INTRODUCTION
Social security is seen as a means of protecting citizens against loss of income in the event of social risks. It has a direct impact on poverty reduction both in view of how it protects citizens from falling below critical poverty; and how it helps in mitigating and coping with social risks. Addressing risks can thus be an important complement to redistributive efforts and antipoverty strategies focused on increasing economic growth and employment (Morduch 1999; 188).
Since the condition of poverty is linked closely to vulnerability, poor people are the most vulnerable to the "shocks" that result from the occurrences of social or economic risks. Access of the poor to social security is identified as a foundation for sustainable development and a key prerequisite for poverty eradication (Mach, A: 1998).

Socio-economic conditions in developing countries stress an increasing demand for social security. Yet, there is a yawing gap between those who need and those who actually benefit from one kind of social security or the other. Many sub-Saharan African countries are in a historical process where traditional risk-pooling/social protection institutions such as the extended family are being constantly reformed. Traditional linear life courses are being replaced with non-linear ones. Exposures to social, economic and ecological risks (exacerbated by internal, external, as well as national and global dynamics) get increasingly complicated.

Notwithstanding the foregoing, a significant number of the developing world is excluded from social security coverage. In sub-Sahara Africa for instance, public pension schemes and provident funds cover less than 10% of the labour force. (Gillion, Turner, Bailey and Latulippe: 2000; 520). Nearly 80% of African population are excluded from social health care (Bailey, C: 2004; 1). Similarly, in Ghana only 10% of the working population are covered by social security.

1 Other literature refers to this term as: Community-Based Health Insurance Scheme (CBHIS), Member Based Organisations (MBOs), Mutual Health Organisations (MHO), Micro Insurance Scheme (MIS)
In Benin only 5% of the actively employed population are covered by public pensions. Workers in the informal sector, domestic workers, apprentices and others have no protection. (Gillion, Turner, Bailey and Latulippe, 2000:520)

It remains needful to uncover if it would not be an illusion for a developing country to provide and sustain universal social security coverage in the face of low per capita income. It needs finding out how mutual insurance organisations provide answers in the search for ways of extending limited social security to the poor majority.

2. THE STATE OF RESEARCH

2.1 Theoretical Discourses

2.1.1 Extension of Social Security to the Poor

There has been a growing international consensus on the rationality of using social protection mechanisms as complementary instruments for fighting poverty. This consensus has been increasing since the UN Declaration of Human Rights (1948). It obtains space in many international conventions, covenants and policy guidelines of the UN, ILO, EU and at a number of international summits. The 1995 World Summit on Social Development asserted that access to social security lays a formidable basis for sustainable development and is one of the prerequisite for eradicating poverty.

In the developing world, issues on social security are constantly being reconstructed in terms of social rights. Authors like Cécile Fabre makes a bold and well argued case for the inclusion of social rights (including social security) among the set of fundamental rights. To this extent, social security could be constructed as claims against the state in which case the claimants will have a certain basic economic needs satisfied, either through the provision of public goods or the transfer of money (Menéndez, A.J: 2002;1,6).

There are of course contrary positions on socialising rights (e.g. Hayek in: The Road to Serfdom) on the grounds that recognising social rights will end up subverting the free market socio-economic structure, as property owners will be taxed and later expropriated to meet the financial costs of social rights. Yet Fabre continues to associate such social rights as inter-subjective conception of basic needs that do not give their right holders the right to claim unlimited resources but rather what society is willing and able to give (Menéndez, A.J: 2002;3).
Other diverse theoretical positions exist concerning the extension of social security to the poor and vulnerable. Classical development theorists, rejecting political justifications for instituting social insurance, stress “equity-efficiency” or “economic growth-equity” trade-offs. Classical theories thus regard social protection as obstructive to economic growth. They point out that as economies grow, most workers will eventually be employed in regular wage employment in the formal sector and thus come under the social security structure. These theorists recommend that social security extension drives should initially concentrate on the formal workers with voluntary participation of the self-employed. These theories presume that economic development will gradually facilitate coverage of those who work for small excluded employers.

A recent study conducted by Gertler questions the political rationale for developing social insurance system as opposed to economic parameters. After studying the development of social insurance in Asian countries, Gertler (1998) concludes that successful implementation of social insurance takes place when the countries have already achieved a relatively high income, are largely urbanised and have large wage sector relative to informal sectors.

