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The formation of a National Unemployment Benefit Fund in Eswatini: Assessing options for the institutional framework and operation of the scheme

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► The formation of a National Unemployment Benefit Fund in Eswatini

Assessing Options for the Institutional Framework and operation of the scheme

Author / Ole Beier Sørensen





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Abstract

The report assesses options as regards the management and operation of a new Unemployment Benefit Fund (UBF) in Eswatini. Two institutions have been proposed by the Government as potential operators – the Public Sector Pension Fund (PSPF) and the Eswatini National Provident Fund (ENPF). Based on an analysis of the UBF business processes and its purpose: the fact that it presents a range of new challenges and requirements, as well as its nature as a short-term social insurance scheme, the report concludes that the best solution is for UBF to be an independent entity allowed – but not required – to let its operation or parts thereof be undertaken on a contractual basis by one or more other public entities. The second-best solution is to have the UBF operated by an existing entity, in which case the ENPF stands out as the best choice as it has key elements of the required infrastructure and competences in place already. However, the ENPF will need to be adapted to a new and broader role to ensure good and adequate governance and the necessary integrity and transparency for the exercise.

JEL codes:

Key words: Unemployment insurance, sickness insurance, maternity insurance, social insurance operation.

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Table of contents

Abstract	01
About the author	01
Acronyms	07
Executive Summary	08
Five recommendations and conclusion	08
The scope of the assessment	09
Modalities for a UBF	10
Operating the UBF	10
Two institutions as potential UBF host institution	11
The two institutions and UBF operation	12
Answering the question: Which institution is best fit to operate the UBF?	12
<hr/>	
► Introduction	14
<hr/>	
► 1 UBF - structure, operation, and governance	16
1.1. The UBF as per the current draft law	16
1.2. Some assumptions and principles	17
1.2.1. The financing of the UBF	17
1.2.2. Good governance and transparency are critical	18
1.2.3. Self-sustained financing	18
1.2.4. The UBF must cover the entire formal labour market	19
1.3. UBF legal framework and oversight	19
1.4. The reform effort needs to be strengthened	20
1.5. African peer examples	22
1.5.1. Morocco	22
1.5.2. Tanzania	23
1.5.3. Ghana	25
<hr/>	
► 2 Contributory social insurance – some principles	26
2.1. Insurance risks, insurance collective, and insurability	26
2.2. Good governance	27
2.3. Transparency versus adaptability	28
2.4. Financial sustainability	29
2.5. Operating the UBF	30
2.5.1. UBF tasks	30
2.5.2. Synergies and economies of scale	32

2.5.3. New operational requirements	32
2.5.4 Challenges facing any UBF operator	33
2.6. The choice of an operating institution for the UBF	33
<hr/>	
► 3 Potential host-institutions	35
3.1. Eswatini National Provident Fund	35
3.1.1. Current challenges	36
3.2. Public Service Pension Fund	37
3.2.1. Current challenges	38
3.3. Other potential host institutions	38
<hr/>	
► 4 4.Assessment of the two potential host institutions	40
4.1. Analytical framework and questions	40
4.1.1. Unemployment Benefit Fund: regulation, mandate and governance	40
4.1.2. Unemployment Benefit Fund's operational infrastructure	42
4.1.3. Unemployment Benefit Fund: case handling	43
4.1.4. Unemployment Benefit Fund compliance control	43
4.1.5.The investment of Unemployment Benefit Fund's reserves	45
4.1.6.Cost-efficiency of the Unemployment Benefit Fund and its operation	45
4.2. UBF legal framework and regulation	46
<hr/>	
► 5 A closed and an open hybrid model	47
5.1. Revisiting the starting point	47
5.2. A closed hybrid model	47
5.3. An open hybrid model	49
5.4. A wider perspective	50
<hr/>	
► 6 Recommendations and conclusion	52
6.1. Recommendations	52
6.1.1. Build an independent UBF	52
6.1.2. Adopt an open hybrid model for the UBF	52
6.1.3. Forward the UBF reform process	53
6.1.4. Keep initial ambitions low	53
6.1.5. Strengthen reform efforts to match requirements	54
6.2. Conclusion	54
6.3. A longer-term focus	54
6.4. A roadmap	55

Annexes	56
ISSA good governance guidelines	56
B. ILO on Social Security Governance	56
Sources	58
Online interviews with stakeholders and other informants	58
Validation visit to Eswatini 26-27 February 2024	59
References and other background material	60
Acknowledgements	61

List of Tables

Table 1: Assumed UBF contribution rates	17
Table 2: Social security contributions in Tanzania	24
Table 3: Summary of UBF tasks	31
Table 4: ENPF staff decomposed	36
Table 5: PSPF staff decomposed	37
Table 6 : Six dimensions for the assessment of potential UBF host institution	40
Table 7: A crude indicative timetable for the implementation of the UBF	55

List of Boxes

Box 1: Linking Unemployment Insurance and Active Labour Market Policies	21
Box 2: ISSA Good Governance guideline no. 11 – Financial Sustainability of the programme	30
Box 3: An example of a hybrid model – Danish ATP	49

Acronyms

ALMP	Active Labour Market Policies
DB	Defined Benefit
DC	Defined Contribution
ENPF	Eswatini National Provident Fund
FRSA	Financial Services Regulatory Authority
ISSA	International Social Security Association
LAB	Labour Advisory Board
MoU	Memorandum of Understanding
NSSP	National Social Security Policy
NSSA	National Social Security Authority (not established)
PEU	Public Enterprise Unit (under the Ministry of Finance)
PSPF	Public Sector Pension Fund
SOE	State Owned Enterprise
UBF	Unemployment Benefit Fund
UI	Unemployment Insurance

Executive Summary

The Eswatini government – in consultation with social partners – have designed an unemployment insurance scheme to provide temporary financial support for workers who lose their jobs, facilitate their re-integration into the labour market, and support labour market development. The unemployment insurance scheme will be managed by the Unemployment Benefit Insurance Fund (UBF). In the absence of national social security institution mandated to manage mandatory short-term insurance scheme, the Government had two basic options regarding UBF: 1.) create independent entity in its own right; or 2) identify an existing State-Owned Enterprise (SOE) that could perform the mandate, management and operational tasks of the UBF. As the decision was taken that the UBF is to be operated by an existing State-Owned Enterprise (SOE), two existing entities were identified as possible hosting institutions: Public Service Pension Fund (PSPF) and Eswatini National Provident Fund (ENPF). In order to make an informed, evidence-based decision, the Government requested an independent assessment as to which of two existing SOE's is better placed to host UBF.

Five recommendations and conclusion

Summing up on its observations, the assessment reconsiders its starting point: “The UBF should be operated by an existing institution”.

While the assessment has identified areas where the UBF may benefit from using existing infrastructure and capacity held by the ENPF, it does not see full operation through an existing institution as the most optimal framework for the UBF. There are two key reasons for this:

- The operation of the UBF will require development of significant new capacities and resources that are crucial to the UBF but will be without any relevance for the existing mandates.
- There is a significant risk of inadequate governance attention in a multi-purpose set-up when mandates are fundamentally different as is the case here.

Therefore, the assessment arrives at five main recommendations:

- i) Create the UBF as an independent self-sustained institution overseen by a dedicated UBF board with a distinct governance structure.

Evidence derived from this assessment points out that given the nature of the UBF and its operational and oversight requirements, a hybrid model may be considered. A hybrid model implies creating an independent institution – a SOE – headed by a three-partite board with a composition matching its business and responsibilities. While this board will be ultimately responsible for the implementation and operation of the UBF, it should be allowed to undertake its operation – in full or in part as it sees fit to retain robust operation while remaining cost-effective – in-house or based on contractual agreements with one or more other public agencies as relevant.

- ii) Adopt a hybrid model where the UBF is a stand-alone self-sustained SOE allowed to outsource aspects of its operation or parts thereof to other public agencies on a contractual basis.

Creation of a stand-alone UBF and the adoption of a hybrid model may offer new perspectives for social security in Eswatini more broadly. Hence, it offers a strong platform for social insurance

focused on short-term risk going forward. Also, it may facilitate gradual rationalisation by building transversal operational functions potentially used by all relevant social insurance institutions.

iii) Set up expert work streams critical to the process, which need to be undertaken simultaneously over the coming 6-9 months.

Considering the process related aspects of the UBF reform, several aspects are missing or need to mature. This relates among other things to the UBF law and the scope and business plan of the UBF. Covering these aspects is critical to sustaining a convincing policy narrative and to allowing cabinet and parliament to take informed decisions.

To cover these aspects the following work streams are identified (not ruling out that more work streams may be needed):

- UBF short- and mid-term business plan covering all aspects of UBF-operation.
- Expected UBF effects and tools to address them if needed.
- Financing the UBF implementation and its subsequent operation.
- Model for the ongoing assessment of financial sustainability, reserve fund requirements, and policy options in the event of insufficient funding.
- Framework for the management of a UBF reserve fund.
- Framework for the linkages between the UBF and ALMP efforts.
- Ongoing policy research and evaluation and recurring rationale reporting.
- UBF governance aligned with agreed international standards.
- Review and amendment of the draft law.

iv) Keep the ambition level for the UBF low at initial stages. Instead of risking that ambition outpaces capacity, the approach should be to start cautious and only raise the ambition level as capacity and insight allow.

v) Allocate more internal resources and broader competences to the project, ensure broader ministerial participation and commitment and ensure that labour market policy programmes – at least in an initial form – are developed back-to-back with the UBF.

Should it be decided to allocate the management of UBF to an existing institution, there is sufficient evidence to conclude that the ENPF is the relevant existing host institution. In this case and in order to ensure adequate UBF implementation and operation through the ENPF, two key preconditions should be met:

- The ENPF will have to adapt as an institution to be able to deliver on UBF-responsibilities and it will have to adapt its governance to fit and operate the UBF mandate.
- This adaptation must ensure financial integrity and transparency, and adequate management attention for the UBF.

The scope of the assessment

The background and basis for the conclusions are summarised in detail below.

Modalities for a UBF

The assessment is based on key preconditions associated with social insurance in case of unemployment stemming from previous analytical and actuarial analysis conducted by ILO, presented to and discussed with the Government and social partners:

- The UBF must cover the entire formal labour market – including all branches of the private sector and the public sector. Any other approach will undermine the ability to share risk and jeopardize the ability to facilitate unemployment insurance.
- The UBF must be self-sustained with regards to its operation and benefits. This means that it is to be financed entirely from its incoming contributions and occasional drawdown from the buffer reserve, that it is expected to build. This condition must be reflected in its contribution rates, coverages and/or benefits. This does not exclude the possibility that the State covers or supports the costs related to the creation of the UBF.
- The ability to remain self-sustained must be evaluated on an ongoing basis guided by benchmarks – i.e. through periodic actuarial evaluations applying a range of risk scenarios and risk margins as regards future developments.
- Design, financing and delivery of unemployment insurance, as a form of short-term social insurance differ substantially from those of a pension fund/provident fund focused on long-term social insurance. ENPF and PSPF both have experience with long term social insurance schemes only. This substantive difference as regards the nature of the schemes forms the basis of evidence in support of UBF as a standalone entity.
- The introduction of the UBF will have behavioural effects – among employers as well as employees. Some will be desirable, others less so. Therefore, continuous policy oversight, and the flexibility to respond and adapt if relevant is of essence.
- The draft UBF-Act that has been developed in parallel with scheme design and deliberations about the institutional set up will need to be detailed on a range of aspects –such as the management and delivery of the scheme, and the financing sources for the creation of the UBF and for its subsequent operation.
- A framework for the linkages between the UBF and Active Labour Market Policies must be set out.
- A detailed business case for the UBF and its operation must be developed.
- International standards and guidelines setting out good governance principles as a fundamental condition for a successful development and operation of the UBF will have to be implemented.
- The Coverage and Function of the Unemployment Benefit Fund (UBF) must be developed and supported by clear financial assessments..

Operating the UBF

Looking closer at the UBF as such, the assessment identifies a set of requirements to be met by an institution bestowed with the responsibility to operate it. Adequate competences and capacity of board members and adequate governance attention to the UBF mandate must be ensured. Hence, alignment with international standards on good governance is a key condition for the UBF to be transparent and fully accountable. Its funding must be kept separate from the funding of other schemes/activities, its business, and its different products must be adequately accounted for, and any cost sharing across different schemes must be transparent and fair.

The UBF-implementation must be rules based, supported, documented by a complete audit trail, and – leaning on the National Social Security Policy and acknowledged international standards – it must be financially sustainable

The assessment identifies a range of critical operational requirements for the UBF as a social insurance arrangement focused on short-term risks. First and foremost, it establishes the crucial role of registration, contribution collection and compliance, and it details the requirements on these aspects in the context of social insurance focused on unemployment as a short-term risk. It also establishes how case-handling needs and the needs for local presence and coordination with local units executing labour market policy measures separates it from social insurance focused on long-term risk – e.g. old-age and retirement – and calls on capacities and resources that does not exist with any existing social security institution in Eswatini.

Finally, the assessment identifies potential benefits of undertaking UBF operation under or through an existing institution including synergy, efficiency, consolidation, enhanced quality, and lower costs – thereby also identifying key benchmarks for assessing the relevance (ex-ante) and success (ex-post) of such an arrangement.

Two institutions as potential UBF host institution

Two existing SOEs – the Eswatini National Provident Fund (ENPF) and the Public Service Pension Fund (PSPF) – have been identified as possible hosting institutions for the UBF.

The ENPF is a national provident fund set up by law and covering all private sector workers engaged in formal employment with arrangements in place to include informal sector workers and self-employed. The scheme operates as a defined contribution (DC) scheme with individual accounts.

- The PSPF is an occupational social insurance pension fund set up by law to provide pensions for public sector employees. The scheme operates as a defined benefit (DB) pension scheme with government underwriting liabilities as a guarantor of last resort.

