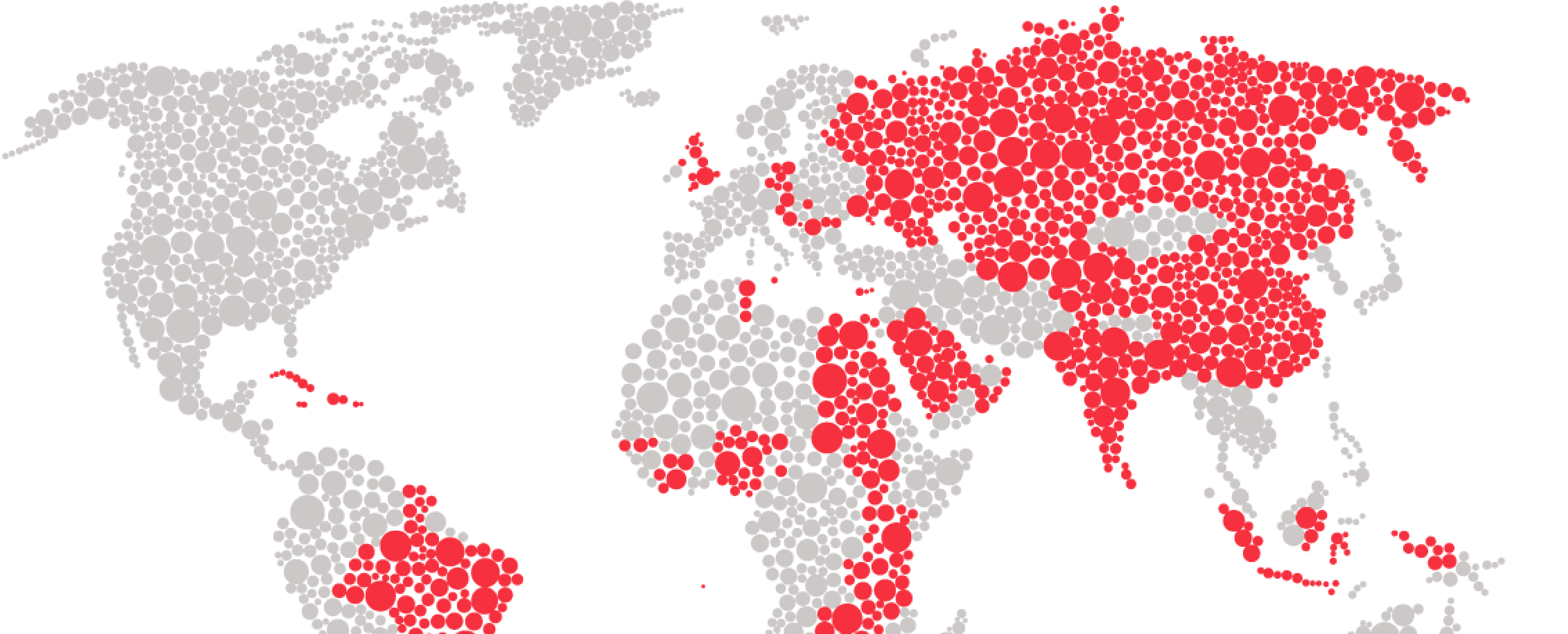
CALLUND CONSULTING

PENSIONS ADVICE WITH A LOCAL TOUCH AND WORLDWIDE EXPERIENCE

Kenneth Donaldson | May 2017

CCL | World-wide experience



The Americas
CARICOM
Brazil
Chile
Falkland Islands

Europe
Serbia
Georgia
Macedonia
Bosnia (2)
Moldova
Slovenia
Estonia (2)
Czech Rep.
Hungary
Albania (3)
Poland (2)
Bulgaria
UK

Africa
Uganda (4)
Tanzania
Namibia
South Sudan
Nigeria
St. Helena
East African Community
South Africa
The Gambia
Rwanda

Middle East
Abu Dhabi
Saudi Arabia (4)
Oman (9)

