



INTERVIEW (ROADMAP): ALEJANDRO BONILLA

MANAGER OF THE ILO SOCIAL SECURITY DEPARTMENT'S
TRAINING/CAPACITY BUILDING GROUP



“EVALUATION WORK IN PANAMA**”

The experiences from Panama show that technical work has little value unless there is consensus among key stakeholders such as political decision-makers and social partners.

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GESS: ¿What was the goal of this project?

Alejandro Bonilla: The goal of the project was to consolidate Panama's pension fund and develop a national response to a wave of pension system reforms that swept over Latin America. This required an actuarial evaluation of the fund with several hypotheses concerning legislation (no change in legislation as well as various reform scenarios). Then conclusions had to be drawn from the analyses in conjunction with the social partners.

The consolidation of the fund had to open up for prospectively extending coverage to informal economy workers later on.

Several actuarial evaluations of the fund had already been performed: one by the World Bank at the Government's request, one on the request of the employers and a third on the request of the workers. The recommendations of these three evaluations differed and the various stakeholders did not agree on the consolidation strategy or which reform would be most suitable.

This is the background for Panama's pension fund's wish for the ILO to step in and play the role of a sort of “arbitrator”.

GESS: ¿So which of the three studies was right?

Alejandro: Actually, all three studies were technically “correct”. After reviewing them, we realized that the reason for the different conclusions and recommendations was that they had used different sources of information (the Ministry of Finance in one case, account controllers in the other and the social security fund in the third) as well as different hypotheses for demographic change and economic development (more or less optimistic or bold).

GESS: ¿How did you play the role of “arbitrator”?

Alejandro: Our work had two stages. First of all **consensus about the data** had to be reached. The ILO suggested forming a tripartite group for analysing social security, the first goal of which would be to define exactly what information would be needed for the actuarial evaluation and to agree on the sources. This preliminary work took four to five months.

After each meeting all the parties had to sign the minutes. Such extreme formality appeared necessary in order to avoid that decisions made in the group would be called into question.

As soon as a consensus was reached about the data, we went to the second stage, where the aim was to agree on the **model's hypotheses**. Again, it took two to three months before a consensus was reached where a basic hypothesis was formed (which most of the participants agreed on) along with an optimistic and a pessimistic hypothesis.

GESS: ¿So after eight months of preliminary work you could start actually developing the model?

Alejandro: Yes, but not right away. Eight months of preliminary work with no tangible results is a long time, and civil society and politicians, followed by the national press, was beginning to get impatient. The newspapers were worried about the process taking so long, and accused the ILO of “stalling”. The director of the ILO San José Office had to write an article in one of the national dailies to explain the social dialogue process and why it took so long. The article was also signed by the ILO Director-General, as well as the worker and employer representatives and the UN representative in Panama, and was a great support. It improved public opinion as well as the project's visibility.

After that we went on to the third stage, which consisted of jointly developing the actuarial model that recommendations would be based on.

* The technical assistance project in Panama took place between 1995 and 1996. It was led by a team consisting of Anne Drouin and Wolfgang Scholz from the Social Security Department in Geneva and Alejandro Bonilla García, a member of the Multidisciplinary Team for Central America and Panama, based in San José, Costa Rica.



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GESS: ¿Was this part of the process also participative?

Alejandro: Yes, absolutely. It was absolutely necessary to include all the stakeholders when developing the model, considering the suspicion between the camps when it came to models suggested by “opposing” parties.

To construct the model we had decided to “kidnap” the members of the tripartite analysis group and make them take part in a three-week work seminar at the [CIESS](#) (Inter-American Centre for Social Security Studies) in Mexico. Based on the seminar we were able to develop a joint model and ultimately avoid that the scheme was privatized.

We also organized a five-day information seminar about experiences from Latin America with social security system reform and coverage extension, aimed at a general public, which also served to raise awareness about carrying out a reform in Panama.

GESS: ¿What did you learn from this experience?

Alejandro: I remember several important things.

First of all, the experience showed us that purely technical suggestions can prove sterile if they do not bring about the consensus needed to implement them. That was the case in Panama before the ILO stepped in. With its tripartite structure, the ILO sought to solve this blocked situation by involving key stakeholders (representatives of the Ministries concerned, employers and workers, as well as technical personnel and social security fund decision-makers) in the work with gathering data, forming hypotheses and constructing the model. It was this social dialogue approach that led to a consensus about the model and all the stakeholders’ approval, and it was thus certainly the key to the project’s success.

Actuarial analyses are mostly carried out relatively confidentially within social security funds. The experience from Panama represents one of the rare cases where a tripartite committee was formed in order to carry out the analysis and make decisions. This kind of tripartite and participative approach should be used more often.

Finally, a key lesson was how important it is to communicate about social security so that the various stakeholders as well as the public in general understand better what social security is all about. It is important to make people understand that constructing an integrated and universal social security system is a long-drawn process which requires years of effort. Also, it is crucial to highlight the advantages of social security, such as healthcare access or the fight against poverty. The national press should be full of articles that raise public awareness and help progressively build a national consensus on social security. In this case, the

intervention of the ILO Director-General in the press made all the difference. In other countries, such as Colombia, scheme coordinators use the media to create a positive image of social security.