While the two institutions are successful in their current operational functions, the findings of the assessment point out that they are also facing challenges. While these challenges may not be prohibitive for hosting the UBF, they are relevant as part of the consideration.

- The ENPF is deeply engaged in a strategy to transform from a provident fund to a pension fund thereby strengthening its ability to contribute to ensuring income support in old-age. This is an important as well as a complex undertaking. While these efforts have been going on for more than ten years, the ENPF is still to secure the necessary support in cabinet and parliament.
- The PSPF is under pressure on its core business, among other things because the transfer of government activities to SOEs. According to the information provided this means that the staff involved are no longer covered by the PSPF. Therefore, the PSPF is engaged in a strategy to find new business to ensure that it can maintain scale. Key elements under this heading are a wish to be able to offer PSPF coverage to companies outside the public sector (and interest in undertaking other public authority business as for example the UBF.)

The two institutions and UBF operation

The PSPF and the ENPF have distinct identities. Consequently, they also differ as regards their starting points in relation to the operation of the UBF.

Operating the UBF under an existing institution as a separate mandate requires significant changes and adaptation of the operating institution itself – regardless of which institution is chosen. Changes and adaptations relate to core issues such as board composition, mandate, governance, competences, processes, operations, and infrastructure.

- Both the ENPF and the PSPF are headed by tri-partite boards. The ENPF includes broad private sector social partner representation, while the PSPF has public sector partner representation only and with government representation fitted to government's role as ultimate plan sponsor.
- Both institutions are focused on retirement and other long-term social contingencies and none of them have any experience in any field of addressing short-term social contingencies.
- The ENPF is focused on a broad social security objective for sections of the labour market not covered by the PSPF. The PSPF on the other hand is essentially an occupational arrangement for a particular segment.
- The ENPF has broad coverage, extensive experience in working with private employers and the informal sector, and an established infrastructure to do so. The PSPF on the other hand – being an occupational arrangement covering the public sector alone – does not have such infrastructure and experience.

Looking to the institutional set up, both institutions would need to adapt to operate the UBF as a mandate. Challenges would face the PSPF, as it would have to change its identity and build all key capacities from scratch. The finding of the assessment is not that this cannot be done. Rather it sees no rationale for such an approach. Hence, doing so and achieving the required level of performance may take quite a long time, it would incur higher costs, and it would mean duplication of capacities already existing with the ENPF without any added value. In considering this aspect, it may be important to bear in mind that the PSPF operates a DB (Defined Benefit) scheme, while the ENPF manages DC (defined contribution) schemes. As part of this, the differences in mind set – the presence/absence of an external plan sponsor underwriting of liabilities – should not be underestimated.

Looking to the aspect of building the UBF business processes, existing institutions will face the challenge of interpreting the adopted legislation into a coherent and adequate framework. Both institutions have relevant experience to do so within their existing lines of business. They also have relevant IT experience and expertise. However, it should be noted that the ENPF is already strongly engaged locally through its efforts on identification and registration of private employers and working relationships. The PSPF does not have such experience and activities in place.

Looking to the case handling and local presence aspects, the two institutions are equal as regards the challenges facing them. Both will have to build significant resources and capacities intended for the UBF alone from scratch, as would any other operator.

Answering the question: Which institution is best fit to operate the UBF?

Assuming that identification of the strongest possible starting point for the operation of the UBF is the core focus, this review has identified significant existing resources with the ENPF, that are relevant and important to the UBF. These resources cover the registration and collection part of

the business processes. The assessment is clear in recommending that the UBF be an independent SOE. Should it be decided to allocate the operation to an existing institution, the assessment finds that the ENPF is the relevant choice.

The review has not identified comparable relevant resources with the PSPF, nor has it been able to identify potential benefits from choosing the PSPF to operate the UBF. In fact, it has found that choosing PSPF will beg an explanation due to the doubling of existing capacities, the costs involved, and the potential brand-tainting (for example asking employers for similar information twice).

► Introduction

The Eswatini government wishes to create an Unemployment Benefit Insurance Fund (UBF) to support labour market development and provide temporary financial assistance to support workers who lose their jobs and facilitate their re-integration into the labour market. This objective is set out as a separate objective (no. 6) in the National Social Security Policy (NSSP) adopted in 2018 (MoLSS, 2021). The decision to form the UBF is closely linked to foreseen strengthened active labour market policy efforts and the formation of public employment services.

The creation of the UBF - a fully-fledged Unemployment Benefit/Insurance Fund - is listed as a trigger in the *Eswatini - Economic Recovery Development Policy Loan Financing I (P174447)* agreed between the Government of Eswatini and the World Bank.

While the idea of a UBF has a longer history the current debate is related to an extension of the Covid-19 relief fund set up in 2020 to address contingencies related to the Covid 19 crisis. The relief fund was managed through the Eswatini National Provident Fund (ENPF).

Over the past few years, government has developed a policy framework for the UBF. This work was mostly undertaken in the period from 2021-23. To do this, government formed a technical working group (TWG), and it asked the ILO for technical support. As part of this the ILO has provided 1) a diagnostic analysis of the Eswatini labour market (ILO 2021b); 2) an actuarially based proposed design and costing of the UBF (ILO 2021c); and 3) guidance for the institutional set-up and governance for the new fund (ILO 2021a).

This report and assessment - undertaken by the ILO in collaboration with Eswatini authorities and social partners - add to these efforts. Its objective is to advise Eswatini constituents on the institutional aspect and ways forward. A first version of this report was submitted in March 2024. This version is updated as necessary to fit the current state of affairs, and more detail has been added to the advice provided as relevant – in particular as regards the financing of the UBF.

Government has prepared a draft law for an Unemployment Benefit Insurance Fund (UBF) (MoLSS 2023b). The UBF draft law addresses the UBF aspect, while the links with and the development of active labour market policy efforts are to be addressed through other regulation. Reflecting the gradual development of the reform proposal and consultations with stakeholders – including the Labour Advisory Board - the UBF has been expanded to also cover NSSP policy objectives 1 and 4 focused on the provision of maternity and sickness benefits respectively.

The current draft law assumes that the UBF will become a separate social security fund - and a separate new State-Owned Enterprise (SOE) - with its own management and operational set-up. This is aligned with input and advice provided by the ILO (ILO 2021a). The recommendation is based on consideration of the tasks to be addressed and extensive references to research, peer experiences and international standards for good governance.

The draft UBF law was reviewed by the Attorney General (AG) in 2023. The AG has raised a range of issues. Among other things it has been pointed out that the formation of a new separate institution will be at odds with the exiting Government circular on rationalization/downsizing state owned entities (SOE) and not create new ones (Circular No. 4 of 2020).

The Labour Advisory Board (LAB) reviewed the comments from the AG and input from the ENPF in 2023 indicating its interest in and capacity to operate the UBF. The then assessment of the

LAB is that the ENPF can be a plausible and attractive operator. However, it has advised that the choice of a host institution be based on an independent professional assessment. The LAB is still to revisit and finalize its position on the issue.

Aligning with its decision not to build new SOEs government has decided that the UBF should be operated by an existing SOE or based on a MoU arrangement with such an institution. Two existing SOEs – the Eswatini National Provident Fund (ENPF) and the Public Service Pension Fund (PSPF) – have been identified as possible hosting institutions.

The ILO has been called upon to facilitate an independent review, that is to assess the two institutions mentioned and set out determinants for the Governance Architecture and Administration of the National Unemployment Benefit Scheme in Eswatini.

The objective of this assessment is to revisit the institutional set-up for and identity of the UBF and its governance framework. The assessment is to consider options for the institutional architecture and administration of Unemployment Benefit Scheme based among other things on a comparative review of two entities. Based on these considerations, the objective of this assessment is to provide further guidance and advice on the institutional identity and set-up for the UBF and its operation.

The structure of this report is as follows. *Section 3* provides a brief outline of the UBF, and it discusses the requirements and challenges related to its operation. *Section 4* describes and discusses some key social insurance principles and key aspects of the UBF and its operation. *Section 5* describes the potential host institutions. *Section 6* assesses the potential host institutions in view of good governance criteria and identified operational requirements. *Section 7* discusses the potential ways to sustain good governance and achieve strong implementation through the adoption of a hybrid model for the UBF. *Section 8* concludes the report and sets out a set of recommendations and discusses a potential timeline for the development of the UBF.

► 1 UBF - structure, operation, and governance

This section provides a summary description of the UBS as it is described in the draft law, and – among other based on interviews with stakeholders - it develops some underlying requirements and assumptions. This section identifies a strong need to strengthen the policy narrative to allow cabinet and parliament to take informed decisions. More resources and stronger inter-departmental engagement are needed to forward the process.

1.1. The UBF as per the current draft law

A proposed main design for an Eswatini Unemployment Benefit Fund (UBF) is set out in the current draft legislation (MoLSS 2023b). This design is informed by technical assistance provided by the ILO (ILO 2022).

The UBF will be a contributory social insurance scheme financed from employer and employee contributions made for/by each individual. The UBF coverage in its initial form will include formal sector employees only. Policies to include informal sector workers or self-employed are not part of the current agenda.

Employers are required to register and to register employees and employment relationships with the UBF. Employers are required to calculate, withhold, pay, and document UBF contributions (MoLSS 2023b: Art. 40, 54, and 56-60).

The UBF will cover three identified social risks for the insured and eligible insured workers (MoLSS 2023b: Ch. 4, parts B, C and D):

- Temporary income loss in relation to unemployment,
- Temporary income loss in relation to sickness.
- Temporary income loss in relation to maternity.

The identification and assessment of risks as well as the processes related to the ongoing assessment of continued eligibility are only described in broad terms in the draft law.

The draft law provides a broad mandate for the Minister of Labour – after consultation with the Board of the UBF and the Labour Advisory Board – to set out secondary regulation detailing aspects as necessary (MoLSS 2023b: Sec. 63).

UBF benefit eligibility will depend on recent contribution/employment history. Eligibility generally requires 12 months of contribution payment over the past 18 months (MoLSS 2023b: Art. 22).

A waiting period of seven days will be applied in relation to unemployment and sickness benefits (MoLSS 2023b: Art. 25 and 29).

UBF benefits will depend on recent employment and earnings history. The regulation will define maximum and minimum benefits – the draft law sets the minimum benefit at a rate equal to 50% of average remuneration while the maximum benefit is set at E 15,000 per month (MoLSS 2023b: Art. 21-22, Schedule 3).

UBF benefit duration will be defined by the law specifying a maximum benefit duration of six months (MoLSS 2023b: Schedule 3).

The draft law assumes a total UBF contribution rate of 3.75% with an employer/employee split and division between the different risks as indicated in *Table 1* below. The maximum monthly salary from which contributions are paid is set at E 30,000 (MoLSS 2023b: Schedule 2).

► **Table 1: Assumed UBF contribution rates**

	Employee rate	Employer rate	Total rate
Unemployment	0,93%	0,93%	1,85%
Maternity	0,45%	0,45%	0,90%
Sickness	0,50%	0,50%	1,00%
Total	1,88%	1,88%	3,75%

The draft law (MoLSS 2023b: Art. 11) assumes – not being too specific on the matter - that excess funding will be used in line with the purposes of the act and e.g., be set aside in a reserve fund dedicated to UBF business development or to provide buffer funding.

1.2. Some assumptions and principles

1.2.1. The financing of the UBF

The financing of the implementation of the UBF is not specified in the draft law. Hence, it does not discuss different financing aspects – e.g. set-up costs, operating costs, and benefit costs - and it does not specify how insufficient funding will be addressed.

Clarity on the financing of UBF implementation costs is critical. Different procedures related to set-up costs have been mentioned during assessment process:

1. It has been indicated that government may provide seed capital to assist the UBF getting off the ground.
2. It has been mentioned that the UBF will build an operating reserve simply by collecting contributions during its first 18 months, where few claims will be accepted.
3. Another option is to let the implementation costs be fully or partly financed from a state loan.
4. The option, that the ENPF may put in seed capital has been mentioned – without an explanation offered as to how such a step is legitimized under the ENPF mandate.

The State can step in to fund – in full or partly – the creation of the UBF, or it can provide a loan to do so. The issue needs to be settled for the work on the UBF to mature. In order to do so, a business plan and a thorough costing of the exercise – separating the creation of the UBF and its subsequent operation - must be undertaken.

An existing institution cannot be called upon to participate in the financing of UBF implementation, development or operation. This is because UBF is not expected to be a for-profit activity for the operating institution. Hence it cannot look at its participation in the financing of for example

UBF set-up costs as an investment made reasonable by future return expectations. It follows that financial and cost separation is necessary to ensure that the financial integrity of the existing business is not compromised.

The financing of the *UBF operating and benefit costs* is not specified sufficiently clear in the draft law. Assumed requirements as regards operation and benefit costs have been identified through interviews with stakeholders and representatives from different ministries and public authorities in Eswatini. Hence, an implicit key assumption among stakeholders is that the UBF must be designed and operated to be financially self-sustaining. Other options exist, but the assessment of stakeholders is that they will not be politically or financially within reach unless a broader analysis to identify fiscal space options for social protection financing is conducted.

Hence, this assessment assumes that the operation costs and the benefit costs of the UBF is to be self-financed entirely from contributions – i.e., there will not be allocations from the state to support its future operation. Nor should Government be involved in covering liabilities. The draft law does not address this matter, and it does not specify how insufficient funding will be addressed.

1.2.2. Good governance and transparency are critical

This in turn raises the bar on governance, and the unconditional application of internationally accepted good governance standards as the institution will need strong protection of its financial and operational integrity. The UBF law seeks to ensure accountability and transparency by requiring the UBF to keep full and proper records of the financial affairs of the Fund and prepare financial statements in accordance with generally accepted accounting and reporting practices (MoLSS 2023b: Art. 12). Also, it creates a three-partite board of directors for the UBF (MoLSS 2023b: Art. 13).