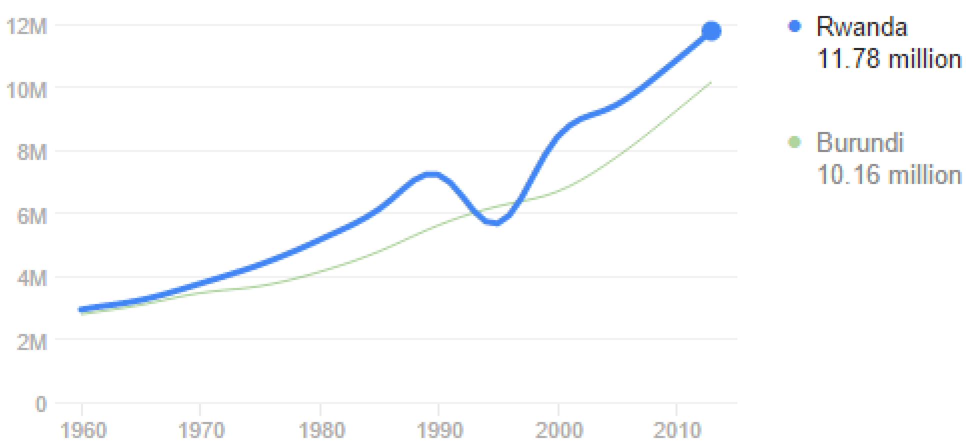
Central and East Asia
China
Russia (10)
Sri Lanka
Kyrgyzstan
Indonesia
Tajikistan
India
Kazakhstan

Old-age security for Rwanda's Informal Sector


RWANDA
UGANDA
CONGO (ZAÏRE)
TANZANIA
BURUNDI
Kagera River
Parc National des Volcans
Cyanika
Gatuna
Lake Bulera
Gabil
Byumba
Parc National de l'Akagera
Gisenyi
Lake Muhazi
Kayonza
KIGALI
Lake Kivu
Kibuye
Gitarama
Kibungo
Lake Burigi
Parc National Nyungwe Forest
Rusumo
Lake Rweru
Cyangugu
Gikongoro
Butare
Kirund
Bugarama
0 50 km
0 30 miles

11.78 million (2013)

Rwanda, Population



Explore more

Sources include: World Bank

Feedback

- **90% of population is on $2 per day. This is approximately Rfr40,000 per month (IMF)**
- **Subsistence agriculture – income "lumpy" over the year**
- **Direct Support program pays c. Rfr7,500 per person per month to the very poor, although we understand coverage is not universal**

Related statistics

GDP per capita	638.67 USD (2013)
Gross domestic product	7.521 billion USD (2013)
Life expectancy	63.49 years (2012)

Existing pension schemes

	Contributors	Pensioners	Total Assets
Mandatory public pension scheme: Rwanda Social Security Board (RSSB).	352,085	33,902	RWF 288.8bn
Occupational pension schemes: 54 provident funds	5,671	n/a	?
Private old-age provision: long-term savings contracts, capital life insurance etc	30,000	n/a	?

Generous but financially unsustainable DB scheme

None offering annuities

Essentially, the pensions sector consists of RSSB which covers less than 10% of the working population – known as the "formal sector" – which you could loosely define as "those who pay taxes".

Question

- The country is:
  - Small
  - Poor
  - And has minimal extant financial sector, or indeed tax base

Is it feasible to establish a pension scheme for the informal sector?

So many meetings, so little time…

Our answer

- Yes – albeit it withìn a narrow band of feasibility

- a scheme established in the spirit of ownership by the people
- a scheme in close and constant contact with its participants who should guide its design and continuously influence its operations
- a funded defined contribution scheme
- a voluntary scheme with flexibility in contribution levels and timing
- a scheme with a package of benefits that suits the situation and needs of its members
- a scheme closely working with co-operatives and other organisations that are close to its members
- a scheme possibly supported through incentives provided by government
- a scheme making full use of technological advancement to minimise administrative cost

Context

- Plans to introduce a pension scheme for the informal sector are well-timed:
- Financial Sector Development Program showing tremendous progress
- long-term saving for informal economy workers consistent with the national social security policy
- tremendous progress has been made in markers of financial inclusion
- co-operative infrastructure well established in the culture of the country

