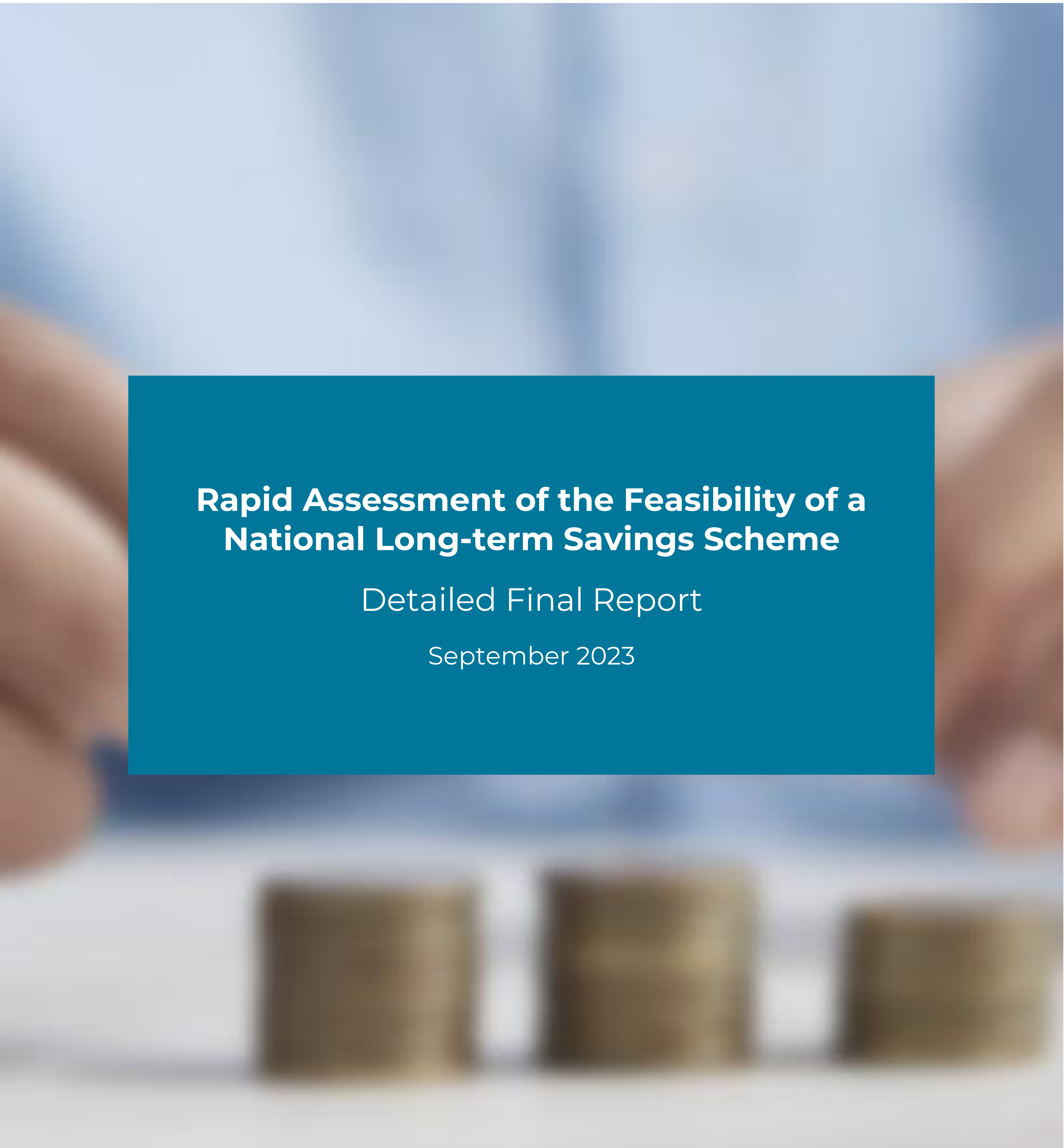


Rapid Assessment of the Feasibility of a National Long-term Savings Scheme

Detailed Final Report

September 2023

Table of Contents

List of Tables

List of Figures

List of Abbreviations

API	Application Programming Interface
APY	Atal Pension Yojana (India)
DFID	Department for International Development
EAC	East African Community
E-KYC	Electronic Know Your Customer
GDP	Gross Domestic Product
ID	Identification Document
ILO	International Labour Organization
INR	Indian Rupee
IPPS	Integrated Personnel and Payroll System
IRA	Insurance Regulatory Authority
KACITA	Kampala City Traders Association
KEPFIC	Kenya Pension Fund Investment Consortium
KYC	Know Your Customer
LG	Local Government
LTSS	Long-Term Savings Scheme
MDI	Micro-Finance Deposit Taking Institutions
MoFPED	Ministry of Finance Planning and Economic Development
MoGLSD	Ministry of Gender Labour and Social Development
MoH	Ministry of Health
MoPS	Ministry of Public Service
MFI	Microfinance Institution
MNOs	Mobile Network Operators
MURBS	Makerere University Retirement Benefits Scheme
MVIRBS	Mazima Voluntary Individual Retirement Benefits Scheme
NGO	Non-Government Organisation
NIRA	National Identification and Regulatory Authority
NITA	National Information Technology Authority
NPS	National Pension Scheme (India)
NSSF	National Social Security Fund
OECD	Organisation for Economic Cooperation and Development

PFA	Pension Fund Administrator
PFRDA	Pension Fund Regulatory Authority of India
PIN	Personal Identification Number
PPS	Parliamentary Pension Scheme
PSP	Payment Service Provider
PWDs	People With Disabilities
RBS	Retirement Benefit Scheme
ROSCA	Rotating Savings and Credit Association
RWF	Rwandan Franc
SACCO	Savings And Credit Co-Operative Organisation
SAGE	Social Assistance Grants for Empowerment of Elderly Persons
SMS	Short Message Service
UBOS	Uganda Bureau of Statistics
URBRA	Uganda Retirement Benefits Regulatory Authority
USAID	United States Agency for International Development
USD	United States Dollar
VFG	Vulnerable Family Grant
VSLA	Village Saving and Loan Association

Glossary

Informal Employment*	Informal employment comprises all work, whether carried out in formal sector enterprises, informal sector enterprises, or households where employment relationships were, in law or in practice, not subject to social protection (i.e., no provision for pension or contribution to National Social Security Fund) and no entitlement to paid annual leave or paid sick leave.
Informal Enterprise*	Informal enterprises are those not registered by Uganda Registration Services Bureau (URSB) or by the Uganda Revenue Authority (URA) for Value added tax / income tax returns. Some of their characteristics include, incomplete books of accounts, lack of a formal place of business, lack of employment contracts, lack of formalised business processes and structures.
Informal Sector*	Informal sector includes all economic activities that are not regulated by the government. They produce at least partly for the market and are often characterised by small-scale operations, low levels of organisation and limited access to formal financial and legal systems. It excludes households that produce exclusively for own final use, subsistence agriculture, construction of own dwellings, etc.
Latent Demand	Latent demand refers to demand for a good or service that consumers cannot satisfy for three main reasons. First, the consumer does not have enough money to buy the item. Second, the item is not available. Third, the consumer does not know that the product or service is available.
Long-term saving scheme	In this report, the term long-term saving scheme, which encompasses retirement benefit schemes, denotes a structured program or arrangement designed to help individuals accumulate and grow funds over their working years, to cater for set goals.
Micro-pension	Micro-pensions are small, low-cost pension products designed specifically for low-income individuals who may not have access to traditional pension schemes. These products are intended to provide a simple and accessible way for individuals to save for their retirement, even if they have limited funds available for savings.
Non-Salaried Informal Sector Workers	These are individuals such as daily wage workers, domestic help, street vendors, self-employed professionals, and farmers whose pay is not at a monthly or annual rate.
Population in Employment	Comprises of employed persons “at work”, i.e., who worked in a job for at least one hour and employed persons “not at work” due to temporary absence from a job, or to working-time arrangements (such as shift work, flexitime, and compensatory leave for overtime).

Working Population*	The working population is categorized into five mutually exclusive forms of work: own-use production work, employment work, unpaid trainee work, volunteer work, and other work (e.g., community service).