1.2.3. Self-sustained financing

Further consequences spring from this. It means that the scheme design – contribution rate, benefits, reserve capital requirements, reserve capital management etc. must reflect this requirement. In this context it is noted that actuarial assessments in relation to short-term risk insurance differ from similar in relation to long-term risk insurance simply because risks cannot be valued with the same accuracy leading to the bar being raised when there is no outside sponsor of last resort underwriting liabilities.

The ability of the UBF to remain unconditionally self-sustained raises particular challenges for the UBF or the operating institution, if it is not an independent SOE. Hence, the financial sustainability of the arrangement must be continuously overseen and evaluated. Among other things this implies continuous financial evaluation against defined benchmarks reflecting financial resources, expected future contribution streams and benefit streams, risks, potential fluctuations etc. An actuarial evaluation on these aspects will be associated with some uncertainty as the risks involved depend heavily on the future development of the economy and the labour market. Risks cannot be priced based on data. Instead, the actuarial evaluation will need to apply a range of risk scenarios and risk margins.

1.2.4. The UBF must cover the entire formal labour market

The draft law is clear in stipulating that the UBF will cover the entire formal labour market. This happens through its definition of employers (MoLSS 2023b: Art. 2, and 54). While this is clear, alternative options have been mentioned – e.g. to exempt the public sector from the UBF.

However, the expert recommendation on this aspect – discussed further below - is clear: Insist on universal coverage for the entire formal labour market. The reasons for this include among other things:

- While public sector staff may be less exposed, they are not immune to unemployment.
- Weakening social insurance risk sharing by exempting less exposed segments – e.g. the public sector, high-level white-collar staff in the private sector etc. - will cause insurance costs for other segments to increase eventually leaving unemployment insurance impossible.

1.3. UBF legal framework and oversight

The creation of the UBF is linked with the ambition to create a comprehensive National Social Security System in the Kingdom of Eswatini. This guiding principles and key objectives for this exercise are set out at rather high level in the National Social Security Policy (NSSP) from 2021 (KoE, 2021). The NSSP describes how existing social security schemes are patchy, poorly coordinated, cover a limited number of risks and do not fully conform to social insurance principles. It notes the fact that existing schemes do not offer a collective risk pool for contributors. Referring to international standards – in particular ILO Social Protection (Minimum Standards) Convention, 1952, No.102 and Social Protection Floors Recommendation, 2012, R 202 the NSSP sets out ambitions and objectives for comprehensive social security covering nine branches of social security over the life cycle.

The NSSP foresees that a coherent and coordinated social protection system will be established under law and it defines the overall approach for reaching universal coverage comprising a social protection floor for all, with particular focus on social insurance benefits.

The NSSP provides an implementation strategy including a roadmap, and regulatory and institutional milestones for the execution of the NSSP. It foresees that a Social Security Act will coordinate the process, and the system development. To do so a key deliverable under the implementation strategy is the establishment of a National Social Security Authority (NSSA) to champion progressive realization of a comprehensive social security system. A Social Security Act is yet to be proposed and adopted, and hence the NSSA has not been created.

The creation of the UBF is a key strategic measure under the NSSP as it covers three social risks – unemployment, sickness and maternity - that can be covered by short term social insurance. Other risks may require social assistance measures, or they may be partly covered by long term social insurance. It follows that the UBF is one among several institutions needed to implement a comprehensive National Social Security System in the Kingdom of Eswatini.

It is not clear at this point how a UBF law will relate to a Social Security Act. On the one hand the NSSP seems to assume that a NSSA can be expected to coordinate, oversee – and possibly even run – contributory social insurance schemes. At the same time the NSSP takes an open approach to the detailed format of the institutional implementation by referring to publicly mandated measures in the form of cash and in-kind social transfers that are organised by State or parastatal organisations or are agreed upon through collective bargaining processes (KoE, 2021, p.24).

Outside the scope of this assessment, it is noted that further consideration on the implementation of a comprehensive national social security system is needed, and that the result of these considerations may have implications for the UBF (or vice versa). Priorities should be – as is also reflected in the NSSP – to ensure good governance and transparency in line with international good practice recommendations.

This assessment points to a need to keep policy formation, implementation strategy and day-to-day operation separate and to ensure that the scheme remains free of undue political interference and remains rules based. Also, the assessment points to the need to ensure adequate governance resources and expertise for the different aspects of social security.

The assumption of the assessment is that the NSSA is to take a policy coordinating and supervisory role. This role may not be reconcilable with the role as scheme operator.

The question may be if the UBF – and other social security schemes – should be included in a single comprehensive Social Security Act or whether a system with separate scheme acts referring to an overarching Social Security Act is to be preferred? The view of this assessment is the latter – i.e. that a Social Security Act will set out overall principles and allocate the responsibility for these aspects to a separate – rather small - NSSA, while separate laws – and supporting secondary regulation - will set out the detailed regulation. The objective should be to keep the legal framework manageable and accessible.

1.4. The reform effort needs to be strengthened

The current draft law was written before government stipulated the need to operate the UBF within an existing institution. Therefore – for obvious reasons - it needs to be updated to fit whatever the decided framework will be. This also includes consideration in view of the expected overall legal framework for comprehensive social security as per above.

A number of other aspects are either missing or need to be cultivated and matured – e.g. as regards the financing of set-up costs, subsequent financing of the UBF operations, reserve fund requirements, eligibility criteria and assessment, claims assessment, case handling, compliance control and other operational aspects (see further discussions in section 4). Some aspects -e.g. financing aspects, institutional arrangements, registration, overall participation requirements and eligibility - must be described in primary law, while other matters should be left and mandated to secondary law – e.g. detailed requirements related to case handling and documentation.

Covering these aspects is critical to sustaining a convincing policy narrative and to allowing cabinet and parliament to take informed decisions. In general, the policy narrative needs to be strengthened for cabinet and parliament to take informed decisions.

First and foremost, a business plan for the UBF covering all aspects of UBF-operation must be developed, clear modalities and procedures on financial aspects must be set out, clear reserve fund requirements and a framework for reserve fund management must be defined, and policy option in the event of insufficient funding must be defined, and an assessment of operation costs must be developed. These aspects – and other aspects as needed – must be analysed concurrently and they must be adequately reflected in a revised draft law.

Secondly - and back-to-back with this exercise - a clear costing assessment covering the development of the UBF must be undertaken. Among other things, the UBF will require new IT-infrastructure and systems to support its registration, case handling and other operation, and

interfaces with other public entities must be designed and built. While the business plan mentioned above concerns the UBF once it is in operation, this exercise covers its facilitation and construction.

Thirdly, an important finding is that the resources currently invested in the process of maturing the UBF agenda towards becoming implementable are insufficient. More resources and stronger inter-departmental engagement are needed. As part of this, a key challenge is to ensure that active labour market policy (ALMP) programmes – at least in an initial form – are developed back-to-back with the UBF. This is essential to maximise the ability of the UBF to support the development of a stronger and flexible labour market. It is noted that efforts on these aspects will need to develop over time and that efforts may benefit from drawing on peer experiences.¹

It is noted that the experience in this field in Eswatini is limited. Hence, there is strong need to detail and mature ideas and expectations as to the nature of ALMPs, their scope and operation, and how they can integrate with the UBF.

► **Box 1: Linking Unemployment Insurance and Active Labour Market Policies**

ALMPs support the labour market integration of individuals through labour supply- or demand-side measures². On the supply side, ALMPs are designed to provide assistance and incentives for people to remain attached to the labour market and actively look for jobs. On the demand side, ALMPs' main aim is to stimulate job creation and hiring so that people ultimately (and as soon as possible) find suitable employment. The supply-side of ALMPs includes policies such as training and labour market services, while the demand-side ALMPs comprise public employment programmes (including public works and employment guarantees) and support to self-employment and micro-enterprise creation. Employment subsidies have a dual role depending on whether they constitute recruitment incentives, employment maintenance incentives, or workers' subsidies.

Although linkages between the UI scheme and ALMPs are crucial, their governance are quite different. UI and ALMP, by their nature, are the responsibility of the ministry of labour/employment (and social affairs). However, their operation and implementation require the participation of different ministries and agencies – e.g. the ministries in charge of education (e.g. training), infrastructure (e.g. public employment programmes), employment and labour (e.g. employment services and subsidies) and businesses (e.g. start-up incentives). The distribution of responsibilities may change according to mandates of ministries in each country. Financing of ALMPs typically comes from different government budget sources. Additionally, some countries include earmarked pay-roll taxes or contributions to support the financing of ALMPs.

International labour standards recognize the links between ALMPs and income support. The Employment Service Convention (No. 88) recognizes cooperation between public employment services and unemployment protection measures. The Employment Promotion and Protection Against Unemployment Convention, 1988 (No. 168) promotes the coordination of unemployment protection and employment policy, including employment services,

¹ Two references may assist considerations in this respect: Chapter 6 of the 2019 ILO Working paper "[Unemployment insurance schemes around the world: Evidence and policy options](#)" deals with activation measures. Similarly chapter 4 of the 2017 ILO "[Unemployment protection: A good practices guide and training package](#)" is of relevance.

² See e.g. ILO publications on [Active Labour Market Policies](#).

vocational training and vocational guidance. The Social Protection Floors Recommendation, 2012 (No. 202) and the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204) also highlights the importance of linking social protection and employment policies to protect people and create exit strategies from social protection programmes and (re)insertion into the labour market.

1.5. African peer examples

A range of African peer examples are described below. Morocco and Tanzania have national unemployment insurance schemes in place, while Ghana is in the process of planning/implementing such an arrangement. A number of African countries mandate severance payments in relation to dismissals.

The various initiatives are presented below without any prejudice or assessment of the initiatives or their design.

1.5.1. Morocco

Morocco introduced its unemployment insurance scheme in 2014³.

An insured employee is entitled to unemployment insurance after involuntary loss of employment following the end of a fixed-term contract or redundancy, provided that he or she meets contribution record requirements, and has taken steps to find work and has been unemployed for a specified period of time.

The National Social Security Fund (CNSS) is responsible for managing the unemployment insurance scheme.

Coverage

The scheme covers private-sector salaried employees and apprentices in industry, commerce, agriculture, and liberal professions; employees of cooperatives; craftsmen; and certain categories of fishermen.

Self-employed persons are not covered.

A special system is in place for public-sector employees.

Contributions

The insured individual pays 0.19% of gross monthly covered earnings.

The minimum monthly earnings used to calculate contributions are the legal monthly minimum wage (specific rates for the agricultural sector and the non-agricultural sector). Contributions are not paid on wages above a certain ceiling of around 240% of the non-agricultural minimum wage.

Employers pay 0.38% of the covered gross payroll.

³ The key sources are scheme information (2017) provided at the [Social Security around the World website](#), scheme information at the [Moroccan CNSS website](#) and the Moroccan law on social security.

Qualifying conditions

The individual must have paid contributions for at least 780 days during the last 36 months before unemployment, including at least 260 days during the last 12 months.

Unemployment must be involuntarily, the individual must not be eligible for old-age or disability pension benefits; and he or she must be actively seeking new employment.

Benefits

A benefit matching 70% of the insured's average monthly salary in the 36 months before unemployment is paid for up to six months. The unemployment benefit cannot be higher than the minimum wage or higher than 50% of the reference wage.

Unemployment benefit recipients can receive family allowances and have access to medical benefits alongside receiving unemployment benefits.

Financing

The scheme is to be self-financing – i.e. financed from contributions and support from its reserve fund as needed. However, to kick-start the scheme, the government provided CNSS with a start-up fund of 500 million dirhams over three years: 250 in the first year, 125 in the second and the third year.

1.5.2. Tanzania

Tanzania introduced its unemployment insurance scheme in 2018 with provisions for its implementation still to be provided at the time⁴. The scheme is a contributory social insurance arrangement with key eligibility and benefit criteria related to contributions and contribution record.

The National Social Security Fund (NSSF) is responsible for managing the unemployment insurance scheme.

Coverage

The scheme covers employed citizens of Tanzania, including civil servants, employees of local governments, police and correctional personnel, judiciary officers, and private-sector employees.

A special system for military personnel and certain high-ranking civil servants exists.

No information has been available as regards self-employed.

Contributions

Unemployment insurance is financed from general social insurance contributions also covering old-age, disability, and survivors benefits and cash maternity benefits and medical benefits.

⁴ The key sources are scheme information (2017) provided at the [ISSA.int](https://issa.int), scheme information at the [Tanzanian NSSF](https://www.nssf.co.tz) website and country information from the [Social Security around the World](https://www.socialsecurity.gov/publications) website.

Contributions are paid on salaries excluding bonuses, overtime pay, and allowances. There are no minimum or maximum earnings used to calculate contributions. Contributions paid by/for the insured person also finance cash maternity benefits and unemployment benefits.

Contribution rates differ between the public and the private sector as per Table 2 below:

► **Table 2: Social security contributions in Tanzania**

	Employer	Employee
Public sector	15%	5%
Private sector	10%	10%

Qualifying conditions

To qualify for benefits from the scheme the individual must be younger than 55, be involuntarily unemployed, and the he or she must not be entitled to receive any other social insurance benefits or pensions.

Two benefits exist – an unemployment benefit and an unemployment grant paid to unemployed with a longer or a shorter contribution record.

- *Unemployment benefit:* The individual has paid contributions for at least 18 months before becoming unemployed.
- *Unemployment grant:* The individual has paid contributions for less than 18 months before becoming unemployed.

Benefits

Unemployment benefit: The benefit is calculated as 33.3% of the insured's last monthly earnings paid for up to six months over any 12-month period. An individual may receive the unemployment benefit for up to 18 months in his or her working life.

Unemployment grant: Up to 50% of total employee and employer contributions to the social insurance program may be paid as a lump sum.

Financing

The scheme is to be self-financing – i.e. financed from contributions and support from its reserve fund as needed.

