

## **The future of social security:**

### **Administrative and operational efficiency and effectiveness**

by

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#### **A. Introduction**

Distinguished guests,

Ladies and Gentlemen,

Good morning!

It is a great honour and privilege for me to be here today in the beautiful island of Bali.

I would like to express my sincere appreciation to the ASEAN Social Security Association (ASSA), and in particular, to the Chief Executive Officer of PT Jaminan Sosial Tenaga Kerja (PT JAMSOSTEK), Mr. Elvyn G. Masassya, for generously hosting this meeting and for inviting the International Social Security Association (ISSA) to participate.

I consider it a most opportune time to be here today, not only to participate on behalf of the 340 member organizations of the ISSA from 158 countries, but also to deepen my personal understanding of the social security challengers – and potential solutions – in this region.

We gather at a time when – against the backdrop of a fragile Europe and a fragile Eurozone – the outlook for the Asia and Pacific region is relatively more positive and more stable. In the recently concluded summit of the Asia-Pacific Economic Cooperation (APEC) leaders in Vladivostok, Russia, Madame Christine Lagarde, the Managing Director of the International Monetary Fund (IMF), said that “given that the APEC economies represent more than half of global GDP, they are the bridge to a stronger global recovery.” While there may be some variation among the countries within the region – with China estimated to grow this year at 8.2 per cent, India at 6.9 per cent, and the ASEAN countries at 5.2 per cent – the IMF nonetheless forecasts for the region a healthy 6 per cent in 2012 and 6.5 per cent in 2013.

As social security administrators, we know that the greater challenge lies in helping translate this economic growth into improved levels of income and improved social security for an ever-increasing share of the population. Unless the benefits of growth are distributed more equitably, and unless access to social security programmes is extended to more people across all population groups, improvements in the lives of the greater population will be limited and the credibility of social security will be at stake. This caveat underlines the significant and

vital role of the state and social security administrators in improving income distribution and social security coverage.

I would therefore like to express my appreciation of this unique opportunity to be with all of you this morning – the movers and shakers of social security in this very dynamic sub-region of Southeast Asia – to participate in a continuing discussion of how we should carry on in mainstreaming social security and its contribution to economic development, employment, citizen prosperity and social solidarity, both at the national and regional levels.

My role this morning is to speak to you about the future of social security, and how the administrative and operational efficiency and effectiveness of social security organizations impacts on this future.

Ladies and Gentlemen,

I firmly believe that it is the quality of governance that determines, to a large extent, the administrative and operational efficiency and effectiveness of social security organization.

No matter how visionary the legislation, policy or decree that establishes a social security programme or a social security system, its ultimate effectiveness can only be as good as its implementation. This is why good governance matters and this is why, at the end of the day, the future of social security depends on how social security organizations and social security systems are governed. The administrative and operational efficiency and effectiveness of social security organizations must therefore be taken in the context of good governance.

## **B. The ISSA mission, *Dynamic Social Security*, and good governance**

Let me begin by saying that fostering the administrative and operational efficiency and effectiveness of social security organizations is at the heart of the mission and vision of the International Social Security Association.

The mission of the ISSA is to:

“ ... cooperate, at the international level, in the promotion and development of social security throughout the world, primarily through its technical and administrative improvement, in order to advance the social and economic conditions of the population on the basis of social justice ... ”

This mission is guided by the *Dynamic Social Security* concept of the ISSA which may be defined as the policies and processes geared to better ensure accessible and sustainable social protection systems that not only provide protection, encourage prevention, and support rehabilitation and (re)integration but also contribute to better achieving socially inclusive and economically productive societies.

Good governance is central to the vision of *Dynamic Social Security*.

The ISSA sees good governance not as an end in itself but rather as a means to an end, which is to respond effectively, efficiently and dynamically to the evolving social security needs of citizens.

As social security administrators, how we govern our respective social security organizations begins with the legislation, policy or decree that establishes the programme to be administered. It is legislation, policy or decree that defines the mandate of the social security organization, and the powers and responsibilities that are vested in the implementing authority to achieve this mandate.

However, the impact or effectiveness of a social security law, policy or decree can only be as good as its implementation which, I believe, is the more challenging part of the policy process. This is where the ISSA is performing its unique service to its member organizations.