*Uganda Bureau of Statistics: National Labour Force Survey 2021 – Main Report

1. Outline of the Detailed Report

- Section 2: Methodology for the 2023 Survey - The section details the methodology applied for the assessment and highlights the literature review, survey administration, and data collection process.
- Section 3: Analysis of Long-Term/Retirement Savings Scheme in Uganda - This section provides a summary of retirement savings within the informal sector and evaluates long-term savings programs from the viewpoints of demand, supply, and policy aspects.
- Section 4: Considerations for a Feasible Informal Sector Savings Scheme – This section explores the factors to consider for a long-term savings scheme in the informal sector, drawing from the World Bank Literature and EY experience.
- Section 5: Long-Term Savings Schemes in Uganda, Demand-side Analysis - This section examines the demographics of the informal sector and explores the potential for a national long-term savings scheme based on its latent demand.
- Section 6: Long-Term Savings Schemes in Uganda, Supply-side Analysis - This section provides an overview of supply side players who may play a role in the NLTSS. It also outlines key considerations for effectively utilizing mobile devices and other technologies in the scheme.
- Section 7: Analysis of the Economic and Regulatory Environment - This section examines the economic and political impacts, relevant laws, and financial sustainability of long-term savings schemes and retirement benefit schemes.
- Section 8: Benchmarking Long-term Savings and Micro-Pension Schemes - A benchmark analysis is needed to properly review lessons learnt from similar schemes, adopt key success factors, and avoid pain points. Due to their conceptual similarities with the NLTSS, Rwanda's Ejo Heza LTSS and India's Atal Pension Yojana micro-pension scheme were selected as benchmarks.
- Section 9: EY/IFC Framework for Assessing Pension Market and Provider Ecosystem – This section examines the feasibility of developing a new scheme for the informal sector in Uganda. The EY/IFC framework highlights the ideal functions and mechanisms within the pension and provider markets.
- Section 10: Recommendations to Inform the Development and Implementation of an NLTSS – This section delivers recommendations drawn from the rapid assessment. It outlines success factors pertinent to the NLTSS, offers insights into the addressable market scope for the NLTSS, and outlines key risks along with strategies for their mitigation.
- Section 11: Appendices – This section contains a sample of the questionnaires used for the 2023 survey.
- Section 12: References – This section compiles the documents cited within this report.

2. Methodology for the 2023 Survey

2.1.1. Literature review

- This involved conducting a thorough desktop review of documents provided by FSD, Uganda Retirements Benefits Regulatory Authority (URBRA), and a vast number of other public information available through various national, regional, and international sources. This included reports, academic journals/articles, strategic plans, and reputable websites, amongst others. A full list of this is available in the References in this report.
- Reviewing national literature provided valuable context and understanding of the profile of the informal sector, their savings patterns, preferences, and barriers. It also captured the various policies, schemes, and initiatives by the Government of Uganda to increase social protection, as well as the level of involvement of various stakeholders.
- Regional literature provided important benchmarks and case studies from which to draw lessons. Given the similarities in social protection and informal sector experiences in East Africa and across sub-Saharan Africa, this literature provided key insights and recommendations to fast track the learning curve of developing an NLTSS.
- Except in circumstances where the literature was still applicable and did not have any current revisions (e.g., the 2005 World Bank Report "Old Age Income Support in the 21st Century. An International Perspective on Pension Systems and Reform") the review did not capture sources earlier than 2017.
- Together, the insights provided an understanding of the pension sector in Uganda, factors that may affect the uptake of a long-term savings scheme, and gaps and opportunities for the development and implementation of the NLTSS. The findings and key insights were extracted and synthesized to support the feasibility assessment.

2.1.2. Stakeholder interviews

- Stakeholders were identified based on their pivotal role in the Ugandan pension sector, and their potential as partners in an NLTSS architecture. They included financial institutions, fund managers, scheme providers, technology and telecommunication providers, ministries, and regulatory authorities.

List of Stakeholders Interviewed	
Supply Side	Policy Side
❖ MTN Uganda ❖ Housing Finance Bank ❖ Bank of Uganda ❖ Xeno Investment Management Uganda Ltd ❖ Sanlam Investments EA Ltd ❖ Kampala City Traders Association Provident Fund (interviewed through its corporate trustee - KCB Uganda) ❖ Jomo Investments and Trustee Services Limited ❖ ICEA Life Assurance Company ❖ National Social Security Fund ❖ Makerere University Retirements Benefits Scheme	❖ Uganda Retirements Benefits Regulatory Authority (URBRA) ❖ Financial Sector Deepening (FSD) Uganda ❖ Capital Markets Authority ❖ Uganda Microfinance Regulatory Authority ❖ Uganda Parliamentary Forum ❖ Ministry of Gender, Labour, and Social Development

List of Stakeholders Interviewed	
Supply Side	**Policy Side**
❖ Mazima Voluntary Individual Retirement Benefits Scheme (MVIRBS) ❖ Block Chain Association of Uganda ❖ Pride Microfinance ❖ pinBox Solutions ❖ Post Bank Uganda	❖ National Information Technology Authority (NITA) Uganda ❖ Insurance Regulatory Authority

Table 1: List of Stakeholders Interviewed

- The stakeholder interviews were conducted with a representative from each institution listed above using a combination of virtual and in-person sessions. Each interview lasted for a minimum of 30 minutes and a maximum of an hour.
- Prior to the interviews, a set of questions was crafted to capture stakeholder insights across the three lenses - demand, supply, and policy side. A sample of the questionnaires used has been included in the Appendices.
- Key statements and opinions expressed during the interviews were recorded and transcribed. These statements were later collated as evidence for or against various points identified in this report.

2.1.3. Survey design and administration

District selection

- For the rapid assessment, two districts were randomly chosen in each of the four regions in Ugandan based on the following criteria
  - They have a population of informal sector workers greater than 85% (UBOS, 2021)
  - The accessibility of districts
  - Inclusion of a mix of rural and urban areas

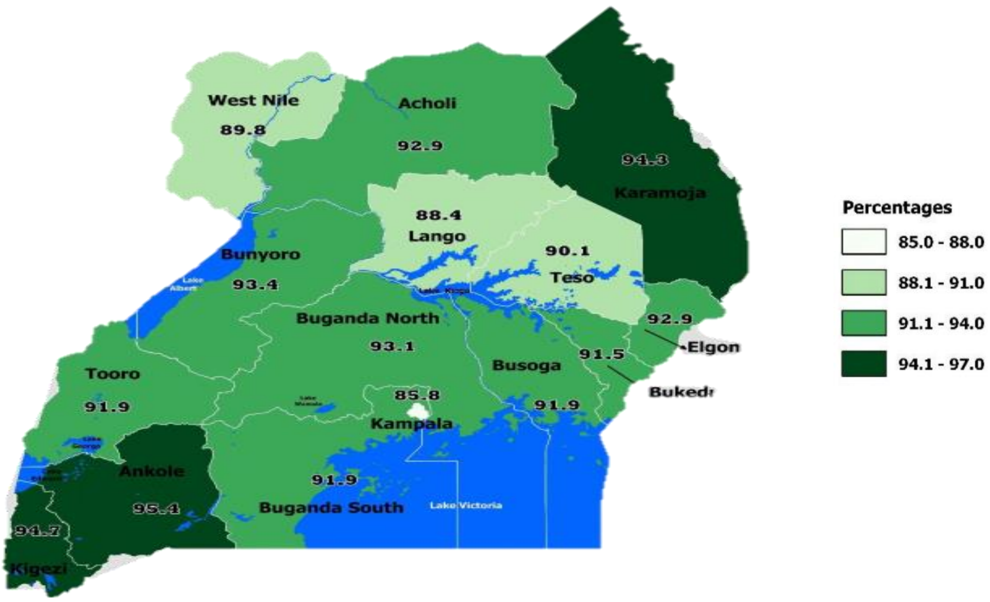


Figure 1: (%) Proportion of informal employment in total employment, including agriculture by Ugandan sub-region (UBOS, 2021).

It is important to note that from the graph above, the sampled districts may not comprehensively represent all the districts where informal sector workers are concentrated in Uganda. The districts selected for the rapid assessment were:

- Eastern Region: Bugiri, Kapchorwa
- Western Region: Mbarara, Masindi
- Northern Region: Lira, Gulu
- Central Region: Kampala, Masaka

Field survey with individuals working in the informal sector

- Rapid assessments are expedited evaluations conducted swiftly to provide initial insights into a situation. They typically rely on limited data, quick data collection methods, and prioritize speed over depth.
- One hundred and ten (110) individual responses were captured during this rapid assessment. They consisted of individuals with varying ages, incomes, education-levels, and gender. However, given the limited sample size, the responses may not adequately represent the diverse demographics, occupations, and socio-economic backgrounds of the entire Ugandan informal sector population.
- A mix of quantitative and qualitative questions were asked to the informal sector respondents. All interviews with the respondents were administered in-person via field research and their responses were captured in Microsoft Excel.
- The questionnaire used consisted of both closed and open-ended questions. The goal was to gain insights into factors which influence the latent demand of a long-term saving scheme (e.g., financial literacy, accessibility, affordability, trust, and product attractiveness). Insights were also captured around their preferences for long-term savings and their pain-points with existing savings schemes. A sample of the questionnaire used has been included in the Appendices.

Sampling Approach

- In each district, the population was divided into clusters. A purposive sampling method was then used to narrow down on the target respondents which could be interviewed. This involved selecting individuals from the cluster population based on specific criteria (e.g., informal enterprises such as market traders) that were relevant to the assessment objectives.
- To enhance the credibility and reliability of the surveying process, measures such as careful survey design, training and standardisation of surveyors, and clear data analysis procedures were used. Data triangulation was also used to cross reference the survey results with other sources of information such as literature reviews and stakeholder interviews.
- The survey's coverage is presented below. Note that DND means 'Did Not Disclose'.

