the Bank as the easiest way to hasten the process of honouring the promises made in the struggle for de-colonization. For instance, at the height of its socialist rhetoric, Ghana had to rely on the Bank—an institution guided by neo-classical economic ideas—to finance the industrialization of its hydro and power generating projects.

Although the World Bank had been involved in Africa for a long time, it was not until the 1980s that it published its first official and comprehensive development report—Accelerated Development in Sub-Saharan Africa—as an attempt to provide a perspective on the key socio-economic challenges confronting African states and the appropriate remedies for the ailing economies in the region (World Bank, 1981). In its earlier works in Latin America, the Bank became aware of how existing PAYG pension programs affected the economic progress and social adequacy of many countries (Ramesh, 2006). Since the 1980s, the World Bank has not only generated intense debate about pension policy designs and the need for reforms, it has also become a major actor in promoting alternative ideas and policy preferences for pension reforms based on neo-liberalism (Brooks, 2007; Deacon, 2007; Holzmann & Hinz, 2005; Orenstein, 2003, 2005b, 2008). The Bank has received support from other transnational actors including the International Monetary Fund (IMF) and the Inter-American Development Bank (IDB), among others (Deacon, 2007; Orenstein, 2005b).

The World Bank's Attack on Postwar Pension Plans

In its premier work on pension reforms, the World Bank argued that changes in demographic composition, budget difficulties, and potential inter-generational warfare arising out of problems posed by demography, demanded drastic changes in existing PAYG pension programs in countries around the world (World Bank, 1994). There is broad consensus among scholars and social security experts, including those in the ILO, on these policy challenges. However, the ILO differs from the Bank on the approach and interpretation of these challenges. From the Bank's perspective, population ageing was seen as the main catalyst for the pension reforms because it resulted in increased pension spending (World Bank, 1994). The demographic pressure was worsened by the maturation of existing pension programs in most industrialized countries. The Bank and its supporters argued that pressure on existing pension plans is likely to be exacerbated by the imminent exit of the baby boomers from the labour market (Holzmann & Hinz, 2005; Holzmann & Stiglitz, 2001; World Bank, 1994, 2003).

Even though the exact implications of the demographic changes are unknown (Bonoli, 2000), the Bank argued that the current trend in population growth points to a future where the proportion of older people in the total population will outnumber those in the active labour force. This assertion was based on the gradual decline in fertility rates and increase in life expectancy, in general. People are not only deferring childbirth, but they are also having fewer children. In addition, due to improved medical support, older people are generally living longer than ever before. This trend is seen as injurious to economic growth and unsustainable because it has the potential to result in a situation where a large numbers of retirees, though healthy, will be outside the labour market and depend on younger workers for benefits (Hinz, 2003; Holzmann, 2000, 2003). In line with this thinking, some scholars have argued that "most countries will almost certainly see an increase in the relative size of the retired population" (Bonoli, 2000, p. 17), which, in turn, would have grave implications for the financial viability and sustainability of pension systems if the trend is not averted (Holzmann, 2000; World Bank, 1994).

Thus, financial sustainability and budgetary constraints posed by the demographic transformations constitute the second, but related variable against which pension reform discussions are taking place. Since the last quarter of the 20th century, governments in many countries have been under intense pressure to reform their pension systems due to huge budget deficits and immense citizenry resistance to tax increases. Fiscal constraints on government budgets have undermined the generous resource allocation of pension benefits, and exacerbated existing concerns about the sustainability of existing pension schemes (Schwarz & Demirguc-Kunt, 1999; World Bank, 1994). In addition, fiscal projections in the 1990s indicate that future workers would be required to pay higher contributions than current workers if corresponding retirement incomes are to be achieved. This is because the unfunded liabilities inherent in existing PAYG systems would supplant budget surpluses in a way that adversely affects the pension policy-making matrix. The Bank argued that expenditure on old age income support will continue to witness exponential and dramatic increases in many countries if the postwar intergenerational arrangements were to remain unchanged (Holzmann, 2003; World Bank, 1994, 2000b) because "population aging has a direct influence on future pension expenditure" (Vidlund, 2006, p. 7).

The World Bank also argued that the generosity of postwar retirement arrangements combined with an expected rise in the proportion of older people in many countries, have implications for the principles of fairness and equity within the context of the intergenerational transfers embedded in PAYG pensions system (Gal, Simonivits, & Tarcali, 2001). The growth of earnings-related public pensions alongside other old age protection programs in some countries implied that considerable pension benefits are received by retirees who are relatively wealthy and may not need additional transfers (Holzmann, 2000; World Bank, 1994). The fear, as framed by the World Bank, is that if current trends remain the same, the resulting situation where employees of today work to provide generous benefits for the previous cohort of workers without guarantees that the current cohort will enjoy similar levels of benefit when they retire. So, while the generosity of postwar pension programs in many countries has assisted in reducing poverty levels among the elderly in the general population, it is also a potential source of intergenerational tension.

Weaver (2003) noted that the timing of the Bank's advocacy for pension reforms coincided with the rise of conservative groups who criticized existing social protection mechanisms as inefficient arrangements that "subsidize government deficits (by allowing governments to borrow money cheaply), while stifling investment and providing inadequate returns on workers' contributions" (p. 42). Even though these concerns were more pervasive in the mature welfare systems of advanced industrialized countries, implementation of structural adjustment programs in the developing countries in the 1980s, as a response to economic crisis, was seen as accelerating the maturation of their pension systems as well. As a result, the Bank advised policy-makers to be proactive by discarding PAYG arrangements (Madrid, 2005; Muller, 2002, 2003). While the economic crises and implementation of SAP weakened groups such as organized labour that opposed pension privatization, it strengthened other actors, particularly, the international financial institutions, and their domestic coalitions that supported market reforms (Madrid, 2005).

According to the World Bank (1994), its interest in pension issues in client countries was necessitated by four major concerns. First, is the question of short-term financing and long-term sustainability of existing PAYG plans. It argued that countries with unfunded or PAYG pension systems run deficits financed through some combination of general taxes and public debt. On the other hand, countries with balanced pension systems often demand higher contribution rates. But high contribution requirements can also have adverse impacts on a country's prospects of economic growth because they crowd out sources of general government revenue. In the Bank's experience, these short-term financing challenges are not limited to countries with ageing populations because, even in developing countries where coverage under formal pension plans was low, delayed payments, infusion from government budgets, and persistent deficits have presented challenges similar to those in countries with more matured pension systems and ageing populations. The demographic challenges posed to the long term sustainability of PAYG systems, thus provided a window of opportunity to revise pension policies in line with individual responsibility for countries all over the world (Holzmann, 2000).

Secondly, the Bank is concerned with the effects of PAYG pension programs on economic growth. The Bank argued that the design of PAYG plans may distort life cycle savings, and provides incentives for earlier labour market exits (Gruber & Wise, 1999), resulting in lower levels of output. In addition, the strategy for financing PAYG plans affects aggregate saving habits and general capital market development, both of which are crucial for economic growth. Furthermore, the Bank argued that in their design, PAYG plans discourage individuals from participating in supplementary retirement saving schemes and thus "impede the emergence of pension funds and similar financial market institutions" required for the development of a sophisticated financial market (Holzmann, 2000, p. 15).

Third, the Bank criticised PAYG plans in general and demanded restructuring of old income support due to concerns over benefit adequacy and the nature of redistribution design of PAYG plans. Particularly in developing societies, pension plans were mostly earnings related and restricted to the relatively well-off employees in the formal sector. Through budget subsidies and public pricing, these systems directly and indirectly "impose unfair burdens on the less well-off outside the formal economy, while providing them with no systemic support in old age" (p. 15). In addition, the Bank raised questions about elements of gender discrimination inherent in retirement ages under many PAYG pension programs, and objected to special privileges enjoyed by some categories of workers whose PAYG plans were either based on non-contribution schemes or early retirement age or both (Holzmann, 2000).

Finally the World Bank argued that PAYG plans are exposed to several political risks ranging from excessive government interference, to misuse of accumulated retirement savings by public officials (Holzmann, 2000; World Bank, 1994). In view of these weaknesses in PAYG systems, they advocated major structural reforms in pension systems in both developed and developing countries in ways that will reduce government interference, link benefits to contributions, eliminate the imbalance in redistribution, promote economic growth through savings, and ensure long term financing and sustainability (Holzmann, 2000, 2003; Holzmann & Hinz, 2005; World Bank, 1994).

The World Bank's Pension Reform Ideas

After closely observing and assisting in structural pension reform in Chile for several years, the World Bank criticized existing PAYG schemes and supported pension privatization by publishing—*Averting the Old Age Crisis*—its premier contribution on the issue in 1994. This book painted a bleak picture of the future for the aged and questioned the sustainability and relevance of existing social protection arrangements (World Bank, 1994). In this view, public pension expenditures had become obstacles to economic growth in many countries. The increase in spending on government funded public pensions was attributed to the perceived mismatch between demographic trends and economic development—aging populations resulted in an increase in the numbers of people eligible for pension benefits and fewer people in the work force. As a step towards resolving what was portrayed as an aging crisis, the World Bank and its allies presented a set of options for pension reform based on an amended version of the Chilean model.

The model is premised on the assumption that several distinct pillars aid in diversifying retirement risk and/or ensuring multiple sources of retirement income. The Bank and the other supporting transnational actors raised doubts about the sustainability and growth implications of PAYG insurance programs. In doing this, the Bank emphasized economic efficiency and the growth advantages of funding and individual retirement savings (Holzmann, 2000; World Bank, 1994). As a result, the new pension reform template provided greater scope for private retirement financing and provision, and only a limited or residual role for state participation. Advocates of the new pension reforms argued that privatized pensions are fully funded and have a higher propensity to withstand demographic challenges. In addition, it was asserted that the long–term returns on privatized pensions would be "higher than the annual percentage growth in total real wages, on which public pay-as-you-go systems depend" (Madrid, 2005, p. 25).

Furthermore, pundits of the World Bank's pension reform model argued that private pensions provide workers with incentives to contribute to individual plans and the power to exercise some control over arrangements that affect their retirement incomes, while at the same time serving as an effective strategy for both restoring the financial health of national economies and minimizing political manipulation. The World Bank's programmatic pension framework consisted of three pillars: (1) universal flat-rate or means-tested pension (redistribution) for the purposes of alleviating old age poverty; (2) mandatory pension savings in privately managed individual retirement savings accounts; and (3) voluntary or optional retirement savings in occupational or individual pension savings accounts (Holzmann, 2000; Holzmann & Hinz, 2005; Orenstein, 2005b; World Bank, 1994).

Table: 5.1 The World Bank's Pension Reform Model

Pillar	Objective	Financing	Program features
1st	Poverty prevention (Supplementary)	Tax financed	Mandatory; through redistribution; Publicly managed; Means-tested/poverty alleviation
2nd	Income smoothing (Main tier)	Fully funded	mandatory individual account through compulsory savings; privately managed; Entitlement benefit equal contribution
3rd	Income smoothing (Supplementary)	Fully funded,	Voluntary; through voluntary saving from contributions; privately managed; Entitlement benefits equal contributions

Source: Ramesh, (2006), *The World Bank Pension Reforms;* World Bank *(1994) Averting the Old age Crisis*

As illustrated in Table 5.1 above, the first pillar of the World Bank's pension model functions as a poverty alleviating arrangement for people whose income falls below a certain threshold. This is done through means-testing, a universal flat rate, or needs-based benefit provisions. The first pillar is managed by government and financed through general tax revenues. It is based on the assumption that there will also be people who will fall through the 'socio-economic cracks' and will need to be protected by providing minimal state benefits. In the Bank's view, there is the need to shift to funded pension system over time. Hence, the second tier in the Bank's arrangement is the major source of retirement income provision. This tier is designed as defined contribution scheme finance through individual or private contributions by employers, employees, or both.

Unlike the first pillar, the second pillar is based on individual accounts and is managed by private fund managers under competitive market arrangements. This is based on the assumption that retirement savings can be used to boost economic growth through investment. The key principle in this pillar is that retirement benefits are directly linked to contributions, and retirees get both their savings and any returns generated from investments on their accounts. The third pillar is similar to the second pillar in financing, management, and benefit formulae. However, it is a voluntary system, but is encouraged through tax incentives. In addition to old-age income smoothing, this pillar makes up for any unforeseen challenges of the other pillars (Holzmann, 2000; Holzmann & Hinz, 2005; Orenstein, 2003, 2005a, 2005b; Ramesh, 2006; World Bank, 1994). The first and third tiers are included in the multi-tier for the purposes of retirement risk diversification.

The primary objective of the World Bank was to encourage a shift of pension arrangement from PAYG programs to funded plans with an emphasis on individual responsibility and private sector activism. According to officials of the Bank's Social Protection Department, "a complete shift towards funded scheme, addresses in principle, all the incentives and most distributional issues, as well as those of savings, intergenerational equity and capital market formation [that] PAYG-reform only, including the NDC approach fails to achieve" (Holzmann, 2000, p. 19). The Bank and its supporters argued that workers will earn higher returns on their retirement savings if they invest in equities, rather than lending it to governments, and advocated at the minimum, that government-run contributory pension systems must be partially replaced by individual retirement savings accounts, in which individual employees, rather than governments exercise the right to make investment decisions, while benefits are determined by the returns on those particular investments, rather than a collective defined benefit calculated on the basis of earnings history (Holzmann, 2000; Holzmann & Hinz, 2005; World Bank, 1994). Thus, whereas the ILO's preferred pension policy is guided by the principles of PAYG defined benefits, collective responsibility, protection of workers against economic risks, public sector control, and risk collectivization, the Bank argued for a shift to funded defined contribution plans to ensure protection from political risks, flexible labour market arrangements, individual responsibility, and prudential regulation (S. G. Ross, 2000).

ILO's Response to the World Bank

The Bank's active involvement in social policy since the 1980s was perceived by some scholars as an attempt to dismantle what the ILO had spend years building, as well as being an intrusion into a policy domain that defines the existence, relevance, and essence of the ILO as one of the specialized agencies of the United Nations (Merrien, 2001). The two institutions have been engaged in a debate over the future and place of pension policy. Unlike the Bank's preference for a minimum safety net, the ILO operates within the notion of social citizenship. Based on its long years in social security, the ILO argued that there is no pressing reason to dismantle the Bismarckian publicly managed PAYG social security model. Therefore, attempts by the World Bank to fiscalize social policy can potentially debase democratic cohesion and undermine social partnership in policy-making processes (Deacon et al., 1997). The ILO, therefore, argued that pension reforms must be guided by the "values society places on the provision of income security in old age and the resources it is prepared to allocate for the purpose" (Gillion, 2000, p. 35). Consequently, even though the ILO recognizes the challenges posed to pension systems by aging populations, it differed with the World Bank on the interpretations of the challenges and options for reform. In advanced industrialized nations where the number of the aged is on the rise, the ILO argued that a shift to funded or defined contribution schemes would not solve the crisis scenario narrated by the World Bank in *Averting the Old Age Crisis,* but rather that such a shift will both expose retirees to income security risks and, eventually, dismantle the values and norms upon which pensions and social security in general are based (ILO, 1998, 2000a).

Advocates of the policy preferences of the ILO argued that it is unfortunate that pension reform has been mixed up with the larger debates of privatization and the role of governments (Beattie & McGillvray, 1995), when in the case of pensions, creative adaptability measures in the form of (a) upward adjustment in retirement ages, (b) increasing social security contribution rates, (c) extending coverage to sectors not covered, (d) greater taxation of social security benefits, (e) adjustment in benefit rates, and (f) gender equalization of retirement ages, are all workable options available for reforming existing PAYG schemes pressured by the fiscal impact of aging populations (Fulz, 2000; Gillion, 2000). According to ILO officials, the claim that a move from PAYG pension plans to funded individual accounts or defined contributions "rests on the false analogy between individual savings and national savings" for two reasons (Fulz, 2000, p. 5).

First, any nation that sets aside resources in anticipation of an aging population can only make claims against itself. To spend the resources set aside, the nation must withdraw from sectors of the economy where the resources are invested. This phenomenon can result in contraction in the sectors of the economy from which the resources were withdrawn. Since funded schemes "operate on the principle that pensioners are able in effect to sell assets to (or use them as collateral to borrow from) an active generation in order to generate cash income. If the buyer generation contracts, then one must expect asset prices to drop, thereby reducing retirement income of the selling generation" (ILO, 2001b, p. 55). Therefore, funded pension plans have no special demographic advantages over PAYG plans.

Secondly, goods and services consumed by pensioners must be produced at the time they are most needed—around the period of retirement—because it is impossible for both economic and practical reasons to stockpile goods and services for retirees "years ahead in anticipation of larger numbers of retirees" (ILO, 2001b, p. 6). This is because, if at the time of their exit from the labour market, retirement benefit levels and GDP remain constant, an increase in the number of retirees will automatically lead to an increase in the fraction of the GDP they will consume, and a reduction in the portion of GDP that will be left for the active labour force and other dependents in the economy. From these two perspectives, the ILO argued that funded pension systems have no merit over PAYG systems in dealing with increases in elderly populations. Instead, the economic downsides of any nation saving for retirement and the necessity of only producing goods and services needed by pensioners around the time of their retirement, makes it imperative to divide "current economic output between workers and pensioners as embedded in PAYG schemes" (Fulz, 2000, p. 6).

Sub-Saharan Africa & the Pension Reform Debate

While the World Bank was pointing to an aging population and its economic impact on existing PAYG plans, the ILO carefully and systematically contextualized the socio-economic problems against which the Bank and its allies formulated their policy preferences for pension reforms. For instance, officials of the ILO argued that Africa is not only the 'youngest' continent, but it is also one of the few regions where population aging is slow (Fulz, 2000). The region's demographic projections indicate that on average Sub-Saharan Africa's populations are relatively young compared to other continents of the world. Even though fertility rates are on the decline in all the major regions of the world, they are still high in SSA countries. For example, while worldwide average number of children per woman decline from 5.0 in the 1950s to 2.7 in 2007, SSA countries still retain the highest average number of children per woman at 5.5, which is 1.2 less than the region's 1950s average (Population Reference Bureau, 2007).

Similarly, in 1995, the ratio of the population aged 60 years and above to the total population, and to the population between 15-60 in the region, stood at 4.7 and 9.3 respectively (Barbone & Sanchez, 1999; Barbone & Sanchez, 2000). In 2007, the population of Sub-Saharan Africans 65 years and above stood at 3% of the total population while those aged 15 years and below was 43%. These are the lowest ratios and percentages when compared with the rest of the world. By implication, SSA has not only the lowest dependency ratio, but also the youngest population in the world (Ashford, 2007). Although it is expected that changes in fertility and mortality rates will increase the size of the elderly population in SSA, the "transition will take a long time and the bulk of the African population will continue to be young for a while [and] in many countries the age dependency will decrease over the next twenty years" (Barbone & Sanchez, 2000, p. 9). Therefore, within the context of SSA, the demographic trends are not only different, but the pressures posed for pension systems elsewhere are almost non-existent. Hence, population aging is not a problem for social security financing in SSA countries (Turner, 2001).

By drawing attention to Sub-Sahara Africa's favorable demographic trends, the ILO weakened the World Bank's definition of 'pension crisis' in the region. ILO officials argued that the Bank's generalized claims about economic impact of aging populations on pension plans were inapplicable in Africa. For SSA countries, demographic projections were not only favorable, but the PAYG social insurance schemes in French-speaking SSA countries were too young to experience the problems associated with such schemes by the World Bank. On the other hand, English-speaking SSA countries operated large defined contribution (provident fund schemes—a version of the Bank's policy preference) as the major pension plans for most workers, and defined benefits inherited from the colonial regime for a small portion of civil servants. The ILO argued that, in relative terms, pension-related spending in Africa constitutes a minute fraction of the region's total GDP (ILO, 2001b). As explained in Table 5.2 below, by regional comparison, Africa ranks very low in a comparative study of pension-related spending. Europe, Asia, Latin America, North America, and Oceania spend on the average 12.1%, 3.0%, 2.1%, 7.1% and 4.9% respectively on pensions since the 1990s, Africa spends only 1.4% of its GDP, for the same purpose.

Table 5.2: Aggregate levels of Social Security Expenditure, 1990

Region	Total Social Security Expenditure Percentage (%) 0f GDP	Of which Pensions
All Regions	14.5	6.6
Africa	**4.3**	**1.4**
Asia	6.4	3.0
Europe	24.8	12.1
Latin America & Caribbean	8.8	2.1
North America	16.6	7.1
Oceania	16.1	4.9

Source: ILO (2001), *Social Security: Issues, Challenges and Prospects*, (ILO, Geneva)

In addition to the relatively low levels of pension expenditure, provident funds in SSA countries were mandatory individual retirement saving accounts with benefits directly linked to contributions (Gerdes, 1971; Paul & Paul, 1995). By their design, such schemes neither ensure biometric risk pooling, nor intergenerational transfers, and redistribution (Gerdes, 1971). As defined contribution programs, benefit payment under provident fund schemes were mostly in lump-sum form (Gerdes, 1971). By and large, the design of provident funds eliminated the intergenerational inequity problems that bedeviled PAYG schemes, as well as government promise and the financial commitment inherent in PAYG programs.