To support member organizations in strengthening and building their capacities in social security administration, the Association developed the first ISSA *Good Governance Guidelines for Social Security Institutions* which was launched at the ISSA World Social Security Forum in Cape Town, South Africa in December 2010.

The ISSA *Good Governance Guidelines* provides administrative and operational guidance to the Board and management of a social security organization, as well as practical guidance on a range of administrative and operational issues.

It also offers an intensive self-administered examination of the governance practices of a social security organization through an electronic link to a self-assessment questionnaire on governance.

I have personally taken this self-assessment questionnaire and I can attest to its quality. I can assure you that it is a comprehensive refresher on social security governance which I believe should be taken by the Board and Management of social security administrators, whether they are new on the job or are “old hands”, so to speak.

The guidelines are also electronically linked to good practices in the ISSA *Good Practice Database* and hence serve as a convenient platform that facilitates learning and exchange among ISSA member organizations.

At this point, I should like to emphasize the extraordinary participation of ISSA members in providing examples of their good practices. The governance guidelines draw from the rich experience of ISSA member organizations that are committed to excellence in social security administration.

Indeed, the ISSA *Good Governance Guidelines* are an important cornerstone of the ISSA programme of activities for the current triennium. Using the experience gained from developing these governance guidelines, the ISSA programme of activities for the 2011-2013 triennium includes the development of more practical tools of this type, all aimed at supporting the capacity building efforts of member organizations towards administrative and operational efficiency and effectiveness.

In particular, the ISSA is developing seven (7) more sets of new guidelines in areas that are of critical relevance to social security administration, namely, the investment of social

security funds; the provision of quality social security services to members; ICT methodologies on products and services including information, hardware and software management; contribution collection and compliance; prevention; reintegration; and workplace health promotion.

The 2010 version of the ISSA *Good Governance Guidelines* is itself being expanded to include guidelines on strategic planning, risk management, internal audit of operations, and human resource policies.

The *International Barometer of Social Security Administrations* is another innovative service that the ISSA offers exclusively to its member organizations. The *Barometer* allows social security managers to benchmark the administrative performance of their organization vis-à-vis key performance indicators based on international averages and best practices. ISSA member organizations find this benchmarking tool highly valuable in assessing their performance as well as for planning and defining performance-enhancing strategies with a view to ensuring superior performance in social security administration. Currently, the available indicators in the *Barometer* are focused on the long-term benefits of old-age, survivors, and invalidity. The plan is to develop in the next triennium more indicators that pertain to other types of social security programmes.

Another key outcome of the work of ISSA during the last triennium was the ISSA *Strategy for the extension of social security coverage*.

One cannot overemphasize the importance of the coverage mandate of social security organizations, and the often concomitant responsibility to collect contributions and improve programme compliance. The ISSA *Strategy* defines a four-pronged approach to maximize the impact on the extension of social security coverage: first, by improving contribution collection and compliance. Second, by extending coverage to difficult-to-reach population groups. Third, by supporting the successful administration of tax-financed minimum benefit schemes. Fourth, by advocating at the national level for the extension of social security.

I am pleased to note that the *Strategy for the extension of social security coverage* developed by the ISSA directly complements and supports the joint United Nations agency initiative, led by the ILO, to build a global social protection floor. To further elaborate on the ISSA *Strategy*, and as I have mentioned earlier, one of the main projects of the ISSA in the current triennium is developing a set of practical guidelines on contribution collection and compliance.

I am pleased to inform you that the results of the innovative ISSA work that is currently being done on the Guidelines including those that elaborate on the ISSA *Strategy for the extension of social security coverage* and on the International Barometer will be presented at the upcoming ISSA World Social Security Forum that will be held in Doha in November 2013. I am certain that this will be one of the highlights of this key triennial event given their practical and professional relevance for social security organizations throughout the world.

### **C. The ISSA Centre for Excellence in Social Security Administration**

Ladies and Gentlemen,

Given the significant achievements of the ISSA over the past triennium and the current one, in developing practical guidelines and benchmarking tools in social security administration, the Association foresees establishing, in the very near future, the ISSA Centre for Excellence in Social Security Administration.

The ISSA Centre for Excellence in Social Security Administration will be an important milestone in the history of the Association because it will establish the ISSA as the authoritative international organization for issuing professional standards in social security administration.