1.5.3. Ghana

The impact of the Covid-19 pandemic on the Ghana economy was quite dramatic. Among other things job-losses and unemployment were significant.

Seeking to bolster the economy in relation to similar challenges in the future Government has announced its intention to build a National Unemployment Insurance Scheme (NUIS)⁵. This happened in 2020, and plans have since been confirmed in both 2021 and 2022.

The NUIS is to be a mitigating measure for unexpected future events that may disrupt employment. Therefore, benefits paid to the unemployed are expected to be coupled with labour market policy measures such as training/retraining of the unemployed.

It is expected that NUIS will be contributory social insurance arrangement addressing the sole purpose of providing income support and re-employment services to workers who involuntarily become unemployed. Eligibility will require the individual to meet specified criteria related to contributions and contribution record. Also, workers receiving benefits are expected to be facing retraining and job-seeking requirements. The scheme is expected to feature other active labour market programmes including job search assistance.

Since 2020 Government has held a series of engagements with key stakeholders on the design and execution of (NUIS). A technical committee formed to drive the establishment of the NUIS has started engaging relevant stakeholders and technical experts including development partners to obtain technical inputs to finalise the concept for the NUIS. The committee is also working on a draft NUIS Bill for consideration of Parliament.

⁵ The key source of information is the website of the Ghana [National Unemployment Insurance Scheme \(NUIS\)](#).

► 2 Contributory social insurance – some principles

The UBF is designed as a contributory social insurance scheme set to improve social protection for – first and foremost – the formal economy work force. This section summarizes underlying social insurance principles, and it underlines the importance of rigorous application of good governance principles. Also, the section discusses requirements specific to short-term social risk insurance (unemployment, sickness, maternity etc.) as opposed to long-term social risk insurance (disability, old-age and death), and it describes key operational aspects of the UBF.

2.1. Insurance risks, insurance collective, and insurability

The UBF is to be a social insurance scheme. A range of principles and modalities follow from this starting point. Social insurance shares risks across the insured. Social risks are insurable in so far as they can be defined objectively and that they (mostly) appear without individual influence.

However, it is noted, that the definitions of the covered risks have political aspects. For example – but not exclusively:

- Unemployment due to own decision is not covered. However, controlling compliance with this criterion is anything but simple, and even other aspects of potential abuse – among employees and employers alike – need consideration to ensure that benefits stay objective driven and are not gamed for irrelevant purposes.
- Sickness is covered. However, sickness is not an absolute and objective concept. Controlling compliance with a given definition of sickness is not simple, just as controlling compliance as regards recovery is difficult. Therefore, considerations to ensure that benefits stay objective driven and are not gamed for irrelevant purposes are necessary.
- Maternity is covered. While pregnancy and childbirth may be objectively determined, the definition and documentation of the reference pay used when calculating benefits can create options for benefit gaming.

Maternity and sickness coverage relate to *employed workers* during temporary absences from an existing employment relationship. Benefits can be paid either to the individual directly as a social insurance benefit or – as is done in many countries – to the employer as wage cost compensation if wages are paid during maternity and/or sickness.

Unemployment benefits are – per definition – paid to *unemployed workers*. Recipients are not part of an existing employment relationship. Benefits are paid subject to various common criteria irrespective of the sector (public/private), status (white collar/blue collar) and industry of previous employment relationship(s).

The organisation of social insurance matters to the efficiency of risk sharing. The reason for this is that work force composition – e.g., gender, blue/white collar – risk exposure, and risk incidences vary across sectors and industries. Therefore, it is important – as reflected in the current UBF design – to ensure the broadest possible insurance pool. In fact, slicing it into smaller insurance pools may make some risks uninsurable for some groups.

It follows – as is reflected in the current proposed design and as strongly supported by this assessment – that social insurance should not be split by sector or by industry. For example, setting out a separate unemployment insurance for civil servants is irrational, as the previous status as a civil servant has no relevance to the realized social risk of unemployment, and as it might increase the insurance costs for other workers. Likewise, setting out a separate unemployment insurance for white collar workers may make insurance for blue collar workers financially impossible.

For these reasons and to avoid adverse selection it also follows – as is reflected in the current design and aligned with previous ILO advice – that social insurance must be compulsory for all subject to specified enrolment criteria. For example, maternity contributions must be paid for/ by all – even single, older, male workers – and unemployment insurance must cover white-collar workers and civil servants as well as blue-collar workers in more precarious working relationships.

The coverage aspects are discussed in previous ILO input (ILO 2022). In addition to the principles and key arguments presented above, this document also draws attention to the fact that technological and structural changes are gradually leading to a situation where civil servants as a group may not be as secure in their employment as they care to believe.

Considerations on coverage may take account of the “true need” for unemployment insurance for a particular group. However, this starting point may be false and misleading in the context of social insurance. The very objective is to cover, and share identified social risks towards which all are exposed but few will experience. Therefore, the more important aspect is to align with the key social insurance principle, the need for solidarity in relation to risks, and the need to provide the broadest possible insurance base to share risks.

2.2. Good governance

The application of the contributory social insurance format has significant implications. Contributions are made in exchange for rights – i.e., the individual cannot enjoy rights without having made contributions (and/or having contributions made on their behalf), and contributions paid cannot be availed – neither directly nor indirectly – to support other government ends. The importance of these fundamental requirements is only further strengthened by the requirement for the UBF to be self-sustained without government – or anyone else – underwriting liabilities.

The legitimacy of social insurance – and hence the effective delivery of social security more broadly – depends heavily on its ability to build, earn, and sustain its trust and credibility. This in turn links closely with a clear rules-based administration, and the integrity and transparency of the arrangement and its financing – in essence: good governance.

There is a balance to be struck here. On the one hand, the UBF is created, designed, and structured by law, and government has a natural role to play as the ultimate “policy-owner”. On the other hand, the operation of the UBF must be undertaken at arm’s length inside a defined mandate set out for its governing body. Good governance is not optional, it is indeed indispensable.

Balancing these concerns requires a clear division of responsibilities, and it requires conduct in alignment with this division. *Government* sets out policies and mandates in law, but it does not interfere in the day-to-day business other than through change of law. *The board* responsible for the social insurance institution interprets the law into actionable policy, instructs management, and oversees management. *Management* in turn executes policies as defined, it undertakes the day-to-day operation, and it reports to the board on its efforts.

The application of internationally acknowledged standards for good governance and social security management is key – as is also indicated in the NSSP (MoLSS 2021). The key reference point is the standards consolidated into the ISSA guidelines for good governance (ISSA 2015) and the ILO social security governance guidelines as referenced in the Annexes A and B. Looking to the more elaborate ISSA guidelines, five key principles structure this framework - accountability, transparency, predictability, participative, and dynamic – detailed into a total of 85 detailed guidelines.

Aligning with international standards on good governance the UBF must remain transparent and fully accountable. Its funding must be kept separate from the funding of other schemes/activities, its business, and its different products must be adequately accounted for, any cost sharing across different schemes must be transparent and fair, its implementation must be rules-based, transparency must be supported and documented by a complete audit trail, and – also leaning on the NSSP - it must be transparent and financially sustainable.

Good governance standards underline the need for boards to be *fit and proper*. A first implication is that individual board members must be of good character and reputation, have relevant insight, competence, skills, and professional expertise and experience, and be able - competence- as well as time-wise - to contribute to the work of the board. “No one can know everything”, and therefore the competence aspect also implies that the board as a collective should cover the relevant key fields of expertise and experience.

Policy makers define the board mandate by law. This mandate must be clear and unambiguous, and it must ensure clear division of responsibilities and ensure transparency and clear reporting requirements. The board should have responsibility to execute the mandate, and its composition should ensure its ability to do so. I.e., the board is not a political forum, appointments should put merits and competence before politics.

The governance structure should ensure the involvement and participation of the social partners. This will require a tri-partite board. Balancing merits-based appointments and stakeholder involvement may require a separation of the ability to nominate board members from the ability to appoint. Hence, stakeholders may have the right to nominate while the right to appoint may be with the minister. The minister in turn will not be able to appoint members, that are not nominated. To protect the focus on merit, stakeholders may wish to consider nominating trust- ed experts rather than e.g. own senior officials only.

Stakeholder interviews have indicated that a strict separation of the right to nominate from the right to appoint to ensure that appointments are merits based and are not used politically will be controversial – if at all possible - in the Eswatini context.

Therefore, the key international experience and guideline is reiterated: Good governance is not optional, it is indeed an indispensable precondition for good institutional performance and popular trust in the arrangement.

2.3. Transparency versus adaptability

In its current form, the draft law does not provide detailed definitions of the covered risks. Instead, it leaves considerable discretion to the individual case handler/the case handling agency. On the one hand setting out detailed definitions in law may create rigidities and make otherwise relevant adaptation to changing conditions difficult, on the other hand discretionary elements in case handling may erode predictability, credibility, and transparency.

The middle way is to set out principles, objectives, and general risk definitions in the law, and then fill out the gaps through secondary regulation. The draft law applies such an approach by providing a broad mandate for the Minister of Labour – after consultation with the Board and the Labour Advisory Board – to set out secondary regulation detailing aspects as necessary (MoLSS 2023b: Sec. 63).

While this may appear to be a standard approach, its detailed design may not align well with the design of the UBF and the assumption that the UBF must be financially self-sustaining. As the UBF is to be self-sustaining the final call on these aspects must be with the UBF board.

Hence, a change of the approach outlined in the current draft law is needed. The advice is to empower and require the board of the UBF to provide detailed provisions – subject to ministerial approval and LAB advice - subject to the financial sustainability imperative. It should be noted that such a strategy will raise competence requirements for the board, and for the institution operating the UBF. Also, it requires responsible participation of the social partners at board level.

2.4. Financial sustainability

Financial sustainability is at the forefront as a fundamental principle for social security – without it the credibility of arrangements is jeopardized. Ensuring and maintaining draws on a number of different complementary efforts with accountability and transparency as the guiding principles. The effectiveness of efforts depends strongly on their implementation and oversight. This is reflected e.g. in the International Social Security Association's guidelines on Good Governance summarising the principle as follows:

The board and management are duty bound to maintain an adequate level of funding to deliver the promised benefits to members and beneficiaries, and to ensure the cost effectiveness of the administration of the social security programme. Maintaining the financial sustainability of the programme and balancing the inflow of contributions and investment income with the outflow of benefit payments are some of the key management challenges in this area.

The principle must be translated into clear and consistent business standards and procedures ensuring adequate and realistic valuation of liabilities, market rate valuation of assets (if relevant), realistic risk assessments and a wide range of other aspects. Box 1 below brings the ISSA Good Governance guideline 11 detailing requirements related to financial sustainability further.

► **Box 2: ISSA Good Governance guideline no. 11 – Financial Sustainability of the programme**

The board implements the established actuarial measures to ensure the financial sustainability of each of the social security programmes established by the institution. For institutions that have investment reserve funds, standards and benchmarks are established for the returns on investments to support the financial sustainability of the social security programmes.

Structure

- Legislation, policy or decree should identify the competent authority to determine the design, the actuarial measures and the financial sustainability principles of the social security scheme, to decide on any changes in its features, and to ensure compliance with these measures or principles.
- There should be no conflict of interest between the authority that sets the measures and the authority that implements these measures.
- There should be an internal actuary and/or external actuary reporting directly to the board, to perform regular and periodic actuarial reviews of the different social security programmes established by the institution.

Mechanism

- The design and actuarial measures of each of the social security schemes must be documented and well defined.
- The internal actuary and/or the external actuary may be mandated to report to the external authority with jurisdiction over the social security institution.
- Whether by policy or rule of thumb, a minimum rate of return on fund investments may be established to support the financial viability of the programme (the so-called actuarial hurdle rate) and/or ensure the sufficiency of accumulated member accounts for the contingencies covered by the programmes.
- The governance framework defined by the ISSA Guidelines on Good Governance may serve as a reference point to identify the potential areas which could be impacted upon by the various risks faced by the institution.

2.5. Operating the UBF

The governance principles and social insurance principles summarized above define a framework for *how* the UBF must operate. The equally important question is *what* it must do to undertake its daily business.

2.5.1. UBF tasks

The practical operation of the UBF is discussed at a meta-level in the actuarial review presented by the ILO (ILO 2022). Moving to the practical everyday level, the operation of the UBF involves a long range of relatively diverse and complex tasks. Hence, a crude overview of 40 key UBF tasks is presented in *Table 3* below.

► Table 3: Summary of UBF tasks

Registration and enrolment		Business processes and business development	
1.	Registration of employers	20.	Interpretation of law into operations
2.	Registration of workers	21.	Maintenance of registries
3.	Registration of employment relationships	22.	Case handling and business process development
4.	Registration compliance	23.	Case handling direction
Contribution collection		24.	Case handling compliance control
5.	Collection of contributions	25.	Documentation of case handling
6.	Reconciliation of contributions	26.	IT services
7.	Recording of Individual contributions	27.	Maintenance and validation of registers
8.	Arrears processing and collection	Communication, information and policy work	
Case handling		28.	Policy evaluation and policy research
9.	Reception of claims	29.	Policy development
10.	Eligibility control	30.	Employer communication and information
11.	Claims validity control	31.	Employee communication and information
a.	Unemployment	32.	Stakeholder engagement
b.	Sickness	Management and governance	
c.	Maternity	33.	Governance
12.	Linkage with labour market authorities	34.	Management
13.	Benefit calculation	35.	Compliance
14.	Benefit payment	36.	Accounting
15.	Benefit registration	37.	Actuarial evaluation
16.	Benefit termination	38.	Internal auditing
Reserve fund management		39.	External auditing
17.	Investment strategy	40.	Reporting
18.	Risk management		
19.	Management of reserve funds		

The table is structured from a simple participant and scheme life-cycle perspective.

