

World Bank-Hitotsubashi-MOF Workshop on  
Closing the Coverage Gap: The Role of Social Pensions  
Tokyo February 20-22, 2008

**Comments on Experiences with social pensions in  
selected middle income countries  
By Mukul Asher**

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## Comment 1

This paper provides an interesting review of social pensions in two middle income countries. The countries selected are South Africa and Chile. The first question that arises in my mind is: Why were these two countries selected for this comparison? These comparisons can be useful either because the countries selected are very different with respect to their development experiences but still they have similar social pension systems or they are similar countries with respect to their development experiences but they have developed different social pension systems.

## Comment 2

It seems to me that South Africa and Chile have evolved very different pension systems. South Africa has focused on social assistance to elderly, which is means tested and covers 60% of those above 60 years but benefits given to pensioners may be very small. The real value of these benefits has been gradually declining with inflation. Chile on the other hand has focused on social insurance based on mandatory contributions by employees and their employers. The Government provides only tax incentives and strong regulations with respect to management of their pension funds. It will be useful if the paper explains why these two countries have evolved very different pension schemes.

## Comment 3

Chile is also planning to introduce Solidarity Pension System which will provide minimum pension coverage to the poorest 60% of the population. This seems to be huge coverage. I have a problem with this figure. Is it the poorest 60% of the elderly population? What is the minimum pension? Is it related to poverty line?

## Comment4

Is the comparison of South Africa and Chile valid when South Africa focuses on social pensions and Chile focuses on social insurance? Are we not comparing two different things?

## Comment5

It will be useful to evaluate the pension systems in the two countries from the point of view of some objective function. One important objective may be to achieve poverty reduction among the elderly. Many elderly live with non-elderly household members so the pensions given to them also have an impact on non-elderly. Our objective may not be confined to reducing poverty among elderly but also among other vulnerable groups such as children and women.

## Comment6

1. What are the lessons other middle income countries can learn in the designing of pension systems from the experience of these two countries?