In effect, the three inter-connected socio-economic pressures against which the World Bank framed its preference for funded schemes cannot be applied to pension plans in English-speaking SSA countries, because, at the start of the debate, their plans were already conformed with the Bank's preference. But as noted earlier, the defined contribution schemes in English-speaking SSA countries were also in crisis by the mid 1980s. They were in a crisis of a different kind related to insufficiency of lump sum payments and reduced value of retirement savings resulting from inflation and currency devaluation. These issues, however, were not captured in the World Bank's analysis of the pension crisis and, as one ISSA official in Africa argued, the Bank defined Africa's social security problems and provided reform options on the basis of socio-economic and demographic realities in Europe in its usual *one-size-fits all* fashion (Personal interviews).

By the 1990s, when the World Bank began to openly criticize PAYG pension plans and call for a shift to defined contribution schemes, the ILO and the ISSA had already been deeply involved in African social security circles encouraging policymakers to shift from funded defined contribution schemes to properly designed and managed PAYG programs, as a strategy to escape the problems undermining the provident fund schemes (Personal interview). Realizing the speed with which the Bank's pension reform options were being pursued in Latin America and Central and Eastern Europe, as well as reform trends in OECD countries, the ILO and its affiliate institutions adopted four main strategies to limit and contain the Bank's influence in pension reform in SSA countries.

First, the ILO reminded policy makers in SSA countries of the adverse impacts of SAP on defined contribution schemes in the region. Currency devaluation and inflation brought on by austere economic measures had forced the actual value of money in individual retirement savings deposited in the provident funds to fall. As a result, lump sums paid to retirees were lower than expected and generally short of the income required to keep pensioners and their dependents out of poverty (Cichon & Karuna, 2000). ILO officials also posited that structural adjustment programs have not only reduced the number of employees in the formal sector through *retrenchment*, but also produced immense financial difficulties for most statutory programs, due mainly to severe cuts in social budgets and decline in the number of contributors. These situations have resulted in a large number of vulnerable groups that cannot be reached by formal pension policy programs (Ginneken, 1999). In this case, ILO officials blamed structural adjustment policies pursued by the World Bank and the IMF for the breakdown of provident fund defined contribution schemes and for the severe financial difficulties faced by PAYG plans in SSA countries.

More directly, however, the ILO officials argued that based on Africa's own experiences, one-off lump sum benefits in defined contribution schemes are insufficient to provide income security for the lasting contingency of old age because evidence demonstrating the inability of lump sum benefits to cater for the full range of this contingency is overwhelming. In the ILO's view, therefore, "the World Bank ignored the experience of Anglophone Africa and its national provident funds, which largely have failed to provide social security because the savings have proved to be insufficient, have been eroded by high inflations, bad portfolio management and deficient governance in general simply because no profitable investment outlets were available in countries in the region" (Cichon & Karuna, 2000, p. 92).

Secondly, officials of the ILO and its affiliate institutions attacked the logic and practicality of funded privately managed pension plans in fragile economic systems such as those found in Africa. The ILO argued that there are no clear-cut labour supply and capital market development advantages in the operations of funded pension schemes (Cichon & Karuna, 2000; Gillion, 2000; Thompson, 1998). Supporters of the public pensions maintained that a shift to a privately managed funded pension system could potentially produce adverse effects on welfare, fiscal balance, and individual labour market decisions because people may choose to leave the labour market earlier once enough has been saved enough for that purpose. Beattie and McGillivray (1995) argued that defined contribution schemes do not provide any greater guarantee of old age income security rather, they expose individual retirees' welfare to extreme risks rather than properly designed and well-managed PAYG plans. Orszag and Stiglitz (1999) also pointed out that in less developed countries, lack of efficient capital markets and weak regulatory systems create opportunities for abuse in private management of old age income systems. In support of the ILO's position, a report on pension reforms commissioned by the World Bank found that the majority of countries where the Bank sponsored pension privatization have weak regulatory and corruption control indices, even by the Bank's own assessment. According to the report, in less developed countries where the Bank is pushing for pension privatization, "even if the regulators are honest, they will be hard-pressed to regulate financial assets in a country in which business dealings are highly corrupt" (Andrews, 2006, p. 25).

Third, unlike in Latin America and Central and Eastern Europe where the Bank and its allies ignored key social partners and influenced pension reforms through like-minded domestic institutions (Deacon et al., 1997; Madrid, 2005), their ability to by-pass core social partners, especially labour groups in SSA countries, was effectively checked and constrained by the ILO and the ISSA. For instance, in Latin America and Central and Eastern Europe, the Bank gave priority to convincing owners of private financial institutions that private pensions were in their interest and rejected requests made by trade unions for dialogue on its sponsored pension reforms (ICFTU/Global Unions, 2006). In Sub-Saharan Africa, however, the ILO and the ISSA effectively confined the Bank's activities to already established frameworks for discussing issues relating to social security. The Bank had to tread cautiously because its credibility in the area of social policy was at the lowest levels in the regions due to the social hardship that resulted from the implementation of earlier economic programs it sponsored in collaboration with the IMF.

The ILO and its affiliate institutions on the other hand, enjoyed support from African policy makers because they had been in the region for decades assisting policy makers in developing their social security programs (Government of Ghana, 1982). For instance, the ISSA developed a regional interactive program that brings government officials, employees, employers, and experts in social security together annually to discuss their national experiences, share their expertise, and learn innovative practices (ISSA, 2000, 2004). This annual gathering of stakeholders in social security has created a unique bond between the ILO, the social partners, and government officials around social security related issues.

Since the 1990s through ISSA, ILO has extended invitations to officials of the World Bank to attend its African regional meeting of social security stakeholders. These was to both foster dialogue between the two transnational actors and afford the Bank opportunities to explain its policy prescriptions and reforms template to the individuals in whose hands social security policymaking was entrusted in SSA countries. For instance, at the 13th African Regional Conference of the ISSA, officials of the Bank presented a paper entitled *Pensions and Social Security in Sub-Saharan Africa: Options and Issues* where they re-emphasized the relevance of its reform options for African countries (Barbone & Sanchez, 1999).

In this paper, officials of the Bank reviewed pension systems in SSA countries and made a strong recommendation to policy makers in Africa to consider privatization along the lines of its three-tier reform plan. However, delegates and participants at the conference reacted to the Bank's policy position by arguing that its preference for pension privatization and scheme fragmentation is inapplicable to African countries because such a reform model will exacerbate the pension and old income support policy problems in the region, rather than solve them (ISSA, 2000). Again, at the Sixth Meeting of Directors of Social Security Organizations in English-speaking Africa held in the Gambia in 2003, officials of the Bank made a strong case for pension privatization in Africa. In response, social security policy-makers argued that pension privatization will not only undermine the concept of African solidarity and defeat governments' role as the provider of social support, but also "deprive governments of domestic capital as private schemes are likely to prefer to invest abroad if they can" (ISSA, 2004, pp. 3-4). Through these interactive forums at the regional and country level, the ILO and ISSA have built coalitions with stakeholders in social security against the World Bank and encouraged open defense of defined benefit social insurance programs by government officials and social partners in Africa.

A fourth strategy adopted by the ILO and its affiliate actors to further weaken the Bank's influence in the region was to regionalize SSA pension problems. Thus, contrary to the Bank's *one-size-fits-all* approach, the ILO identified specific governance, institutional, and operational weaknesses in pension systems in Africa as the main challenges undermining the effective sustainability of old age income support in the region. Officials and supporters of the ILO argued that the core policy challenges of pension systems in Africa include limited coverage, fragmentation without coordination of schemes, inefficient monitoring mechanisms, insufficient quantitative analysis, mismanagement, and government interference, as well as institutional, operational, and governance deficiencies (Bailey, 2000; Oliver, 2005). As a result, the ILO insisted that the solution to SSA pension plan challenges does not lie in maintenance or a shift to funded programs, rather countries in Africa need to focus on building properly designed and well managed defined benefit social insurance PAYG programs with risk pooling and collectivist elements to ensure reliable old age income protection. While the Bank's pension reform policy ideas are informed by principles of economics, the position of the ILO is guided by socio-political considerations such as social cohesion and protection for the venerable (Queisser, 2000; S. G. Ross, 2000).

Interestingly, the battle over pension reforms in Africa coincided with a period in the region when the "International Monetary Fund (IMF) and the World Bank effectively took control of the domestic policy processes and structures of majority of African countries at the beginning of the 1980s [and] imposed economic stabilization and structural adjustment programmes anchored on free market ideology" (Olukoshi, 2007, pp. 95-96). Specifically in pension and social security, officials at the World Bank have consistently argued that OECD-type social insurance is inappropriate for SSA countries because (1) "Africa is the region with the greatest exposure to risks and least instruments for dealing with them" which may explain the region's low levels of economic growth and human development; (2) PAYG pension arrangements do not deliver on their social objectives, create labour market distortion, and are unsustainable because "Africa is aging without resources" (Holzmann, 2003, pp. 3-4). The World Bank also maintains that the main messages of its premier publication on pension reforms—*Averting the Old-Age Crisis*—are still valid and relevant for SSA countries because they ensure diversification of retirement income against economic, political, and demographic risks to which retirement income is exposed, and that pre-funding part or all of retirement liabilities is relevant for both micro and macro economic growth from a political economy perspective (Holzmann, 2003).

An independent evaluation of the Bank's pension reform activities across the world indicates that the World Bank has been involved in pension reform efforts in more than a dozen SSA countries since 1984 (Andrews, 2006). Others argue that the Bank and its sympathizers have been mounting "disproportionate pressure" on SSA countries to "privatize their national pension schemes" (Fulz, 2000, p. 7). The World Bank, has participated in, and strongly made the case for pension privatization in SSA at conferences organized by the ISSA for African policy-makers since the new pension ideas began to spread (ISSA, 2000, 2004). Thus, the argument that a *lack of global politics of attention* (Orenstein, 2003; Orenstein & Haas, 2000) may explain why SSA countries delayed or failed to adopt the Bank's preference in the first twenty years of its diffusion requires empirical analysis of the politics of pension reforms at the domestic level. For instance, the policy makers argued that Bank has since the 1980s shown preference for pension plans that transfer risks to the individual such the defined contribution (provident funds) arrangements in English-speaking SSA countries, and thus urged policy makers to focus on administrative and governance reform of the provident. The problem however was that the Bank's earlier structural adjustment—currency devaluation and inflation—have not only adversely affected the provident fund schemes, they have also upset some of the major social partners who were determined to veto policy options that go against their preferences (Fulz, 2000; Personal interview).

Thus, although in Latin America and parts of Europe, the Bank presumably emerged as the new global leader in pension reforms since the 1980s, in Africa, the ILO fought long and hard not only point out the weaknesses in the Bank's policy preferences, but also to demonstrate to African policy makers that the PAYG-type pension schemes can be reformed and sustained (Deacon, 2007) through what was referred to as *creative adaptability* (Gillion, 2000). The ILO also got the attention of social partners and government officials in Africa by portraying pension privatization as a risk strategy particularly in the least developed markets. While for many policy makers in the region, the mention of privatization ignites bitter memories of the social upheavals and street demonstrations that accompanied World Bank-IMF sponsored Structural Adjustment Programs (SAP), for organized labour it was a reminder of the social cost and lost of membership that came with public downsizing, lay-offs, retrenchments, and redundancy of workers that were embedded in the SAP (Gyimah-Boadi & Essuman-Johnson, 1993).

As transnational actors, both the Bank and the ILO promote their pension reforms ideas in global policy space because they lack domestic policy making legitimacy. Oftentimes, though, transnational actors back their ideational rhetoric with practical projects in the form of conferences, seminars, training sessions, and deployment of experts to client countries as strategies to persuade policy makers to adopt and enact their specific policy preferences (Orenstein, 2008). As noted, both the ILO and the World

Bank have been directly in touch with pension policy makers and stakeholders in Africa at various international, national, and regional forums (Andrews, 2006; ILO, 2007a, 2007b), thus, the argument that these institutions, especially the World Bank ignored SSA countries in their campaigns for pension reforms due to a lack of resources may need to be measured against both the ideational campaigns and reform strategies adopted in specific national contexts.

Conclusion

The conventional wisdom in the pension reform literature that focuses on the activities of transnational actors indicated that actors who control substantial resources were not only more persuasive, but were able to influence policy choices by granting domestic actors privileged access to their ideas (Madrid, 2005) as their ideas carry more policy weight (Goldstein & Keohane, 1993; Hall, 1989; Hira, 1998; Sikkink, 1991). Therefore "policymakers who hear conflicting claims about the effectiveness of a particular policy will often give greater credence to the views of the more powerful actor.... due to the latter's ability to make available or take away the resources they control" (Madrid, 2005, pp. 29-30). Consequently, "powerful actors often get their way because they have greater technical expertise in a given area, making it more difficult for opponents of their ideas to refute their claims" (pp. 29-30).

Going by this logic, the shift by English-speaking SSA countries to and convergence of pension policy around social insurance schemes in almost the entire region since the 1990s—where the Bank is supposedly the most influential transnational actor may deviate this pattern. In the same vein, until the 1980s, the ILO was the sole transnational actor in the area of social security, campaigning for defined benefit PAYG social insurance programs in SSA countries. Yet, in the 1960s, English-speaking SSA countries in particular opted for defined contribution schemes against the preferences of the ILO (Government of Ghana, 1982).

These developments raise questions about leverage of transnational actors in domestic policy settings in specific national contexts. As the analyses in the subsequent chapters show, even though domestic policy actors may interact in various ways with transnational actors on specific policy issues, final policy choices in specific national contexts were ultimately made on the bases of domestic politics, and how specific major actors defined policy challenges. The analysis of pension reform within the interface of global policy actors and domestic politics in the subsequent chapters is also very much in line with the problem-solving mode of decision-making and the politics of social learning. In this mode, civil servants and policy elites from interest groups (Heclo, 1974), governmental, non-governmental, as well as transnational actors (Risse, 2004) exchange or debate their ideas about specific policy challenges and potential options for reforms within the broader context of existing policy legacies (Beland, 2006; Skocpol, 1992) and what domestic politics may permit (Bonoli, 2000, 2001; Pierson, 1996, 2001; Risse, 2004; Weaver, 1986, 2003). The nature of the pension policy environment in English-speaking SSA countries, as discussed in the previous chapter, shows that there have always been various policy ideas and institutional solutions for dealing with the policy challenges against which policy reforms occurred in English-speaking SSA countries. As the Ghanaian case shows in the following chapters, it is the social, institutional, and political context, more than the unilateral influence of transnational actors or any actors' individual motivations that largely determine policy choices made in the reforms.

CHAPTER SIX
DOMESTIC POLITICS OF TURNING TO SOCIAL INSURANCE (1981-1991)

Introduction

In this chapter, I argue that the change in government in the early 1980s strengthened the opportunity structures for organized labour and a coalition of left-wing political actors in Ghana to push for the adoption of a social insurance pension plan as a replacement for the defined contribution provident funds. The goal of organized labour was to ensure retirement benefit adequacy for retirees through PAYG social insurance pension scheme. The unions demanded structural pension reforms as a condition for their support for the new government in a political environment where the stability of the government was threatened by a coalition of right-wing forces. I argue further that because the government lacked the capacity to push through unilateral reforms or specific policy options, policy makers circumvented the political veto points and interest group conflicts that often characterize structural pension reforms by ensuring the reform deliberations took place outside formal policy making channels, thereby de-politicizing the process. Through de-politicizing the reforms, policy makers were able to foster an environment that prioritized social consensus, problem-solving, and open consultation as mechanisms to manage interest group conflict. This chapter illustrates the importance of domestic politics as the major explanatory variable in pension reforms.

Domestic Politics and the Reform Agenda

On December 31, 1981, a group of lower-ranking army officers led by Ft. Lt. Jerry John Rawlings toppled the civilian administration of the Third Republic in a coup d'état, and established a Provisional National Defence Committee (PNDC) to govern the country. To consolidate its hold on power, the new military government dissolved parliament, banned all political parties, and suspended the Third Republican Constitution. The coup occurred in an environment of national economic crises–bankruptcy, mismanagement, and official corruption (Agyeman-Duah, 1987; Austin, 1985). As a result, the coup was widely welcomed by the citizenry (Shillington, 1992). But as Ninsin (1981) has noted, from the day of the coup to the last quarter of 1983, "the military junta was faced with a number of challenges to its legitimacy from the Left and Right of the political spectrum" in ways that sought to undermine the regime's stability (p. 17).

The Ghanaian Right consisted mainly of a coalition of social forces that resented popular government. They believed in the virtues of market capitalism and constitutional democracy, abhorred popular democracy shared faith in free enterprise, argued for limited government regulations, and did not believe in equality for people beyond legal definition. The membership of the Right was drawn from manufacturing, commerce, transport services, management and agriculture. Most petty traders—importers, distributors and contractors—with connections to foreign capitalist interests operating in the country were also part of the Right. At the political level, the Right organized itself and operated collectively under the umbrella of the Association of Recognized Professional Bodies (ARPB). The membership of ARPB includes business organizations like the Ghana Timber Associations (GTA), Ghana National Manufacturers Association (GNMA), Ghana Employers Association (GEA), Ghana Printers and Paper Converters Association (GPPCA), Ghana Chamber of Commerce (GCC), Ghana Timber Millers Organization (GTMO), and professional associations such as the Ghana Bar Association

(GBA), Ghana Institute of Bankers (GIB), Ghana Medical Association (GMA), and the University Teachers' Association of Ghana (UTAG), among others. Collectively, and under the auspices of the ARPB, these interest group opposed the PNDC government and were determined to dislodge it from power and re-establish a democratic order (Ninsin, 1987).

The Ghanaian Left, on the other hand, were comprised of individuals and groups "united in their opposition to pervasive corruption and injustice, as well as the neo-colonialist policies, which seem to grow with the coming to power of each government" (Ninsin, 1987, p. 19). They included individual university teachers, students, and others in the academia who shared common socialist aspirations about a just society. The Left was organised around groups such as the June Four Movement (JFM), the People's Revolutionary League of Ghana (PRLG), the New Democratic Movement (NDM), the Kwame Nkrumah Revolutionary Guard (KNRG), the African Youth Brigade (AYB), African Youth Command (AYC), the National Union of Ghana Students (NUGS), and the leadership of the TUC, who did not only support the coup, but also perceived it as a legitimate victory over the Right in a long-standing class struggle (Ninsin, 1987). Rawlings, the leader of the coup, galvanized the support of the Left in his nationwide announcement of the coup on television. Among other things, Rawlings stated:

> I ask for nothing less than a revolution—something that will transform the social and economic order of this country. Fellow citizens, it is now left to you to decide how this country is going to go from today. We are asking for nothing more than the power to organize this country in such a way that nothing will be done from the Castle without the consent and authority of the people. In other words, the people, the farmers, the police, the soldiers, the workers, you—the guardians—rich and poor, should be part of the decision making process of this country (Shillington, 1992,).

For the Right, the coup was a direct assault on their belief system, and what they have worked to attain in their privileged positions in Ghanaian society. The Left, however, viewed the coup as the first step in the long process of creating a revolutionary socialist state based on active participation of the citizenry in the processes of governance and decision-making. Thus, whereas the Right was against the coup, the Left fully supported it. Tensions between the two opposing coalitions polarized Ghanaian society in ways that almost undermined the stability of the state and of the PNDC government. Within the first few months of the PNDC's rise to power, two major counter-coup attempts, purportedly staged with the support of the Right, were foiled (Agyeman-Duah, 1987; Austin, 1985; Ninsin, 1987).

In terms of resources and organizational capabilities, the Left was no match for the Right in the struggle to outdo each other. Numerically, however, the Left had more followers and sympathizers than the Right. Seeking to legitimize its rule, the PNDC did not only make direct appeals to the Left for support, it also established institutions such as the Peoples Defence Committees (PDC) and Workers Defence Committees (WDC) to mobilize and formally organize the Left to effectively counter the organizational advantage of the Right (Jeong, 2001; Ninsin, 1987). While the WDCs and the PDCs were used by the PNDC as channels to ensure popular participation in governance, other institutions were also set up to directly weaken and possibly demoralize the Right (Agyeman-Duah, 1987). For instance, quasi-judicial bodies such as the Special Military Tribunals and the Citizens Vetting Committees (CVC) were formed to investigate and punish business elites accused of corruption; through these and many other such *ad hoc* institutions, popular justice was meted out to businessmen without recourse to proper legal proceedings.