- Workers are enrolled and as part of the process employers, employees and employment relationships are registered and registration is kept up to date.
- Contributions are collected, reconciled and registered among other things to support scheme accountability and to document individual eligibility and rights.
- Claims are filed, assessed, documented, compensated, and compliance is controlled as relevant.
- A reserve fund is managed as part of the UBF financial framework.
- Business processes are built, maintained, evaluated, and renewed as needed.

- Extensive compliance work focused on employers, employees, case handling as well as UBF operation is undertaken.
- Policy advice is provided to government and stakeholders.
- Adequate public communication and employer and worker information is ensured.
- Lastly, all of this will happen within an adequately structured, managed, and governed business framework.

2.5.2. Synergies and economies of scale

Some of the listed 40 tasks are more or less similar to tasks found with other national contributory social insurance arrangements. This is the case as regards for example registration, enrolment, and contribution collection. Also, they may require the same type of registers, infrastructures, and processes for the interaction with employers – private employers in particular.

Eswatini has a very large informal sector, and one of many difficulties is to identify employers and to ensure their registration. There may be significant synergies to benefit from if the registration and contribution collection aspects of the UBF are undertaken in close cooperation with exiting social insurance schemes with similar needs. Also, there may be great advantages in terms of efficiency and costs from pooling resources in relation to employer identification and registration. Among other things, it becomes possible to avoid competence and process duplication and “contribution competition”, and situations where employers are burdened with the same tasks twice can be avoided.

2.5.3. New operational requirements

Alongside potential synergies and economies of scale to be realised, the operational differences between the UBF and other employment related social insurances are significant. This is especially the case as regards the involved case handling. The requirements related to the management of social insurance focused on short-term temporary risks such as unemployment, sickness and maternity are simply much more complicated and demanding than those related to social insurance focused on the longer-term social “risk” of old-age.

Adequate and timely registration is of essence in any line of social insurance. However, the requirements are arguably higher in the operation of social insurance focused on short-term temporary risks. The reasons for this are that for the scheme to meet its objective, claims must be assessed, and compensations must be paid within a very short time – days rather than weeks – upon receiving the claim. This in turn raises the bar considerably for case handling and the underlying infrastructure.

The challenges facing UBF in its operation of social insurance focused on short-term temporary risks count among other things the following:

- UBF eligibility depends on employment and contribution record – if registration, contribution collection and reconciliation is slow or falling behind, eligibility cannot be validated, and benefits cannot be paid in a timely fashion.
- UBF benefits cover defined risks and benefits are paid in relation to validated claims. Validating claims require controllable, individual, (almost) real time information and a stable and adequate process for the collection of this data and information.

- UBF unemployment and sickness benefits are to be paid for the duration of the unemployment or the sickness – i.e., it should stop when the recipient finds new employment or recovers. Even here data and information issues emerge.
- The payment of UBF unemployment and sickness benefits are subject to behavioural requirements for the individual – job search, job acceptance, participation in activation programs, medical treatment or other. Once more, data and information issues emerge.

The ability to address such aspects consistently and adequately has financial implications for the UBF. However, more importantly adequate compliance control on such aspects is a fundamental constituent for the legitimacy of the UBF.

2.5.4 Challenges facing any UBF operator

The challenges related to the case handling and benefit administration for short-term social insurance should not be underestimated. There are no existing institutions undertaking this type of case handling and having the required local outreach and competence in place. The fact may very well be that development of new resources, information, processes and capacity are required.

Particular challenges relate – as explained above – to the continued assessment of claim validity and behavioural aspects. Other challenges relate to policy evaluation and development. Hence, it should be noted, that while social insurance coverage of the named risks is important to support a dynamic labour market and alleviate contingencies, it can also have unintended effects.

Looking to peer experiences, the risks of e.g., benefit abuse, system gaming and other unintended behavioural effects are significant – among employers and employees alike. Peer experiences also demonstrate that the tools available when trying to detect, understand, and eventually address such aspects can be demanding and involve trade-offs in relation to privacy and integrity.

Therefore, identifying and addressing – or advising on how to do so - such issues should be part of the operational mandate. Important requirements must be met counting among other things:

- Strong registration and case handling documentation (complete audit trail), adequate data granularity, adequate data access.
- Focused policy oversight, evaluation, auditing, and research allowing the identification of benefit misuse/system abuse and behavioural effects.
- Authority, powers, and resources to propose/adopt and implement changes as relevant.

An existing social insurance institution bestowed with the operation of the UBF may very well face significant challenges as regards its existing infrastructures, competences, and capacities, and it is likely to be facing necessary continuously renewed capacity building.

2.6. The choice of an operating institution for the UBF

These observations do not call the relevance of building the UBF into question in any way. The point is to highlight the complexities, and competence needs it introduces and to underline the risks incurred if the complexity of the task is underestimated. Simplicity in the design of the UBF can reduce the scale of – but not remove - these challenges.

The announcement of the creation of a the UBF will create expectations, and therefore it will be important to communicate with a view to managing expectations. It may be advisable however,

to start out with relatively modest ambitions and only let the scope expand and ambitions grow as the UBF administration grows stronger and experienced in its field.

The political decision by Government is to let the UBF be operated by an existing SOE or based on a MoU arrangement with such an institution.

The original advice of the ILO was to let the UBF be formed as an independent entity. The preference for the SOE route may be intuitively easy to understand as it builds a single purpose institution with a focused governance structure tailored to its needs. The advice is based on the conviction, that the SOE route is better placed to ensure good governance and management and a strong and structured focus on the UBF business (ILO 2021a).

However, forming a new separate SOE may also incur risks and downsides. Hence, it may forego potential synergies, and lead to social security fragmentation and higher costs. Identifying these risks also identify the potential benefits of undertaking UBF operation through an existing institution – synergy, efficiency, consolidation, enhanced quality, and lower costs.

Hence, when the model is rejected, two sets of challenges emerge.

- *Firstly*, the governance concerns listed above must be served even under a set up based on operation through an existing institution.
- *Secondly*, the alternative strategy must prove its worth by delivering on the operational qualities listed above – synergy, efficiency, consolidation, enhanced quality, and lower costs.

The PSPF and the ENPF are named as potential UBF operators. The assessment regards their relevance, experience, and capacity to undertake the operation of the UBF - or to develop the capacity to do so – and their ability to steer future development in this field.

The questions relate to a range of different – albeit interrelated – aspects:

- Good governance – i.e., the transparency, accountability, and integrity of the operating institution itself.
- The ability to ensure the transparency, accountability, and integrity of the UBF as a separate scheme, and the ability to uphold and protect an adequate arm's length principle in its operation.
- The ability to ensure adequate management and governance attention to the operation and development of the UBF alongside the institution's other mandates and ensuring that the operating institution is – and stays - fit to operate the UBF.
- The ability to ensure UBF outreach and provide the necessary competences, capacity, experience, infrastructure, etc.
- The ability to operate the UBF and serve participants effectively and operate the UBF in a rules-based manner at low costs.
- The ability to develop and ensure the capacity and competences required for the evaluation and future development of the UBF.

The last point relates to the development of the arrangement over time. The underlying observation is that the creation of the UBF may very well be “the first step in a longer walk”. Therefore, consideration as to what the longer-term goal might look like is relevant – albeit outside the scope of this report.

► 3 Potential host-institutions

The ENPF and the PSPF has been identified as potential host institutions, and it has been indicated that even other existing social insurance institutions may qualify. This section provides a brief description of potential host institutions.

3.1. Eswatini National Provident Fund

The ENPF is a retirement benefit savings fund set up by law in 1974 (SNPF Order N0.23 / 1974 Swaziland National Provident Fund Order). It covers all private sector workers engaged in formal employment with arrangements to include informal sector workers and self-employed. The scheme operates as a defined contribution (DC) scheme with individual accounts.

The standard contribution rate is 10% split evenly between the employer and the employee. Contributions are paid on wages below a ceiling of E 3,700 per month (USD 195).

Benefits are lump sums only. Benefits are paid in relation to old age, early retirement, emigration, incapacity and death. Benefits depend on the accrued savings kept in individual DC-accounts.

Currently, the ENPF scheme has some 143,000 members (end of fiscal year 2021/22) with new contributions being paid for around 120,000 of these members during the year. During the years 2021-2023 some 59,700 new members were enrolled (data from ENPF 2024).

ENPF contributions are calculated, withheld, documented (digitally), and paid by the employers. The ENPF collects contributions from private employers and undertakes to register new employers. Supported by local inspectors, employer registration compliance is on the increase with a current level of 88% (interview 12-02-2024). Some 6,900 employers are registered with the ENPF and pay contributions during the year (ENPF 2023).

During 2022-23 payments were made in relation to 40,565 claims - out of which some around 37,000 were related to age/retirement. Total benefit payments amounted to some E 772 mio. (app. USD 40.9 mio.) (data from ENPF 2024).

Total savings (end of fiscal year 2021/22) amount to E 4.81 bio. (USD 254 mio.). Benefit payments during the year amount to E 236 mio. (USD 12.5 mio.) (ENPF 2023).

The ENPF has some 52 staff. 46 staff are employed at the main office while 6 staff acting as local/regional access points and focused on case handling work from 6 local offices around the country. The staff composition and distribution is summarized in *Table 4* below (data from ENPF 2024).

The ENPF has indicated that it will undertake a client satisfaction survey in the near future. The expectation is that the survey will show high levels of satisfaction reflecting that all benefits payments are processed within an average of 1.6 days and that all cases reported are attended to timely.

► Table 4: ENPF staff decomposed

	Senior management	Management and business support	Registration, collection and reconciliation	Case handling front and middle office	Investments	Administration and accounting	Total
Total	4	6	19	15	2	6	52
Main office	4	6	19	9	2	6	46
Mbabane Office				1			1
Piggs Peak Office				1			1
Siteki Office				1			1
Nhlangano Office				1			1
Matsapha Office				1			1
Mankayane, Simunye, Big Bend (Agency Offices)				1			1

A three-partite executive board has the mandate to operate the ENPF and is obliged to take ultimate responsibility for its operation. The 12+1 members of the board are appointed by the Minister of Labour. The Board appoints the CEO. The board reports to the Minister of Labour (SNPF Order N0.23 / 1974 Swaziland National Provident Fund, First Schedule, art.1). The ENPF is regulated through the Public Enterprises Act of 1989.

The board of the ENPF provides quarterly and annual financial reports subject to external auditing. Reports are submitted to the Minister, Parliament, the Public Enterprise Unit and the Financial Services Regulatory Authority for orientation. Reports are public.

Key ENPF business efforts in recent years have focused on improving employer compliance and on developing and enhancing digital services for employers and members resulting in among other things digital reporting facilities and extensive access to individual account information. Near future efforts are focused on consolidating existing efforts and on financial education and pension awareness efforts.

3.1.1. Current challenges

At strategic and at policy level, the ENPF is in the process of changing the fund from a provident fund into a pension fund. The objective is to be better equipped to serve income security objectives.

This is an important as well as a complex undertaking. Efforts have been going on for more than ten years, ENPF is still to secure the necessary support in cabinet and parliament. However, recent indications is that the political support for such a step is now building.

If ENPF is to move ahead with the transition, the question relevant to the UBF may be whether it can undertake both – prepare the shift to a pension fund format and prepare to operate or support the operation of the UBF – at the same time?

The assessment is that the challenges should be manageable. ENPF will need to increase its staff to manage and undertake its development activities. While some of the resources required for the two activities – especially on the IT side – may be overlapping and lead to competing demands, the two activities must be kept separate with their own core teams. There is nothing to stand in the way of successfully undertaking the activities simultaneously.

3.2. Public Service Pension Fund

The Public Service Pension Fund (PSPF) is a social insurance pension fund set up by law in 1993 (Public Service Pension fund order 1993) to provide pensions for public sector employees. The scheme operates as a defined benefit (DB) pension with government underwriting liabilities as the guarantor of last resort.

The total PSPF contribution rate is 20% split between the employer (15%) and the employee (5%) of the basic monthly salary respectively.

The PSPF covers all public sector workers in pensionable positions. It provides the following work products for benefits for its members and their dependents: funeral & death benefits, disability benefits, retirement benefits, withdrawal benefits, early retirement, deferred retirement, abolition of office and forced/medical retirement (KoE MoLSS 2023a).

Total savings (end of fiscal year 2021/22) amount to E 30.3 bio. (USD 1.6 bio.). Benefit payments during the year amount to amount to E 973 Mio. (USD 51.4 Mio.) (PSPF 2023).

Currently, the PSPF scheme has some 43,200 active members (interview 12-02-2024) with new contributions being paid during the year. Some 26,000 receive current benefits from the scheme – more than 60% are dependents receiving survivor benefits (PSPF 2023).

The PSPF covers two different employers – Government and the King's office (around 42,000 and 1,200 staff respectively). It receives a consolidated individualised benefit information file from each of the two every month. The PSPF does not have any affiliation with private sector employers and workers.

In terms of institutional identity, the PSPF is essentially a legislated occupational scheme covering the public sector as a segment of the labour market. Hence, membership of the PSPF is reserved for workers employed with public sector employers.

The registration of new staff employed in pensionable positions is integrated with other employer admin processes. The employer calculates, withholds, remits, and documents contributions.

The PSPF has some 63 staff. 57 are employed in the main office while 5 work from 4 different local offices around the country. The staff composition and its distribution on main functions are summarized in *Table 5* below (data from the PSPF 2024).

► **Table 5: PSPF staff decomposed**

	Senior management	Management and business support	Registration, collection and reconciliation	Case handling front and middle office	Investments	Administration and accounting	Total
Total	7	29	6	15	2	4	63
Main office	7	28	6	10	2	4	57
Manzini		1		2			3
Mhalangano				1			1
Siteki				1			1
Piggs Peak				1			1

An executive three-partite board has the mandate to operate the PSPF and take ultimate responsibility for its operation. The Board has a chairman and up to nine members – all appointed by the Minister. Among the board members four are employee representatives, four represent Government and one member is appointed as an expert. The Minister *“in a field the Minister may consider desirable for the policing of the Fund”* - on the advice of the Board - appoints the CEO (PSPF Order 1993, art. 4 and 5).