The idea is to consolidate the capacity-building services of the ISSA for its members to develop excellence in social security administration based on the principles of Dynamic Social Security. The Centre will provide a programme of international guidelines for social security administrations, prepared under the auspices of the ISSA Technical Commissions. It will in addition offer a capacity-building programme and support services and commend the efforts of members to achieve excellence in social security administration.

As I mentioned earlier, this exciting programme will cover a broad range of guidelines beginning with a significant expansion of the ISSA Good Governance Guidelines, and new guidelines covering areas such as social security fund investments, providing quality services, ICT methodologies on products and services, contribution collection and enforcement, prevention, reintegration and workplace health promotion.

The development of the ISSA Centre for Excellence in Social Security Administration is a shared responsibility of all ISSA structures – the ISSA Secretariat, the regional structures of the ISSA, and the ISSA Technical Commissions. They will all contribute to the different activities of the Centre.

In the months to come, the ISSA leadership and the ISSA Bureau will as the main issue for the 2014-2016 triennium program discuss the Centre for Excellence more in detail and consider how best to motivate and support ISSA members in their implementation of the guidelines.

Ladies and Gentlemen,

I foresee that the ISSA Centre for Excellence will strongly reinforce the global view that membership to the ISSA is symbolic of an organization's commitment to developing excellence in social security administration and that ISSA membership is a "must" as it provides unique opportunities for such achievements.

#### **D. Concluding observations**

Ladies and Gentlemen,

The challenges to social security and social protection systems are many, are profound, are complicated, and are urgent.

Even as we strive to do our best, as social security administrators, to implement our mandate to extend social security to all, we realize the crucial role of government in developing and ensuring that the sum total of a country's social security programmes provides for every one and leaves no one to fall through the cracks of having no coverage at all.

The role of government in this endeavor is crucial.

Acting as agent and intermediary for its citizens, a government can facilitate the forging of a national vision – supported by national consensus – on the mission and objectives of a country's social security system.

By defining what these goals are, a country can envision the overall structure of its social security system; by taking stock of the programmes that are already in existence, the emerging system can be nurtured and developed to ensure that it is coherent, socially-inclusive and comprehensive.

Above all, the vision of a socially inclusive social security system should be strategically driven, and should not wax or wane with changes in the political authority of the land.

At the International Labour Conference in June 2011, the ISSA expressed its full support to the social protection floor initiative of the ILO which calls on governments to provide a horizontal dimension of basic social protection guarantees for the whole population and, at the same time, a vertical dimension of higher levels of income security and health protection through contributory coverage.

The ISSA has, from the very beginning, recognized the important potential of a social protection floor to improve the lives of billions of people, even at a time when social security is facing major economic pressures. It was therefore historic that the ILO Recommendation on social protection floors was formally adopted at the International Labour Conference in June 2012, a milestone made more significant for the ISSA because the deliberations leading to the adoption of the Recommendation highlighted the ISSA's experience in ensuring the transfer of administrative expertise from countries with established systems of social security to countries in the process of building universal systems. To make the social protection floor initiative work, the ILO recognizes the high value of good governance and the importance of being efficient and effective in the administrative and operational aspects of social security and social protection systems and the important partnership with the ISSA in this respect.

Ladies and Gentlemen,

These are precisely the areas of strength of the ISSA.

Drawing on the wealth of expertise and experience of its membership, the ISSA is offering its full support to the ILO and its partners in strengthening national capacities to implement the social protection floor initiative, in particular through improving management and administrative capacities of social security organizations, and facilitating technical advice and knowledge transfer from ISSA member organizations. In fact, the ISSA has recently signed a Memorandum of Understanding with the ILO - our most important international partner in social protection – so as to strengthen our historic bonds in a practical manner and create new

synergies. It is hoped that the many products, services and resources that we embody will be of great value to our respective constituencies and to social protection.

The ISSA *Centre for Excellence in Social Security Administration* will be central in providing this support.

Ladies and Gentlemen,

We fully realize that the challenges to social security and social protection systems are many, are profound, are complicated, and are urgent.

I am fully convinced that with the support of the Association, ISSA member organizations in the region will be better able to respond effectively to these challenges.

I would like to close by also inviting those of you present here today who are not members to consider joining the ISSA and benefit from the various events, exchanges with peers and experts, the products, services and practical tools that are designed to help you in your quest to achieve excellence in social security, and to help us in building a stronger and more dynamic social security in your region, as well as throughout the world.

Thank you for your attention.