To assure the Left of its commitment to the ordinary people and workers in particular, the PNDC set up several revolutionary political organs to determine housing rents, transportation fares, and the price of other essential commodities as a strategy to protect the economic welfare of the poor and low income earners. In a move to destabilize the Right as an organized unit and the individuals who identify with it, the PNDC confiscated properties like houses and industries belonging to prominent Ghanaian businessmen and transferred possession to the state (Jeong, 2001). Within a short period of time, the location of power shifted from the wealthy middle class and politicians to ordinary people who were mobilized and empowered through the various revolutionary organs (Kraus, 1985); as Jeffries (Jeffries, 1996) noted, the "old hierarchies and patterns of social deference had broken down; the military ranks and file were out of control, roaming the streets, refusing to obey commanding officers; the organs of people's power were dispensing their own brand of revolutionary justice and challenging established authorities for control both at the workplace and in the community" (p. 28).

Even though some individual trade union leaders had openly identified with the courses of the PNDC, the unions, as institutions, were cautious in throwing their support behind the regime. However, open and unflinching patronage by organized labour was crucial to cement the support the PNDC was courting, and had been gradually gaining from the Left. At the time of the military coup, the TUC alone had 17 affiliate unions and a total active membership of about 750,000. There were other unions such as the Civil

Servants Association (CSA) and the Ghana National Association of Teachers (GNAT) that were not affiliated to the TUC, however, the general expectation was that these smaller unions would follow the lead of the TUC. Four months after the coup, Rawlings fired the leadership of the TUC for their inability to "win wage gains to offset hyperinflation" in their negotiations with the previous government; and appointed an interim TUC management committee to administer TUC affairs (Kraus, 1985, 166). Thus, in a subtle way, the PNDC blamed the economic woes of workers on the inability of union leaders to effectively challenge the perceived apathy of the previous governments in relation to the welfare of Ghanaian workers.

The dismissal of the TUC leadership received spontaneous support from the rank and file of various unions in the country, although the appointment of new leaders for the unions was received with some skepticism. The political rhetoric in the months immediately following the military coup favored workers, rural folks, and ordinary people, against businessmen, employers, landlords, and local and foreign investors, as well as international financial institutions, and the Western world in general (Kraus, 1987). The TUC capitalized on the pro-labour political environment of the early 1980s to demand not just pension reform, but a complete transformation of the existing provident funds into a social insurance pension scheme based on defined benefit arrangements on the basis the defined contributions had lost their relevance in the wake of the national economic crisis.

In an immediate response, the PNDC government established a committee in November 1982 to review the Social Security Act of 1965 (Act 279) and its amendment

Acts to advise the new government on the processes necessary to transform the provident funds into a social insurance scheme (Government of Ghana, 1982). The membership of the pension reform committee was drawn from the Ghana Employers Association (GEA), Ghana Trades Union Congress (TUC), Ghana National Association of Teachers (GNAT), the Civil Servants Association (CSA), officials from SSNIT, the Ministry of Finance, and the Ministry of Labour & Social Welfare (Government of Ghana, 1982). Pension policy was not classified under any specific government ministry in Ghana, hence officials from SSNIT and the two ministries represented segments of government institutions with special interest in this issue area. The reformers were specifically tasked to (a) advise the government on transitional arrangements for implementing social insurance, and (b) provide "appropriate recommendations for the removal of any unfairness in view of complaints by workers" (Government of Ghana, 1982, p. iii). As a result, the reformers failed to examine other options and possibilities for solving the Ghanaian pension crisis, and thus limited their reform deliberations to matters relating to the transition from provident funds to social insurance. The choice of social insurance as the appropriate policy option to replace the provident funds was conditioned by how the policy challenges were defined, as well as the lingering effect of social insurance as an alternative policy idea that had been waiting in the wings.

Definition of the Policy Challenges

Changes in policy instruments are often driven by challenges or policy problems. Such problems can be endogenous or exogenous to the policy itself. However, what is considered a policy problem, and how it is defined and framed is dependent on how major actors want the issue addressed. Consequently, Parson (1995) argued, "social problems involve perceptions, and perceptions involve construction" (p. 88) of the policy issues by dominant actors in ways that will permit them to control the policy agenda. In Ghana, there was a shared notion among all the major institutional actors in pension policy that the transformation of the defined contribution pension plan to a defined benefit scheme in 1991 was necessitated by inadequacy of benefits and inappropriateness of lump sum benefits for old age income security. In the 1970s, pensioners who retired under the defined contribution plans received generous lump sum benefits that enabled some retirees to invest in small business ventures.

According to SSNIT officials, the provident funds provided higher benefits in the early years, and became very popular in the 1970s to the extent that some civil servants elected to join the provident fund plans, rather than remain under the CAP 30 scheme when the opportunity to exercise that option was granted to workers. However, the socio-economic problems of the late 1970s undermined the effectiveness and efficiency of the provident fund as a measure for the maintenance of old age income security (Personal interview). Retirement benefits paid to pensioners under the provident funds began to dwindle, and the number of workers retiring into abject poverty was not only on the rise, but also the large majority of retirees were not emotionally and mentally prepared for the regular flow of income to stop when exiting from the labour market. Thus, in their deliberations, the reformers linked the challenges of the pension system to the lump sum feature of the provident funds (Government of Ghana, 1982).

However, because the pension reform agenda itself was necessitated by the politics of the early 1980s and early 1990s, the Ghanaian reformers took a narrow view of the pension problems and ignored the broader socio-economic challenges that undermined the provident fund plans. Whereas lump sum retirement benefits posed several income security risks to retirees, the Ghanaian provident fund challenges were further exacerbated by three major factors. The first of these challenges was inflation. Provident funds were individual retirement accounts and thus had no secure mechanism to mitigate inflation. Benefit levels were, therefore, determined by market conditions. Under this type of retirement plan, the real value of an individual's retirement savings is dependent on the interest rate and its relation to inflation rates (Dei, 1997). Thus, the reality of risk individualization embedded in individual retirement saving accounts became evident in the wake of an economic crisis that hit the country. Between the 1970s and 1982, the rate of domestic savings fell from 12% to 3%, the rate of investment fell from 14% to 2% of GDP, the government deficit increased from 0.4% to 14.6% of total government spending, the volume of import fell by two-thirds, real export earnings did not only drop by one-half, the ratio of Ghana's export to GDP fell from 21% to a low of 4%, income per capita dropped by 30%, and real wages by 80% (Boafo-Arthur, 2001).

In addition, GDP per capita fell by 27% from US $ 1009 in the mid 1960s to US $ 739 by 1982 (Konadu-Agyemang, 2001). Production and earnings from the countries major export commodity sectors such as cocoa, timber, gold, and bauxite had fallen to record low levels. For instance, cocoa production, slumped from about 413, 000 tons in the 1970s to 158,000 tons, gold production fell by two-thirds, diamond mining by 50%, and timber production by 90% between the 1970 and 1982 (Kraus, 1987). The cumulative impact of all these losses on the economy was record high hyperinflation over 123% in 1983 (Dorkenoo, 2006; Konadu-Agyemang, 2001). Provident funds were designed to encourage individual workers to save and receive the accumulated savings plus interest upon retirement. Higher rates of inflation, as was the case in Ghana, were monumental disincentives for saving. Instead of interest accruing on monies saved in the provident funds, the real value and purchasing power of savings in individual retirement accounts were reduced through inflation. In addition to undermining the logic of the provident funds, inflation also hurt Ghanaian retirees because many of them had to pay more and more for the same goods and services. Because provident funds had no mechanisms to adjustment or ensure a steady flow of income, many Ghanaian pensioners found their living standards decline, even as they spent more financially. Thus, in the Ghanaian case, inflation eroded the value of wealth and income of retirees to such an extent that, as they saved for retirement, their accumulated savings bought them less with the passage of time.

The inflationary problems were further exacerbated by the deliberate devaluation of the cedi—the Ghanaian currency. This devaluation caused the cedi to depreciate in real value in relation to the US dollar by falling from 2.75 cedis to a dollar in 1983 to 90 cedis per a dollar by 1986 (Konadu-Agyemang, 2001). This resulted in a further decrease in the value of savings in provident funds plans especially in relation to imported goods and services. The purchasing power of the provident fund benefits declined as the economy deteriorated from 1977 to the mid-1980s. For instance, on the basis of the national consumer price index, lump sum benefits received by pensioners lasted for a duration of 9.94 months on the average in 1977 and had dropped even further to a mere 1.65 months by 1984. The combined impact of inflation and currency devaluation adversely undermined the wealth accumulated by retirees in their individual provident fund accounts, and exposed them and their dependents to extreme poverty and destitution (Dei, 1997).

Second, a series of governance issues weakened the ability of the provident funds to provide adequate benefits to fund members. Investment policies that governed the operations of the provident funds were determined by government regulation, which required that all contributions be invested solely in government bonds and stock at a 6% rate of return. By fixing the rate of return at 6%, individual contributors were denied the possibility of higher returns. Contrary to the principles of defined contribution schemes, benefit levels under the provident funds in Ghana were set by government to include the accumulated contributions in an individual's retirement accounts plus a compound interest of 3% from the 6% rate of return (Dei, 1997). The decision to invest all contributions in government bonds was guided by (i) the absence of a trustworthy private sector in the country in the 1960 and 1970s to manage retirement income, and (ii) a perception among Ghanaian policy makers that provident funds were an effective strategy for development capital accumulation (Government of Ghana, 1982). These decisions, however, exposed pension plans to extreme political risks. Successful governments in Ghana have openly interfered in the operation of the funds often by directing investment towards political and social objectives without analysis of their economic and income security implications, especially for contributors. Due to heavy government involvement in the operations of the provident fund retirement accounts, fund managers failed to exercise adequate operational and administrative controls. This led to serious discrepancies in the accounts information of provident fund members (Dei, 1997; Ofori, 1976). Thus, political control over investment and governance of the funds worked against the objectives of the funds, as a pension scheme, and against the welfare of workers, in general.

Third, as a defined contribution program, the provident funds assumed a certain amount of individualism and rational self-interest that did not measure up to the predominantly communitarian and collectivist cultural milieu in Ghana. It was assumed that after receiving their lump sum benefits, the retirees would invest the funds in ways that would protect them for the rest of their lives. Thus, the notion of lump sum benefits was premised on the view that retirees were financially literate and possessed all the prerequisite information to make rational decisions about their retirement. Financial literacy requires a degree of technical know-how of how the financial and insurance markets function in relation to investment and the purchase of annuities, if they exist. Rational self-interest assumes that individual retirees possess adequate information to predict and plan for the challenges of longevity, inflation, health crises, and income maintenance, and require the retiree to commit retirement resources solely to individual needs rather than the collective needs of family members, kinsmen, and communities initiatives.

On the contrary, Ghanaian provident funds operated in an environment where the type of solid private insurance market needed for empirical financial assessment, investment, or purchase of annuities were not only non-existent, but was also one in which individual retirees used their lump sum benefits to rehabilitate family houses, pay education expenses of nephews and nieces, meet the costs of health-care for family members, liquidate outstanding debts, marry additional wives, and buy a traditional title or re-settle into traditional subsistence life (Dei, 1997; Government of Ghana, 1982). Studies on living and spending patterns of provident fund retirees in Ghana showed that 21.46% of them used their lump sum benefits to pay for the cost of their children's education, 13.37% for rehabilitating their subsistence farms, 17.57% for the operation of small businesses, 17.66% for living expenses, 0.16% for litigation, 6.34% for debt liquidation, 17.57% for renovation of family houses, 3.02 for acquisition of property, and approximately 5.37% used benefits for other purposes. Retirees often exhausted their benefits within a short period of time, and about 65% returned to full time employment, with the rest settling into the informal economy (ISSA, 1975). As these examples indicate, the lump sum benefits of the provident funds were likely to be squandered within a relatively short period of time, thereby defeating the purpose of long-term income security for which other pension programs exist.

In essence, the problems of inadequate benefits under the provident funds emanated from both a national economic malaise and the designed flows of the funds themselves. Labour unions, however, pushed for a shift to social insurance on the basis of what were perceived as the design flaws of the provident funds without adequate consideration of broader problems relating to governance, institutional fragmentation, operational and limited coverage, and failed to adopt an all encompassing approach to the reforms. Thus, because all the major actors shared a common definition of the nation's pension crisis, and argued that the lack of a risk-pooling feature in the provident funds was contrary to African solidarity and collectivist norms. It was also argued that provident funds had no redistributive elements in the sense that they only allow employees to defer part of their incomes and receive them upon retirement. These defects of the provident fund as a defined contribution plan were contrasted with the risk-pooling and redistributive features embedded in social insurance schemes.

For instance, the reformers were emphatic in echoing the view that:

> The fundamental doctrine underlying the whole fabric of social insurance...is that a proper regard for the solidarity of each requires that all classes belonging to the community be protected by the strength of the community as a whole, against the incidence of misfortune on the class or the individual. The of notion solidarity...that the strong must protect the weak is regarded, as essential to a favourable development of the nation, and it is recognised that the national welfare requires sacrifices to be made by those able to make them for the well being of its weaker elements (Government of Ghana, 1982).

The concerns over the need for solidarity and risk-pooling made social insurance a preferable option to reformers. Solidarity, risk-pooling, and collectivist measures were not only prevalent ideas in Ghanaian social protection, they also constituted the main features of traditional social protection. In their recommendations, the reformers noted that although social insurance has its own weaknesses, it is by far the most appropriate social protection strategy for achieving solidarity, risk-pooling and social justice (Government of Ghana, 1982). Thus, because the actors framed the pension problem entirely in a way that linked the inadequacy of benefits to the lump sum benefit feature of provident funds, the search for policy alternatives logically focused on programs that permit regular or monthly retirement benefits to pensioners as a replacement. And social insurance served that purpose.

Path Dependence of Ideas and the Transition to Social Insurance

Normative ideas such as collectivism, solidarity, risk-pooling and inter-generational transfer that underpinned modern PAYG social insurance programs were similar to the values around which Ghanaian communal life and extended family ties were designed (Apt, 2002). Within the traditional social protection setting, every family member of the working cohort supports the members of the previous generation whose contributions and investments were used in raising and training the current working generation. Although there was no formal legislation and retirement age to enforce this arrangement, the social contract was held together by values such as solidarity and reciprocity between generations. The young and strong were expected to contribute however they can towards the well-being of older family members, on the basis that the elderly had looked after their own generation's elderly and future young people would also look after the current young in the future (Collard, 2000, 2001). These family support arrangements were very similar to modern defined benefit social insurance PAYG pension plans.

In addition to these long nurtured traditional social protection ideas lingering in Ghanaian society, since colonial times, the Ghanaian public sector had operated a parallel pension scheme—the CAP 30—that offered defined benefits to some categories of workers. The CAP 30, originated in the colonial era as a non-contributory plan for civil servants, but later became a PAYG contributory pension plan for some categories of public sector workers (Adjei, 2000). The existence of the CAP 30 scheme alongside the provident funds reinforced the notion of defined benefits social insurance plans prior to and during the reforms, and became one of the reasons why actors were determined to shift from provident funds to a social insurance plan. Retirees under the CAP 30 enjoyed monthly benefits, which were also comparatively more generous than that enjoyed by retirees under the provident funds. Consequently, the actors engaged in the reform process using the CAP 30 plan as an empirical social insurance model in their deliberations of the reforms (Government of Ghana, 1982). Although the CAP 30 plan was a relatively small pension plan for only a few public sector workers, the idea and its legacy emerged as an influential factor that shaped the choices made during the reform process.

Furthermore, social insurance as a policy idea was at the center of discussions between the Ghanaian government and the ILO prior to the establishment of the provident funds. In the 1960s, the ILO advised the Ghanaian government against the establishment of provident funds and recommended social insurance plans as the most appropriate social protection mechanism (Government of Ghana, 1982). In the opinion of the ILO officials, the provident fund "method is highly seductive to governments which feel that they can solve the problem of social insecurity—or wish to give the impression that they have solved it—without being put to …spending tax money" (Parrott, 1968, p 545). Ghanaian policy makers, however, persisted and opted for provident funds against the advice of the ILO (Government of Ghana, 1982). Three years after the establishment of the provident funds in Ghana, the ILO conducted an actuarial assessment of the funds and, consistent with its earlier skepticism, argued that the scheme should operate for only five years as a provident fund providing lump sum benefits, after which they argued it should be converted into a social insurance plan to offer regular monthly benefits (Government of Ghana, 1982).

The ILO's push for the transformation of the Ghanaian provident funds into social insurance persisted throughout the 1960s and 1970 with series of actuarial evaluations and study papers recommending a social insurance scheme as a superior program for effective social protection (Government of Ghana, 1982). Even though the ILO was not successful in persuading Ghanaian policy makers against setting up the provident funds, it succeeded in indirectly initiating a conversation around social insurance schemes as a replacement for the provident funds. At the height of the provident fund crisis in the 1980s, actors demanding reform of the Ghanaian pension system did not only echo views expressed earlier by the ILO in favour of social insurance schemes, they also used analyses from various ILO reports to illustrate their arguments (Government of Ghana, 1982). In essence, although the ILO was not successful in persuading the Ghanaian government to adopt a defined contributions scheme, it became an important part of the social dialogue on pension reforms in Ghana through its publications, expert advic,e and actuarial papers (Personal interview).

Policy Preferences and Reform Strategy

A shift from a defined contribution to a defined benefit PAYG social insurance program is a major structural change with implications for different interest groups. Although under the circumstances, replacing defined contribution plans with social insurance was designed to increase benefit levels for retirees, such a shift has implications for government budgets and employers who may be forced into an intergenerational pact. On the other hand, unions, retirees and other citizen groups who advocate solidarity and collectivist social policy support PAYG social insurance programs for reasons ranging from solidarity to periodic payment of benefits. In this kind of situation, mobilized interest groupings do not only shape politics, they also provoke and reinforce conflicts of interest. Mindful of potential interest group conflict in shifting from defined contribution to defined benefit pension plans, policy makers moved the reform deliberations from the formal channels of policy making to an arena that facilitated building consensus through consultation and problem-solving strategies among the major stakeholders. The use of *ad hoc* committees as the main arena for pension reform deliberations did not only de-politicize the reform process, they also served as surrogates for the formal policy making structures.

For instance, the Ghanaian reformers comprising all the major stakeholders and government representatives began work by collectively undertaking a thorough study of the actuarial standing of the provident fund schemes. In doing this, various reports and documents relating to pensions in Ghana were distributed to individual reformers and the organizations they represent to study and understand the core issues of the pension crisis for which the reform was initiated. A good actuarial evaluation and pension plan analysis required technical competence, which many members of the committee did not possess. The committee, therefore, wrote to the ILO to request the assistance of actuarial experts. The actuarial expert was to serve as an attaché to the reformers and guide their deliberations by supplying the required technical information needed to arrive at the best policy decision in an environment of social learning (Government of Ghana, 1982).

Because the reforms were designed as a problem-solving project, the general public was widely consulted. In doing this, the reformers used radio announcements and newspaper publications to provide the general public with information about the state of the pension system, the challenges, and the mandate of the reform committee (Dei, 1997). At this stage, the reformers also held a series of public meetings as a strategy to create a welcoming environment for individuals who intended to participate in the process, but who may have been otherwise intimidated by the military government. In pursuit of this, the reformers requested memoranda from specific individuals and institutional actors whose activities had some bearing on pension plans. For instance, the deputy controller, the accountant-general, the secretary to the Salary Review Committee, management of the provident funds, General Secretary of the Ghana National Farmers Council (GNAFC), and several others institutional players were invited to submit position papers to the reformers. In its final report, the committee described public participation in the reform process as "anything but commendable" (Government of Ghana, 1982, p. 7).

By approaching the reforms from the problem-solving perspective, the stakeholder groups were able to build mutual trust through regular interaction and information sharing. Rather than mobilizing their respective interest groups in a conflict situation, the reformers collectively acted as facilitators in public discussions and consultation forums held for the public in relation to the reforms. As noted in Table 6.1, the beliefs of policy actors converged in areas relevant to reforms. Specifically, the reformers developed a common understanding of the policy challenges and even government officials and the employers' association, who were not very keen on the shift to social insurance at the initial stage due to the depressing national economic situation, eventually endorsed social insurance as the most appropriate replacement for the defined contribution provident fund schemes (Personal interview).