The board of the PSPF provides quarterly and annual financial reports subject to external auditing. Reports are submitted to the Minister, Parliament, the Public Enterprise Unit and the Financial Services Regulatory Authority for orientation. Reports are public.

In terms of client information, the PSPF has a program to reach out and inform its participants directly.

Key PSPF business efforts in recent years have focused on enhancing digital services for the members with more efforts to enhance digital information access and services to follow in coming years.

3.2.1. Current challenges

The PSPF is under pressure on its core business, among other things because the transfer of government activities to SOEs means that the staff involved are no longer covered by the PSPF. Therefore, the PSPF is engaged in a strategy to find new business to ensure that it can maintain scale. Key elements under this heading are a wish to be able to offer PSPF coverage to companies outside the public sector – in direct competition with private providers – and interest in undertaking other public authority business as for example the UBF (PSPF strategic plan and interview on 27-02-2024).

The PSPF is bound to move ahead with a multi-pronged strategy as per above, and even here the question relevant to the UBF may be whether it can undertake different large-scale development activities at the same time?

Even here, the assessment is that the challenges should be manageable in practical terms. PSPF will need to staff to manage and undertake its development activities, and there is nothing to suggest, that this is not possible. However – as will be discussed – the key challenges for PSPF stem from the fact that the PSPF does not have the infrastructure to deal with private employers, and that its governance structure does not fit a mandatory social insurance scheme covering the entire labour market.

3.3. Other potential host institutions

Several informants have indicated that even other existing social insurance institutions may be considered. To assess this point, this assessment has consulted a recent overview of the provision of social protection in Eswatini (MoLSS 2023a).

To qualify for the role as UBF operator some basic requirements must be met.

- *Firstly* - and most importantly - the institution must be engaged in the operation of employment related social insurance with a broad coverage of the Eswatini labour market.
- *Secondly* – bearing in mind that any operator must be restructured to fit its new and broader role – it must display resources offering a stronger and better starting point than offered

by the ENPF and/or the PSPF, or other arguments as to why a particular alternative option is to be preferred.

This assessment has not identified existing institutions meeting these requirements, and it has not been presented with arguments to this effect. Therefore, the consideration focuses on the ENPF and the PSPF alone.

► 4 4. Assessment of the two potential host institutions

The assessment of the two potential host institutions is guided by the structures and requirements discussed above. A basic observation is that the UBF cannot be operated by an existing institution without this institution being adapted to its new and broader role. The key point is to ensure adequate good governance and strong management of the scheme. Equally important is the assessment of out-reach, competences, capacity and business processes and their relevance to the UBF operation, and the ability to ensure synergies and other benefits. These aspects are discussed in this section.

4.1. Analytical framework and questions

The analytical framework for the assessment focuses on the identity of the institutions and the nature of their business and how these aspects can support strong UBF operation and generate synergies and other benefits. Hence, the framework is guided by internationally agreed standards on good governance and management in social security and the identification of operational requirements set out in Section 4 above.

Hence the assessment is structured along a set of dimensions and questions derived from the discussion summarised in section 4. Key dimensions are set out in *Table 6* below.

► **Table 6 : Six dimensions for the assessment of potential UBF host institution**

1.	UBF regulation, mandate and governance
2.	UBF operational infrastructure
3.	UBF case handling
4.	UBF compliance control
5.	Investment of UBF reserves
6.	Costing of the UBF and its operation

4.1.1. Unemployment Benefit Fund: regulation, mandate and governance

The UBF must have its own separate regulation defining the scheme, its principles, financing, rights etc. If the UBF is not a separate SOE, the UBF law must allocate the UBF operation to another identified social insurance institution. UBF operation requires a separate mandate for the operating institution, defining it as a business to be accounted for separately.

The UBF cannot be seen as “just another activity” to be operated by an existing institution. The implication is that the operating institution must be restructured to ensure good governance for the UBF and to accommodate its management and operation.

A separate UBF mandate must be included in the regulation of the operating institution. The *mandate* must authorise the operating institution, it must allocate responsibilities and obligations, and regulation must provide the necessary powers and resources. The *governance structure* in turn must ensure adequate governance attention, UBF integrity and a genuine arm's length from governance, and it must protect the UBF from undue political interference with its day-to-day operation.

It follows, that the operation of the UBF under an existing institution requires significant changes to the operating institution itself. Necessary adaptations affect among other things mandate, governance, obligations, competences, capacity, and organisation for the existing institution.

Specifically, the governance set up must ensure financial and operational integrity and transparency for the UBF vis á vis other schemes managed by the operating institution, it must ensure adequate management and governance attention, adequate resources, and effective rules-based operation.

Building and operating the UBF will not be easy for any of the two institutions under consideration. However, in terms of starting points the PSPF appears rather weak on key aspects.

- The mindset/organisational culture of the PSPF is defined by its role as an occupational arrangement for the public sector. Hence, entering into a new role as a national social security operator does not align well with the existing institutional DNA.
- The governance structure of the PSPF is not adequate for the UBF as it does not include the private sector social partners.
- Government is involved in the day-to-day operation of the PSPF. This may be legitimate for the PSPF due to the DB structure, the government underwriting liabilities, and the occupational nature of the scheme, but if replicated for a self-sustained UBF it may call its integrity into question.

The ENPF on the other hand appears to have a strong existing platform not that different from what is needed for the UBF:

- The ENPF is a national social insurance scheme covering all workers not covered by the PSPF and with an infrastructure tuned to fill this role.
- The governance structure of the ENPF is close to meeting the needs of the UBF. Hence, it includes the private sector social partners, and it is well placed to ensure adequate integrity and arm's length.

Therefore, the ENPF is the better match on these key aspects. However, it should be noted that both institutions will face governance competition between the original mandate vis á vis the UBF mandate. Also, it should be noted that the UBF mandate is significantly different from the existing mandate and calls for other experiences and competences.

These are significant risks related to the model as such and one that accentuates reconsideration of the starting point of this inquiry – “*The UBF should be operated by an existing institution*” – and it accentuates consideration of other options (see Section 7 below).

4.1.2. Unemployment Benefit Fund's operational infrastructure

The registration of employers, employees and employment relationships is key to any line of social insurance. However - as discussed above - requirements are even greater and more demanding in relation to social insurance like the UBF focused as it is on short-term risk.

The Eswatini economy has a very large informal sector with large segments of the work force working in various forms of self-employment or with unregistered employers (ILO 2021c).

Formalising the economy may be a long-term target. Supporting this process requires a strong infrastructure to identify, approach and register private employers and employment relationships, and it requires strong communication efforts illuminating the benefits for employers and workers achieved through formalisation. This infrastructure will necessarily have to rely on many different complementary efforts.

The most comprehensive experience and practices in this field in Eswatini are clearly with the ENPF. The ENPF has employer and employee registers, it has practices in place to identify and register private employers, it has an employer compliance function, it is equipped to enforce compliance, it undertakes to cooperate with other public agencies on strengthening registration and compliance, and it undertakes to communicate the "formalisation message".

The ENPF has important experiences and practices in place, and it demonstrates significant ingenuity in developing its business and in using new technologies to strengthen compliance and outreach. The needs of the ENPF are more or less identical to the needs of the UBF and the existing ENPF infrastructure and practices can provide elements essential to a strong platform for the implementation and operation of the UBF, support the future development of the UBF, and the rationalisation of social security in Eswatini more broadly.

A crucial disadvantage of the PSPF is that it simply lacks such resources and experiences as they are not needed in its current business. The PSPF does not have an employer register covering the private sector, it does not have any experience in dealing with private employers or the informal labour market, and it is not engaged on the communications front as regards formalisation. Hence, it does not have critically important functions and practices in place.

The advantages of the ENPF are significant - even if its employer compliance ratio is lower than ideal as discussed above. The key observation here is that the compliance ratio reflects the complexity and difficulty of the task rather than lack of rigour on the part of the ENPF. In fact, to the extent this expertise exists in Eswatini social insurance - it is largely with the ENPF.

It should be noted that an alternative operator will face similar challenges, and it will have to build the expertise already present with the ENPF. This will take time as such, and it will take time before a success ratio matching that of the ENPF can be achieved. Also, it may be noted that such a strategy will double an already existing competence and effort, it will require employers to undertake the same task twice, it may lead to contribution competition, and it will incur higher costs without any benefits added to justify the effort.

Therefore, from an operational perspective looking at this aspect the advantages of allocating the responsibility for operating the UBF to the ENPF are significant. In fact, in the view of this inquiry the clarity of these advantages makes existing alternatives difficult to justify.

4.1.3. Unemployment Benefit Fund: case handling

UBF case handling is still to be structured. However, as indicated above, an observation based on the review of the draft law is that the complexity and requirements on the UBF case handling may very well be underestimated. Therefore – outside the scope of this assessment and without any implication for the institutional choice under consideration – the advice is to undertake relevant analytical efforts and develop a more detailed framework on these aspects.

The assumption is that the UBF will try to maximise the use of digital communication in order to reduce costs and support swift case handling. This is likely to include aspects such as registration and documentation, the filing and documentation of claims, the communication of benefit awards/rejections, and payments.

A key requirement for the UBF is that its case handling infrastructure allows a complete audit trail. Hence, all transactions – e.g. contribution payments by employer and period, all benefit claims, all case handling assessments, and all benefits payments – must be documented, traceable, and auditable.

There will be a need for local presence, and there will be a need for local offices to have relevant UBF case handling expertise. The exact nature and scale of this expertise is still to be defined. However, it is clear that the claims assessment process will build on other data and information and require other processes than those applied in the operation of the existing schemes.

Both institutions would have to scale up. There is nothing to indicate that any of the two institutions has a significant advantage on this aspect, apart from the fact that the ENPF may seem further advanced as regards digitalisation in relation to e.g. registration of employment relationships, and that it can build on the fact that it is a known brand among private sector employers and employees.

4.1.4. Unemployment Benefit Fund compliance control

Compliance control is bound to be a major challenge for the UBF. Compliance control will relate to different aspects of the UBF business. These aspects will include – but may not be restricted to – the following:

- Employer registration, and registration of working relationships, contribution calculation, payment, and documentation.
- Claims validity and continued eligibility for payment.
- Case handling.

Employers, registration and enrolment

Key compliance aspects relate to employer registration, and their registration of employees, working relationships, calculation and payment of contributions, and documentation. The highest possible standard of compliance on these aspects are crucial to the UBF.

The PSPF business is focused on a particular well organised segment of the labour market marked by among other things long duration employment relationships and low job turn over, and it essentially relate to one single employer or a single type of well-regulated employers. Therefore, the PSPF has not had any impetus to develop advanced competences and processes on key compliance control aspects on the enrolment and registration side.

The ENPF business is significantly different as it is focused on the private labour market – marked by among other things widespread informality, shorter duration employment relationships, high job turn over, and the necessity to relate to multiple employers of many kinds with a continuous flow of new employers being formed and old ones closing. Therefore, the ENPF has had to develop competences and processes on these aspects.

Inspectors play a key role in the current ENPF practises. This is replicated in the UBF law stipulating that the UBF must appoint a minimum number of inspectors as part of its obligation to set up a proper enforcement and compliance system. The inspectors are to oversee employer registration and compliance (MoLSS, 2023, Art. 41-44). This is to be done first and foremost through on-site inspections of employer compliance. Inspectors are provided with rather extensive powers in relation to such on-site inspections.

The current situation and the resources available leave no choice but to apply manual and individual inspector driven compliance control process, and to cooperate with other public agencies on strengthening registration and compliance – as is currently done by the ENPF. Improved digital information may combine and improve the process in the longer term.

The advice – though outside the scope of this assessment and without any implication for the institutional choice under consideration – is to take a risk-based approach to compliance control and develop standardised digital information assisting the structuring of the daily compliance efforts by inspectors as regards employer compliance control.

Looking to the two institutions, it is noted, that the ENPF has a significant advantage on this aspect as it already operates similar compliance efforts for the ENPF, and it has lengthy experience with inspector-driven compliance work.

It is noted that that the requirements to make UBF and ENPF contributions are identical. Also it is noted that existing ENPF efforts on key aspects are identical to the needs of the UBF. For example, ENPF inspectors support employer compliance by focusing on employer registration, employer registration of employees, and employment relationships, their calculation and payment of contributions, and their documentation.

Participant claims

UBF eligibility and UBF benefits are decided based on contribution record and earnings. Stability and accuracy on this aspect link directly with employer compliance.

Claims are raised by participants, while it is for the UBF administration to ensure the validity of claims, and the adequacy of the documentation presented. It is noted that the number of checking points may be many and that even more may be added later through secondary legislation.

Claims validity is assessed by the case handler. As regards sickness benefits and maternity benefits, the case handler may request further information if needed (MoLSS, 2023, Art. 30 and 33). As regards unemployment benefits, cases where criteria may not be met are referred to the CEO for further inspection (MoLSS, 2023, Art. 26).

There is nothing to indicate that any of the two institutions has particular advantages in this respect. Rather the assessment is that any operator will face the same challenges and will need to build processes and procedures from scratch. Also, they will have to build the necessary capacity

to ensure proper eligibility and compliance control. It is noted that this may not be overly complicated – provided that the operator has an adequate CRM IT system in place.

Case handling

UBF case handling must be undertaken with integrity and be rules-based. Therefore, even case handling must follow clear work and documentation processes, and it must be adequately documented with a full audit trail – i.e. the CRM IT system must allow full transparency.

Also, it is noted that the compliance work related to the UBF on the participant's side and on the case handling side may be different from the existing efforts unfolded in relation to the PSPF and the ENPF.