On the contrary, the works of Amartya Sen and others on “assets and entitlements” throw more light on the building of the assets of the poor as a means of creating entitlements that empower them to overcome poverty. These assertions attempt to justify a political rationale for instituting both "promotive" and "protective" social insurance schemes as a 2-prong mechanism for taking public action to respectively improve living standards and to prevent a sharp decline in incomes and living standards (Drèze, J and Sen, A: 1989).

The lack or poverty of social embeddedness in classical economic thought relating to social security extension comes under fire. Firstly, by the growing inequalities and exclusion under state supported selective social security systems. Secondly: by the obvious failure of adjustment policies to address the problems of poverty and to place economies on a long-term growth path. The Breton Woods institutions for instance, after years of exclusive focus on stabilization and efficiency, have come to show an increased interest in social concerns and social policy, which now forms part of its “social conditionality” for debt relief (Garcia, AB and Gruat, JB; 2003:18).

The position is being advanced that, to advance poverty reduction and ensure equitable and socially sustainable development, social policy needs to be seen not as a residual category to
cater for social causalities but as a key element of economic policy. For most developing countries therefore, development policies need to promote equity and economic growth and the development of human and social potentials, as well as serving as a safety net.

2.1.2 Informal Insurance Mechanisms

In the specific field variously referred to as informal or alternative social insurance or mutualité, there have been differing findings. In this section, attempts are being made to catalogue how literature assesses informal mechanisms of protecting people against socio-economic risks.

There is an extensive literature on a variety of informal transfer mechanisms that help households cope with uncertainty by pooling risk in the community. While some authors identify informal insurance as coping strategy for dealing with the harshest blows of vulnerability, others find these mechanisms as typically weak and often provide only inadequate protection to poor households.

Studies from regions as diverse as rural India, China, and Sub-Saharan Africa suggest that despite informal insurance arrangements, households are exposed to considerable risk from adverse shocks—even idiosyncratic shocks that do not simultaneously affect their neighbours. Moreover, private informal mechanisms that are effective in reducing vulnerability can retard economic growth and social mobility. Thus, even where informal insurance is well developed, public actions that displace informal mechanisms can yield net benefits. That is why Morduch (1999) goes to the extent of suggesting the economic rationality of crowding out these arrangements.

Similar studies from other countries also find evidence of highly imperfect informal insurance. Deaton (1997), for example, finds little evidence of strong risk sharing in samples from Côte d’Ivoire, and Townsend (1995) reports a mixed record of risk sharing in a sample of Thai villages. Jalan and Ravallion (1997) note that the poorest 10 percent of households in rural China can protect themselves from just 60 percent of an adverse income shock—although the richest 10 percent can cope with 90 percent on average.

A number of studies have tested for efficient risk pooling, or full insurance, in a variety of rural contexts (Deaton, 1992; Townsend, 1994; Grimard, 1997; Ligon, 1998; Ligon et al. 1999). Some of these tests and other empirical studies of risk sharing uniformly reject the hypothesis of
Pareto-efficient risk-pooling within rural communities (e.g., Deaton, 1992; Townsend, 1994; Jalan and Ravallion, 1999).

The test is based on the proposition that in a Pareto-efficient allocation of risk, household consumption commoves with average consumption in the risk pool and is unaffected by its own income. The hypothesis of full insurance is rejected in all cases.

This widely failure to detect full insurance at the community level has been attributed to the lack of good mutual information and effective enforcement mechanisms that are central to supporting insurance arrangements (Kimball, 1988; Coate and Ravallion, 1993; Ligon, 1998). Designing incentive compatible and implementable contracts that yield full insurance is for that matter hampered.

Morduch (1999: 189) however concedes that recent experience shows that it is also possible to offer limited life insurance and protection against other basic exigencies in a simple, low-cost manner. Much more speculatively, it may be possible to improve on existing insurance arrangements for poor households by drawing lessons from the emerging microfinance movement and by relying on nongovernmental organizations and profit-making commercial enterprises to take key roles. There are also selected findings of Townsend (1994) Morduch (1991), Ligon, Thomas, and Worall (1997), and Ravallion and Chaudhuri (1997) that do find satisfactory evidence that fully support the proposition with respect to perfect risk pooling.

2.2 Theoretical Gaps

Literature on the subject reveals that there have been several studies on social security systems that provide empirically solid basis for formulating hypothesis concerning how to develop social security system in a country. However, Tang (Tang: 1996, p378) reveals that majority of these studies include developing countries to a very limited extent. And that it is doubtful whether these research findings can help explain social security development in developing countries such as Ghana, which are better understood within context.