Participants by District

Eastern Region	Western Region	Northern Region	Central Region
20	37	26	27

Participants by Gender

Men	Women
61	49

Participants by Age

18 – 25 yrs.	25 – 35 yrs.	35 – 45 yrs.	45 – 55 yrs.	55 – 65 yrs.
17	41	27	20	5

Participants by Geography

Rural	Urban
62	48

Participants by Income Bracket ('000 UGX)

< 100	100-250	250-350	350-450	450-550	550-650	650-1000	>1000	DND
14	21	18	8	18	5	18	1	7

Participants by Type of Employment

Salaried Employment	Self-Employed	DND
20	87	3

Participants by Number of Employees in their Enterprise

Sole Trader	<5	5 to 10	10 to 20	20 to 50	>50	DND
65	32	2	1	2	4	3

Participants by Highest Level of Education Attained

None	Primary	Secondary	Diploma	Bachelor's	Master's	DND
4	30	45	14	13	1	3

Participants by Sector

Agriculture	Apiculture	Manufacturing	Services	Trading	Transport	DND
21	1	14	40	26	4	4

2.1.4. Data analysis

The data collected from the stakeholder interviews, and survey responses were subjected to comprehensive analysis to derive meaningful insights. The analysis techniques employed for the different data sources are outlined below:

- Survey Responses: The field survey responses from informal sector respondents were organized in Excel files. The survey responses' quantitative data was analysed using appropriate techniques, employing descriptive statistics like frequencies and percentages to summarize participant responses and uncover trends or patterns.

- Thematic Analysis: For qualitative data analysis, a thematic analysis approach was utilized using Braun and Clarke's (Clarke, 2006) six-step-guide to thematic analysis. Familiarisation with the data helped form a comprehensive understanding of the content. Key statements and opinions from the stakeholder interviews and surveys were then coded based on emerging themes and categories. Through a systematic process of data categorization, recurring themes and patterns were identified. These themes provided a deeper understanding of the respondents' perspectives and insights related to the feasibility of the proposed national long-term savings scheme.
- Software and Tools: During the data analysis process, EY Qualtrics software was used to organise and manage the data. Excel was used to collate and tabulate field survey responses, allowing for easy exploration and calculation of quantitative data. It also aided the thematic analysis of the stakeholder interview data. Pivot tables were used to categorise the data and conduct comparative analysis to identify patterns and relationships from different datasets.
- The combination of qualitative and quantitative data analysis techniques allowed for an examination of the data collected from the literature review, stakeholder interviews, and survey responses. The insights gained from this analysis form the basis for the subsequent findings and recommendations presented in this report.

2.1.5. Survey assumptions

The main assumption underlining this assessment is that the interviewer and the participant interact in a socially constructed and shared environment. The interviewer expects that participants have legitimate views as they are a dynamic part of the assessment process and that they answer the survey questions to the best of their knowledge. Additionally, this assessment assumes that participants' views on their context and experiences can provide valuable insights to answer the survey questions.

2.1.6. Ethical considerations

Several measures were implemented to ensure ethical standards and maintain data integrity.

- Informed Consent: Prior to interviewing, participants were informed of the assessment objectives, the parties involved in conducting the assessment, and the expected outcome of the assessment. Stakeholders interviewed in the supply and policy side were informed of the questions which would be asked prior to the interviews. Participation was voluntary for all respondents. All respondents participated without coercion.
- Anonymity and Confidentiality: Data collected from the informal sector respondents did not include any personally identifiable information (e.g., name, date of birth). To protect the confidentiality of other stakeholders, nomenclature which could identify their responses have been omitted in this report.
- Data Integrity and Quality: Raw data collected and analysed is stored securely on the intranet with restricted access to the team directly involved in the assessment. After consent, interviews were recorded where possible to ensure integrity, quality and consistency of data capturing and reporting. Follow up questions were asked where

needed to clarify any ambiguous or unclear responses and ensure comprehensiveness of the data collected. This, combined with recorded interviews, helped foster credibility of data capturing. Following the retention period, data collected will be securely disposed of.

- Protection of vulnerable groups: The assessment did not involve any participant under the age of 18 or those with limited decision-making capacity. To ensure the assessment was conducted ethically, inclusively, and accurately with participants from diverse linguistic backgrounds, translators facilitated communication during data collection.
- Minimisation of harm: The survey design and delivery are not expected to cause any harm (physical, social, or psychological) to the participants or the external environment.
- Methodological rigor: The combination of desktop review, qualitative interviews and surveys with various participants fostered the validity of the report's findings.

2.1.7. Assessment limitations

- Respondents chose not to disclose or could not accurately estimate certain information requested in the survey (e.g., relating to their income and spending habits).
- Participants may have provided responses that they believed were socially desirable or aligned with the expected views. This was especially noted during some focus group discussions.
- Given that the assessment focused on the Ugandan pension sector, the findings and recommendations may not be directly applicable to other countries or contexts.
- Given the small sample size, findings may not be easily generalizable to the broader population of informal sector workers in the country.

We express our sincere gratitude to all interviewees and survey respondents for generously sharing their time to participate in this study.
Their contributions and perspectives have greatly enriched this research and its findings.

3. Analysis of Long-Term/Retirement Savings Schemes in Uganda

3.1. Overview of retirement saving in the informal sector

Definition of the informal sector

There is no standard definition of the informal sector in the literature (Medina, Leandro, Andrew W. Jonelis, and Mehmet Cangul, 2016). Terms such as shadow economy, black economy, and unreported economy have been used to define it.

According to the ILO Recommendations' guidelines ((ILO), 2018), employees are considered to have informal jobs if their employment relationship is not subject to

- national labour legislation,
- income taxation,
- social protection, or
- entitlement to certain employment benefits.

> The International Labour Organization (ILO) Recommendations describe the informal economy as all economic activities among workers and economic units that are not covered or are insufficiently covered by formal arrangements.

Whereas the World Development Report 2019 identifies a person as an informal worker if they do not have a contract, social security, or health insurance and are not a member of a labour union (World Bank, 2019). The informal sector therefore refers to all businesses, workers, and activities in unincorporated businesses that produce, in part, for the market, but are not registered. It does not include households that produce solely for their own consumption, practice subsistence farming, or build their own homes.

According to (Mugoda, 2020) the informal economy is driven by tax rate, enforcement of regulations, and inflation rate. So, if tax rate is high, then informal enterprises would be persuaded to conceal their business activities from the tax authorities due to fear of business failure. Likewise, if inflation rate is high, causing an increase in price of goods and services, individuals' default to modes for survival. This can include starting a small business to generate income.

Despite the significant progress of extending social protection to informal sector workers, several remain unprotected due to various constraints (ILO, 2021):

- Exclusion from legal coverage: Social protection schemes are not adapted to the specific situation and needs of workers in the informal economy. The legal framework often excludes this population e.g., by imposing rules based on places of work, type of contract, or income thresholds.
- Lack of information, awareness, and trust: Illiteracy and language barriers – usually more prominent in rural areas dominated by informal sector workers – makes it difficult for this population to understand legal regulations and operations of these schemes.
- Benefits not aligned with priorities: The benefits provided in social protection schemes are not usually aligned with their priority needs, which causes their reluctance to participate.
- Complex and burdensome administrative procedures and services: micro and small enterprises particularly have limited administrative capacities and find it difficult to comply with requirements of these schemes. Moreover, seasonal workers and other temporary workers may not be able to comply with mandatory schemes.

- Lack of integration and policy coherence: The high degree of fragmentation within the social protection system, and lack of coordination with other relevant policies (e.g., national registration and social protection) is eminent in many countries. This often leads to coverage and adequacy gaps, inefficiencies, duplication, and distorted incentive structures.

The informal sector in Uganda

In Uganda, about 92% of the employed population (9,996,000) were in informal employment including agriculture (UBOS, 2021). They make up over 50% of the GDP (URBRA, 2018).

Uganda's informal sector has shown a wealth of unrealised entrepreneurial potential. It ranked the third highest in (Global Entrepreneurship Monitor, 2014) due to 28% of adults owning or co-owning a new business. Though, the study did also reveal that Uganda had some of the highest rates of business discontinuation in the world. (Knirsch, 2021) reports that only 18% of informal businesses have some of the key elements that are usually linked to firm growth. This could be attributed to these workers starting their business just for their own financial support as opposed to discovering a market opportunity or having the specific goal to grow the business.

Mobilizing savings is crucial for the welfare of Uganda's informal sector workers. It offers advantages like capital accumulation, funding for productive investments in human and business capital, fostering enterprise growth, providing insurance against risks, and enhancing financial stability and livelihoods for households.