According to the labour representatives, they went into the pension reforms with an open mind even though they had preferences they intended to push. Their preference was to persuade government and employers about the need to transform the existing provident funds to a social insurance scheme. Labour's preference for social insurance was not contested by any of the major actors (personal interview). The actors maintained that the use of open deliberation, dialogue, and consensus-building in the pension reforms enabled the reform committee to listen to the concerns of all categories of people, learn from experts, ensure broad participation, build support for the reforms, and ascertain the strengths of social insurance against any other alternatives that might emerge from the public consultations (personal interviews). Because the policy makers were able to generate some consensus around social insurance as the preferred policy option to replace the defined contribution schemes, deliberations during the reforms were focused almost entirely on transitional modalities or strategies (personal interview). Thus, the discursive policy environment created outside formal policy making structures, and characterized by consensus-building resulted in belief convergence around policy challenges, policy solution, and policy design. This was stimulated largely by mutual deliberation and interactive learning, both of which helped to de-politicize the reform process and minimized interest group posturing. As Table 6.1 shows, actors converged on major issues such as problem definition and policy preferences, thereby minimizing the possibilities of group conflict.

Table: 6.1: Actors and Policy Preferences in the Reform Process.

Actors	Problem/Issue Definition	Preferred Policy Instrument	Preferred Transitional provision	Actors' Goal	Mode of Interaction	No. Representatives on Committee
Government	Inadequacy of benefits and inappropriateness of lump benefits for old age income security	Defined Benefits Social Insurance Scheme Higher Retirement age	Freeze contributions in provident funds and start social insurance program afresh	Seeking political legitimacy	Open Deliberation	10
TUC	Inadequacy of benefits and inappropriateness of lump benefits for old age income security	Defined Benefits Social Insurance plus End of Service Benefits Lower retirement age	(i) Payout savings and interest in the provident funds and start social insurance afresh, or (ii) give workers opt-in & opt-out options	Achieve maximum and regular flow of benefits for workers	Deliberation Dialogue Persuasion	2
GNAT	Inadequacy of benefits and inappropriateness of lump benefits for old age income security	Defined Benefits Social Insurance plus End of Service Benefits Lower Retirement age	(i) Payout savings and interest in the provident funds and start social insurance afresh, or (ii) give workers opt-in & opt-out options	Achieve maximum and regular flow of benefits for workers	Deliberation Dialogue Persuasion	1
CSA	Inadequacy of benefits and inappropriateness of lump benefits for old age income security	Defined Benefits Social Insurance plus End of Service Benefits Lower Retirement age	(i) Payout savings and interest in the provident funds and start social insurance afresh, or (ii) give workers opt-in & opt-out options	Achieve maximum and regular flow of benefits for workers	Deliberation Dialogue Persuasion	1
GEA	Inadequacy of benefits and inappropriateness of lump benefits for old age income security	Defined Benefits Social Insurance Scheme only	clearly defined	Not clearly stated	Indifference	1

Deliberations on Transitional Provisions

Since the reforms involved a shift from an existing pension policy instrument to a different type, one of the major issues the actors had to surmount was the question of transitional provision and cost. Three options were proposed and discussed by the reformers. First, some government representatives, especially the Ministry of Finance, proposed that contributions in individual provident fund accounts be frozen and redeemed only upon the occurrence of specific contingencies in order to allow for a complete fresh start of the social insurance program. Supporters of this provision argued that freezing the provident fund accounts would enable reformers to properly design and implement a social insurance scheme, while gradually winding up the former. Representatives of labour, however, opposed this proposal on the basis that freezing the savings in the provident fund accounts would give government and fund managers an incentive to abuse contributions held in trust for workers by diverting frozen funds to political projects at the detriment of contributors' welfare.

Union leaders suggested that if government and employers favoured abolishing the provident funds scheme to pave the way for a fresh start of a social insurance program, provident fund balances and the interest accrued on them must be paid out to all workers prior to the shift to a social insurance program. But both government and employers opposed this approach on the grounds that it had the potential to provide an incentive for workers to exit the labour market at an early age (personal interview). The reformers collectively considered the possibility of allowing workers to purchase annuities with the accumulated savings in their individual provident funds. These ideas were later discarded for the lack of a viable local annuities market to be trusted with social security investment (personal interviews).

A second major transitional provision proposed by labour was designed to allow individual workers already participating in the provident funds to choose between remaining in the provident fund plan or converting their savings to the new social insurance scheme. Under this arrangement, the provident fund was to be closed to all new entrants and existing workers who opt for social insurance. The design of this proposal meant that all new entrants into the labour market were to be covered by the new social insurance program without an option to choose between the two plans. The proposal was to allow both the provident funds and the social insurance program to be operated concurrently with the objective of gradually winding up the former, while building and strengthening the latter (personal interview)

In the opinion of union leaders, this transitional proposal offered existing individual workers freedom to make decisions about their income security. But various representatives of government among the reformers were unanimous in the view that this proposal was fraught with differential treatment in favour of older workers and employees with families whose interests will be better served by the social insurance program. In their view, existing younger workers could potentially opt out of the social insurance scheme, if they have reasons to believe that their contributions will be used to finance the transition. Although the reformers were divided on this proposal, experience from the state's inability to phase out the CAP 30 scheme after several attempts provided a powerful illustration against the proposal and it was subsequently abandoned (personal interview).

In the midst of the deliberations emerged a third transitional strategy known as the "pension credits" proposed by reformers representing the government and supported by various actors representing different interests on the reform committee. Under this proposal, all previous contributions to the provident funds would be converted into contributions towards the social insurance scheme. Government representatives argued that this approach would ally the fear of workers that they might be worse off under the new scheme, ensure continuity, avoid further institutional fragmentation, and prevent discrimination against any particular working cohort. By design, this approach would allow all members of the various provident funds to automatically become members of the social insurance program. Leaders of the various unions felt persuaded by this approach and accepted it as the committee's consensual recommendation for the transition, due to the fact it made provisions for past contributions to be credited to the new program (Dei, 1997; Government of Ghana, 1982). For the government, the acceptance of this transitional provision was a major victory in the deliberation process because the strategy offered government an opportunity to save costs by using the accumulated savings from the provident funds to finance the transition to social insurance. The employers' association was, for the most part, either lukewarm or indifferent throughout the deliberation, and its participation in the reform process was measured and cautiously guided by the hostilities of the PNDC towards business interest (personal interviews).

As far as qualifying conditions were concerned, the deliberations focused on duration of contribution, retirement age, and contingencies. The labour unions generally favoured flexible qualifying conditions for workers. In their view, workers should be allowed to exercise their pensionable rights after ten years of membership in the new scheme. The unions also expressed their preference for the maintenance of pre-existing retirement ages of 50 and 45 years for men and women respectively under the provident funds (Government of Ghana, 1982). But with backing from the employers association, government officials opposed labour's request for relaxed qualifying conditions on the ground that they might serve as a recipe for younger workers exiting the labour market, and providing a free ride on the social insurance program, rather than continuing to earn income through active participation in the labour market (personal interview).

Government actors argued that to solve the problems of retirement benefit inadequacy, the social insurance scheme must be designed to link duration of contribution to level of benefits. In their view, irrespective of benefit formula adopted for the scheme, the duration of an employee's participation in the scheme must be considered as a major variable, hence it serves the interest of workers if the scheme is designed with disincentives for early labour market exit. In furtherance of this claim, they argued that lower retirement ages would adversely affect both benefit adequacy and financial sustainability of the scheme, and hence suggested an upward review and equalization of the statutory retirement ages for the social insurance program (Dei, 1997; Government of Ghana, 1982).

Consequently, the pension reform committee unanimously recommended equalization of statutory retirement ages and an adjustment upward to 60 years for all categories of workers who participate in the scheme. Again, through consensus-building, the reformers adopted the view that for the social insurance plan to sustain itself, workers must participate in the scheme for not less than 240 months (20 years) to qualify for a pension, except for those who attained the retirement age ahead of meeting this condition. Workers who meet this condition and decided to take early or voluntary retirement were to receive reduced old age income benefits, while individuals who had attained retirement at the time of transition to social insurance were given the option of lump sum benefits or benefits spread over several months (Dei, 1997). Union leaders remarked that they were compelled through frank and open deliberations to abandon some of their preferences after weighing the strengths of alternative preferences in the deliberative process (personal interviews).

Although the transitional provisions were negotiated through a process of stakeholder deliberation with the full participation of government representatives and the social partners, and recommendations were made as the result of consensus-building, the final policy direction in the 1980s and to early 1990s rested solely with the top leadership of the PNDC government. Thus, the proposals adopted by the reform committee were only recommendations to guide the government and, possibly, the front-line policy bureaucrats who were responsible for designing a detailed legislative framework for the new scheme. By November 1983, when the pension reform committee was ready to submit its recommendations, the PNDC was able to achieve some political legitimacy through open and active support of workers and other groups as well as many individuals who constituted the Ghanaian Left (Personal interviews). But there was a series of economic challenges ranging from hyperinflation, to low agricultural and industrial productivity, to mismanagement, to corruption, to heavy domestic and foreign debts, to shortages of basic commodities, to hoarding, to smuggling, and to black marketing. These problems had taken priority on the policy agenda and minimised the attention on pension reforms and the plight of retirees in favour of a search for financial resources to revive the national economy.

The World Bank Intervenes Against Social Insurance

Projecting itself as a socialist revolutionary regime, the PNDC approached the Soviet Union for financial assistance to resuscitate the economy. In response, the Soviets encouraged PNDC officials to remain steadfast in their commitment to socialism, but also advised the government to seek assistance from the IMF and the World Bank (Agyeman-Duah, 1987). Faced with the options of pretending to have the ability to revive the economy or turning to global financial institutions, the PNDC government chose the latter (Boafo-Arthur, 2001; Hansen, 1991; Yeebo, 1991). The most labour friendly and extreme socialists within the top hierarchy of the government fiercely resisted the decision to seek western assistance, but Rawlings, and the more pragmatic-minded individuals within the cabinet, eventually expelled the radical left from the government (Agyeman-Duah, 1987) to bolster the confidence of the IMF and the World Bank in the PNDC administration.

The expulsion of the radical left from the PNDC government did not only pave the way for the IMF and the World Bank to indirectly take control of the economic reforms in Ghana (Olukoshi, 2007), it also marked a turn in the relationship between labour unions, especially, in this case, the TUC, and the government (Kraus, 1987). In a way, the PNDC went on the offensive against workers in government policies that followed the decision to seek financial assistance from the IMF and World Bank (Gyimah-Boadi & Essuman-Johnson, 1993; Kraus, 1987). With the support of the IMF and the World Bank, the PNDC presented a tough and harsh austerity budget in the months that followed (Shillington, 1992; Yeebo, 1991). The main targets of this budget were curtailing government spending, removing subsidies, introducing user fees, and restoring macro economic stability. Consequently, while workers were given a symbolic raise in minimum daily wage from twelve to twenty-five cedis, the prices of almost all other goods and services were increased between 100% and 300% (Agyeman-Duah, 1987; Ninsin, 1987; Yeebo, 1991). In its 1983 budget statement, the PNDC depreciated the value of the Ghanaian cedi and framed it as "subsidy on specified exports—timber, minerals, cocoa coffee and manufactured goods while referring to user and service fees on imported commodities as "surcharges' (Shillington, 1992, p. 107).

Government officials argued that while the removal of subsidies was necessary to reduce budgetary deficits, the introduction of user fees would help to shore up the revenue base of the economy (Shillington, 1992). In pursuit of this, the government also suspended all on-going wage and salary negotiations occurring at the tripartite level. In an immediate response, the TUC issued a statement in which it warned the government against using the salaries and wage rationalization policy contained in the budget as an excuse to either clamp down on workers' right to collective bargaining or impose a freeze (Ninsin, 1987). There were spontaneous reactions from several workers' organizations in the country describing the budget as inhuman and demanding a revision of the policies that will release workers from economic strangulation (Anyemedu, 1993, 2000; Gyimah-Boadi & Essuman-Johnson, 1993; Yeebo, 1991)

The government rejected the complaints and demands of workers on the basis that the economic policies were designed to eventually lead to a reduction in price levels and the rate of price increases will promote productivity (Ninsin, 1987). In his May, 1983, Labour Day address to workers, Rawlings ignored the concerns expressed by workers but commended them for their "revolutionary vigilance in exposing" the subtle "machinations of the new false friends of workers" (p, 32). Realizing the government's intransigence, workers began to protest, strike, and demonstrate in open confrontations with the PNDC, eventually culminating with about sixteen industrial actions and the loss of several days of work in 1983.

Thus, by November, 1983, when the pension reform committee had finished its work and presented its recommendations, relations between the government and workers, on one hand, and government and employers, on the other, were not only bad, but were also marked by confrontations and open denunciation of government policies (Gyimah-Boadi & Essuman-Johnson, 1993; Kraus, 1987; Yeebo, 1991). Subsequently, the government indefinitely suspended any further action towards the transformation of the provident funds and shelved the report.

As part of the economic recovery measures, the World Bank and the government signed a conditionality loan agreement of $100 million in 1988 to reform the country's financial system. This was regarded as a necessary step to boost the economic recovery process (Personal interviews). Consequently, the two launched a Financial Sector Adjustment Programme (FINSAP) to restructure distressed banks, improve capital mobilization strategies, improve regulatory and supervisory frameworks, and assist in capital market development. The FINSAP was re-launched in 1989 to include restructuring of non-banking financial institutions, especially contractual savings arrangements such as provident funds and state-owned insurance companies (Mensah, 1997). Because the provident funds were designed as defined contribution plans, the World Bank's reform initiatives emphasised the need to retain the structures of the provident funds and improving the management and investment practices, while also linking benefits to contributions (Personal interviews). In response, the government reformed the administration, management, and investment practices of the provident funds by separating the actuarial and statistical departments into two units. The government also upgraded the receiving unit, restructured the benefits department, and established a new policy framework for investment (Dei, 1997). Ghanaian workers and pensioners were disappointed that the much-anticipated shift to a social insurance pension program was not implemented; instead, the government had committed itself to maintaining the provident funds as demanded by the World Bank (Personal interview). By 1989, the PNDC was successful in restoring macro economic stability through the

EPR and, ironically, the main beneficiaries were mostly the coalition of forces that traditionally opposed the PNDC–the Ghanaian Right (Ninsin, 1987).

Although government officials blamed the World Bank openly for the suspension of the shift to social insurance, these reforms were delayed for reasons other than the confrontations and other problems the regime had with the social partners. First, the IMF/World Bank advised structural adjustment programs were designed things to reduce government spending and encourage domestic savings. A shift from provident funds to social insurance when the reforms deliberation ended in 1983 would have compelled the government to pay monthly retirement benefits to the over 150, 000 workers who were forced to retire during the implementation of the ERP (Anyemedu, 1993; Gyimah-Boadi & Essuman-Johnson, 1993; Yeebo, 1991). Such an action would have undermined the ERP and probably damaged relations between the Bretton Woods institutions and the government. The suspension of the reforms, therefore, allowed the government to demonstrate a resolute and ruthless approach to the implementation of ERP by laying-off several public sector workers without any financial cost to the state—a move that reinforced IMF/World Bank faith in the PNDC throughout the rest of 1980s.

Second, the design of the provident funds gave government incentives to suspend the shift to social insurance while the implementation of the ERP was in progress. Under the provident fund scheme, unemployment was recognized and provided for as a social security contingency. Qualification for unemployment benefits under the provident fund plans required not less than 36 months participation by employees, and the benefit consisted of only a one time payment of 50% of an unemployed person's last month salary (Government of Ghana, 1982). For workers, the qualifying conditions made unemployment a zero-sum situation because the "stringent measures attached to this benefit made it virtually impossible for anybody to qualify" (p. 20), and for those who could qualify, they had already lost most of their previous contributions to the government and could only claim half of their last month's salary as a benefit (Personal interviews).

This zero-sum situation for workers existed mainly because many lost their jobs to the ERP, and their retirement savings in the provident fund to inflation and currency devaluation. From the perspective of the PNDC government, however, the qualifying conditions for unemployment benefits under the provident funds made it easier to implement aspects of the ERP involving labour *retrenchment* without apprehensions over financial compensation to workers. So, even though the suspension of the reforms equally served domestic political interests of the government, politicians indulged in blame avoidance by indicating to domestic interest groups that the government capacity to implement the shift to social insurance was constrained by conditions imposed by the World Bank (Personal interviews). Faced with general parliamentary and presidential elections, however, the government resisted directives from the World Bank and implemented social insurance to drum up support from the coalition of actors in favour of a social protection arrangement.

Resisting the World Bank: Political Change & Electoral Coalitions

Although government officials initially heeded the Bank's advice to maintain the defined contribution schemes, changes in the domestic political environment compelled them to discard the Bank's advice and implement the social insurance scheme. Specifically, government officials resisted the Bank's advice and implemented the social insurance program to calm down tension with workers prior to the 1992 presidential and parliamentary general elections. The PNDC, which had transformed itself into a political party called the National Democratic Congress (NDC), needed a core constituency to counter the opposition New Patriotic Party (NPP), which was made up of powerful right-wing political forces. Thus, the PNDC transformed the provident funds to a social insurance plan a few months before the 1992 general elections to appease the unions and the coalition of left-wing political forces who were traditionally opposed to the Ghanaian Right, but were also offended by the PNDC's implementation of structural adjustment programs.

Through the ERP, the PNDC was able to improve the macroeconomic situation, however, questions about the political legitimacy of the PNDC and their ability to govern were raised in Ghanaian political discussions and this time with pressure from both the Left and the Right in Ghana, as well as from international financial institutions. The World Bank and the IMF, for instance, included political liberalization in their aid conditionality from the later part of 1980s in support of a demand for democratic rule (Jeong, 2001). Consequently, the PNDC government began the process of opening the political space in preparation for a return to constitutional rule. The processes included accommodation of dissenting views, open discussions of the country's political future, and revival of private media operations (Shillington, 1992). In 1990, during the ninth anniversary of the revolution, Rawlings announced the formation of a Consultative

Assemble to discuss the initial constitutional framework for a return to democracy (Shillington, 1992). While the details of the road map for a return to democracy were being discussed, on the one hand, the Ghanaian Right began to organize itself into a variety of pressure groups that later culminated in the New Patriotic Party—one of the two major parties in the country's Fourth Republic. On the other hand, the Left remained largely fragmented and disorganized, but were very active in the political process. In an unexpected move, the government began reaching out to workers and other groups that constituted the Ghanaian Left again in the 1990s in ways that clearly signalled the intention of the PNDC to reconstitute itself into a political party and contest presidential and parliamentary elections scheduled for December 1992.

Thus contrary to World Bank demands, the government instructed the management of the provident funds to engage the social partners, especially the TUC, the CSA, GEA, and the GNAT in discussions and public awareness campaigns to implement the recommendations of the pension reform committee (Bimpong, 1998; Dei, 1997). The public awareness programs were meant to educate workers on the details of the new pension reforms. The major issues included in the public awareness campaigns were explanations of the transitional provisions, qualifying conditions, changes in retirement age, and contingencies to be covered under the new scheme (Bimpong, 1998; Dei, 1997). As part of the process, the management of the provident funds designed educational materials and handouts with information explaining the advantages of social insurance schemes over provident funds. These materials were distributed to workers and key stakeholders in the reforms (Dei, 1997). The campaign also included radio, television, and other media advertisements and discussions (Allotey-Pappoe, 2000; Bimpong, 1998). The resource people for the public education campaign were drawn from institutions that participated in the deliberations of the reforms. Dei (1997) noted that "government leaders constituted the most important of the groups exposed to the education campaign" which took the form of interaction with workers and members of the public through radio talk shows, face-to-face town hall styled meetings, newspapers articles and advertisements, and television talk shows (p. 67). After a thorough nationwide interaction among members of the public and a Joint Standing Committee comprising the various stakeholders, the PNDC government repealed the legislation governing the operations of the provident funds in February 1991 and replaced them with PNDC Law 247, effectively establishing a defined benefit social insurance program (Dorkenoo, 2006).

The timing and activities preceding the shift to a social insurance plan were clearly motivated by domestic political considerations. The provident funds recorded remarkable success in the period of the mid -980s to 1990 when the ERP began transforming the macroeconomic landscape (SSNIT, 1992) and the World Bank also began open advocacy for defined contribution schemes against social insurance programs in its client countries (World Bank, 1994). In the Bank's campaigns against social insurance scheme, it provided three pension reform related loans in the sum of $ 3.9 million to the government of Ghana. These monies were to restructure the civil service pensions (CAP 30) and the provident funds by reducing pension liabilities through building and strengthening the links between contributions and benefits, and to review investment policies to improve returns (Andrews, 2006). Logically, therefore, the provident funds should have been maintained with minor reforms to boost savings and to satisfy the World Bank's pension reform objectives, if claims about the influence of resourceful transnational actors (Goldstein & Keohane, 1993; Madrid, 2005; Orenstein, 2005b) holds true in all cases.