Most empirical studies that reject full insurance often focus on incomplete informal insurance within fixed-size groups such as entire villages. Rejection of Pareto-efficient risk pooling at the community level may thus be due to selecting the village, rather than the appropriate subset of community members, for applying the test of full insurance (Mugai, R et al: 2002; 246).
Relatively little work has focused on localized and incomplete insurance among clusters of individuals within these larger entities, even though the importance of information and enforcement considerations in demarcating the boundaries of exchange networks is widely noted (Mugai, R et al: 2002; 248). Available research has not given much attention to the institutional design of insurance arrangements for helping households and individuals in developing countries cope with major risks. Innovative institutional arrangements such as mutual insurance schemes operating at community levels in several African countries would be a very interesting subject for case studies, since they have shown their potential benefits, including the regularisation of health expenditures of members and improvement in quality of health services (WHO, 1998).

Other recent approach to understanding incomplete insurance has been to ask whether the village is the appropriate risk pool for sustaining informal insurance. For example, Grimard (1997) who uses the same data as Deaton (1992) hypothesizes, based on anthropological evidence from Côte d’Ivoire, that the correct risk pool is not the community but rather the ethnic group. He finds that there is greater risk pooling within ethnic groups than communities. Fafchamps and Lund (2000) provide evidence that risk sharing takes place primarily within small groups of family and friends, and that even within these groups not all shocks are perfectly insured. Goldstein (2000) finds that insurance networks in Ghana are organized along gender lines, with women insuring primarily with other women rather than the entire community.

The authors show that “the optimal insurance arrangement can range from partial insurance at the community level, to full insurance in clusters, partial insurance in clusters, and situations in which insurance does not arise at all (Mugai, R et al: 2002; 247).

I realise literature on informal insurance sometimes either confuses or bundles the various structures involved in the informal insurance system. Namely, social insurance structures provided by the extended family system, clans, clusters of people at village levels and the entire village as well as those organised micro-finance groups operated by community associations are all bundled and muddled.

More critically, a number of these studies do not reveal the specific mechanisms that drive the results: they are consistent with both gift exchange within communities (but not with perfect risk
sharing) and with self-insurance activities such as borrowing and saving (but not with the perfect ability to smooth consumption) or with current mutual insurance schemes emerging in Africa.

Bundled Definitions of Informal Insurance

1. Informal insurance mechanisms are provided neither by the market nor by the state but instead are private “informal insurance” arrangements. They include individual and community actions, such as drawing down savings, selling of physical assets, reciprocal exchanges of gifts and loans, diversifying of crops, and expanding income-generating activities. (Murgai, R et al: 2002; 246)

2. Informal exchange arrangements include:
   - Reciprocal gift giving and receiving - given to mark births, deaths, and weddings, as well as to help the elderly, the ill, and women who have just given birth.
   - Private transfers of cash, food, and clothing are large and frequent in some countries.
   - Remittances from migrants (Morduch: 1999; 188)

To avoid this confusion, I prefer to use the terminology Mutual Insurance Organisations (MIOs) to distinguish the innovative institutional arrangements of mutual insurance schemes operating at community levels in several African countries from the much muddled terminologies.

For the purpose of this study, I therefore find it appropriate to distinguish 3 main structures involved in social insurance:

a. Formal or official insurance- these are those provided by the state and the market systems.

b. Informal insurance – provided by family, friends, church groups, communities and other social networks under the principle of trust, reciprocity, solidarity etc.

c. Mutual Insurance Organisations – they are semi formal insurance structure – They are non-state, non-market, non-family based private actors. They use dynamic and innovative approaches under both the formal and the informal systems.

2.3 Relating Existing Literature to the Research Context

Ghana typifies a country where increasing number of its households (in rural and urban peripheries) are fast losing their asset base (such as communal lands) and traditional social protection (i.e. family transfers and balanced reciprocity). That leaves the rural-folks, mainly the
aged and more particularly the old men\(^2\), in critical living conditions with minimal alternative livelihood sources, health care or health security. For most of them, social security either against sickness or non-working old age remains an illusion (Asomadu-Kyereme, R: 2002).