The informal sector in Uganda is not oblivious to the importance of saving. In the 2023 survey, it was uncovered that respondents actively saved for rainy days such as if they become incapacitated from work, face illnesses or other family emergencies that require financial aid. Despite the active saving behaviour and awareness of the importance of saving among individuals in the informal sector, there is still low adoption of long-term/retirement schemes. The National Financial Inclusion Strategy 2023 – 2027 (NFIS II) (NFIS, 2023) highlighted that Uganda's retirement sector predominantly targets individuals who are formally employed, largely excluding the informal sector. When combined with the fact that they face uncertain employment and income, their exclusion from long-term/retirement schemes makes them more susceptible to poverty.

Informal sector respondents in the Uganda Retirement Benefits Regulatory Authority (URBRA, 2018) survey do not realise the importance of keeping their money in banks or any other financial intermediary but prefer to remain liquid due to the frequent uncertain occurrences. Thus, these individuals are most likely to choose a savings mechanism that would give them quick access to their savings. Safety of their money is a secondary driver of choice. Majority (63%) save through a savings group or Village Savings and Loan Association (VSLA), while 19% save using their mobile phones, and 18% use a home safe. In the instances where a financial intermediary is used, microfinance Institutions are considered the next popular means of saving as they offer better concessional terms, flexibility, less formality, and has an appealing nature to the poor and side-lined sections of society. Savings And Credit Co-Operative Organisation (SACCOs) are also preferred because they provide a range of benefits to their members such as healthcare and funeral savings, which caters to some of their priority issues.

Banks are amongst the least used. This could be attributed to the high level of paperwork needed, stringent verification requirements, and inflexibility which scares away entrepreneurs. Commercial banks are used majorly by salaried workers in receiving their payments, but less often by business owners, more so small-scale businesses.

Therefore, for a savings scheme to be feasible in the informal sector it should complement rather than replace an individuals need to cater for their everyday and unexpected expenses and should appeal to the essentiality of covering educational costs. The product offered should be tailored to the profile of different informal sector groups and should cater for quick access to cash when needed (e.g., during emergencies or unforeseen circumstances). It would be beneficial to leverage savings channels such as VSLA's and mobile phones, which are already frequently utilised by this population. To leverage formal financial institutions, which may offer a more secure and structured savings channel, their offering would need to be flexible, seamless, and easy to use. It would need to have fewer processes and requirements, and provide additional benefits to members (e.g., healthcare, maternity, and educational coverage).

Factors influencing saving and saving for retirement of informal sector

The informal sector stands out with its own set of distinctive traits that impact how people within it save. These factors include:

Limited financial inclusion that frequently prevails in rural areas and often leads to constrained access to formal financial channels.	Limited financial literacy, which can impede effective engagement with savings and retirement planning.	Trust in financial institutions play a pivotal role, shaping perceptions and decisions related to savings.	The sector exhibits unique product demands. This emphasises the need for solutions that enable quick access to funds to smooth cash flows.	Irregular income patterns and often low earnings also create a challenge. It makes it difficult for people to save.

All these factors together create a complex environment were encouraging and enabling savings in the informal sector is a multi-faceted task.

- Although financial inclusion, has improved over the past decade, there are persistent gaps in financial inclusion, including by demographic characteristics, location, and economic status.

  In Uganda, 34% of the population remains financially excluded or rely on informal financial services. Formal, regulated financial institutions are driving financial inclusion among Ugandan adults (FSD, 2022). This issue is more prevalent in rural areas due to the concentration of formal financial services (e.g., banks) in urban areas (NFIS, 2023).

  - Professionals with a higher level of education and/or specialised skills showed close-to-universal ownership of full-service financial accounts versus adults in unskilled labour.
  - 56% of Ugandan males had access to formal financial accounts and 55% reported a formal, full-service account registered in their name compared with 42% and 40% of females, respectively.

- There was a large gap in financial inclusion by poverty status. Poor adults were 2.4 times less likely to have a registered full-service financial account than their non-poor counterparts (22% versus 52%, respectively) (FSD, 2022) .

In rural areas with limited access to formal financial institutions and services, individuals may face challenges accessing appropriate channels for saving. So, they may find it inconvenient to do so. The widespread mobile agent network provides more convenient access points as it removes the cost of commute. Ugandans also find the deposit requirements to save relatively high at formal financial institutions. They prefer to save with savings groups or through mobile money accounts where they can save smaller amounts at no charge (NFIS, 2023).

Mobile money has acted as a 'bridge' for formal financial inclusion by facilitating instant access to financial services at lower costs than traditional banking channels. Thus, enabling mobile money as a delivery channel in a retirement benefit scheme would not only increase uptake, but also foster financial inclusion.

- As a population, Ugandans prefer mediums that offer them quick access to cash to smoothen their cashflow.

Few informal sector respondents are open to the idea of long-term savings, they emphasize the importance of flexibility. They express the need for access to a portion of their savings in case of emergencies or to have regular pay-outs to align with their needs and goals. They are also willing to initially lock in savings for shorter periods and re-evaluate afterward.

2023 survey insights

In the 2023 survey, it was uncovered that individuals, both male and female, tend to not hold onto their savings for extended periods, with one year being the most common timeframe. This is attributed to the irregular incomes of this population, and thus, their need for quick access to cash. Informal sector workers are also predominantly saving for a particular goal/short-term need, as opposed to retirement. So, they do not deem it necessary to lock in their savings for the longer term. Instead, the preference is to withdraw their money after interest has been accrued and restart the Rotating Savings and Credit Association (ROSCA) in the next cycle. Thus, schemes such as NSSF and KACITA Provident Fund which do not have flexible withdrawal terms are viewed as unappealing. The ideal retirement scheme for informal sector workers should therefore seek to curb this challenge in its product design.

- Irregular and/or insufficient income from business or employment derails savings for future planning purposes and to meet obligations to family.

Most (58%) of Ugandans perceived their household as not financially well-off (UBOS, 2021). Across all age groups, farming / fishing (48%) was the main source of income/livelihood. In Kampala however, majority of the population engaged in paid occupations (46%) and businesses (42%). Moreover, for most individuals (67%), their incomes either reduced since the onset of Covid-19 in March 2020 or stayed the same (24%) (UBOS, 2021). These statistics highlight that most of the population have seasonal and unpredictable incomes, which is also hinged on the economic situation in the country. Thus, retirement schemes which have strict withdrawal terms, and mandate that contributions are made monthly may not be favoured by the Ugandan population

In the recent 2023 survey, individuals were asked what would enable them to participate consistently in saving. For 39% of respondents, the feedback was an increase in income from business or employment. Therefore, for those who are actively saving, an increase in employment income would likely have a positive impact on their ability to save for retirement. In the meantime, an alternative would be the promise of increased interest on savings accrued or receiving financial incentives from the government to save.

- There is an overall lack of trust in savings institutions and schemes.

  Ugandans tend to organise into groups to lean on the community for support. For SACCOs to be sustainable, members ought to obtain value (Mercy Corps, 2019). SACCOs are overseen by the Uganda Microfinance Regulatory Authority (UMRA) and regulated by the Cooperative Societies Act which sets out to create an enabling environment for cooperatives and SACCOs to thrive. Respondents shared comments regarding negative experiences with local savings groups, leading to distrust and a preference for keeping money in a bank or SACCO. This finding was also noted in (URBRA, 2018). Here, the respondents were sceptical of other VSLA group members who they thought would embezzle group savings. This suggests that regardless of saving through a retirement scheme, or using a formal or informal saving mechanism, there is a lack of confidence the informal sector has towards saving their money out of sight (i.e., saving with other people/institutions). It emphasises the need to promote financial literacy to build confidence and address concerns about lack of trust.

  Further, given the instrumental nature of Village Savings and Loan Associations (VSLAs) for saving and borrowing amongst the informal sector, a possible recommendation would be for the Ugandan government to work towards formalising these associations such that their processes are streamlined and digitised, and the custody of member assets elicits trust.

- Low financial literacy can impede effective engagement with retirement schemes and other formal financial products (e.g., insurance and investment).

  Low financial literacy levels can contribute to a lack of awareness about the importance of saving, how to save effectively, and the potential benefits of long-term savings. Without the necessary knowledge and understanding of financial concepts, individuals may not feel confident in making informed decisions about saving. Low financial literacy is a national issue; one scheme cannot solve this issue by itself. It requires a collective effort and commitment from multiple private and public sector stakeholders to resolve.

Importance of including the informal sector in savings schemes

The informal sector has traditionally been excluded from long-term saving schemes. Their inclusion in these schemes in Uganda is critical due to the following reasons:

1. In Uganda, the current population of older persons is expected to increase to 5.5 million in 2050 (UBOS, & ICF International, 2012). As the population ages, formal pension programs come under strain. This is due to fewer potential contributors given that the informal sector workers are not covered in the programs. Those who are accrue a greater number of dependent beneficiaries the longer they are on the benefit scheme. Strained pension programs lead to increased costs, higher taxes, and contribution rates. These pressures can limit the advancement of the private sector which is detrimental because it is the engine of growth in the market-led paradigm to development.