The Ghanaian situation demonstrated that domestic political circumstances were given priority consideration over the influence of the World Bank. By 1990, the PNDC had started reconstituting itself into a political party to contest the December 1992 general elections. The PNDC needed a base: the Ghanaian Left was highly fragmented and disorganized, while the Right had organized itself in readiness for registration as a political party. Thus, the PNDC used the public awareness campaigns that preceded the shift to a social insurance plan to reach out to workers and groups on the Left to iron out differences the ERP created between the two, and also to reassure the Left, especially workers, of the government's commitment to their welfare. In a statement commemorating twenty-five years of social security in Ghana, the PNDC Secretary for Finance and Economic Planning argued that the ERP had created an enabling environment for the success of social security in Ghana and reassured workers of the government's commitment to their welfare (SSNIT, 1992). Following that announcement, the defined contribution provident funds were transformed into defined benefit social insurance in January, 1991 (Dei, 1997). Six months after the shift to a social insurance plan, Rawlings announced a return to constitutional rule and details about the upcoming presidential and parliamentary elections (Jeong, 2001). Then in July 1992, the PNDC transformed itself into a social democratic party and registered as the

National Democratic Congress (NDC). While preparations for the elections were underway, the government acted against the Bank's advice by increasing the salaries of public sector workers in an obvious move to attract working class and urban voters (Jeong, 2001).

Frustrated by the shift to social insurance and the lackadaisical approach to privatization in general, the World Bank and other donors issued a stern warning to the NDC government threatening to cut funding if the economic reform program, especially the FISAP, and the drive to keep the defined contribution plans lost momentum (Jeong, 2001; Mohan, 1996; World Bank, 1996a). At a meeting with the president of the World Bank, James Wolfensohn, the Ghanaian Minister of Finance, Kwame Peprah, responded to the warning by arguing that Ghana's constitutional democracy was hindering the government's ability to implement the adjustments required by the Bank in the same way reforms were implemented under the authoritarian military regime (Jeong, 2001). Consequently, the Bank and other donors withheld about $300 million from the government for "breaches" of loan conditionality regarding financial system reform, of which the existing social security program was an essential part (Jeong, 2001; Mohan, 1996; World Bank, 1996b).

Design and Nature of the Social Insurance Plan

As a transitional arrangement, every employee participating in the provident funds automatically became a member of the social insurance scheme from 1991. Individuals who attained the retirement age on the exact date of the transition were given the option to choose between monthly benefits and a lump sum payment, while pension entitlements were extended to employees aged 55 (the retirement age under the provident funds) with less than 240 of months participation, but more than 180 months contribution to smooth the transition process (Dei, 1997). With the exception of the members of the Ghana armed forces, who were excluded from participating in the scheme, the social insurance plan was designed to provide coverage for all Ghanaian employees (Dorkenoo, 2006), and, as a result, tax incentives that encourage occupational schemes were expunged and these schemes were brought under the social insurance scheme.

In practice, however, workers in the informal sector constituting about 85% of the total labour force were excluded from the scheme (Government of Ghana, 2006). The exclusion of informal sector workers from the scheme was based on the inability of the state to capture economic activities occurring outside of the formal sector, as well as the notion that traditional forms of social protection operate more efficiently in the informal sector (Apt, 2002). While participation in the scheme was mandatory for all formally employed workers in establishments with more than five employees, it was optional for the self-employed. The employer-employee financing formula under the provident funds was maintained under the social insurance program (Darkwa, 1997; Osei, 2004). Contingencies covered under the social insurance program included old age or retirement, invalidity, and dependency. The administration of the scheme remained under the reconstituted tripartite management board that comprised government officials, and representatives of employers and employees (Adjei, 2000; Darkwa, 1997; Dorkenoo, 2006).

The scheme was designed to cover three main contingencies including retirement income support, disability benefit, and survivor's benefit. Old age benefits were based on employment history. Employees qualified for full pension at age 60 and had participated in the scheme for at least 20 years. Voluntary retirement was permitted from age 55 onwards, however, the right to early retirement can only be exercised after a contributor is willing to do so, and has met the conditions of 240 months of participation in the scheme. Benefits were calculated on the basis of 50% of the average of an employee's three best years' salary. Employees were awarded an additional 1.5% on top of the 50% minimum base pension formula for every additional year of contribution or participation in the scheme beyond the 240 months up to a maximum pension benefit of 80% of the best three years' income (Adjei, 2000; Dei, 1997; Dorkenoo, 2006). Employees who were not able to contribute for the total of 240 months prior to retirement received their accumulated contributions with interest computed at half the rate of government treasury bills (Adjei, 2000; Osei, 2004).

The scheme also provided disability benefits for contributors below the pensionable age who were incapable of any normal gainful employment as a result of physical or mental disability. To qualify, an employee must participate in the scheme for not less than three years prior to the disability, and must have his/her health status certified by a medical board, including a medical practitioner appointed by the management of the scheme. Disability benefits are paid in the form of monthly income to beneficiaries (Adjei, 2000; Dorkenoo, 2006; Osei, 2004).

Lump sum benefits were paid to a nominated dependent of a contributor upon the death of the contributor prior to age 72. Dependents of deceased members who contribute to the scheme for a total of 240 months or more receive lump sum benefits equivalent to twelve years monthly retirement income. However, in the event that a contributor passed away before reaching the 240 month contribution threshold, the dependent receives a lump sum benefit equivalent to 12 years retirement income proportional to the contributions made. In the event that a pensioner passes away before age 72, his/her dependent are paid a lump sum benefit calculated up to age 72 of the deceased retiree, while dependents of a deceased pensioner aged 72 and over are not entitled to any benefit (Dei, 1997; Dorkenoo, 2006).

Since the shift to social insurance, participants were classified as active members, inactive members, and retirees. Active membership referred to employees who have maintained and contributed to the scheme consistently for two years or more. Members of the scheme whose social security accounts had not been credited with contributions for a period of two years or more were described as inactive members (Personal interviews). These were mostly students on study leave and other individuals who have not been active in the labour market for a period of over two years. Retirees were participants of the plan who no longer participate in formal employment for reasons of old age or disability and were thus paid monthly benefits from the scheme (Government of Ghana, 2006a). The number of active members of the scheme has been increasing annually since the 1990s (Government of Ghana, 2006; IEA, 2004).

As a partially funded scheme, the main sources of funds were contributions from members and returns on investments. In 1991, when the social insurance program was introduced, the total number of active members was about 647, 712 (Government of Ghana, 2006), however, by the close of 2006, this number has increased to 1, 211, 620 members (SSNIT, 2006). This represents an 87.06% increase in contributing members within a fifteen year period. The increase in active membership has positively impacted rates of contribution to the scheme. At the close of 2006, the scheme collected a total of 2, 868 billion cedis representing a 50.47% increase over the previous years total of 1, 906 billion cedis, and an approximate 3224.04% increase over the total of 86.10 billion cedis collected at the end of 1993 (IEA, 2004; SSNIT, 2006). The average monthly contributions received by the scheme in 2006 exceeded average annual contributions in the 1990s. Membership contributions constitute about one-third of the scheme's total source of funds, hence investment remains are an essential element in the sustainability of the scheme (SSNIT, 2006).

Conclusion

The transition from defined contribution to defined benefit pension plans in the 1980s and the 1990s was guided by an interactive approach to policy making (Personal interviews), in which policy makers collaborated with other actors, especially interest groups and other stakeholders, to develop and design the consensually deemed appropriate policy responses to the pension policy challenges within the socio-cultural, political, and institutional context of the state. Rather than conflict and interest group posturing, actors approached the reforms from a problem-solving perspective by striving to develop a common understanding of the policy challenges through dialogue and consensus-building. Mindful of the fact that actors have different and, often, contradictory policy preferences, and hence the potential for open conflict in the reform process, policy makers took the pension reform deliberations outside the formal decision making channels, to an informal *ad hoc* committee comprising the major stakeholders in old age income provision, and facilitated a process of interaction based in problem-solving. By doing so, policy makers were able to de-politicize the reforms, develop a pride of ownership among the various actors, and facilitate problem-solving through interactions based on the assumption that key stakeholders playing a role in the reforms creates likelihood of outcome acceptance.

The interest groups and stakeholders reciprocated by entering the pension reform arena with open minds and mutual respect for each other in ways which demonstrated that pension reform can occur through problem-solving and consensus-building, and is not always fraught with interest group posturing and conflict. To the extent that the ILO and the World Bank offered expert advice, participated in the debates, and provided technical support to the Ghanaian policy makers, as well as attempted to persuade policy makers to adopt their specific policy preferences, they constituted an integral part of the broader social dialogue on pension reform, not within, but around the reforms. As this analysis has shown, both the policy agenda and the specific policy options adopted were conditioned by domestic political circumstances and not strictly by the transnational actors. While changes in the domestic political environment provided the opportunity for setting the reform agenda and for the transition itself, the choice of a PAYG defined benefit social insurance program to replace the defined contribution provident funds was conditioned by lingering ideas from other existing programs.

CHAPTER SEVEN
THE POLITICS OF A THREE-TIER PENSION PLAN

Introduction

In this chapter, I demonstrate that, in the face of growing challenges in the public pension system, union leaders adopted the idea of a three-tier pension plan comprising a mixture of private and public arrangements, and promoted it as an alternative to the government's initial plan to privatize the existing social insurance scheme. The unions proposed a three-tier plan to counter demands by conservative policy think tanks closely associated with the World Bank for outright privatization of the social insurance plan and liberalization of the social security environment. Union leaders were successful because (1) they broadened their problem definition to include issues relating to fairness and equity, which were generally ignored by other actors in their assessment of the policy challenges, and (2) their demand coincided with the 2004 presidential and parliamentary campaigns. The unions justified the inclusion of two defined contribution plans in the three-tier model by drawing on lingering ideas of the provident funds and End-of-Service benefits. The chapter is further proof that domestic politics is the major explanatory variable in relation to pension reforms in Ghana.

The Push for Privatization of the Social Insurance Scheme

Less than five years after the shift from provident funds to a social insurance pension system in Ghana, reports released by the country's Auditor-General revealed a series of corporate fraud schemes and political manipulation in the investment practices of the social insurance program. Nonetheless, pensions were never made an election issue in the wind-up to both the 1996 and 2000 general elections. If it had, the NDC would likely have lost the 1996 election. The inability of the social partners and other stakeholders to compel politicians to make pension an electoral issue by outlining how each of the political parties intended to address the perennial problems of the system, is partially a manifestation of the pervasive ignorance, as well as lack of expertise that accentuate the institutional weaknesses of Ghanaian social partners. Since 1992, the various political parties have always had social security in their election platforms. However, for the most part, social security was defined and limited to health and education without any reference to pension policy or the possibility of reforming the existing arrangements. This is perhaps due to the realization by the various political parties that the nation's formal pension plans cater to only 15% of the working population (Government of Ghana, 2006), and an attempt to address the issue may risk the political wrath of the large majority of constituents in the informal sector, if reform does not provide equal opportunities for old age income protection for them.

After the electoral victories of the conservative New Patriotic Party (NPP) in the 2000 general elections, however, concerted pressure was mounted on the new government by various institutions and individuals to reform the pension system. In a study paper on the social insurance plan, the IEA questioned the monopoly of government over the management of workers' social security contributions in the country. Senior fellows of the institute argued that the social insurance scheme had become inefficient and was a disaster waiting to happen due to mismanagement and government abuse of the funds. In their analysis, the Ghanaian social insurance scheme is a private scheme hijacked by government. They contended that because the scheme was not financed by general revenue, but through employer-employee contributions, it was a private pension plan managed by the state on behalf of workers. In the IEA's assessment, the social insurance scheme was designed under a military regime in which popular participation in the decision making process was limited, hence, there was the need to re-examine the scheme and curtail the role of government by giving workers the opportunity to determine how their retirement contributions are invested. In their view, the social insurance scheme must be restructured to operate and compete with other private schemes under a unified trust instrument and policy framework (Da Rocha, 2000; IEA, 2004; Osei, 2003).

Following the IEA's demand for liberalization of the existing pension system, the World Bank released a study on the performance of various state-owned enterprises in Ghana in which the SSNIT social insurance plan was scrutinized. According to the Bank, the scheme could potentially crumble by 2036 if existing arrangements were not changed. The Bank argued that investment policy guidelines of the scheme were not only ambiguous, but that management also lacked the technical expertise to ensure prudent investment practices. The Bank noted that the scheme's expenditure had risen over income due to over-staffing and investments in projects that had no pecuniary returns to the scheme. For instance in a 1999 financial statement, the scheme reported 2.3% real returns on investment but also indicated that bad debt amounted to 20% of assets while administrative expenditure accounted for 22% of membership contributions (Prempeh, 2002). Released soon after the NPP assumed government, the World Bank's report only served to confirm already existing concerns over mismanagement of the scheme and its implications for the sustainability of the scheme among the Ghanaian public since the mid-1990s.

In its 1994 annual report, the Auditor-General indicated that the management of SSNIT had violated the scheme's investment code by providing loans to several companies including Makola Market Ltd, Golden Beach Resort, and Ghana Toll Road Management Ltd, among others, without complete agreement on the terms and conditions of repayment (Auditor-General, 1994). As a result, most of the companies, which benefited from the SSNIT loans, have reneged on their payment obligations, and the management of the scheme failed to enforce repayment due to the circumstances under which the loans were given (Auditor-General, 1997). According to the Auditor-General, the management of the scheme had also issued several cheques amounting to 3, 220, 404, 508.04 cedis to individuals and companies as loans, and while there were no records to show that the cheques were cleared, the accounting and banking records of the scheme had no entries to invalidate these cheques (Auditor-General, 1997). These problems illustrate a practice of inadequate review of banking transactions, and the general "lackadaisical attitude towards reconciliation and investigation" of the operations by the supervisors and managers of the scheme (Osei, 2003). Olivier (2005) argued that such poor managerial practices were attributable to a lack of proper training and thorough understanding of principles underlining prudent management of social security schemes. In the Ghanaian case, these administrative and managerial malpractices were also the result of a general lack of public knowledge about the operations of the scheme. Officials simply took advantage of the public's ignorance to run the scheme, as they deemed appropriate without adhering to accepted procedures and proper standards of operations.

Although the investment policy of the scheme was reformed prior to the shift to social insurance with a view to limiting the government's role, government officials have continued to interfere in the investment practices of the scheme by authorizing the use of retirement contributions for other projects. Investigations into the management practices of the scheme by the Serious Fraud Office (SFO) in Ghana revealed backroom dealings between influential government officials and high-ranking members of the SSNIT management board. Specifically, the SFO argued that investments by the management of the scheme in plots of land at Bortianor, a suburb of Accra, were done under fraudulent circumstances with and pressure from government officials. The SFO report concluded that the Bortianor investment, which was being battled in court, was certain to be a colossal financial loss to the scheme due to negligence (Serious Fraud Office, 2002).

In addition, it was discovered that the scheme's administrative expenditure had consistently exceeded projected targets due to an absence of budgetary constraints (Oliver, 2005), operational inefficiencies, overstaffing, poor management practices, low levels of automation (Osei, 2005), and a lack of effective control over staff salaries and allowances charged to the scheme (Da Rocha, 1999). In 2001, the administrative cost of managing the scheme constituted 57.41% of total expenditure (Osei, 2005). What this means is that the management of the scheme was spending more money from the fund on administration than they spent on payment of benefits. These revelations generated public outcry and media discussions, especially in the urban centers, about the future of the pension plan. While workers were apprehensive about the sustainability of the scheme and the future of their income security in retirement, pensioners also seized the moment to express their dissatisfaction about poor service delivery. The complaints of the retirees revolved around inadequate benefits, delays in processing payments, multiple registration, premature termination of payments, lack of information on the performance of the scheme, inconsistency in the records of individual pensioners, and general data deficiency (Osei, 2005).

Inn the wake of these challenges, many Ghanaians came to the conclusion that the major challenge facing the social insurance plans was *government.* Successive governments had abused their fiduciary responsibility to the scheme, workers, pensioners and citizens in general (Personal interviews). In 1994, the Auditor-General expressed grave concerns over 51 billion cedis in government debt to the scheme. In repaying this debt, the government simply issued bonds through the Bank of Ghana to the scheme at an interest rate lower than the prevailing market rate, and equal to the rate of inflation at the time (Auditor-General, 1994). This gave senior fellows at the IEA reason to believe that the "money from the fund is being spent on the directions of the government for purposes which are not directly for the benefit of beneficiaries" (Da Rocha, 1999, p. 4). Thus although *government* doubles as the ultimate guarantor of the scheme against any future challenges, workers and pensioners in particular have come to believe that *government* itself was the greatest threat to the survival and sustainability of the scheme.

By design, the government controlled the composition and appointment of the governing board and management of the scheme. Although this was, and remains, a common problem for social security in Africa (Oliver, 2005), the Ghanaian case had become the prime example of the dangers involved in entrusting governments with the management of workers' social security contributions without adequate institutional oversight from elsewhere. In Ghana, the government was and continues to be the largest employer and contributor, as well as the ultimate guarantor of the scheme. As a result, seven of the fourteen-member management board of the scheme serves as government appointees in various capacities (Osei, 2005). This arrangement compromised the independence of the majority of the members of the governing boards and undermined the efficiency of the scheme. And while the composition of the management board was tripartite in nature, the selection of stakeholders was restricted to few labour groups, the employers' association, and government, to the exclusion of over 70% of other labour unions and pensioner associations whose members equally participate in the scheme. This type of poor stakeholder representation in the management of the scheme has, over the years, given successive governments strong veto powers in social security reform deliberation and legislation.

In light of these problems, the IEA saw the change in government as a window of opportunity to push for pension reforms. As already noted, the IEA is a right-wing policy entrepreneur established in Ghana during the Reagan-Thatcher era to promote free market capitalism. The institute, therefore, viewed the social insurance scheme from a market perspective, and argued that the SSNIT social insurance scheme, as per funding formula, was a private pension plan exclusively financed by employer-employee contributions, but that was hijacked and monopolized at the managerial level by the

Ghanaian government to the detriment of the workers. For the IEA, the electoral victories of the NPP in 2000 were a welcomed opportunity to push for pension privatization and pension system liberalization. Ohemeng (2005) argued that several senior fellows of the IEA were members of the NPP. These include J. B. da Rocha and Haruna Esseku, both past chairmen of party, Adzei Bokoe, a member of the Council of State in the NPP government, and Charles Mensah, Executive Director of the IEA who doubles as a personal advisor to the president. Ideologically, the NPP and the IEA share the principles of free market capitalism and neo-liberalism. The IEA also had strong links with some of the core constituencies of the party. For instance, the employers' association whose membership largely identifies with the NPP, also had Charles Mensah as its president. In effect, the crusade led by the IEA for pension privatization was, more or less, a reverberation of what the new government had already planned.

But the government's greatest challenge was setting the agenda for privatizing the SSNIT social insurance scheme without causing an uproar on the labour front. Labour groups also held the view that pension reform was necessary in light of the abuse and design flaws in the pension system as a whole; however, unions maintained that transferring the existing pension plan from the government to private pension fund operators was not an option (Personal interviews). On the other hand, the choices available to labour groups were limited. In an attempt to blame the NDC government for the pension system problems, the NPP government echoed the view that *government,* as an institution had proven incapable of managing workers' retirement contributions, hence, the need to transfer that responsibility to the market. While sharing the view that government had demonstrated failure in managing the pension plan, labour groups were wary of the untested Ghanaian private sector, and were more prepared to accept a continuous and direct governmental role in the social insurance scheme than to have it privatized (Personal interview).

Government Moves to Privatize the Social Insurance Scheme

In an attempt to avoid confrontation with labour groups, the government decided to transfer the SSNIT social insurance plan to private fund managers, and liberalize the entire pension system through an already existing program—Financial Sector Strategic Plan (FINSSP)—sponsored by the World Bank. By linking pension reforms to the FINSSP, the government intended to reduce visibility of the reforms from the general public, and would be assisted in obtaining more financial credit from the Bank for the reforms. The FINSSP was intended to broaden and deepen gains made from the series of reforms financed by the Bank under the Financial Sector Adjustment program (FINSAP) and the Non-Banking Financial Institution (NBFI) reforms that began since the 1980s (Personal interviews). As discussed earlier, the World Bank advised the government to maintain the provident funds as defined contribution plans against social insurance. Because, at the time, the Bank's advice did not pose credible political risk to the PNDC government, it did as the Bank wanted. However, faced with the potential wrath of workers and citizens in the 1992 Fourth Republican general elections, the PNDC government retreated and yielded to labour demands by shifting the provident funds to a social insurance program.

Under the FINSSP, the Bank made transfer of the social insurance scheme to private management a major condition for funding. Admittedly, by the early 2000s, the Bank had toned down its early approach to pension reforms by encouraging safety nets and government financing of social assistance programs in conjunction with private pension plans (Holzmann & Hinz, 2005). Notwithstanding, the FINSSP agreement emphasized strengthening of capital markets, liberalization of the pension industry to allow for competitive private sector investors, and effective regulatory frameworks for financial markets and the insurance industry (World Bank, 2005). Mensah (2008) noted that 80% of the specific reforms required under the FINSSP focused on the non-banking financial sector, of which social insurance is the largest part.

