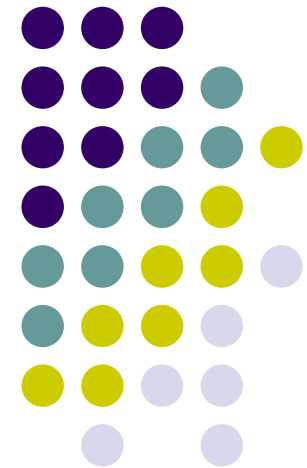


Designing Subsidized Contributory Schemes

Issues to Consider

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How to expand coverage to individuals with low or no savings capacity



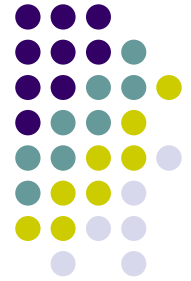
- What are the **challenges** moving forward to implementation?
- What are the **knowledge gaps**?

What is known about the target group?



- **What are the dynamics in the informal sector ?** exit or choice? Studies are advancing in LAC but relatively little is known about it in many countries
- **Need a better understanding of the potential beneficiaries:** Where and in what they work; earnings levels; mobility/transition between jobs; savings capacity and preferences
- **More country investment in the knowledge base** before devising an action plan to expand coverage

What are the entry points?



- **Encouraging formalization** with labor market and social protection policies to shift away from informal small scale informal enterprises and services.
- **Improving the administrative capacity of Social Security institutions** (e.g., to improve information, encourage enrollment and improve collections)
- **Financing mechanisms** – identify old age subsidies that are feasible (pension or contribution subsidies)

Policy and regulatory reforms are key



They take political commitment and time to implement BUT might yield the highest pay-off

- **Changes in income protection system** for workers to encourage participation and contributions
- **Reforming regulations and incentives** to encourage formalization in labor and product markets

Topics to consider in the contributory system



- **How to modify contributory systems** to reach people in the informal, small scale and agriculture sectors
- **Strengthen the insurance function** first and then add a transparent redistributive function using subsidies to increase pensions for low-income workers- what are the lessons from experience?
- **Defining benefits linked to contributions** to avoid disincentives

**Be realistic: these actions may take time...
focus on reaching the elderly poor first?**

The Design of Subsidies

What is known about what works?



- We have a prior:
“matching contributions or capital are better options than subsidies”
BUT is there empirical evidence?
- Some countries are experimenting
BUT rigorous evaluations to know what works are needed
- World Bank could get involved supporting pilots and evaluating programs



An Easier Early Win?

Improving the institutional and administrative capacity of Social Security Systems

- **What interventions work?**
- **Need a common vision** on how to address administrative problems:
Registration, recordkeeping, collection, reconciliation, benefit payment, IT, etc.



Thank you