Including the informal sector in pension programs would, therefore, reduce the risk of facing this strain and its consequences.

2. Nine out of ten (90%) older persons lived with relatives who are primarily responsible for supporting them (Wandera, Odunayo, & Adedeni, 2017). Since over 70% of older persons had informal education and most of them depended on farming, their income is quite low. Without the cushioning of pension benefits, they became more vulnerable to poverty (Nzabona, Ntonzi, & Rutaremwa, 2015). As a result, these individuals must be cared for by their adult children, reducing their independence. The adult children are consequently left with fewer resources that could have otherwise been used to productively build themselves and the economy at large. Having a LTSS that covers the informal sector would reduce the risk of poverty among the older population, subsequently reducing the financial burden of their adult children and availing more resources for growth.
3. Eighty-Seven percent of the working age population in the Ugandan informal sector are women (Suubi, et al., 2022), and according to UBOS, 56% of the current population above the retirement age are also women. Due to the exclusion of the informal sector labour force from retirement benefit schemes, majority of these women do not save for retirement. For long-term security during old age, women need to be included in these social protection arrangements. More so, because in Uganda, women (life expectancy of 70.1) tend to live longer than men (life expectancy of 63.2) (Life Expectancy in Uganda, 2020).
4. Informal sector workers have little or no security of employment or income. Their earnings tend to be lower and fluctuate more than that of formal workers. A brief period of unemployment can leave the workers without enough income to live on, which could eventually lead to poverty. With the presence of a LTSS, should such periods arise, the workers would have savings to ensure their financial protection.

3.2. Retirement schemes for informal sector workers in Uganda

There was a total of 65 licensed retirement benefits schemes in 2021 according to URBRA. These are categorized in the figure below.

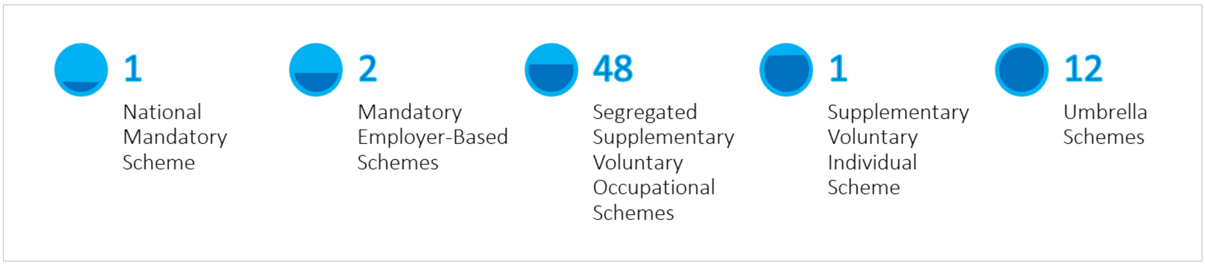


Figure 2: Licensed Retirement Benefit Schemes, URBRA 2021

According to the Uganda Retirement Benefits Regulatory Authority 2021 (URBRA, 2021), coverage of retirement benefit schemes per category were as shown in the figure below. The figures also show the membership figures as a percentage of the working age population (23,494,000, (UBOS, 2021)).

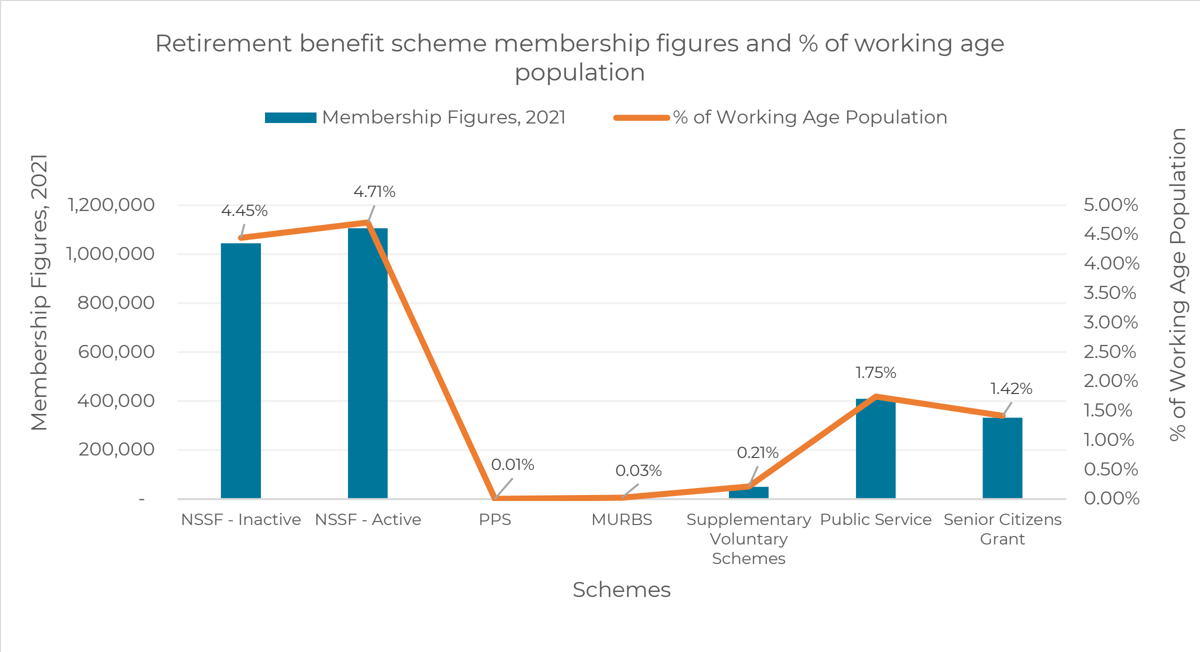


Figure 3: Retirement Benefits Sector Coverage - Membership Figures and % of Working Age Population

The breakdown of contributions to retirement benefit schemes in Uganda (as of June 2020) shows that most contributions (81%) were made to the National Social Security Fund (NSSF) (URBRA, 2020). Contributions to the NSSF are mandatory for all employers and employees, though the contribution rates are still low.

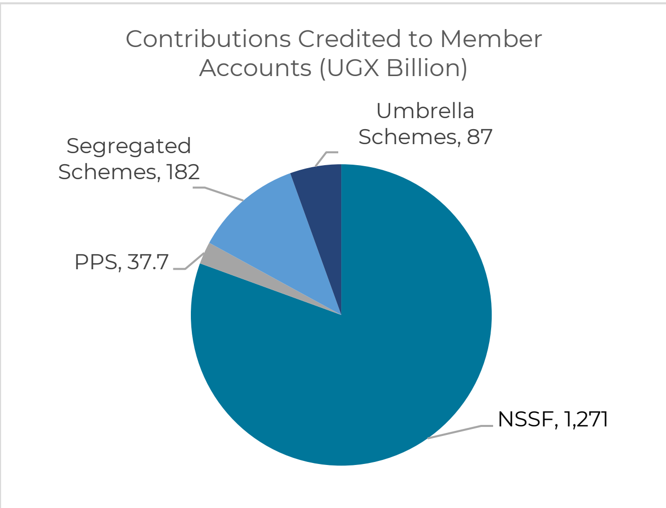


Figure 4: Contributions Credited to Member Accounts, URBRA 2020

The Parliamentary Pension Scheme (PPS) received 2% of total contributions in 2020 and umbrella and segregated schemes received 5% and 12% of contributions, respectively. These schemes aim to provide more substantial benefits to employees, particularly in the formal sector.

However, the large share of contributions highlights the important role that the NSSF plays in providing basic income security and financial inclusion for even the most vulnerable groups in Uganda.

The following retirement schemes target informal sector workers in Uganda.

National Social Security Fund (NSSF) Uganda

The National Social Security Fund (NSSF) is a National Saving Scheme mandated by Government through the National Social Security Fund Act, Cap 222 (Laws of Uganda) to provide social security services to employees in Uganda. Based on the NSSF Amendment 2021, every employer irrespective of the number of employees are required to register with the Fund as a contributing employer.

11.75% Cost to Income

1.18% Cost to Asset

9.65% Interest Declared

UGX 17,255,456 trillion Assets Under Management

URBRA, 2022

Small and large companies who have employees on various contractual agreements (temporary, permanent, casual) must make mandatory contributions to the NSSF for their staff. Thus, currently, all workers in both the formal and informal employment in the private sector, can save for retirement. The Amendment also allows for existing members and other self-employed persons to apply for membership and make voluntary contributions to the fund.

The Scheme is funded by contributions from employees and employers of 5% and 10% respectively of the employee's gross monthly wage. Members who are 45 years and above who have contributed to the fund for at least ten years are allowed midterm access to their benefits accrued from the contributions.

Challenges

As a national scheme, the NSSF faces some of the challenges described below.

