

## Better pensions...and they cost less

# Civil service pension reforms in Jigawa



Contributory pension schemes are beginning to take off in Nigeria. Jigawa State is at the forefront of this process and today pensioners there are paid on time. Plus, all arrears have been settled and unclaimed benefits returned. What's more, the Jigawa State Government's pension bill dropped by two thirds in only three months as ghost pensioners and other irregularities were weeded out of the system.

### How does this work?

Jigawa introduced a contributory pension scheme for civil servants in 2001, with contributions by both employees and the State and a gestation period of five years before employees could draw benefits. The scheme was the first of its kind in Nigeria, with employees contributing 8% of their basic salary to the scheme and the Government another 17% of the employee's basic salary.

### What was there before?

In 2003, Jigawa's Government undertook an assessment of the old, non-contributory, defined-

benefits scheme that was based on the employee's number of years of service and their salary scale. It was inefficient, ineffective, and a burden on State Government finances. Although the scheme was entirely financed by the State, allocations were often insufficient to cover costs. Delays were common, and a large number of ghost pensioners grew up within the system. Monthly pension bills rose, queues of pensioners grew longer, and the scheme became financially and politically unsustainable.

As a result, some pensioners resorted to moneylenders to meet their financial commitments, making themselves open to exploitation and extortion. The management of the scheme was also questioned. Documents and records were not



properly kept, pensioners didn't understand how the scheme worked, and there were opportunities to reward favoured pensioners and punish unfavoured ones. It was clear that the Ministry of Pensions required reform.

### How were the reforms carried out?

During the design and implementation phases, trade unions and Sharia Courts in Jigawa were involved in the process and a reform-minded administrator was appointed as Permanent Secretary in Jigawa's Ministry of Pensions to champion the change. A computerised system was introduced that meant that recipients had to have bank accounts. The costs involved in the design and implementation of the system were more than offset by the savings made. In fact, Jigawa State's pension bill dropped from N30 million in March 2003 to N10 million in June 2003. In 2004, despite an increase in pensions of 142%, the pension bill averaged only N18 million for Local Government pensioners, and N17 million for State Government pensioners.

### Where else is this happening?

Jigawa State pioneered the contributory pension scheme and the Federal Government has drawn on Jigawa's experience in its own pension reforms. Other State Governments are now studying the Jigawa model and looking into how they can set up their own schemes. The potential for replication is very high; most of the steps in the reform process have not been complex. Kano is also trying to implement a similar system.

### What are the key points?

The reform process and the institutionalisation of the Contributory Pension Scheme have had a significant impact on Jigawa's Government pensioners (some 4,250 people in November 2005). They are now receiving their pensions regularly and know what they are due, so reducing corruption and fraud within the system.

What's more, Jigawa's Government now has accurate, trustworthy information available. This includes an accurate list of every single employee and pensioner. The financial burden on the State Treasury has eased considerably. Savings have been reinvested in the scheme and will more than pay for its computerisation.

Jigawa's Governor was so pleased with the outcome of the reform process that he shifted responsibility for salary payment to the Ministry of Pensions and the Ministry was renamed the Ministry of Salaries

and Pensions. Combining salary and pension records revealed yet more ghosts – some names appeared on both lists!

### Who supported this work?

The Governor was fully committed to the process, which was managed entirely within Jigawa's State Government. The UK Department for International Development's State and Local Government Programme (SLGP) facilitated its occurrence through supporting the Bureau for State and Local Government Reform (where the PS took part in reform discussions), but provided very little material input to the initiative.

### What lessons have we learned?

How did Jigawa State manage to introduce its Contributory Pensions Scheme so smoothly?

- Public support at the highest level was key.
- There were incentives: reform of public service management had introduced self assessment; key senior staff will be retiring themselves in the near future.
- Senior administrators are fully committed and plan ahead, asking questions like: Will the scheme have sufficient funds by 2050?
- A Pensions Act was passed giving legitimacy to the work of the Pensions Reform Office as well as the circular from the office of the Head of Service giving directives on who qualifies to participate in the scheme.
- An effective and efficient administrative system has been put in place to ensure regular updating of pension accounts through the deployment of Desk Officers at all MDAs.
- Eleven (11) states have visited Jigawa Pensions to study and learn from them.

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