Attempts at extending social insurance to the poor in Ghana thus stir deep interest. Not only is the country unable to meet the preconditions assumed by Gertler, she is also unable to satisfy the classical view of extending social security under relevant economic parameters. Ghana’s economic indicators show a per capita income of around USD450 with a real GDP per capita growth of 2.5% (est. 2005). Nearly 32% of the population are below the poverty line. Rural population far exceeds the urban population. Even large sections of the urban population actually live in urban fringes.

Increasing feature of growing informal sector raises more questions. The classical assertion that increasing economic growth will enhance the formalisation of the economy and thus facilitate the extension of social security has not been confirmed. In fact, the reverse has been the case. The situation in Ghana, like many transitional economies, rather increasingly confirms a labour force that is getting more and more informalised.

The gaps in the current social security regime relate to the virtual exclusion of the informal sector and lower income groups such as women, migrant workers, and agricultural workers. These gaps create significant economic and social consequences that are often inadequately addressed in macro-economic planning and in poverty alleviation strategy programmes. And within the social protections sector, there has been a tendency to focus attention on the development and strengthening of schemes covering the formal sector where needs are more easily addressed.

Of late however, there is growing evidence that, protective insurance schemes offered through mutual insurance organisations (that are emerging in Ghana) promise to provide alternative social security system for the excluded. These are voluntary non-for-profit organisations often owned and managed by rural communities. They emerge to respond to the failure or inadequacy of state and market measures in meeting immediate social risks such as household health needs. They do achieve considerable successes in varied degrees. They do not presume that successful organisation of mutual insurance schemes is dependent on urbanisation or how developed or

\(^2\) In terms of transfers or remittances to family members, gender differentiations often work against old men as compared to old women (Asomadu-Kyereme, R: 2002).
otherwise the country’s economy might be. They prevail on basic principles of self-interest, equity, trust, reciprocity, solidarity, subsidiarity, and risk sharing within the group.

Interestingly, the successful ones sustain their operations without dependence on state subsidies and concessions. They operate on lower transaction costs and make substantial use of social capital. These institutions show that they have much to share and considerable market to serve.

But bearing in mind the inherent, institutional and contextual constraints that face MIOs, a fundamental question comes up: Is it theoretically feasible and practically sustainable to extend social security (of any kind) to the poor through MIOs?

3 THE PROBLEM AND STUDY OBJECTIVES
3.1 What problems does the study seek to address?

The problem for this study emanates from the recent introduction of the National Health Insurance Scheme (NHIS) in Ghana in 2004. The thrust of the policy is to use mutual, state-based and partly market-based insurance systems as ways of extending social security to the poor and the informal sector. This was a policy response to popular demands of citizens for many reasons.

The absence of social security for most of its people manifests both demand and supply factors. On the demand side, majority of citizens are practically and increasingly unable to access social protection mechanisms offered under modern social security instruments. This may be attributed to both the design of the social security system (that excludes the informal sector) and the general macro-economic conditions (which shows growing incidence and depth of poverty, high unemployment, loss of livelihoods and rising cost of living). These trends reveal the vulnerability of the poor who typically have limited access to appropriate risk management instruments. Once their incomes fall below survival levels and are unable to smoothen income and consumption, they are automatically deprived from demanding basic life services such as health, nutrition, shelter and education.

On the supply side, public interventions to assist individuals, households, and communities to better manage their risks, and to provide support to the critically poor are lacking. After two decades of structural adjustment policies with its limited social embeddedness, provision of public safety nets and consistent public investments in human capital formation have been
largely dismantled, thus weakening poor people’s capacity to deal with the root causes of social risks and vulnerability.

With the introduction of the national health insurance scheme (NHIS) in Ghana, recognition is being given to the growing phenomenon of community/district mutual insurance schemes (referred to in this paper as “mutual insurance organisations”, MIOs). MIOs have risen to be counted as part of the solution to the extension of social security to the excluded. This new movement of community based social protection mechanism is based on solidarity and risk pooling of some specific social risks that are of immediate concerns to the members.

The mutual insurance organisations (MIOs) thus promise enhanced access of the poor to basic needs such as health care. They enable their members to have secure access to health care with minimal financial burden. These organisations are expected to operate alongside other schemes provided by the market in a pluralistic environment.

The policy response to extending social security in Ghana therefore envisages covering 3 broad dimensions, namely:

i. Extending the currently existing social security in terms of its span of benefits to existing contributors;

ii. Taking on the peculiar needs of the informal sector that are not enrolled into the existing social security regime.

iii. Abolishing the “cash and carry” (cash payment at the point of service delivery) system in order to replace it with a universal social health insurance system.