- Most eligible employers have not registered with the National Social Security Fund, and the capacity to enforce statutory registration by the Fund is ineffective. This could be attributed to financial constraints faced by smaller businesses, lack of trust in the scheme, and lack of compelling incentives to participate.
- News of corruption in the NSSF continues to manifest in various ways (Ngabirano, Dan, 2018) and reform of the NSSF has been very slow (MGLSD, 2020).
- Benefits under NSSF are inadequate, due to the inherent weaknesses of provident funds. It is also proposed to convert NSSF lump sums to periodic benefits at retirement (MGLSD, 2020).
- The Amendment allows employers of any size to contribute to the scheme. However, "employer" refers to – 'a company registered or incorporated under the Companies Act, 2012; a business registered under any other law for the time being in force governing the establishment of business entities'; among other definitions. Informal sector workers and employers are notorious for not being registered, and informal enterprises are by definition – unregistered. Some also actively avoid registration to avoid being obligated to pay taxes, and out of concern that their business dealings will be more scrutinised by the government.
- The Amendment also does not distinguish between the size of the company expected to make matching contributions for their employees. A small, and even a medium enterprise may not afford to make regular contributions for their employees.

- Further, it may not be reasonable to expect mandatory contribution from the informal sector workers/employers who have unstable incomes.
- Several respondents in the 2023 survey expressed their dissatisfaction in accessing their money upon retirement, and the frequently changing terms and policies of the scheme. They also highlighted that the high age limits to access savings in NSSF affected the scheme's appeal.

Mazima Voluntary Individual Retirement Benefits Scheme (MVIRBS)

MVIRBS was one of two voluntary individual pension schemes licensed by URBRA in 2016. Its primary objective was to increase access of informal sector employees to formal pensions. The scheme has a flexible retirement savings contribution plan with no penalties for inconsistent contributions. The key feature of the scheme is that low-income workers can use mobile money networks (standing orders and direct deposits are also accepted) and choose how much and when to save.

24.89% Cost to Income

3.19% Cost to Asset

8% Interest Declared

UGX 954 million Assets Under Management

URBRA, 2022

A registration fee of UGX 10,000 (USD 2.74) is required for enrolment into the scheme. The other requirement is to make a regular contribution of as little as UGX2,000 (USD 0.55 cents) a day or UGX 10,000(USD 2.74) per month — with no upper limit on contributions (World Bank Group, 2019). The scheme permits early withdrawals from the initial contribution after one year.

Challenges

- During the first few years after its launch, the Scheme encountered low retirement literacy levels, high fixed overheads that were difficult to meet in the earlier stages, high fees and charges applied to subscribers, suboptimal design and capacity of the IT platform used to administer individual accounts, and poor persistency (over 40% of the accounts were dormant) (World Bank Group, 2017).
- In 2018, the scheme was placed under interim administration to safeguard members' interests as there were reports of governance challenges in the scheme, including some element of financial mismanagement (Rupiny, 2018).
- The scheme currently lacks a physical location/presence which poses concerns about its legitimacy, thereby hindering market traction.
- Mazima lacks a robust technology system which prevented the scheme from managing its members effectively.

Kampala City Traders' Association (KACITA) Provident Fund

The KACITA Provident Fund Scheme, locally known as TEGEKA, was licensed by URBRA in 2016 with the primary objective of increasing informal sector employees' access to formal pensions. It aims to mobilize members to save for a dignified retirement.

The scheme allows individuals with any source of income, whether self-employed or formally employed in government institutions or the private sector, to participate and save. The scheme is open to individuals that are already contributing to mandatory and non-mandatory licensed retirement schemes. It also accommodates pensioners and individuals under 18 years of age, who can have supplementary accounts managed by their guardians.

Sign up can be done electronically or via one of the agents using a national ID and passport photo. A membership fee of UGX 10,000 (USD 2.74) is also paid. The minimum contribution is UGX 3,000 (USD 0.82) which can be paid anytime as per the convenience of the contributor. The contributions earn an interest per annum and can be accessed at the age of 50 years or after 10 accumulative years of saving. (KACITA, 2019).

Challenges

- Financial illiteracy is the biggest challenge of the schemes' uptake. Since most Ugandans prefer short term investment for quick money than long-term investment, they are hesitant to save with the scheme because their savings can only be accessed after 10 years or on attainment of 50 years.
- Another challenge is the cost incurred by ICEA Life Assurance Company Limited. These include costs for customer service / face-to-face interactions during signing up of members, and the time consumption for staff. (World Bank Group, 2017)

For all three primary informal sector schemes discussed, a common set of challenges emerges. These challenges include:

- High deposit costs, and limited access to formal financial services makes saving for retirement appear inaccessible, and expensive.
- Low financial literacy, which makes it harder for people to engage with the schemes effectively.
- Trust in these schemes is also a hurdle due to prevalent allegations of corruption and fund mismanagement.
- Inefficient processes and administration which creates scheme leakage, cost overruns, and continues to erode trust in retirement schemes.

If these ecosystem challenges can be successfully addressed, there's a promising potential for a broader coverage of retirement schemes in Uganda.

4. Considerations for a Feasible Informal Sector Savings Scheme

4.1. Formulation of long-term savings schemes

Adequate long-term retirement savings products, such as bank deposits, stocks, bonds, and annuity products, are necessary for financial security in old age. However, public intervention through education and guarantee funds may be needed to address behavioural impediments to their use. If left to their own accord, individuals may prioritize urgent matters over retirement savings, exhibiting myopia. Although workers demand market-based retirement schemes, government intervention is needed to ensure an equitable distribution of income and to alleviate poverty, as the supply may not be assured if left unregulated.

For long-term retirement savings schemes to be deemed viable, there are set criteria in which its formulation would be evaluated. These can also be viewed as the primary goals to be attained during a scheme reform or formulation. The World Bank (World Bank, 2005) maintains that ideally, as primary goals, long-term retirement savings schemes should be adequate, affordable, sustainable, and have robust benefits.

Adequacy	▪ This advocates that, all individuals, regardless of their economic status or the form of economic activity they undertake, should have access to the capacity to remain out of extreme poverty in old age. This covers both the absolute level (preventing old age poverty) and the relative level (replacing sufficient lifetime earnings) of retirement income that the Retirement Benefit Schemes (RBSs) will provide.
Affordable	▪ This refers to the financing capacity of individuals and society. Higher replacement rates have both direct and indirect costs. The direct cost is that higher contribution payments interfere with more pressing needs such as childcare and housing / land purchase. For the indirect cost, individuals are more likely to evade contributions by participating in informal sector activities. This has detrimental consequences for individual lifetime opportunities and macroeconomic consequences for budget sustainability and economic growth. It is recommended that for lower-income countries, the threshold for mandated contribution rate should be as low as 10%.
Predictability	▪ Predictability refers to the provision of benefits which are specified by law and not subject to the discretion of policymakers or administrators. Predictable schemes protect retirees against longevity risks and includes provisions for indexation to insulate individuals from the effects of inflation, wage, and interest adjustments before and after retirement.
Sustainable	▪ This is the sustained (current and future) financial soundness of the scheme. One of the main goals of pension reforms is to attain financial sustainability. RBSs should not be subject to unplanned increases in contributions or unannounced future benefit cuts or deficits that need to be covered by budgetary resources. In a sustainable scheme, all factors and adjustments required to keep the

	scheme financially sound and to protect the scheme from economic shocks should be decided and factored into the design of the scheme. This requires a reasonable assessment of anticipated rates of return, including the role of foreign investment in diversification and management of returns.[1]
Robust Benefits	▪ Refers to the scheme's capacity to withstand major shocks - including economic, demographic, and political, and to remain viable during unforeseen conditions and circumstances. The key outcome is the capacity of the system to sustain income replacement targets in a predictable manner, over the long term. ▪ Secondarily, the goal of mandated RBSs is to contribute to economic development by reducing negative impacts (e.g., effects on labour markets or macroeconomic instability) or leveraging positive impacts by increasing national saving and promoting financial market development.

4.2. Factors influencing the success of a national long-term saving scheme in the Ugandan informal sector

The following three aspects of the feasibility lens were used to understand the most appropriate recommendations for the Ugandan informal sector savings scheme.

- Supply Side
- Demand Side
- Policy Side

For an informal sector long-term savings to be successful, it needs to incorporate the World Bank's primary goals for evaluation as well as the other feasibility elements of informal sector long-term savings schemes which have been discussed in the previous sections. Based on these parameters, the diagram below illustrates a framework for a feasible NLTSS in Uganda's informal sector.

This framework has been contextualised with feedback received from Ugandan respondents, (URBRA, 2018) to strengthen its validity.

[1] Old Age Income Support in the 21st Century. World Bank Report.