From the perspective of the NPP government, the pension system challenges were intrinsically linked to the weaknesses in the country's financial system. Addressing those weaknesses must necessarily include reforming the pension system as well. In implementing the FINSSP program, the government prioritized liberalization and privatization of the pension system over other major institutional and banking reforms specified under the financial system reform program. Consequently, among the government's first actions towards implementing the FINSSP was the passage of the Long Term Saving (LTS) Act 679, 2004. The objective of the LTS was to provide a legal framework for the establishment of a long term retirement saving plans as alternative social security programs, and an additional source for capital market development (Sekyere, 2007). The passage of the LTS, which allowed private pension fund operators to compete for investment of workers' retirement savings, was seen by the unions as the government's first step to privatize the existing social insurance scheme.

Mobilization and Veto of Government's Unilateral Reform Agenda

Led by the TUC, labour groups reacted to the LTS by arguing that the real challenges of the pension system have been sacrificed for the pursuit of ideologically laden objectives. Labour groups also argued that the passage of the LTS was the government's first step towards privatizing the existing pension system without open debate and stakeholder input. The unions also argued private pensions reduce retirement income of retirees through higher administrative costs and the cost of competition. Therefore, there were no guarantees that pensioners would be any better under competitive pension fund operators. A study of the entire pension system in Ghana commissioned by the TUC also confirmed the challenges of mismanagement, official malfeasance, and government interference, but also drew attention to the disparities between workers covered by the SSNIT social insurance scheme and those covered by the CAP 30 plan.

The CAP 30 plan was managed through the Ministry of Finance and the Controller-General offices, offered higher benefits, and had comparatively better qualifying conditions than the social insurance scheme administered by the statutory government body—SSNIT. Because, several public sector workers were covered by both of the schemes, the issues of disparity and inequity were of great concern, especially to the TUC. For instance, teachers, nurses, and other public sector workers covered by the CAP 30 plan could voluntarily retire earlier, receive higher benefits, and other attractive packages than their counterparts in the same cohort covered by the social insurance plan (Personal interview). The specific areas of disparity that affect benefits and treatments of workers under the CAP 30 and the SSNIT social insurance scheme are illustrated in Table 8. 1 below:

Table 7.1: Comparative Analysis of Differences between Two Major Public Pension Plans in Ghana

Point of Reference	Social Insurance Scheme	CAP 30 Scheme
Legislations	Social Security Law 1991 (PNDCL 247) with precursors as the Provident Fund under the social Security Act 1965; and 1972 Social Security Decree	1946 Pension Ordinance; Chapter 30 of Ordinance Number 42, 1950; Teachers Pension Ordinance, 1955; Pension and Social Security (Amendment) Decree 1975 SMCD 8.
Membership	Civil and public servants employed after January 1st 1972 and those employed earlier who opted out of the CAP 30 scheme Private sector workers Self-employed	Civil and public servants as well as civilian employees of the armed forces who opted to remain under the CAP 30 prior to January 1st 1972 Armed forces, and employees of the polices, prison, judicial and border services
Management and Administration	Board of Directors Board of Director's responsible for policy direction of the scheme Management Team headed by Director-General is responsible for administration and payment of benefits Decentralized administration	No Board of Directors Ministry of Finance responsible for the policy direction Computation and payments done by Controller & Accountant General's Department Centralized administration

Financing Arrangement	Contributory from inception Partially funded Payments were made from contributions and returns on investment	Non-contribution till 1972 but remains so for some category of workers e.g. armed forces, the police, immigration, judiciary service etc Unfunded Payments were made from general revenues—the consolidated funds
Retirement Conditions	Minimum of 20 years of (portable) contributions to the scheme Voluntary retirement begins at age 55 Voluntary retirees were entitled to reduced pension benefits	Minimum of 10 years of service Voluntary retirement begins at age 45 Voluntary retirees were entitled to full pension benefits
Benefits, computation & Adjustment formulae	Final pension benefit is based on the average of three best years salaries Minimum pension benefits varies according to prevailing minimum wage and inflation Maximum retirement benefit is 80% of average best three salaries Actuarial considerations applicable to benefit computation Automatic system for increasing pension benefits annually on the basis of consumer	Final annual gross salary earned by an employee at the date of retirement is used in computing pension benefits Minimum pension benefit is 50% of salary range at the time of retirement Maximum retirement benefit is 100% of terminal salary Actuarial considerations not applicable to benefit computation Benefits is indexed annually to 100% of adjustment to the civil service salary scales

	price index and inflation	
Survivor/Dependant Benefits—(death in while on retirement)	Lump sum equal to the present value of employee's pension payable until age 72. No pension benefits are paid to dependent if a pensioner dies after age 72	Lump sum equal to balance of unpaid benefits payable to survivors until age 80 of the deceased member
Survivor/Dependant Benefits—(death before retirement)	If an employee contributed to the scheme for at least 240 months then a lump sum benefit equal to the value of employee's benefit at death computed up to age 72 is paid to survivors On the other hand if an employee's contribution is less than 240 prior to death, then a lump sum equal to 50% of the deceased member's total pension value based on age 72 is paid to the deceased's survivors	Death Gratuity: Lump sum payment of 20 times one-third of deceased member's pull pension paid to survivors/dependents Spousal benefits: 25% of deceased employee's full benefit is paid to spouse Child Pension Benefits: Each child (maximum of 6) of a deceased member who is under the care of his/her mother is paid one-fourth of spousal benefit till age 21; and children under similar circumstances without a mother are paid half of spousal benefits per child till age 21.
Disability/Invalidity Benefits	Entitled to full retirement benefits if the employee contributed to the scheme for a minimum of 24o months Entitled to 50% lump sum benefit if contribution is less than 240 months prior to the members disability	Disability is treated as early retirement without the required limit of 10 years service, and classified into "special circumstance" retirement
Marriage Benefits	No marriage benefits	One-eighth of retirement salary per month payable to wives covered by the scheme who resign or retire after a minimum of 5 years of continuous service

Sources: Kofi Kumado and A. Gockel, (2003), *Social Security in Ghana*, Friedrich Ebert Stiftung; Government of Ghana (2006), *Report: Presidential Commission on Pensions*, Accra, Ghana

In almost every conceivable component of a pension plan, the CAP 30 and the SSNIT social insurance schemes were different, even though they serve the same category of workers for the most part. As indicated in Table 8.1, participants in the CAP 30 plan have flexible retirement conditions, attractive benefit computation formula, lower voluntary retirement age, and other benefit structures lacking in the SSNIT social insurance program. In addition, even though contribution rates were the same under both plans, participants in the CAP 30 plan were paid from general revenues, while benefits for members of the SSNIT social insurance plan were mainly from contributions and returns on investment. Furthermore, whereas the social insurance scheme was partially funded, the CAP 30 plan was unfunded and often factored into the annual national budgets. Due to the flexibility and generous benefits available under the CAP 30, it accounts for about 1.3% of GDP (Government of Ghana, 2006; World Bank, 2005). Both schemes have lump sum components in their payment arrangement, and while the SSNIT social insurance plan lump sum payments were accounted for in computing remaining monthly benefits, the CAP 30 scheme treated lump sum benefits as end-of-service-benefits with no effect on retirees' monthly income.

In terms of income adjustment, the SSNIT social insurance scheme is reviewed annually on the basis of consumer price index and inflation. On the other hand, any time salaries of serving public servants were increased, the retirement incomes for CAP 30 retirees were credited with corresponding increases. This also meant that often as salaries of public servants were increased in a year, pensioners under the CAP 30 also got the same percentage increase in their retirement income. The SSNIT social insurance scheme was based on the theoretical possibility of retirees' benefits increasing to 80% of the average of best three salaries prior to retirement. Every additional year of contribution to the scheme after the first 20 years earns a retiree an 1.5% of additional benefits. To get the maximum 80% benefit level, an individual must contribute continuously to the scheme for 40 years from age 20 and retire at 60—the statutory retirement age. The bar for receiving high benefits was set very high under the SSNIT social insurance scheme. But this was different under the CAP where members can retire after 10 years of participation with full retirement benefits (Government of Ghana, 2006; Kumado & Gockel, 2003).

Organized labour used the disparities in the two pension plans to re-shape the dialogue about pension reform. The IEA and the government favored privatization of the existing SSNIT social insurance plan, but organized labour warned that privatization would lead to open revolt by workers. The TUC, in particular, argued that it is in the government's interest to adopt a more comprehensive approach to the reforms to eliminate the inherent differential treatment of workers in the pension system. It further argued that if the government could pay retirees under the CAP 30 plan better than the SSNIT social insurance schemes pays its pensioners, then there was every reason to believe that government mismanagement of the SSNIT social insurance plan was designed to strengthen the official argument for privatization. For this reason the CSA, whose members constitute a majority of CAP 30 participants, was opposed to efforts to close the plan in favor of the SSNIT social insurance scheme. Kumado and Gockel (2003, pp.14-15) captured the disparity between the two schemes in the following words:

> Clearly, retirement benefits under CAP 30 are undoubtedly better than those under the SSNIT scheme, which is why those who can keep themselves in the plan do so, and others outside it are fighting to get on it. The problem is not only that there is great dissatisfaction among those workers who do not enjoy the superior coverage of CAP 30; it is also that the largely unfunded nature of the plan is a drain on general revenue. This is more so when it is noted that even for those who make the 5% contribution, the funds are not available as long term saving for further productive purpose that would promote employment to increasing union membership. There is no justification for two teachers to have gone through the immesmerizing process of life with one having to enjoy better after service conditions. Injustice prevails when equals are treated unequally. What is prudent is that the disadvantaged person should be brought up but not for the advantaged person to be brought down: it is not acceptable in Pareto optimal relations or labour relations that conditions of service could be made worse.

Labour representatives argued that institutional fragmentation, differential treatment, lack of proper coordination , and abuse of existing pension plans were the main reasons why pension reform became necessary (Presidential Pension Commission, 2006). To the extent that some civil servants and teachers continue to benefit from the CAP 30, which offered better retirement benefits, compared with those offered by the SSNIT social insurance scheme, which also has teachers and civil servants as part of its membership, shows the depth of inequity and differential treatment in the Ghanaian pension system. For both GNAT and CSA, they had no choice but to demand that their members participating in the SSNIT scheme be given the chance to opt into the CAP 30 scheme. The chairman of the Presidential Pension commission also argued that the mismanagement and increasing administrative cost of the social insurance scheme had generated anxiety among younger workers who demanded the reinstatement of the CAP 30 and establishment of supplementary schemes to diversify the sources of retirement income. The reality, however, was that CAP 30 was a drain on government finances, but for fear of resistance from a section of civil and public servants, government officials were not able to openly make the financial burden of running the CAP 30 an issue for pension reform (Personal interviews).

So while government framed the pension problem from the point of view of mismanagement and weak financial system, and sought to privatize the SSNIT social insurance plan, the TUC, CSA, and GNAT acknowledged the problems posed by mismanagement and government interference to social security in the country, but argued that the greatest challenges to both government and labour were the differential treatment and lack of equity for workers in the pension system in general (Personal interviews). The unions toured the country to educate their members about the disparity in the pension system and also to galvanize support for demands that the government adopt a comprehensive approach to the reforms. Such educational campaigns left in their trail anger, frustration, and discouragement as workers, especially the younger ones learned the details of how differently they were treated with regard to retirement benefits. Then six months prior to presidential and parliamentary elections in 2004, workers covered by the SSNIT social insurance plan in parts of the country embarked on industrial action to press home their demands for all-encompassing pension reforms (The Chronicle, 2004).

Many of the workers involved in the industrial action directed their frustration at the SSNIT social insurance scheme by displaying placards, some of which read, "SSNIT pension is worse than HIV/AIDS", "SSNIT pension is suicidal." In general, the view among workers was that the pension system in Ghana symbolized disrespect and was an insult to a segment of the public service (The Chronicle, 2004). Although neither the unions nor the political parties explicitly made the pension problems an election issue, the timing of the demonstrations and the growing discontent among labour groups in an election year, compelled the government to abandon its initial decision to privatize the existing social insurance plan. In response to demands by the unions, the government took the reforms outside the formal channels of decision-making by setting up an independent commission to "examine the social security and National Insurance Trust (SSNIT) pension scheme, the CAP 30 pension scheme and any other retirement schemes both in the private and public sectors and…to make appropriate recommendations on its findings" for reforms (Government of Ghana, 2006, p. 3).

For the unions, this was a major victory because they were able to veto government's initial strategy to privatize the existing social insurance plans and to prevent a policy option embedded in the World Bank's sponsored reforms in the country. Although its plan to privatize the social insurance scheme was not successful, the failure presented the government with an opportunity to include the evaluation of the CAP 30 in public debates about pension reform. Thus, the 2004 pension reform initiative was a direct response to agitations and demonstrations by a section of the unions who expressed their dissatisfaction about the general lack of fairness and equity in the Ghanaian pension system (Government of Ghana, 2006) in the wake of attempts by the government to privatize the existing social insurance scheme.

The occurrence of these developments in an election year enhanced the opportunities for the unions to push the government's preferred policy option off the agenda and demand a national debate and a consensual approach to the reforms. The government yielded, abandoned its initial reform agenda, and de-politicized the issue by taking it out of the normal political channels of policy making to avoid humiliation at the general elections. According to union leaders, while their main goal was to ensure reorganization of the entire Ghanaian pension system in ways that build upon existing values, institutions, and norms to ensure fairness and equal treatment of all retirees, they were equally concerned with how to deal with mismanagement and abuse of the existing social insurance plan (Personal interviews).

Transition to the Three-Tier Pension Plan

In pursuing these goals, unions argued that solidarity, risk-pooling and collectivism were important, but also maintained that individual freedom and choice in retirement decisions must be incorporated into the pension reform agenda to minimize mismanagement, government interference, and abuse of retirement income support funds. Specifically, the unions, the employers' association, and other major stakeholder actors demanded that lump sum elements incorporated into the existing social insurance scheme be removed and converted into mandatory individual retirement savings account managed by private fund managers while existing legislation, such as the Long Term-Saving Act (LTSA) that seek to encourage voluntary retirement savings (Sekyere, 2007), are incorporated into the reforms to serve as a third layer (Personal interviews). In June 2004, five months before the presidential and parliamentary elections, the NPP government established a commission to examine the Ghanaian pension system and advise the government on appropriate policy options for reform.

Against the background of the developments that led to the establishment of the pension reform commission, the reformers opted for a public participatory approach to the reforms as a strategy to create awareness, build public support for the reform, and ultimately incorporate the concerns and preferences of the public in the design of final policy options. In pursuit of this objective, the reformers adopted a complex strategy of public consultation by using the media—radio, television, newspapers and the internet—to appeal to all Ghanaian who intended to participate in the reform process, to submit written opinion papers, expert analyses, petitions, and memoranda on the challenges as well as opportunities for reforming the nation's pension system to the commission (Personal interview).

In response, a total of two hundred and nine stakeholder institutions and individuals submitted papers that discussed the country's pension system from their respective perspectives (Presidential Pension Commission, 2004). The reformers also requested and were given information regarding the financial and administrative state of the country's pension plans by the management of SSNIT and officials from the controller and accountant-general's department. The submissions from the public were classified into three broad categories. The submissions made by institutions that have traditionally not been part of pension policy discussions or negotiations were classified as memoranda; and those presented by individuals were labeled and treated as petitions because, except for a few, most simply highlighted the plight of retirees and the inequities in the Ghanaian pension system; while the submissions made by the traditional pension policy actors—the TUC, the CSA, the GEA and the Ministry of Finance—were classified as formal policy position papers (Personal interviews).

Although the reformers argued that all the submissions they received were given equal importance and attention in their analysis, the latter groups were not only given closer attention, they were frequently consulted during the deliberative phase of the reforms, excerpts from their submissions were also quoted copiously to justify the policy options recommended by the reformers in their final report to the government. This notwithstanding, the reformers acknowledged and commended as "most invaluable" written and verbal contributions made by B. J. Da Rocha, a Senior Fellow at the Institute for Economic Affairs (IEA), and Kofi Kumado, director of the Legon Centre for International Affairs (LECIA), University of Ghana. In previous years, Da Rocha and Kumado had published separate papers that examined the legal frameworks of the Ghanaian pension system. Kumado on one hand, co-authored a TUC sponsored research paper that reviewed the entire retirement income arrangement provisions in Ghana. Da Rocha's analysis of the management practices of SSNIT that turned the searchlight back on an otherwise low priority policy area. It is therefore not surprising that the participation of these two individuals in the reforms process was singled out and commended.

Further to the submissions, the reformers had initiated face-to-face interaction in the form of seminars and workshops with the heads of various government ministries and agencies to give public officials an opportunity to share their views on the existing pension policies and how to address the problems of fairness and income inadequacy raised by workers. As a result, the reformers met at both separate and joint sessions with the top officials of the Public Services Commission (PSC), Ministry of Manpower Development and Employment (MMDE), Ministy of Finance and Economic Planning (MFEP), Service Civil, Auditor-General's Department (AGD), Ghana Statistical Service (GSS), Public Sector Reform Secretariat (PSRS), Ghana Armed Forces (GAF), the Police Service, the Prison Service, the Fire Service, the Ghana Health Services (GHS), the Ghana Education Service (GES), the Ghana Chamber of Mines (GCM), Ghana Cocobod, the Institute of Economic Affairs (IEA), the Institute of Statistical, Social and Economic Research (ISSER) and the National Council for Tertiary Education (NCTE), among others, to solicit views on how to approach the reforms (Presidential Pension Commission, 2004).

Subsequently, the reformers toured all the ten regional capitals in Ghana to organize public forums and town hall meetings with all categories of workers and employers. The objective of this procedure was to give Ghanaians living outside Accra the opportunity to express their views on the retirement arrangement and to share ideas about collective reform of the pension system. Prior to the various town hall meetings, members of the reform commission arranged and participated in extensive radio and television discussions of the issues, such as the rationale for the reforms, the mandate of the reformers and the role of the public in designing a sustainable pension plan. Such media discussions were meant to create awareness among people of the presence of the reformers in their locales and to invite them to participate in the process.

A large volume of the submissions, especially those presented by individual workers and current pensioners to the reformers, simply echoed the problems inherent in the existing pension system and entreated the reformers to find appropriate remedies to ensure benefit adequacy, equity, fairness and transparency in the management of retirement income arrangements. Most of the institutional actors, especially the social partners, however, went beyond description and analysis of the challenges in the pension system to include their policy options and preferences to reforming the pension system (Presidential Pension Commission, 2004). According to the reformers, full public discussion of the issues was an indispensable and effective tool for democratic governance because it provided avenues for citizens to understand others' points of view and enter into the consensus-building necessary for public policy making (Personal interview). Table 7.2 below provides a summary of the major actors and their preferences for reforms.

Table 7.2: Institutional Actors and their preferred Approach and Options for Reforming the Ghana Pension System

Actors	**Preference/Approach to the reforms**
TUC	-Integrate CAP 30 into the social insurance scheme -Restructure the social insurance scheme to include features of CAP 30 -Introduce a fully funded lump sum paying supplementary scheme to be managed by private fund mangers on competitive basis to reflect previous provident
CSA	-Maintain and extend the CAP 30 scheme to all categories of workers as a replacement for the social insurance scheme -Alternatively any reforms must improve upon the benefits and qualifying conditions that already exist under the CAP 30. -If the social insurance is to be kept, the monopoly of the SSNIT management over the retirement income investment administration in the country must be broken through the establishment of supplementary schemes.
GNAT	-Reform must ensure institutionally specific occupational pension plans e.g. workers of the Ghana Education Service must operate Teachers' Pension Plan, Ghana Health Service workers must have the Health Workers Pension Plan etc; must be funded through employer-employer contributions to pay both lump sum and monthly benefits, and independently managed.