3.2 Objective of the study

The main objective of the study is to research into the role played by MIOs in extending social security to poor communities and low-income groups in Ghana. The study will seek to understand what works well with MIOs; why things work, for whom they work, and in what circumstances or contexts do they work.

The 2 key questions that the study intends to address are:

i. What contributions do MIOs make in effectively enhancing the access of the poor to social security?

ii. Are MIOs viable instruments for extending full social insurance to the poor?
It is worth pointing out that, the study will deal only with the policy of “Taking on the peculiar needs of the informal sector that are not enrolled into the existing social security regime” (as mentioned under item ii above). The study will particularly explore the feasibility of using MIOs to achieve that policy objective just as it is being done in the case of the policy of “abolishing the cash and carry system (as mentioned under item iii above).

4 PROPOSED METHODOLOGIES
This study is mainly an extended case study research. As it advances from desk survey, data gathering to data analysis, the study will apply a combination of methods, protocols and strategies to uncover realities involved in using MIOs as an instrument for social security extension.

4.1 Literature Studies – Desk Survey
Field research will be preceded by extensive and intensive study of relevant literature. This will enable the researcher to identify more gaps, flaws and silences in existing theories that relate to MIOs as an instrument for extending social security. Desk survey will provide the research with:

- A detailed map of relevant theories which uncovers synergies and contradictions on the subject matter. (Babbie, Earl: 2002)
- Relevant comparative cases, which highlight the institutional mechanism of risk management in different socio-economic contexts and agro-ecological zones.

4.2 Data Gathering – Field Survey
Field studies will be structured to target and study 2 main groups of actors that emerge in the study at different depths. These are the primary actors and the secondary actors. The primary actors are the MIOs as institutions comprising leaders and members (end-users) of the MIOs. The secondary actors are the formal social security policy holding institutions such as the para-statal Social Security and National Insurance Trust (SNNIT) and the labour union (Trade Union Congress – TUC of Ghana).

4.2.1 Gathering Data on the Primary Actors
With regard to MIOs (the main focus of the study), the researcher will employ semi-structured interviews and observations to collect data. Currently, there are 110 MIOs scattered across Ghana. Some of them are either in relatively very low income or average income regions; others are in urban or rural environments; while others were established as a result of the enactment of
the national health insurance law (NHIL)\(^3\) or by the people themselves prior to the enactment of the law\(^4\).

For the purpose of my case studies, 8 Cases out of the existing 110 MIOs will be isolated for detailed studies in line with the above criteria as described in the table below.

<table>
<thead>
<tr>
<th>Low Income</th>
<th>Average Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>1 Old/ 1 New MIO</td>
</tr>
<tr>
<td>Urban</td>
<td>1 Old/ 1 New MIO</td>
</tr>
</tbody>
</table>

Though these 8 cases will be studied in much depth, the researcher will eventually further identify at least 2 of them for a more in-depth study.

With regard to members or beneficiaries of the MIOs, the researcher will rely on participatory methods such as key informant techniques, focussed group discussions or group appraisals to uncover reality, as they are best known to the information providers.

4.2.2 Gathering Data on the Secondary Actors

These are formal institutions such as government agents, quasi-state and non-governmental organisations whose activities centre on social security extension. Here, the study will rely on newspaper and other official publications as well as questionnaires.

4.3 Data Analysis

At the analysis stage, the researcher will use within case data analysis to fully understand each case individually and in as much depth as feasible. He will also use cross case analysis to search for pattern across cases.

Besides that, I will choose any one of the following models for further analysis depending on the available data.

- Multinomial or nested multinomial models will also be used for data analysis. This will be used as an economic choice model in which community members decide to either join or abstain from joining a MIO after a member has weighed the costs against the utility gains s/he expects from it, given their living standards and other personal features.

\(^3\) Referred to in the Table as New MIO

\(^4\) Referred to in the Table as Old MIO
• Contingent valuation or compensating variation method will also be used as a means of assessing market value for non-market utility derived from mutual health insurance schemes. This will be useful for doing cost-benefit analysis of the impacts of the MIOs in extending one form of social security or another.

4.4 Dissemination of Findings
The researcher will work closely with selected policy think tanks such as the Institute of Social and Statistical Research (ISSER), and the Faculty of Planning at the Kwame Nkrumah University of Science and Technology; and other advocacy groups. This will ensure that the project findings are used for effective advocacy and social dialogue in Ghana.
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