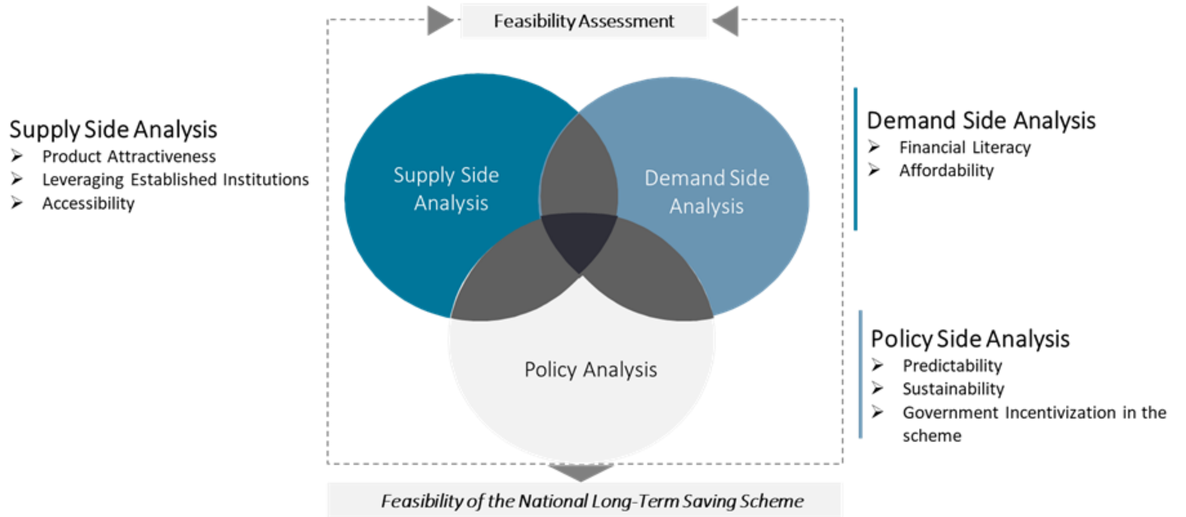


Figure 5: Framework for a Feasible LTSS in Uganda

4.2.1. A framework for a long-term savings scheme in Uganda

Lens:	Supply Side
Criteria	Definition and Context of Terms
Product Attractiveness	**Definition** ▪ The scheme should be simple in design and universal. ▪ The scheme should be tailored to suit different informal sector profiles and social economic situation i.e., considerations for gender, youth, income, and employment / sector (e.g., seasonal income for agriculture workers).
Accessibility	**Definition** ▪ The scheme should be accessible through the right channels / technology and payment modalities (e.g., National Identity Card, MFI, and mobile money technology). Existing Systems which are utilised by the informal sector (e.g., mobile money) should be leveraged for supply and outreach. Accessibility through mobile money would also help promote financial inclusion of the scheme. ▪ It should allow a degree of flexibility for withdrawal in case of emergencies and have mitigation for the resulting risks. **Context** ▪ Amongst the Ugandan informal sector, it is preferred that collection of retirement saving funds is door-to-door, bringing them to locally reachable MFIs or via self-help groups. Challenges in collection of contributions could also be addressed if subscribers can use affordable mobile money platforms and banks (deposits and transfers) to remit their contributions. ▪ 24% of informal sector respondents believed that a successful micro pension scheme should allow withdrawal of some amounts

Lens:		Supply Side
Criteria	Definition and Context of Terms	
	before retirement, that the system should allow contributions to be paid via mobile money transfer and that participants should be able to access their account details on phone through SMS or by calling the pension scheme administrators. However, early withdrawal or misuse of pension funds is a mainstream problem. This could be resolved by imposing penalties on early withdrawal, or providing loans based on the size of one's deposit, to cater for immediate and critical financial needs.	

Table 2: Definition and Context of Supply Side Terms for the Ugandan LTSS Framework

Lens		Demand Side
Criteria	Definition and Context of Terms	
Financial Literacy	**Definition** ▪ Creating public awareness and education of pensions, the scheme developed, and its benefits (why they should utilise it). **Context** ▪ In Uganda, people are willing to save and have some financial knowledge, but they lack access to appropriate knowledge to inform their savings decisions, especially for savings for retirement. Only 18% of the 856 informal sector participants surveyed indicated that they were saving for retirement. These respondents (72%) primarily got information on retirement saving from their friends, family, and colleagues, who are often not a reliable source.	
Leveraging Existing Institutions	**Definition** ▪ Encouraging the formation of and targeting already established savings groups (e.g., VSLAs, Women Associations, ROSCAs) and informal sector institutions (e.g., MFIs and SACCOs to roll out the scheme). **Context** ▪ Of the 46% of Ugandans that highlighted they were saving for retirement, these individuals prefer to save in groups through monthly contributions to SACCOs, NSSF, Uganda National Teachers' Union, and buying assets like cow and land. However, Ugandans in the informal sector have expressed that there are often trust issues when saving in groups (e.g., issues of embezzlement of group savings), that there is a fear of joining a fake savings group, and that there will be unequal sharing of the retirement benefits when they are withdrawn.	

Lens	Demand Side
Criteria	Definition and Context of Terms
Affordability	**Definition** ▪ The scheme should support lower contribution rates to tie in with the spending power of the target population. ▪ It should be affordable such that it does not overshadow an individual's basic financial means to save. ▪ There should be flexibility with regards to expected frequency of paying into the scheme, and the penalties for non-payment. This will help cater to individuals with temporary or seasonal incomes. **Context** ▪ Notably, when respondents in the Ugandan informal sector were asked why they were not saving for retirement, 53% if the 702 participants mentioned that they did not have a stable source of income, and 51% of 698 respondents considered the amount of money they could afford to save for retirement. ▪ The minimum and maximum amount 154 Ugandan informal sector respondents were able to save each month is less than UGX 100,000. Many respondents (20%) were able to save a maximum of UGX 100,001 to 200,000 per month. ▪ Moreover, in the design of a micro pension scheme, most informal sector respondents highlighted that a system which allows contributions of small amounts would enhance the success of the scheme.

Table 3: Definition and Context of Demand Side Terms for the Ugandan LTSS Framework

Lens	Policy Side
Criteria	Definition and Context of Terms
Predictability	**Definition** ▪ The scheme should be specified by law and not subject to the discretion of policy makers to avoid misappropriation of funds and to ensure full transparency. **Context** ▪ 48% of respondents in the informal sector mentioned that successful micro-pension schemes should be honest while dealing with members. A further 76% of respondents prioritise transparent management and an effective accounting system (44%). However, several stakeholders interviewed believed that Uganda currently lacks a regulatory framework suitable for micro-pensions.
Sustainability	**Definition**

Lens	Policy Side
Criteria	**Definition and Context of Terms**
	▪ The scheme should be financially sound, enable reinvestment of funds for the benefit of pension members and foster maturity of the capital markets for economic development. ▪ According to the World Bank, the financial market and regulatory institutions should be "ready" to adopt the new scheme to ensure success. The minimum conditions needed for the successful introduction of a pension scheme are: o A solid core of sound banks and other financial institutions capable of offering reliable administrative and asset management services. o A long-term commitment by the government to pursue sound macroeconomic policies and related financial sector reforms. o The establishment of core regulatory and supervisory systems and a long-term commitment for the support and continued development of a sound regulatory framework[2]. **Context** ▪ In Uganda, there is a major challenge of high costs (set-up, management and administration, and marketing) for independent schemes. This can undermine the viability and sustainability of the micro-pension arrangement.
Government Incentivization in the Scheme	**Definition** ▪ There should be provision of government matching contributions to incentivise participation of the demand-side population. ▪ The scheme's features should also incentivise the supply-side stakeholders to adopt it as a new product or into their already existing products. **Context** ▪ In the survey of savings attitudes in Uganda, 28% of informal sector respondents believed that a successful micro-pension scheme should include government support through additional contributions.

Table 4: Definition and Context of Policy Side Terms for the Ugandan LTSS Framework

[2] Old Age Income Support in the 21st Century. World Bank Report.

5. Long-Term Savings Schemes in Uganda – Demand Side Analysis

Demand-side analysis of a retirement scheme involves assessing the perspective and preferences of potential participants, focusing on understanding their needs, concerns, and motivations. This approach is vital because it sheds light on different dimensions of the scheme's appeal, challenges, and opportunities for influencing and encouraging behavioural change.

This section of the report discusses the outlook of the informal sector demographics, as well as the factors which influence the latent demand for retirement benefit schemes, including financial literacy, income levels, and trust. The statistics used were derived from the 2023 focus group discussions and structured interviews which were carried out amongst a sample of the informal sector population in Uganda. The detailed methodology for the 2023 survey can be found in Appendix 1.

5.1.1. An outlook on informal sector demographics

Women and youth are crucial target groups for an informal sector savings scheme due to their unique financial needs.

- Women often face gender-based financial disparities and have limited access to formal financial services, making it essential to provide them with opportunities to save and secure their financial futures.
- Engaging youth in savings schemes establishes healthy financial habits early on, ensuring long-term financial stability.

Furthermore, both groups contribute to the Ugandan informal sector's substantial workforce, making their active participation essential for the scheme's success. Targeting women and youth not only addresses their specific financial vulnerabilities but also promotes inclusivity.