There is nothing to indicate that any of the two institutions has particular advantages in this respect – bearing in mind that the ENPF has a much stronger starting point in this field due to its existing identification and registration efforts and infrastructure. Rather the assessment is that any operator will face the same challenges and will need to build processes and procedures and ensure capacity as relevant.

4.1.5. The investment of Unemployment Benefit Fund's reserves

The UBF will have a reserve fund – albeit presumably relatively small – and managing this fund will be an important task for the operating institution.

Looking to the two institutions considered here, both undertake asset management, and both do this through the selection of external asset managers and based on advice from an investment committee.

The operator will be required to develop, apply, and oversee a separate investment strategy for the UBF and to account for UBF investments separately. A strong and robust governance structure ensuring a clear arm's length to government is key.

There is nothing to suggest that any of the two institutions would be systematically better placed than the other in this area.

4.1.6. Cost-efficiency of the Unemployment Benefit Fund and its operation

Cost efficiency is a key justification for the UBF to be operated through an existing institution. Administration costs in this regard relate first and foremost to IT-infrastructure and staff. Hence, the ability to serve the UBF through already existing structures and resources is important.

As part of the further preparation of UBF implementation, a strong business case covering the costing of the UBF should be developed. The business case should qualify the cost efficiency considerations and their prerequisites.

Any operating institution will face challenges related to the implementation of the UBF with some requirements for new resources and expertise.

The two institutions have very different starting points as regards resource, capacity, and experience on key areas. This is particularly the case as regards employer identification and registration,

contribution collection and the registration of working relationships. While the ENPF is quite advanced on these aspects, the PSPF will start from scratch – indicating that the costs related to developing the relevant capacity within the PSPF will be significant and take time.

The UBF is new, and there is only limited experience in this field present in the country. Therefore, any operator will have to address needs related to case handling, oversight, policy review and policy development. This in turn requires a structured approach supporting learning and the digestion of experiences, just as there will be a need for competences within policy development.

There is nothing to suggest that one of the two institutions would be systematically better placed than the other in this area.

4.2. UBF legal framework and regulation

As indicated above, the expectation of this assessment is that draft law on UBF (MoLSS 2023b) will specify/name the social insurance institution which will operate – or be called upon to support the operation of – the UBF. It will be necessary to adapt the regulation of any such named institution to accommodate such a role. Necessary adaptations may affect among other things mandate, governance, obligations, competences, capacity, and organisation. The exact nature of the necessary adaptations will depend on the design of the relationship.

As indicated above – and leaning on international standards for good governance – the governance framework must ensure financial and operational integrity and transparency for the UBF vis á vis other schemes operated by the operating institution, it must ensure adequate management and governance attention, adequate resources, and effective rules-based operation.

The credibility of the UBF requires a strict division of responsibilities between policy makers, board and management and it requires day-to-day operation in compliance with these structures.

Government sets out policies and mandates in law, but it does not interfere in the day-to-day business, and it does not interfere with its financing other than through change of law. The board responsible for the social insurance institution interprets the law into actionable policy and oversees management. Management in turn executes policies as defined and undertakes the day-to-day operation.

Following this framework, the board reports to government on the business and the performance, but the board does not take instruction from government outside of law. The UBF must be subject to reporting requirements meeting relevant accepted standards, and it must be subject to external auditing.

Following government indications, the UBF will be a statutory scheme operated by an existing SOE. Within this framework the UBF must be subject to supervision, and the operating institution must adequately account for UBF operation. In the view of this inquiry, the combination of the authorities of the Auditor General and the PEU framework – combined with external auditing requirements – is well placed to do this. It is relevant to consider the involvement of the FRSA on supervision related to UBF fund management matters.

► 5 A closed and an open hybrid model

Government has indicated that the UBF must be operated under an existing social insurance institution. However, the challenges and downsides related to such an approach are significant. Therefore, it is relevant to reconsider the starting point and look at alternative models for the operation of the UBF focused on ensuring adequate UBF governance, and at the same time generating synergies and economies of scale by relying as relevant on the administrative infrastructure held by existing social insurance institutions. Considerations to this effect are summarized in this section.

5.1. Revisiting the starting point

Government has indicated that the UBF is to be operated by an existing SOE or based on a MoU arrangement with such an institution. This follows from a government directive on rationalization/downsizing state owned entities (SOE) and not create new ones. Cost efficiency is a key justification for this decision.

While the cost efficiency argument is strong, it is relevant also to consider the servicing of the UBF and its interests. The risk facing the UBF is that it may become an activity rather than a fund in its own right, and it may risk suffering from insufficient management and governance attention.

The complexity of the UBF, its operation and its future development should not be underestimated. Therefore, a key concern is to ensure that the scheme has adequate governance attention, that the governance structure for the scheme ensures the relevant competences at board level, and that its operational needs are tended to.

Also, it is noted – as discussed above – that while there may be benefits from using existing infrastructure on some aspects, the UBF also requires significant new resources and capacities in its own right.

The starting point of this assessment is: *“The UBF should be operated by an existing institution”*. However, the analysis clearly indicates that this is not an ideal approach due to the differences in identity, the need for the UBF to remain self-sustaining, operational requirements, and the need to ensure adequate governance attention.

Therefore, it is relevant to revisit the starting point and consider how a SOE approach can be applied in a cost-effective manner. Hence, the assessment considers the application of a hybrid model – in want of a better term.

Two such models are discussed below – a closed and an open hybrid model.

5.2. A closed hybrid model

Under a closed hybrid model the UBF becomes a separate legal entity overseen by a separate board under a separate governance structure, with the day-to-day UBF operation undertaken through an existing social insurance institution.

The benefit of this model is that while it does create a separate legal entity, it does not create a full-scale SOE. Hence the intention is to ensure adequate governance and management without incurring the costs of building and operating a full-scale SOE.

Under such an arrangement the UBF will be a separate legal entity regulated by specific law. It will be governed by a separate UBF board designed to meet the needs of the UBF and cover its specific competence requirements and ensure the relevant stakeholder representation and participation. The UBF will operate as a financially separate institution with an own budget and own accounts, and it will issue separate financial reports and separate annual reports. The board of the UBF will report to Government and Parliament and it will represent the UBF on all matters related to the scheme and its operation.

The UBF law would then require the UBF board to let the administration of the scheme be undertaken by a – presumably - named existing social insurance institution based on a contractual agreement and a service level agreement or a MoU. Hence, the operating institution becomes a privileged service provider for the UBF – possibly necessitating amendment of its legal framework to allow for such a role and to ensure transparency around its execution.

The law covering the operating social insurance institution will then have to be changed to allow and require the institution to provide full scale operation to the UBF in alignment with criteria and standards defined by the board of the UBF. The mandate will require the institution to organize to ensure proper, transparent, and accountable management and operation of the UBF business. It will require the institution to provide the services to the UBF on a cost recovery basis, allocate relevant resources to operation as well as development as needed, and apply fair and transparent principles and practices in its allocation and sharing of costs.

The operating institution will hire a CEO for the UBF activities. The appointment of the UBF CEO will be undertaken in consultation with and confirmed by the UBF board. The UBF CEO will operate inside the business framework of the operating institution as regards the production of services as defined by the UBF board, the development of practices and infrastructures, staffing etc. At strategic level and as regards UBF performance and development the CEO reports to the board of the UBF.

The legal framework - the sum of the different laws involved – must be clear in its distribution of responsibilities and its mode of providing a seamless operational environment. A key tool to this effect is the agreement framework applied to structure the everyday of the arrangement.

Conceptually, the relationship between the two institutions is probably best understood as a business relationship where the owner (the UBF) outsources its operation to a service provider (the operating institution). In very square terms the UBF decides the ask and the service standards to be met, while the operating institution provides the services accordingly and documents its performance through ongoing reporting on a set of key performance indicators in a balanced scorecard framework. The business partners – the UBF and the operating institution – will undertake to have an ongoing dialogue on services, standards, practices etc. as relevant and they will collaborate to ensure continuous proper operation and management.

The business arrangement structuring a closed hybrid model must be clear, and it must be enforceable. This means that it should be sufficiently strong and detailed to define obligations and standards and avoid conflicts of interpretation. Also, it must require the operating institution to

take a fair and balanced approach in e.g. its allocation of resources to the UBF business and UBF priorities vis á vis its other business.

- The UBF board is ultimately responsible for the UBF, and it must remain in the “driver’s seat” in this capacity. It falls on the board of the UBF to set out the ask, standards, etc. for the operating institution. It must take the lead on defining what needs to be done, while it letting the operating institution take the lead on the details of how this ask etc. is to be operated.
- The operating institution is a subcontractor contracted to provide a set of defined services. To do so, it must require the board of the UBF to set out a clear ask and clear standards, and it must organize and commit to deliver and document its services and performance. Also, it must commit to always loyally pursue the objectives of the UBF – possibly necessitating amendment of its legal framework to allow for such a role and to ensure transparency around its execution.

► **Box 3: An example of a hybrid model – Danish ATP**

Hybrid models as described are used in several other countries for similar reasons – to ensure adequate governance and to generate synergies and safeguard economies of scale.

One such example is the conglomerate of social insurance schemes formed around the Danish national pension fund ATP.

The ATP itself is a quasi-universal statutory pension fund operated on DC insurance principles. Its infrastructure is recycled to provide operational services to a range of other social insurance schemes – among other occupational decease insurance (AES), industrial injury review and insurance, and vocational training support.

These schemes have separate boards with the operation undertaken through the ATP. The operation of the AES is described (in English) [here](#).

It is noted that there is no guarantee, that what works well in Denmark will also work well in Eswatini. Also, it is noted that any arrangement may have its time. In the Danish case the board of a separate savings arrangement (LD.dk) eventually decided that it would wish to insource its individual account management from the ATP. Doing so required and was facilitated through legislative changes.

5.3. An open hybrid model

As stated above the intention of applying a hybrid model is to have “the best of two worlds”. A hybrid model creates a separate legal entity without creating a full-scale SOE. The intention is to ensure adequate governance and management without incurring the costs of building and operating a full-scale SOE. Instead, it is designed to create synergies and economies of scale thereby both reducing costs and improving competence and capacity.

However, a significant downside of the closed hybrid model is that the two institutions are “forced into wedlock”, and that they may have little room to manoeuvre if the relationship does not develop harmoniously and well to the satisfaction of both parties. Therefore, a more open approach may be a better option.

Even under an *open hybrid model* the UBF becomes a separate legal entity overseen by a separate board under a separate governance structure. Under this approach the day-to-day UBF

operation is undertaken in-house or through an existing social insurance institution as seen relevant by the UBF board.

The benefit of an open hybrid model is that while it does create a separate legal entity – a SOE – it seeks to ensure adequate governance and management while leveraging existing capacities to ensure cost effectiveness under a clear business driven rationale and without tying partners to specific relationships should their time or relevance run out.

Even under this model the UBF will be a separate legal entity regulated by specific law. It will be governed by a separate UBF board designed to meet the needs of the UBF and cover its specific competence requirements and ensure the relevant stakeholder representation and participation. The UBF will operate as a financially separate institution with an own budget and own accounts, and it will issue separate financial reports and separate annual reports. The board of the UBF will report to Government and Parliament and it will represent the UBF on all matters related to the scheme and its operation.

The UBF law will require the UBF board to ensure that the operation of the UBF is undertaken effectively in the best interest of the scheme, its covered workers, and their employers. In doing so the UBF board can decide to undertake its administration in-house or it can let the operation of the scheme be undertaken – in part or in full as it sees relevant – through one or more other social insurance institutions based on contractual agreements and supported by service level agreements, and it can work with other public agencies to improve efficiencies. As noted above doing so may necessitate amendment of the legal framework for the institutions in question to allow for such a role and to ensure transparency around its execution.

The law covering relevant existing other institutions will have to be changed/amended to allow the institution to provide services to the UBF.

The important benefit of the open hybrid model vis a vis the closed model is that the UBF board remains “master in its own house” and that it can reorganise as it sees fit to respond to new requirements, undesired dependencies, inadequate services etc. Also, it has advantages for the other public agencies, because it creates a more even interaction with the UBF.

This assessment strongly recommends following the open hybrid model approach.

5.4. A wider perspective

Creating the UBF as a stand-alone SOE based on a hybrid model (closed or open alike) opens new perspectives for social insurance in Eswatini more broadly by creating a scalable institutional pathway in this area. The reason for this is that it builds a strong platform for mandatory contributory social insurance. On the institutional side it strengthens integrity, transparency and good governance with the core institution.

Instead of creating a new “silo-institution”, it inspires the creation of transversal operational functions on key operational aspects – for now registration, collection, and compliance. These transversal functions can potentially be used by all relevant social insurance institutions.

Moving forward the registration of employers and employees, the collection and reconciliation of contributions, social security registers, case handling, documentation, and payments and other key operational tasks may become centralized services provided to all social insurance schemes

by single entities. Also, it can lead to the formation of joint front office services – i.e. shared participant focal points for all social insurance arrangements.

► 6 Recommendations and conclusion

The objective of this analysis to assess the potential operating host institutions for the UBF. The conclusions and recommendations of the assessment are summarized in this section.

The Eswatini government wishes to create an Unemployment Benefit Insurance Fund (UBF) to support labour market development and provide temporary financial assistance to support workers who lose their jobs and facilitate their re-integration into the labour market.

The Eswatini Government has decided that the UBF should be operated through an existing social insurance institution. Two institutions have been identified by the Eswatini government as potential UBF host institutions – the ENPF and the PSPF – and the key question for this assessment is simple: *Which of the two will be the better choice?*

6.1. Recommendations

6.1.1. Build an independent UBF

Summing up on these opening observations, the assessment invites government, social partners and stakeholders to reconsider the starting point, that the UBF should be operated by an existing institution.