GEA	-Retain the social insurance scheme managed by SSNIT but adjust the benefit formulae to pay benefits comparable to the CAP 30 plan. -Introduce supplementary contributory schemes with attractive tax incentives, independent of SSNIT and/or government, managed on competitive basis by private sector investors. -Introduce attractive tax incentives to encourage retirement savings in general.
NAGRAT	-Maintained and extend the CAP 30 scheme to all categories of workers, and phase-out the social insurance scheme managed by SSNIT by transferring and crediting existing social insurance participants with new accounts in the consolidated funds from which the CAP 30 benefits were.
GMA	-Maintained CAP 30 for the armed forces and other security agencies -Restructure the management of the social insurance scheme to prune down government interference and maintained it as a first tier. -Introduce private and competitive pension plans as second tier with wider objectives for investment promotion, enhanced social protection, encourage national savings, poverty reduction, economic growth and wealth creation.
GIA	-Reform the social insurance scheme to serve as basic pension scheme for all categories of workers in both the formal and the informal sector -Introduce mandatory provident fund-styled occupational pension schemes to be managed by insurance companies to serve as a second-tier.
MOFEP	-Reform the social insurance scheme to pay benefits comparable benefit levels under CAP 30, and shift employees under the latter to join the former. -Reduce cost administrative cost to a maximum of 10%, and strife for at least 17% nominal (4% real) returns on investment to ensure benefit adequacy -Replace the current formula for computing benefits under the social insurance scheme with the CAP 30 formulae

SSNIT Management	-Maintain the social insurance program as basic employer-employee social security arrangement for all categories of workers in Ghana as pillar one -Introduce a mandatory employer-employee contributory provident fund-styled (defined contribution) occupational pension scheme administered by competitive fund managers and regulated by the independent regulatory authority to serve as pillar two. -Introduce attractive tax incentive retirement saving instruments governed by insurance laws, to encourage optional or voluntary retirement savings by workers who wish to do so. This must serve as a supplementary third pillar.
IEA	-Fully privatize the social insurance scheme by amending the social security law PNDCL 247 (1991) to limit government influence and interference -Allow private pension fund managers to invest contributions on competitive basis -Set up a regulatory authority to supervise all pension operations

Sources: Compiled from memorandum, petitions and position papers submitted by various institutional actors and individuals to the Presidential Commission of Pensions, Ghana, 2004.

The use of public consultation and participation provided access to institutional actors that had hitherto been shut out of pension related deliberations. For instance, the Ghana Medical Association (GMA), the Ghana Insurers Association (GIA), the Ghana Labour Federation (GLF), the Ghana Registered Nurses Association (GRNA), and the National Association of Graduate Teachers (NAGRAT) actively participated in the deliberations that culminated in the three-tier plan. Although there were differences in the perceptions of the major institutional actors on the exact form the final design of the country's new pension plan should take, there was a shared notion that a supplementary funded pension plan was necessary to help diversify retiree income. The major differences between the actors revolved around differential treatments inherent in the two existing schemes and the best ways to resolve it.

As indicated in Table 7.2, while CSA and NAGRAT were of the view that the social insurance scheme must be closed to enable all Ghanaian workers to participate in the CAP 30 plan, the GEA, the GIA, the TUC, and GMA argued that since the CAP 30 was also a drain on the national economy, it must be closed and the SSNIT social insurance scheme reformed to incorporate features of the CAP 30 for all workers. Ironically, the government represented by both the management of SSNIT and officials from the Ministry of Finance and Economic Planning also shared the view that the social insurance scheme must be restructured to cover all workers. The management of SSNIT also argued that rather than closing the CAP 30, it must be transformed into an occupational plan for government employees (SSNIT, 2004). But the GMA and others argued that, with the exception of public servants such as the police and the armed forces whose participation in the CAP 30 plan was constitutionally guaranteed, the plan must be phased-out to enable all workers to be treated equally under one nationally administered plan and any supplementary plans that emanate from the reforms. As noted in Table 7:2, even though the CSA expressed preference for the CAP 30 over the SSNIT scheme, the union was prepared to accept the closure of the former, if the latter could be restructured to ensure benefit adequacy and equal treatment of all workers (Personal interview).

The Nature of the Three-Tier Pension Plan

After two years of consensus-building and deliberations among the key stakeholders facilitated by the reformers, the latter recommended the adoption of a three-tier pension plan consisting of a mandatory social insurance plan managed by the state, a mandatory fully funded defined individual retirement savings account in the form of the previous provident funds managed by private fund managers, and a voluntary fully funded scheme managed by fund mangers to replace the old pension plans. The reformers argued that to solve the problems relating to fairness and inequity, the CAP 30 plan must be collapsed into the SSNIT social insurance plan, and all members of the latter plan be automatically enrolled into the restructured social insurance scheme. The social insurance plan was to remain a public PAYG scheme, and serve as the first and major pillar of the three-tier arrangement.

The scheme was to remain a mandatory contributory, and partially funded plan restructured to provide only defined benefits to retirees on a monthly basis. The major actors argued that keeping the social insurance scheme as a defined benefit plan would help to ensure that concerns raised by various stakeholders about the need for risk-pooling, solidarity, and collectivist mechanisms in the nation's pension plan were built into the new arrangements. Officials of the reform commission also argued that the PAYG arrangement would help to satisfy ILO stipulation on social security, which had been rectified by the country (Personal interview). Under this reform, the 11% of the total 17.5% of employer-employee contributions are invested in the first tier. In other words, the contributions to the SSNIT social insurance plan were reduced by 6.5% to make funds available for investment in the other tiers (Government of Ghana, 2006).

The second pillar was a mandatory individual retirement savings account. All the major actors who participated in the reforms shared the view that this tier was inspired by lingering ideas, and nostalgia for lump sum benefits that prevailed under the provident funds arrangements. Thus, rather than having the social insurance scheme pay both lump sum and monthly benefits under certain circumstances, the reformers recommended a separation between the two to enable private sector pension fund operators to invest portions of retirement income under a defined contribution scheme.

Union leaders argued that this arrangement met demands by workers for the need to always have a lump sum component in the country's retirement income arrangements to provide employees with the opportunities to exercise control over their retirement income decisions, and diversify the sources of retirement income (Personal interviews). Under the second tier, benefits were directly linked to contributions and interest accrued on investment. In terms of financing, each employee was given the right to decide where and how to invest 5% of their total social insurance contributions within the framework of the second tier. The 5% was legislated to prevent future labour disputes (Government of Ghana, 2006). Although inspired mainly by the provident fund idea, this pillar was also designed to formalize and incorporate existing occupational pension plans into the broader national pension system. According to the reformers, the second tier would help to address questions about end-of-service benefits (Personal interview).

The third tier is a voluntary retirement saving scheme designed in conformity with existing legislation, such as long-term retirement savings act. Because participation in this scheme is voluntary, the reformers incorporated attractive tax incentives to serve as a mechanism to encourage individuals who intend to undertake additional savings towards retirement. The third tier was a compromise between the unions and the employers' association on issues relating to the end-of-service benefits, but was largely inspired by efforts to harmonize already existing legislation designed to encourage long-term saving among workers with the new arrangement (Personal interview).

In addition, the third tier was also inspired by complaints from workers in the informal sector workers' unions, such the Ghana Cocoa, Coffee, and Shea nut Farmers Association (GCCSFA), the Ghana Private Road Transport Union (GPRTU), the Greater Accra Markets Association (GAMA), and the Ghana National Association of Garages (GNAG) that they have been persistently marginalized and under-served by formal arrangements for old income security (Government of Ghana, 2006). Like the previous reforms, the shift to three-tier pension plan largely reflects the legacies of a minimalist approach to formal old age income protection, and continues to reinforce the interests of the urban working class. Under the three-tier arrangement, the state simply shrunk the responsibility of providing old age income protection on the basis of citizenship entitlements by ensuring that all three pillars were employment or earnings-related.

Even though the notion of *three-tier* evokes claims about the World Bank's influence, the reformers argued that while they were not oblivious about the World Bank's reform template, but that they were guided by domestic circumstances. Officials of the reform commission argued that after the domestic deliberations, they used the Internet, study tours, and lessons drawn from other publications to learn about contemporary developments in pension reforms in Latin American, European, South East Asian, and other African countries (Government of Ghana, 2006). Specifically in Latin America, the reformers were exposed to the various versions of pension reforms undertaken by countries in the region (Personal interview).

Conclusion

The transitions from the parallel public pension programs (SSNIT and CAP-30) based on defined benefit principles to a three-tier model designed to incorporate both defined benefit and defined contribution in Ghana was an attempt to re-organize and restructure the nation's pension system on the basis of existing old age income support ideas and institutions. The transition was accomplished through a process of interaction that fostered cooperation and consensus-building among the actors. On the surface, Ghana's three-tier looks like the World Bank's proposal. A critical assessment, however, shows that there are major differences in the content, goals, and institutional arrangements of the two. For instance, the first-tier under the Bank's policy options was designed to provide basic pension for poverty reduction through means-tested or citizenship entitlements, and was financed from general revenues. The Ghanaian first tier, on the other hand, was designed to serve as the major tier, it is a PAYG earnings-related scheme and financed by employer-employee contributions. In addition, while in the Bank's formula the second tier was designed as the major institution for the provision of retirement income, the Ghanaian second tier is a supplementary plan.

Officials of the pension reform commission maintained that the Ghanaian three-tier pension framework was a reflection of a synthesized version of the preferences expressed by the institutional actors and stakeholders within the context of what is known about social security and retirement income in Ghana (Personal interview). Members of the pension reform committee argued that the name "three-tier" was inspired by the Bank's pension system organizational framework, but that the content and institutional arrangement were determined by various actors' understandings of the policy challenges in a collective problem-solving arena, and within the context of domestic politics and policy legacies. As was the case in the earlier reforms, policy makers circumvented interest group conflict by facilitating interaction among the major stakeholders in a problem-solving mode outside the bureaucratic and legislative structures of policy making.

CHAPTER EIGHT
COMPARATIVE LESSONS AND THEORETICAL IMPLICATIONS

Introduction

In this thesis, I have shown that domestic politics is the major explanatory variable for pension reforms even in aid dependent countries. In doing this, I argue that while changes in domestic political opportunity structures provide interest groups with the chance to push pension reforms onto the policy agenda, problem definition, consensus-building, issue-depoliticization, and policy legacies were the main factors that shaped the specific options adopted in the two structural shifts in pension policy in Ghana. Labour groups took advantage of changes in government to demand pension reforms. In doing so, labour used the national economic crisis of the 1970s and 1980s to frame existing defined contribution pension plans as inefficient and unsuitable for retirement income provision. Similarly, in the wake of the 2004 presidential and parliamentary elections, unions pushed for pension reforms by framing the problem around mismanagement of the existing social insurance plans, as well as the structural differences in the nation's two public pension schemes. By doing this, unions were successful in both halting the government's initial plan to unilaterally privatize the existing social insurance scheme, and in compelling the government to adopt a consensual and de-politicized approach to the reforms.

My analysis of pension reform in Ghana raises two major questions about the developments in pension reform in other countries. First, was Ghana an exceptional case in a world dominated by influential global policy actors, and in a policy area fraught with interest group conflict, or was Ghana's reform an illustration of a larger number of cases in which domestic politics set the agenda and reforms? Second, if Ghana's reforms were part of a larger development in pension reforms, did the forces that shape its reform process play a role in other pension-reforming countries? In the first part of this final chapter, I answer these questions. I argue that domestic politics can help explain the transitions from defined contribution provident funds to defined benefit PAYG pension plans in Nigeria, Zambia, Tanzania, Uganda and back to defined contribution in Nigeria. In the second part, I show that my analysis has implications for the two dominant theories used in explaining pension reforms.

Transition to Social Insurance in English-Speaking Sub Saharan Africa

As discussed earlier, most English-speaking SSA countries that gained their political independence in the late 1950s and the 1960s adopted defined contribution retirement income arrangements (provident funds) for all categories of workers excluded from pension plans inherited from the British colonial administration. Specifically, Ghana, Nigeria, Tanzania, Zambia, the Gambia, Uganda, and Kenya opted for defined contribution plans over social insurance in the 1960s. By the end of the 1990s, however, most of these countries had reformed their pension systems and opted for defined benefit PAYG social insurance plans against the background of a global policy environment that favoured defined contribution schemes. In the early 2000s, major structural reforms in Ghana and Nigeria led to the former adopting a three-tier pension plan, and the latter a single tier defined contribution arrangement. Like the Ghanaian case, pension reforms in these English-speaking SSA countries made it to the policy agenda because developments in the various domestic political environments altered the political structures enabling key interest groups to push for the reforms. Although some interest groups, especially organized labour, played a key role in setting the policy agenda, the specific policy options adopted were influenced by dominant perceptions of the policy problems and existing policy ideas, as well as the use of consensus-building and problem-solving approaches in the reform process. The strategies of consensus-building and collective problem-solving helped policy makers to both de-politicize and minimize interest groups conflict in the reform process.

Challenging Defined Contribution in Tanzania, Uganda, Nigeria & Zambia

In this category of English-speaking SSA countries, unions used national economic crises and the impact of policies adopted in response to these crises on existing retirement income arrangements to depict the defined contribution schemes as ineffective and unsuitable for the provision and protection of old age income support. At the beginning of the 1980s, the economies of SSA countries were adversely affected by the second global oil price hikes and the resultant recession in advanced industrialized countries. The impact of these transformations on SSA countries stemmed from the fact that the economic recession in the developed world led to a drastic decline in demand for primary products. Because SSA countries generally produce primary products, their exports stagnated, terms of trade became unfavorable, and nominal interest rates on foreign debts increased from single digits to high double digits by the mid 1980s (Chazan et al., 1992). This situation further resulted in sharp decline in gross capital inflow to the region from $10 billion in 1982 to about $2 billion by the close of 1985 (Mkulo, 1994). The economic crises faced by SSA countries in the 1980s were exacerbated by prolonged periods of severe droughts, which undermined agricultural output and food supply. Because SSA economies were largely agrarian-based, and lacked modern technology, circumventing the adverse impacts of the prolonged drought and unfavorable weather conditions was not possible.

For instance, in Tanzania, the combined impact of droughts and increases in the domestic price of import commodities led to "imbalances in public accounts and balance of payment problems, and by the mid 1980s, the position rapidly culminated in a situation where scarcity of essential commodities co-existed with pronounced erosion of real income" including retirement savings in individual provident fund accounts (Mkulo, 1994). Prior to the 1980s in Zambia, the provident funds were not only popular among workers and employers, they also recorded remarkable returns on individual accounts between 1964 and the mid 1970s, due to the remarkable performance of the country's mining industries. However, from the mid 1970s, the Zambian economy began to contract in the wake of declining copper prices in the world market. The drastic fall in foreign exchange earnings from copper forced Zambian policy makers to rely on borrowing from external sources to sustain their economy. The reliance on external financing of the national economy, however, culminated in high debt service rates, massive budget deficits, inflation, and decline in real wages and salaries (Mkulo, 1994). This economic situation undermined all domestic incentives for savings and devastated savings accumulated in the provident funds (Personal interview).

The story for Uganda was not any different. The country witnessed a high annual economic growth rate of about 5.8% between 1962 and 1972 owing to the demand for its major primary products—cotton, tobacco, and tea—on the world market. Return on individual investments and savings during this period was high, thus making the provident fund retirement account system attractive to workers and employers. By the height of the global economic recession in the 1970s, the Ugandan economy plummeted as demands for its major exports fell. Following this, struggle over political control of the country by different ethnic and military factions plunged the country into years of anarchy. Through inflation and mismanagement, these developments had devastating effects on the Ugandan defined contribution schemes.

Unlike the other English-speaking SSA countries, Nigeria obtained huge revenues from the high oil prices in the 1970s. The Nigerian government sought to expand the economy by investing in welfare, infrastructure, and non-oil sectors. But domestic political pressures and demands compelled the government to spend much of the oil revenue quickly without adequate planning (Bienen, 1985). In the early 1980s, however, while oil supply production and supply were at their peak, world crude oil prices dropped. Nigeria's oil industry and economy took a hard hit, resulting in a massive debt crisis. The economy had not prepared for sustainable growth during the years of oil boom in the 1970s. The country had "squandered its increased revenue, borrowed heavily, and found itself with enormous debt problems when the oil prices collapsed in the mid-1980s" (Chazan et al., 1992, p. 306). The collapse of the Nigerian economy in the wake of the debt crisis and a decline in oil revenue resulted in high levels of inflation, thereby making it difficult to sustain the defined contribution pension schemes (Uche & Uche, 2002).

In an attempt to solve their respective national economic crises, SSA countries including Tanzania, Zambia, Uganda, and Nigeria and others followed Ghana's lead in adopting structural adjustment programs sponsored by the World Bank and the IMF with the objective of reviving their national economies. The structural adjustment programs were designed to assist in the "restoration of external and internal financial balance, promotion of efficient allocation of resources through reduction or elimination of distortions in the product and fact markets" (Mkulo, 1994). For the most part, the structural adjustment programs were designed as a one-size-fits-all package for ailing economies in the global south. As was the case in other African countries, "the design and implementation of structural adjustment programs...has been very much a matter of learning by doing" for international financial institutions (Chazan et al., 1992, p. 306).

The programs were intended to stimulate economic growth through currency devaluation, elimination of constraints on domestic pricing arrangements, and a general decrease in the role of the state in the management of the economy (Chazan et al., 1992; Gros & Prokopovych, 2005). In other words, the policies sponsored by the Bretton Woods institutions were directed at retiring the state from active participation in economic matters, and encouraging in its place rules of the free market. Thus, because a substantial component of the structural adjustment policies were aimed at capital market development, the World Bank and the IMF actively encouraged policy makers in English-speaking SSA countries where the provident fund version of defined contributions schemes existed to maintain those plans within the broader framework of financial sector reform and to promote individual savings (Personal interview).

Desperately in need of the financial assistance that accompanied programs sponsored by the World Bank and the IMF, policy makers in Tanzania, Zambia, Uganda, and Nigeria, among other SSA countries (as was the case in Ghana), accepted and implemented the programs without prior evaluation of their interlacing impact on already existing welfare arrangements such as provident funds. The implementation of currency devaluation and labour *retrenchment* policies, in particular, had disastrous effects on formal social security programs. The retrenchment of workers exerted pressure on retirement income arrangements as unions demanded compensation and benefits for the forced retirement of their members. On the other hand, currency devaluation robbed individual account holders of their savings due mainly to the deliberate reduction in the value of national currencies in relation to the dollar, and to inflation caused by weaknesses in the domestic economies. Thus, in the face of negative interest rates in Tanzania, Zambia, Uganda and Nigeria, savings did not only decline, contributions made into provident fund accounts in previous years also lost their value because inflation rates had exceeded the interest rates in these countries (Mkulo, 1994).

Although both the defined contribution (provident funds) and the defined benefit (PAYG social insurance) plans in these countries were adversely affected by their respective national economic crises, workers covered by the former suffered the most. Provident members did not only have the value of their saving reduced, the very nature of their retirement income plans required one time lump sum benefits despite the inflationary effects on such plans at the time. On the other hand, participants in the social insurance programs inherited from the colonial system enjoyed periodic or monthly retirement benefits. Such monthly benefits were generally insufficient to sustain retirees within the economic context at the time, however, for many workers, the periodic payments were better than one time lump sum payments under the provident funds. Against the background and legacy of competing policy paradigms, the adverse effects of the economic crisis and structural adjustment programs on the defined contribution plans in particular elevate social insurance (defined benefit) as an alternative to replace the provident funds in these countries. But in each of these countries, both the setting of the pension reform agenda and the decision to shift to social insurance were conditioned by developments within the domestic political environment.

Domestic Politics of Social Insurance in Tanzania, Zambia, Uganda & Nigeria

As was the case in Ghana, the shift to social insurance pension plans in these English-speaking SSA countries was paradoxical for three inter-related reasons. First, as Olukoshi (2007) argued, the World Bank and the IMF had been actively promoting market-based reforms in all areas of policy making in SSA countries since the 1980s. Thus, if the influence these institutions exert is what pushes pension-reforming countries to adopt private pension plans, as was claimed in the case of countries for Latin America and Eastern countries (Orenstein, 2005b, 2008), then SSA countries would have simply kept their provident funds since their schemes fit nicely with the neo-liberal paradigm advocated by the World Bank and the IMF. Second, "by the early 1990s, there was a gradual shift in the concept and logic of the provision of social welfare services in Africa towards the market logic" (Adejumobi, 2004, p. 32). In health, education, and several other social policy areas, policy makers removed state subsidies and introduced user fees.

The shift to market logic was largely due to the festering economic crises that devastated the various national economies of SSA countries, and the implementation of structural adjustment programs sponsored by the World Bank and the IMF by countries in the region (Adejumobi, 2004).

Third, in the wake of declining financial resources, SSA countries took calculated steps within the broader context of their structural adjustment programs to off-load responsibility, especially in the area of social welfare (Aina et al., 2004). Since pension policy took a reverse route from individual accounts to state managed social insurance programs in SSA countries in an environment that favouring private pension plans, this can be seen as largely a function of changes in domestic political situations. After almost a decade of implementation of structural adjustment programs under repressive regimes, governments were forced by civil society groups and other actors to liberalize the political spaces in their respective countries. Consequently, civil society groups began to question the commitment of the World Bank and the IMF to democracy, given the indiscriminate financial assistance they provided to repressive regimes in Africa since the 1980s (Gyimah-Boadi, 2004; Ohemeng, 2005).