Financial inclusion

- some 72% of Rwandan adults are regarded as financially included
  - up from 48% four years earlier
- formal inclusion has increased from 21% to 42% over the same period
- the corresponding improvement in the take-up of informal credit is from 8% to 48%
- the banked population increased from 14% of adults to 23%
- over 1 million Rwandan adults have joined as members of an Umurenge SACCO
  - well-established and highly trusted
  - has the potential to facilitate at low marginal cost:
    - financial education
    - distribution
    - collection of contributions and payment of benefits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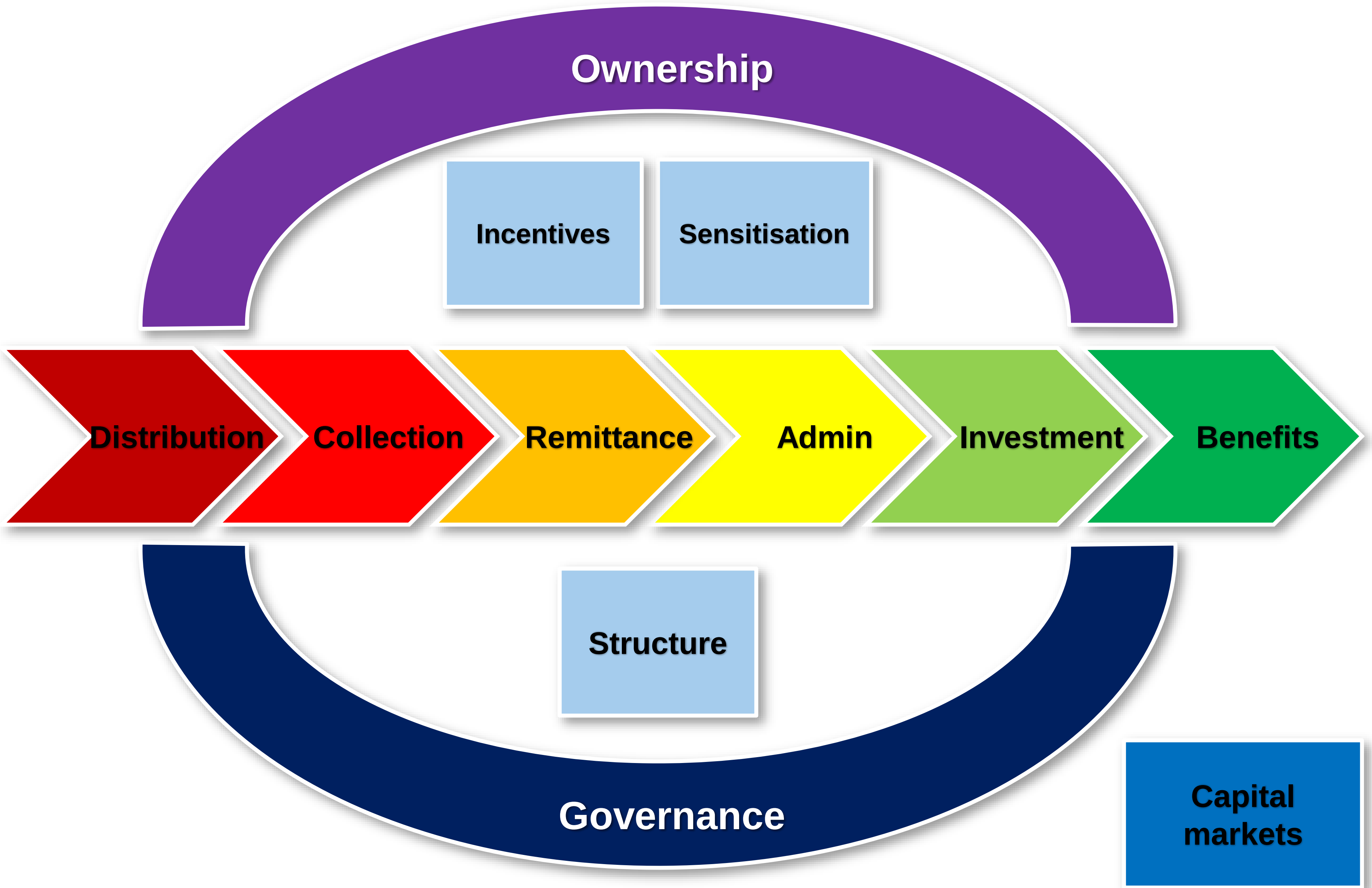

Ownership
Incentives
Sensitisation
Distribution
Collection
Remittance
Admin
Investment
Benefits
Structure
Governance
Capital markets

Structure

- DB / DC?
- Investment / inflation guarantees?
- Incentives? (tax / matching / funeral plans / access to loans?)
- Annuitisation?
- Cash options?
- Flexibility? (and impact on incentives?)
- Minimum and maximum?
- Interplay with other social security benefits (hardship grants, medical)?