While the assessment has identified areas where the UBF may benefit from using existing infrastructure and capacity held by the ENPF, it does not see full operation through an existing institution as a relevant framework for the UBF. There are two key reasons for this:

- The operation of the UBF will require development of significant new capacities and resources that are crucial to the UBF but will be without any relevance for the existing mandates.
- There is a significant risk of inadequate governance attention in a multi-purpose set-up when mandates are fundamentally different as is the case here.

Therefore, as the first recommendation of this review government is advised to reconsider its position and consider argumentation that the best choice is to build the UBF as an independent self-sustained institution overseen by a separate UBF board under a separate governance structure.

6.1.2. Adopt an open hybrid model for the UBF

Having considered the particular nature of the UBF and its operational and oversight requirements, this assessment finds that an open hybrid model may be considered. An open hybrid model implies creating an independent institution – a SOE – headed by a three-partite board with a composition matching its business and responsibilities. While this board will be ultimately responsible for the implementation and operation of the UBF, it should be allowed to undertake its operation – in full or in part as it sees fit to retain robust operation while remaining cost-effective – inhouse or based on contractual agreements with one or more other public agencies as relevant.

The second recommendation is to adopt an open hybrid model where the UBF is a stand-alone self-sustained SOE allowed to outsource particular aspects of its operation to other public

agencies – e.g. the ENPF on the registration and collection side - as it sees fit. The key point is to allow – but not require - the UBF to outsource tasks on a contractual basis.

6.1.3. Forward the UBF reform process

Considering the processual aspects of the UBF reform, the assessment observes that a number of aspects are missing from the current policy thinking or needs to be matured. This relates among other things to the UBF law and the scope and business plan of the UBF. Covering these aspects is critical to sustaining a convincing policy narrative and to allowing cabinet and parliament to take informed decisions.

The third recommendation is to set up expert work streams critical to the process, and to be undertaken simultaneously over the coming 6-9 months. Following work streams (by headlines, random, and not ruling out that more and/or sub-work streams may be needed) are identified:

- UBF short- and mid-term business plan covering all aspects of UBF-operation.
- Detailing UBF risk definitions, data requirements and case handling - essentially drafting secondary regulation
- Expected UBF effects and tools to address them if needed.
- Financing the UBF implementation and its subsequent operation.
- Model for the ongoing assessment of financial sustainability, reserve fund requirements, and policy options in the event of insufficient funding.
- Framework for the management of a UBF reserve fund.
- Ongoing policy research and evaluation and recurring rationale reporting.
- UBF governance aligned with agreed international standards.
- Review and amendment of the draft law.

It is noted, that completing these workstreams is crucial for the UBF Bill to become presentable, adoptable, and eventually operational. Workstreams must be undertaken in parallel. In particular the work on secondary regulation balanced against expected primary legislation must commence immediately after reaching a political consensus about the way forward ensuring that this aspect does not block the process.

6.1.4. Keep initial ambitions low

The assessment is mindful of the simple fact that Eswatini has no experience in this field, and it points to the fact that experiences from other countries show how complicated unemployment insurance can be.

Therefore, the fourth recommendation is to keep the ambition level for the UBF low. Instead of risking that ambition outpaces capacity, the approach should be to start cautious and only raise the ambition level as capacity and insight allow.

6.1.5. Strengthen reform efforts to match requirements

The inquiry softly indicates the target that the UBF should be in place and ready to start registration and contribution collection by January 2026. However, to meet this target, efforts must be strengthened significantly.

Therefore, the fifth recommendation is to allocate more internal resources and broader competences to the project and ensure broader ministerial participation and commitment and ensure that labour market policy programmes – at least in an initial form – are developed back-to-back with the UBF.

6.2. Conclusion

The recommendations above point to the formation of the UBF as a separate independent SOE as the first-best approach. This does not mean that a second-best approach where the UBF is operated via an existing institution, cannot be applied. However, it does mean that doing so will present a range of challenges.

This assessment is fully aware and understands that there are significant political reasons not to follow the recommendation to build a new SOE. Also, it understands the inclination to allocate the operation of the UBF to an existing institution – i.e. the ENPF or the PSPF.

The conclusion – answering directly to the question raised - if Government decides for a strategy where the UBF operated by an existing institution, is clear:

- If the UBF is to be operated through an existing institution, the ENPF remains the only relevant choice of host institution.

Such a strategy may not be optimal in the view of this assessment, but it is possible if adequately designed and implemented.

Therefore, to supporting observations apply to ensure adequate UBF implementation and operation under such an approach:

- Allocation of UBF responsibility to the ENPF requires adaptation of the existing institution and its governance to fit and operate the UBF mandate.
- This adaptation must ensure financial integrity and transparency, and adequate management attention for the UBF.

Concerns have been raised as to whether the ENPF will be able to undertake this task simultaneously with the transition of its core business from a provident fund into a pension fund. While managing different large-scale development processes at the same time comes with challenges, there is nothing to suggest that challenges cannot be managed successfully. Also, it is noted, that the other named potential operator – the PSPF – may very well face equally significant challenges.

6.3. A longer-term focus

The assessment notes that the creation of a stand-alone UBF and the adoption of an open hybrid model may offer new perspectives for social security in Eswatini more broadly. Hence, it offers a strong platform for social insurance focused on short-term risk going forward. Also, it

Annexes

ISSA good governance guidelines

The ISSA Guidelines for Social Security Administration consist of internationally recognized professional standards in social security administration. The ISSA Guidelines were launched in 2013, and they form part of a broader set of social security guidelines developed and offered by the ISSA.

The ISSA Guidelines are underpinned by a governance framework that spans the range of internal governance issues that are involved in the administration of social security programs. The guidelines recognize accountability, transparency, predictability and participation as key principles of good governance, and introduce dynamism as an additional important characteristic.

The ISSA is a global organization and the guidelines seek to accommodate the great diversity in governance practices around the world as a reflection of differences in the political, social, economic and cultural histories of countries. The basic axiom is, that good governance is aimed at delivering what is mandated and ensuring that what is delivered is responsive to the evolving needs of the individual and society. It also recognizes increased expectations of the public for accountable and transparent administration, including constant improvements in the delivery and performance of social services.

The ISSA Guidelines fall in two sections:

- Part A focuses on good governance guidelines for the board and management of the social security institution. The guidelines align with the five governance principles mentioned above and include suggestions on governance structures and mechanisms to enable the implementation of the guidelines.
- Part B focuses on specific areas in social security administration and addresses nine specific areas:
 1. Strategic planning;
 2. Operational risk management;
 3. Internal audit of operations.
 4. Actuarial soundness.
 5. Enforcing the prudent person principle.
 6. Prevention and control of corruption and fraud in contributions and benefits;
 7. Service standards for members and beneficiaries.
 8. Human resources policies: Development, retention and succession;
 9. Investments in ICT infrastructure.

B. ILO on Social Security Governance

The ILO has not issued formal guidelines for the design and management of social security governance as such. Rather the organisation has issued a set of general guidelines for board members serving on the governing bodies of social security institutions in Africa (ILO 2010).

The basic starting point for this - rather detailed - effort is the fact that good governance is the key to effective social security schemes and that good governance involves a systematic focus on strategic and macro policy issues, organizational arrangements and administrative operations. This is the framework for the conception, development and monitoring of sound and viable social security programs.

Quoting from the report (ILO 2010, p. 8-9), "...good governance of a social security scheme involves:

- **Strategic and macro-policy issues** (Determining the social protection structure) policy formulation which balances social protection needs with national resources, a balanced national policy ensuring wide coverage and adequate benefits, and the desired level of income redistribution, a legislative procedure to give effect to policy decisions and subsequent changes
- **Institutional arrangements** (Deciding how to implement the structure) institutional arrangements which are appropriate for implementation of the scheme, opportunities for contributors and beneficiaries to influence decisions and to monitor the administration of the scheme, financial control mechanisms to monitor the allocation and management of resources.
- **Administrative operations** (Making the structure work) efficient collection of contributions and accurate accounting for contributions and for benefits, which must be promptly paid, a minimal cost of administration within the desired level of service, contributors and beneficiaries are aware of their rights and obligations, monitoring and reviewing administrative performance.

[...] Board members, supported by quantitative analysts (financial managers and planners), are the custodians of resources entrusted to social protection schemes that organize the transfer of resources between different population -groups".

The report goes on to underline the importance of a clear distribution of responsibilities and an effective arms-length principle while at the same time ensuring and safe-guarding the transparency and accountability of social security institutions.

The role of a board member "is to exercise a reasonable standard of care on behalf of all the beneficiaries of that entity. This means that a board member should:

- Act in accordance with the rules of the scheme, within the framework of the law;
- Act prudently, conscientiously, and with good faith;
- Act in the best interests of the scheme's constituents and strike a fair balance among the different categories;
- Seek advice where necessary on technical and legal matters; and
- Invest the funds (where this is part of a board member's role) in line with those principles".

Sources

Online interviews with stakeholders and other informants

Name	Title	Institution	Relation to UBS
Mr. Mthunzi Shabangu	Commissioner of Labour	Ministry of labour and Social Security	Head Labour Advisory Board
Mr. Kingdom Mamba	Deputy Commissioner of Labour	Ministry of labour and Social Security	TWG Member
Mr. Tholi Vilakati	Ministry of Labour and Social Security	Legal Advisor	TWG Member
Ms. Susan Mordant		Ministry of Finance	TWG Member
Ms. Busangani Mkhaliphi	Director Public Enterprise Unit	Ministry of Finance	Responsible for Public Enterprises.
Ms. Nonhlanhla Shongwe	Senior Economist	Ministry of Economic Planning and Development Poverty Unit	TWG Members
Ms. Lungile Mndzebele	Principal Economist	Ministry of Economic Planning and Development Poverty Unit	TWG Members
Mr. Robert Fakudze	Senior Statistician	Central Statistics Office	TWG Member
Mr. Ncamiso Ntjalintjali	Chief Executive Officer	Financial Services Regulatory Authority	Regulator for financial services.
Mr. Mduduzi Gina	Secretary General	TUCOSWA - Workers Federation plus Chairperson of Eswatini National Provident Fund	Labour Advisory Board Member looking at interest of Workers in the Scheme.
Ms. Phendulile Zikalala	Secretary General	FESWATU Workers Federation	Labour Advisory Board Member looking at interest of Workers in the scheme.
Ms. Tania Fyfe	Chief Executive Officer	FESBIC – Employers Federation (SME and Informal sector)	TWG Member
Mr. Marko Kwaramba		World Bank	Supporting Partner
Ms. Indira Bongisa Lekezwa		World Bank	Supporting Partner

Validation visit to Eswatini 26-27 February 2024

During the visit to Eswatini the ILO and the consultant met with the following:

	NAME	ORGANISATION
1.	Mr. Makhosini Mndawe	Principal Secretary – Ministry of Labour and Social Security
2.	Mr. Magwabane Mdluli	Head of Social Security – Ministry of Labour and Social Security
3.	Ms. Qondile Zwane	Legal Advisor – Ministry of Labour and Social Security
4.	Ms. Dudu Ndzinisa	Principal Claims Officer - Ministry of Labour and Social Security
5.	Ms. Zandile Dlamini	Deputy Attorney General – Ministry of Justice and Constitutional Affairs
6.	Mr. Armstrong Dlamini	Director of Public Debt - Ministry of Finance
7.	Ms. Sindi Mango	General Manager Corporate Services - Eswatini National Provident Fund
8.	Mr. Miccah Nkabinde	General Manager Operations - Eswatini National Provident Fund ENPF
9.	Mr. Masotja Vilakati	Chief Executive Officer – Public Service Pension Fund
10.	Mr. Jethro Ndlangamandla	Director Operations - Public Service Pension Fund
11.	Mr. Elkan Makhanya	Director Corporate Services - Public Service Pension Fund
12.	Mr. Lawrance Sibandze	Director Finance - Public Service Pension Fund
13.	Mr. Musa Hlatshwako	Director investments - Public Service Pension Fund
14.	Mr. Samuel Shongwe	Director ICT - Public Service Pension Fund
15.	Mr. Bhekithemba Mamba	Benefits Manager - Public Service Pension Fund
16.	Mr. Sifiso Dlamini	Business Eswatini
17.	Ms. Nelsiwe Mtshali	Business Eswatini
18.	Ms. Nozipho Msibi	Business Eswatini
19.	Mr. Jonathan Magongo	Business Eswatini
20.	Ms. Tania Fyfe	Chief Executive Officer - Federation Of Eswatini Business Community
21.	Ms. Thabile Zwane	Trade Union Congress of Swaziland
22.	Mr. Sikelela Ngwenya	Trade Union Congress of Swaziland
23.	Ms. Zanele Khoza	Federation of Swaziland Trade Unions
24.	Mr. Ayanda Ndwandwe	Federation of Swaziland Trade Unions
25.	Mr. Nhlonhla Masina	Federation of Swaziland Trade Unions
26.	Mr. Armstrong Dlamini	Federation of Swaziland Trade Unions
27.	Ms. Phendulile Zikalala	Secretary General - Federation of Swaziland Trade Unions
28.	Ms. Phindile Masango	Senior Economist – Ministry of Economic planning and Development
29.	Ms. Lungile Mndzebele	Principal Economist – Ministry of Economic Planning and Development
30.	Ms. Nonhlanhla Shongwe	Senior Economist – Ministry of Economic Planning and Development
31.	Ms. Jabulile Masina	Senior Claims Officer – Ministry of Labour and Social Security
32.	Ms. Nozipho Dlamini	Principal Human Resource Officer - Ministry of Labour and Social Security
33.	Ms. Sethu Bhembe	Scholarship Manager - Ministry of Labour and Social Security
34.	Mr. Tholi Vilakati	Technical Working Group Member- Government
35.	Mr. Ernest Simelane	Director of Industrial and Vocational Training Ministry of Labour and Social Security

	NAME	ORGANISATION
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