Faced with credibility problems, the World Bank and the IMF introduced political conditionality into their lending programs. In doing this, the multilateral financial institutions adopted the term 'good governance' as a reference point for their lending negotiations with SSA countries. Magubane (2004) argued that "although a variety of issues are grouped under the heading of 'good governance'—including efficient public service, an independent judicial system, a legal framework to enforce contracts, an accountable administration, pluralism, a free press, and respect for the law and human rights—the overwhelming emphasis has been on encouraging a minimalist state that throws its support behind neo-liberal economic policies" (pp. 51-52).

The acceptance and implementation of these new conditionalities by SSA governments from the early 1990s, immediately transformed the political landscape in the national settings in several varied ways. Among others, liberalization of the domestic political system de-legitimized long-standing authoritarian regimes, revived civil society activities, and energized labour unions opposed to the structural adjustment programs to begin re-constituting themselves into broad electoral coalitions in anticipation of multi-party elections. As was the case in Ghana, governments in Tanzania, Nigeria, Uganda, Zambia and many other SSA countries were compelled to draw up and announce timetables for return to constitutional rule the initiation of multi-party elections by the mid-1990s (Personal interview). Faced with an uncertain political future, authoritarian leaders in SSA countries opted to participate in the democratic process by forming their own political parties to contest the first multi-party elections in their countries.

In an attempt to build and maintain a support base or electoral consistency for the elections, these governments began not only to resist World Bank policy prescriptions, but also to introduce labour friendly policies. In midst of these domestic political shifts unions and, in some cases, politicians opted to transform the devastated provident funds into social insurance schemes (Personal interview). The internal deliberative processes that lead to the to the shift from provident funds to social insurance in Ghana were replicated in other English-speaking SSA countries. Prior to the shift to social insurance programs, policy makers and representatives of the social partners, as well as other stakeholder actors from Nigeria, Tanzania, Uganda, and Zambia took a policy learning tour in Ghana to study the internal processes of the Ghanaian reforms. The ILO also provided a series of platforms for policy makers in countries making the transition from provident funds to learn from the social insurance experience of Francophone SSA countries through the annual regional conference of social security officials (Personal interview).

A Future in the Past—Challenging Social Insurance

In another major reform in 2004, Nigeria adopted a defined contribution plan again. Initial studies of this reform support the claims made in this thesis. The Nigerian reforms like those made in Ghana occurred largely in response to pension system fragmentation. As in Ghana, until the recent reforms, Nigeria operated two major pension plans for its formal sector workers. Public sector workers and all employees in state agencies were covered by a non-contributory defined benefit plan inherited from the colonial regime. After independence, a defined contribution plan or provident fund was set up for all private sector workers. As discussed earlier, this was later transformed into a social insurance plan in the wake of serious economic crises in the 1990s (Olayiwola, 2003; Turner, 2001). Apart from these two major public plans, several private companies established their own occupational plans, which were run on either a defined benefit or defined contribution basis. Even in the public sector, there were special pension schemes for the military, police, and other security agencies. Due to a lack of proper coordination in the Nigerian pension system, it experienced problems regarding inequity and unfairness similar to circumstances surrounding the Ghanaian pension system prior to its second reforms. For instance, although the statutory retirement age for all employees was 65, federal public servants could retire on full pension after 35 years of service, but their counterparts at the state level and in the private sector could not do so (Casey & Dostal, 2008).

The recent reforms were initiated by domestic political actors. The decision to return the country's pension plan to a defined contribution system for all workers was taken two years after the shift to social insurance, but was not broadly discussed for implementation due to political instability. The reform was part of the country's *Vision 2010* development project drawn up under the military regime in 1996. Under this project, the Nigerian government sought to provide its citizens with adequate formal social protection programs before the country's 50th independence anniversary (Pensions Subcommittee, 1997). Although familiar with defined contribution plans from their provident funds era, when the decision to return the country's pension plans to a defined contribution scheme was taken, Nigerian policy makers traveled to other countries, including Chile, which had become famous for its radical reforms by the 1990s, to learn about the technical details and the operations of the Chilean plan. The political developments of frequent changes in government and the general political instability that occurred in Nigerian after the Vision 2010 project pushed pension reforms off the policy agenda.

In 2003, however, in his bid for re-election the Nigerian President Olushegu Obasanjo re-activated the pension reform debate in an attempt to win the support of the labour unions and employers. After the elections, Obasanjo set up a pension reform committee to engage the social partners in negotiations about how to implement the defined contributions plans as indicated in the Vision 2010 document (Casey & Dostal, 2008). The reform process comprised the establishment of several committees made up of the key stakeholders to examine aspects of the pension system and existing reform proposals. After extensive consultation and deliberation, the major actors were unanimous in expressing their preference for funded individual retirement accounts (The National Pension Commission, 2006). The major institutional actors who participated in the reforms were the Nigerian Employers Consultative Association (NECA) representing employers and businesses, the Nigerian Labour Congress (NLC), the Trades Union Congress (TUC), and the Confederation of Free Trade Unions (CFTU) representing organized labour.

In principle, all the social partners and government accepted that the only option out of pension system abuse, mismanagement, and fragmentation was the adoption of a single arrangement based on defined contribution principles for all categories of workers (The National Pension Commission, 2006). However, both the employers and the unions expressed concerns over the future of the Nigerian Social Insurance Trust Fund (NSITF), which had built up pension reserves through contributions collected on behalf of workers. The social partners feared that if NSITF was not given a role under the defined contribution plan, the government might unilaterally use the plan's assets to finance pension deficits in the public sector (Casey & Dostal, 2008). To allay the fear of the unions and employers, the Nigerian government yielded to their demands that the NSITF be converted into a pension fund administrating body, with equal representation of labour and employers. The two social partners also negotiated a respective seat each on the Nigerian pension fund regulatory agency known as the Pension Commission (PenCom), and actively defended the return to defined contributions to their members (Casey & Dostal, 2008).

Soon after domestic negotiations in 2003, the Nigerian government invited the World Bank and the IMF to assist with the technical details of implementing the new pension plans. In the Nigerian case, the IMF was first engaged by the Nigerian government, and not the World Bank. In September 2003, the IMF dispatched a team of experts to Nigeria and, soon after, in collaboration with the Bank, began a technical assistance program in support of Nigeria's reform program (International Monetary Fund (IMF), 2005, 2006). Later, the ILO was also invited by the Nigerian government to assist with actuarial analyses of the existing schemes, and the computation of entitlements for various categories of individuals affected by the new pension plan. As discussed earlier, the ILO was opposed to a purely defined contribution arrangement, however, it accepted the invitation and participated in the reform analysis to ensure that the pension rights of employees affected by the transition were protected (ILO, 2006). Thus, in the face of a different set of policy challenges, Nigerian policy makers returned to past models to envision a future for their pension system.

Comparatively, my analysis of the Ghanaian case provides lessons for understanding pension reforms in these English-speaking SSA countries. The striking similarities in the factors that led to the reforms, the timing of the reforms and sequencing of events, the political environment of the reforms, the dominant role of the social partners, the internal reform processes, and the ability of policy makers to marginalize the global policy actors at the decision making stage, but still use their assistance once decisions were finalized provide a comparative framework for explaining pension reforms in English-speaking SSA countries. Like the Ghanaian case, the brief analysis of the other SSA countries highlights the limits of the influence of international organizations, as well as the conditions under which global trends can be contravened by or subordinated to domestic circumstances and interests.

Implications for Existing Explanations

The structural changes in pension systems in English-speaking SSA countries have important implications for existing theoretical explanations for pension reforms. The SSA cases suggest that the 'new politics' approach to pension reforms vary across regions. Furthermore, they suggest that major change in SSA pension systems were driven by multiple interacting forces. Thus, these changes did not occur because some global actors decided to change the policy paradigm, nor did they occur because major actors changed their interests and ideas. The changes were prompted by real, practical policy challenges that largely undermined, and, to some extent, destabilized existing institutions. The destabilization of the existing institutions forced major actors to develop consensus on policy challenges. The legacies of other policy ideas about old age income support in the SSA social policy environment facilitated the process of looking for alternatives.

Although major changes have occurred in the Ghanaian pension system, the ideas adopted in all cases were not completely new in the policy environment. For the most part, the changes have been confined to shifts between social insurance—the CAP 30—and—defined contribution—the provident funds. Thus, the story of policy choices in the Ghanaian pension system can be explained within the broader context of path-dependence in a non-deterministic sense. Path dependence refers to long-term developmental pathways of complex institutional arrangements shaped and further adopted by collective actors. Only by paying close attention to timing and sequencing of events, are we able to tease out and explain the important factors that conditioned institutional shifts.

A Different Kind of 'New Politics'

The Ghanaian case shows that the new politics of pension reform is not only about *retrenchment*, but it is also about the re-organization of pensions to maximize benefits for retirees. Ghana's case also demonstrates that conflict among different actors with vested interests in pension reforms can be minimized when institutional changes are deliberated upon by the major actors outside the formal channels of decision-making in a consensual and problem-solving manner. In other words, Ghana shows the politics of pension reform can be consensus-building with major actors within institutional frameworks and policy legacies, rather than based on conflict and blame avoidance. But it also demonstrates that pension system re-organization and *retrenchment* processes differ with respect to: major policy challenges, agenda setting, deliberative processes, motives of governments, sources of new policy ideas, areas of reform deliberation, roles of political parties, and the implementation and visibility of reforms. These differences are illustrated in Table 8.1 below.

In the *retrenchment* type of the new politics approach, reforms were caused by socio-economic pressure, such as demography changes and fiscal constraints on national budgets. The policy agenda is set primarily due to changes in ideas and the interests of specific dominant actors, the reform ideas were contested and debated in the formal legislative and executive processes of governance, and the goal of the government was cutting back benefits. Consequently, power posturing and conflict between different categories of actors characterized pension reform processes. Furthermore, because governments that initiate pension reform intended to avoid blame and electoral defeat, while changes in pension system were not only gradual and often delayed, but the reforms were also designed to be invisible.

By contrast, the politics of pension system re-organization were driven by (a) national economic challenges such as inflation, currency devaluation, and benefit inadequacy, and (b) mismanagement, as well as design problems of existing pension plans. Thus, the goals of reformers were the restructuring of their pension systems to provide adequate retirement benefits and resolution of the challenges posed by pension system design and scheme fragmentation. Consensus-building, issue de-politicization, and legacies of existing policy ideas were the factors that shaped the pension system re-organization processes. The reforms occurred in deliberative forums outside the formal political processes of policy decision-making. In processes of pension system re-organization, it was the social partners—unions and employers— and not the political parties that played a major role. Because the reforms occurred outside the formal political channels and involved active participation of the social partners, government actors did not have to worry about the political implications of the reforms. Pension system re-organization comprises high reform visibility; major changes can easily be noticed and because processes were based on open deliberation and public education, they raised the profile of reforms and created public awareness.

Table: 8.1: Different forms of the New Politics Approach to Pension Reforms

	Pension system Retrenchment	**Pension system Re-organization**
Policy challenges	socio-economic pressures	Economic crisis/Mismanagement
Agenda setting	change in ideas and interest of major actors	Changes in domestic political opportunity
Arena of Reform deliberation	Formal legislative & policy processes	Adhoc/Committees Commissions
Deliberative processes	Conflictual—interest group posturing	Consensus-building
Goal of Governments	Cut back on benefits	Increase benefits
Motivation of Governments	Blame-avoidance	Problem-solving
Source new policy ideas	New Policy paradigm	Legacies of lingering policy ideas
Role of Political Parties	Major role	Minimal role
Visibility	Low	High

Placing the Transnational Actors

As the Ghanaian case shows, the role of international policy actors such as the World Bank, the IMF, and the ILO in recent rounds of pension reforms has not only been over-exaggerated, but questions remain over key assumptions that constitute the premises of international political economy explanations. Political economists have underestimated the ability of domestic actors to resist the imposition of policy ideas by international actors. Ghana's pension reforms demonstrated that the legitimacy of externally imposed or promoted ideas, may be questioned or undermined by domestic actors if they are incompatible with the domestic political order (Grainger & Konteh, 2007). In the area of pension reforms, this study shows that African governments have remained reluctant to accept foreign advice and, even in situations where government officials do not oppose policy advice given by foreign players, they often do not integrate these policy preferences into their final decisions.

The problem is that while the global policy actors have acted as if it is only policy that matters, they have not realised that SSA governments make their decisions on grounds other than policy prescriptions. In other words, whereas in the advanced industrialized economies public policy is associated with strategies to solve specific social problems within the confines of what available public resources can allow, and determined through the application of economic philosophies to the political process, in SSA, politics are supreme, and policy making is not just politics, but policy objectives are ends in themselves. Under these conditions, the essential cost-benefit analyses that accompany policy making are ignored (Hyden, 2006). Consequently, the Ghanaian and other English-speaking SSA policy makers have reacted to the globalization of social policy (Deacon, 2007; Deacon et al., 1997) in political, rather economic terms.

The lack of appreciation for these realities in SSA countries has lead international political economists to make assumptions that do not fit the realities in the region. As I have argued, in SSA countries, the policy ideas around which the recent rounds of pension reform debate revolve actually pre-date the global policy preferences. As show in Table 8.2 below, many of assumptions made by political economists about recent rounds of pension reform contradict evidence from SSA countries. Contrary to the notion among political economists studying pension reforms that the World Bank is the main explanatory variable for recent shifts to private pensions especially in aid-dependent countries, this study shows that English-speaking SSA countries since independence have experimented with private pensions in the form of defined contribution schemes.

At the height the of the Bank's influence in the region in the 1980s and 1990s, it directed that English-speaking SSA countries maintain their defined contribution plans as part of an overall capital market development program. The Bank's specific pension reform directives were resisted in the wake of changes in domestic political structures, and the defined contribution plans were transformed into social insurance schemes. Thus, the argument of international political economists that the SSA countries generally delayed shifting their pension systems to private arrangements because the Bank and its coalition of actors lacked the resources to focus on all regions at the time, may be because these IPE scholars interacted mainly with officials of the Bank in Washington with little attention to developments in specific domestic contexts. It may also be the case that domestic policy makers in Ghana based their interpretation of the situation on the World Bank's global ideational campaigns for pension reforms which was targeted at developing countries in general (World Bank, 1994). This is because in Ghana, the story as told by domestic policy makers is different from perspectives derived from the IPE literature on pension reforms. For instance, while some IPE scholars maintained that the World Bank never encourage pension privatization in Ghana (Orienstein, 2008), domestic policy makers and the social partners argued that the Bank had always advocated privatised pension plans as part of overall capital market development strategy (Mensah, 1997, 2008). Since actual policy making occurs at the domestic level, it stands to reason that by paying close attention to the timing and sequencing of events, the study of pension reforms in Ghana and SSA countries would highlight elements within the domestic political environment as the catalysts for pension reforms. Table 8.2 provides a comparative analysis of how key assumptions made by some IPE scholars about pension reforms in SSA measure up to observation in pension system development and reforms in the region.

Table 8:2: Implications for Political Economy Approach to Pension Reforms

IPE Pension Reform Assumptions	Pension Reform Realities in SSA Countries
World Bank got involved in pension reforms in 1994	In SSA, the Bank had been involved since it started its SAP programs in the 1980s. The Bank did this through its capital market development programs advise English-speaking SSA governments to maintain their defined contribution plans against plans to convert them into social insurance scheme. For SSA cases, Bank clarified and systematizes its reform ideas in its pension reform premier after Chile big bold step of pension privatization.
World Bank developed Defined Contribution Pension Ideas	The Notion and practice of defined contribution pension arrangement had long existed in SSA countries under the name provident funds. The Bank may have learnt about this type of pension from its work in SSA and other developing societies that had DC plan
World Bank sets Pension Reform Agenda in Domestic Arena	This claim underestimates the strength of domestic politics. Domestic politics was key in setting the reform agenda in the two Ghanaian reforms

Politics of attention explains why the Bank ignored SSA cases	This assumption lacks historical knowledge of pension in SSA countries. The Bank buried pension reform in broader capital market development efforts, and because English-speaking SSA countries already have defined contribution plans, the push for pension reform was not as obvious as was the case in other regions.
Labour groups have been weakened economic globalization	In SSA countries, although unions were weakened by economic globalization, democratization efforts that began in the 1990s changed the opportunity structures in favour of the unions, and energized them in their ability to compel governments to resist specific social policy prescriptions of the global policy actors.
Aid-Dependent Countries easily yield to the Bank's Influence	Bank encouraged English-speaking SSA countries to keep the DC schemes, they resisted it in the face of domestic political pressure in the wake of democratization

Although the assumptions made by political economists about the influence of global policy actors and pensions in SSA do not measure up to the realities in pension reforming countries in the region, we cannot simply dismiss the transnational actors. As I have argued, the global policy actors were not the creators of the policy ideas around which recent pension reform debates revolved, because, evidently, the World Bank and the ILO, among others, organized and participated actively in the global social policy dialogues and interactions centered on pension reforms. Like other countries, SSA countries remained members of these institutions and used forums provided by these institutions to meet and interact with the rest of the world; they derived their sense of belonging to the world community from membership in these international institutions. On the other hand, the global policy actors also derive their identity and existence from the willing membership of all countries, including those in Africa. Thus, there is a mutual relationship between the global policy actors and countries, which fosters interaction and the exchange of ideas on issues of shared concern. Rather than assuming once private pension systems are adopted by a country, that it is simply the work and influence of the World Bank that affected these policy choices, or that once social insurance programs are adopted, that it is the work and influence of the ILO, the study of Ghana's reforms suggests a process of social learning conditioned by domestic politics in which the role and participation of the global actors were based on the scope allowed by domestic political actors.

Conclusion: Pension Reforms as a Process of Social Learning

While this study questions claims that suggest extraordinary influence and coercion of aid-dependent countries by global policy actors, it does not deny the prevalence of policy-oriented interaction among domestic policy makers and global policy actors in various ways. Hence, rather than assuming one party is always at the receiving end, it is imperative to conceptualize all these actors within the broader framework of interactive social learning. In other words, both the domestic and the global policy actors are part of a community of policy actors that interact and share ideas in various policy areas. They operate in a collective relationship that fosters the exchange of ideas and learning on both ends, and are open to updating their causal beliefs as necessary or when such beliefs are challenged by empirical reality. As I have argued, in the 1990s Ghanaian and Nigerian policy makers rejected defined contribution pension plans in their first structural pension reforms when the core normative beliefs underlying that arrangement were challenged in the wake of economic crisis. Then in 2000, while Ghanaian policy makers decided to incorporate some defined contributions plans into the overall public pension plans, Nigerians returned to defined contribution plans following a different set of challenges, and availability of new information about defined contributions schemes.

The global policy actors have also revised their original policy positions on pension reforms since the 1980s, indicating that a significant amount of learning has taken place through the debates and interactions with policy makers at both national and international settings. For instance, while the Bank's pension reform premier publication—*Averting the of Age Crisis*—clearly communicated that funded defined contribution schemes are most desirable, recent publications by the Bank on pension reforms are written in a more open and conciliatory language allowing for a larger scope of choice as to what is the desirable path to old age income security . In addition, Notional Defined Contribution systems (NDCs), and social pensions, which were not featured prominently in *Averting,* have recently been included in the Bank's reform agenda. In more recent times, the Bank has not only extended its initial three-pillar framework to five pillars, it has also sought to make overall social security issues preconditions for development rather than something countries can afford after achieving a certain degree of economic growth (Holzmann & Hinz, 2005; Holzmann & Stiglitz, 2001; World Bank, 2000b, 2003). Similarly, the ILO has also altered its earlier entrenched positions on PAYG schemes arguing in support of supplementary funded schemes on the basis of the need to reconcile social goals and macroeconomic requirements (ILO, 1998, 2001a; Scherman, 2000). In effect, significant learning has occurred at both the domestic and international levels through interactions among various actors and from lessons acquired in the 'field'. Thus, even though finding the causal chain from increased participation of global policy actors to recent pension reforms is difficult (Myles & Quadagno, 2002), we cannot ignore the fact that they are parties to a broader social policy dialogue through which learning takes place.

This claim is not about the irrelevancy of globalization and the global policy actors, but rather that the influence exerted in their interactions with domestic actors are refracted through national political institutions and subordinated to domestic political considerations (Kitschelt, Marks, Lange, & Stephens, 1999) when their policy prescriptions threaten the existing or expected political order. In their desire to explain so much, political economists studying pension reforms skip over complicated counter-evidence by deeming recent shifts to private pensions to have occurred because of the influence of a World Bank-led coalition of actors. But as the Ghanaian case shows, while global policy actors were part of the broader debates and interactions around issues pertaining to old age income support policy, the specific policy choices adopted in the two major reforms were guided largely by national political circumstances conditioned by a context of policy legacies and the extent of consensus-building among domestic actors. This study shows that the Ghanaian pension reforms occurred under a process of social learning conditioned by domestic politics.

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