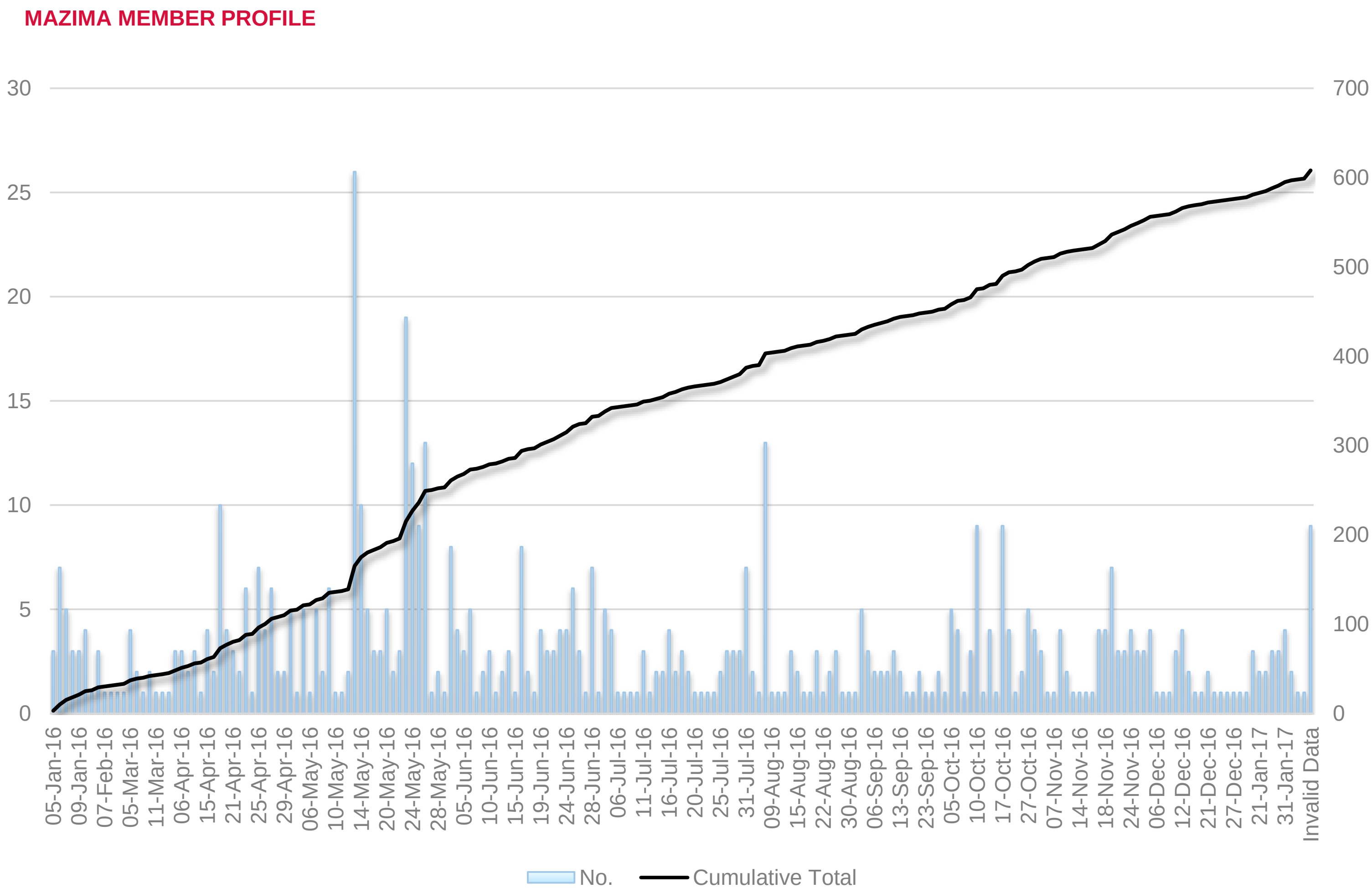
Distribution & collection

- Again, Cooperatives form an ideal base
  - Subject to quality standards and sign-off
  - Limit to collection and remittance, not investment
- Mobile
  - Fast growing
  - Anecdotally may transact around 7% of GDP in 2014.   (40% in Kenya!)
  - Large reach (less in rural areas)
  - Potentially highly cost-effective
- Micro-finance institutions and banks with micropayment capability?
- Commissions?

Investment & capital markets

- DC depends on positive real returns … inflation a huge issue
- Link to wider economic benefit
  - able to invest in private or public ventures with national development objectives
  - subject to meeting the requirement of earning positive returns for the members
- Impressive new stock market. 5 traded stocks
- No (financial / general) literacy <=> No investment choice
- With-profits?
- Link to possible investment guarantee?

Post script: Uganda



Current and most recent projects

Country	Brief description
Tajikistan	Implementing a new State Pension system, including admin platform
Mongolia	Actuarial modelling and State Benefit reform advice
Kazakhstan	Modelling 13m people to design new State NDC tier
Uganda (x2)	Feasibility of long-term saving for “informal sector” (micro-pensions)
Albania	Cost comparison of the proposed restructuring of disability allowance
ClimateWise	The resilient insurer: investing for climate resilience in the insurance sector
DFID	Role of publicly funded premium subsidies in disaster risk insurance in developing countries
Rwanda	Create a national mortality table
Kazakhstan	Create a national mortality table, plus experience analysis
South Africa	Inclusion of informal workers in the reform of retirement provision
AfDB	Strategic ALM, inclusion of African allocation, scheme reform
Seychelles	Development of pension supervisory framework
Poland	Benchmarking study on the governance and regulation of private pensions
Rwanda	Medical professional liability insurance study
Ecuador	Critical review of social security valuations (pensions, health, accident and disability)