Women

Gender makes a substantial difference in an individual's ability to save. Women are expected to make more immediate contributions to sustain their family's needs than to save for retirement or to set income aside for themselves. Notably however, women are more likely to be consistent contributors to retirement schemes. Studies have shown they are more systematic in making regular payments, are more likely than men to spend money on the predefined purpose of the credit and are more accurate in repaying loans (URBRA, 2018).

In the recent 2023 survey, when asked how affordable the current savings schemes are, there were interesting gender differences in responses. While 100% of men indicated that the current savings schemes were affordable, only 86% of women shared the same sentiment.

Although the percentage in agreement is also high for women, this suggests that women may find savings schemes less accessible to them due to income disparities, financial responsibilities or societal norms that affect women's ability to participate fully in saving schemes.

Among women in the informal sector, particularly those involved in cash rounds, there is also a higher willingness to save for retirement compared to men, and women (65% compared to 53% of men) are more likely to utilise formal financial institutions as the 2023 survey uncovered. Men, such as those in transport (boda boda riders), tend to prioritize immediate family needs over long-term retirement savings, often focusing on saving larger sums over time. Thus, there is high potential for women to be key contributors to long-term savings and financial security.

Youth

Among youth, there are distinct differences in the saving patterns of students and young individuals in the workforce. While students may not prioritize saving for retirement due to their perception of it being distant and not cause for immediate concern, young individuals in the workforce show initiative and receptiveness towards saving for their future.

Despite having limited income, the youth are receptive to saving smaller amounts regularly. This reflects their understanding of the value of consistent savings and their willingness to take small steps towards long-term financial security.

There is need for extensive sensitization efforts to raise awareness among youth about the importance of saving for retirement. In the Ugandan financial sector, youth inclusion programs that offer subsidized pricing, increased accessibility, and a wide range of services to cater to the needs of young individuals have been introduced. These programs aim to provide youth with convenient access to financial services without the need to physically visit a bank. Youth mentorship and skill-building initiatives have also been implemented to educate and empower young individuals on financial matters. By engaging youth at an early stage and providing them with the necessary tools and education, they can develop a habit of saving and be better prepared for their future financial needs.

In Uruguay, the social security institution (Banco de Prevision Social (BPS)) develops activities that aim to inform and educate citizens about the social security system, their rights and duties, as well as the role and relevance that social security has in people's lives.

A sophisticated social security education programme is part of the curriculum of public schools and universities, as well as vocational training institutes, starting from a very early age (5 years) until graduation. The programme includes learning units adapted to every age, ensuring that children learn about social security every year of their education as part of civic education.

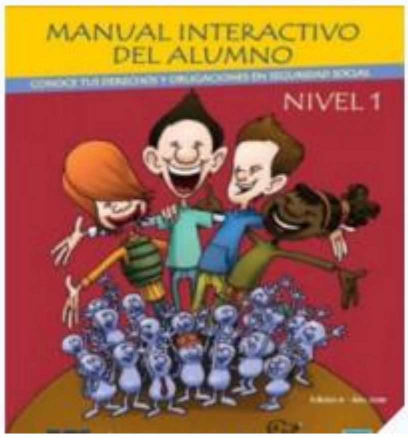


Figure 6: Social protection education programme. Source (ILO, 2021)

Understanding preferences by age-group

Understanding age group preferences can provide estimations on how much participants are likely to save, members' investment priorities, and the level of investment risk they are willing to take. It would also aid in calculating the scheme's financial projections and tailoring marketing efforts. To expand,

Members younger than 25 are focused on starting their career and may prioritise immediate financial needs over long-term savings. They have limited financial resources and so may not save consistently for retirement but could benefit from starting early. They have a longer investment horizon which allows them to take on higher levels of risk.

Members between the ages of 25 to 50 are often juggling various financial responsibilities such as raising children and paying off mortgages. They would gradually increase their contributions to retirement savings as their income grows. Their risk tolerance may vary based on personal financial goals, and experience, and are more likely to seek a balanced investment portfolio to offer stability and moderate growth in investment.

The older members who are over 50 are approaching retirement, so, have a shorter horizon for wealth accumulation. They are more likely to prioritise wealth preservation and income generation rather than aggressive growth. So, they may consider shifting their investments towards more conservative options to minimise the impact of market volatility. Their priority is to ensure adequate retirement income.

Geography

In 2021, the estimated total population in Uganda was at approximately 43 million (51% female). According to (UBOS, 2021).71% of people lived in rural areas, compared to the 30% who lived in urban areas. Given the high portion of the population living in rural areas. retirement benefit schemes should therefore have a strong presence in this geography - including in its outreach and marketing efforts.

In the 2023 survey, it was uncovered that regardless of a formal or informal saving medium, the urban population (90% used formal; and 63% used informal) used them more. In the rural areas, only 44% of respondents mentioned using either a formal or informal medium for saving. From this, it can be purported that the urban population has more inclination to save and would do so through any medium. This suggests that access to and awareness of savings options may be higher in urban areas.

In rural areas, the uptake of formal retirement schemes has been low. Informal saving mechanisms such as VSLAs are preferred. Below are some of the dynamics at play within these informal savings groups.

- High reliance on Trust: The decision-making process regarding finance is often communal and relies heavily on trust. Within these groups, individuals collectively make financial decisions, pooling their resources and contributions for common goals. Decisions about how much to save, when to make withdrawals, and how to allocate funds are often made collaboratively, guided by the collective needs and aspirations of the group's members. This communal approach fosters a sense of shared responsibility and mutual support. Trust therefore plays a paramount role as members depend on each other to honour their commitments, contribute consistently, and manage the group's funds transparently.

- Information Dissemination: The local council chairman and other influential figures in the community play a crucial role in disseminating information about financial products and services. Instead of seeking information from the internet or regulatory bodies, rural residents tend to rely on individuals they trust within their community. For example, in VSLAs, certain influential members hold sway over the association and can influence the decisions made. So, the information-seeking behaviour in rural areas is more dependent on personal connections and community leaders rather than external sources.

To increase membership uptake of long-term savings schemes in rural areas, partnerships with informal sector associations and community leaders is required. Linking formal financial services with these associations can also improve financial inclusion in rural areas.

Domestic workers

In many countries, domestic workers are largely not covered by social protection schemes (ILO, 2021). This could be due to the absence of legislation streamlined to their employment category. For example, they are less likely to comply with eligibility criteria such as minimum working hours or salary thresholds. In instances where the legislation does exist, it may not be enforceable because domestic work is carried out in private homes. So, these individuals are less visible, more difficult to monitor, and more prone to informality and detrimental practices. Including domestic workers in labour and social security legislation is an important first step towards enhancing their social protection (ILO, 2021). South Africa for instance, has extended legal coverage of unemployment, maternity, and sickness insurance to domestic workers through the Unemployment Insurance Amendment Act (2003).

Self-employed workers

According to (UBOS, 2021) the reason most (42%) of Ugandans chose to become independent workers was because they were unable to find a wage/salary-paying job. For 28% of these workers, the reason was because they needed to have greater independence while at work. More women (11%) than men (5%) stated that they chose not to work for others because it was a family requirement (UBOS, 2021).

The exclusion of self-employed workers from legal coverage has often been explained by the following factors (ILO, 2021):

- The diversity of circumstances, needs and contributory capacities among self-employed workers. For example, the situation of liberal professions or business owners is very different from the situation of small farmers, contractors, members of cooperatives or contributing family workers.
- The "double contribution challenge" – the requirement that self-employed workers assume the full contribution (employer and employee contribution) unless specific measures are in place to reduce the contribution rate.
- The administrative burden in terms of income declaration, record-keeping, contribution collection and benefit claims.
- The correct classification of 'self-employment' in situations in which it may be unclear or ambiguous, to avoid a misclassification of employment or disguised self-employment.

To legally extend social security coverage to self-employed workers, there should be inclusion of self-employed workers in social security legislation and schemes, independently of their employment status. Success would also depend on the extent to which legislation and its implementation considers the circumstances and needs of self-employed worker especially - their ability to pay contributions, priority needs, and adapted administrative procedures (ILO, 2021). These workers should also be properly informed about existing schemes and how to access them.

5.1.2. Latent demand for an informal sector scheme

Latent demand refers to demand for a good or service that consumers cannot satisfy for these main reasons.

- The consumer does not have enough money to buy the item.
- Limited disposable income creates competing priorities
- The item (product) is not offered.
- The consumer does not know that the product or service is available.
- Low financial literacy levels.
- Lack of trust.

Assessing latent demand for an informal sector scheme aids in identifying the reason behind untapped coverage among the target demographic. It helps to uncover the extent to which individuals within the informal sector are interested in participating in schemes but may not have actively participated in them. By understanding this, policymakers and providers can tailor the scheme's features and outreach strategies more effectively, potentially boosting participation rates and ensuring the scheme's alignment with the actual needs and preferences of the target population.

Affordability: The consumer does not have enough money to buy the item

A significant factor in financial exclusion is the low income and huge inequality gap which prevents the poor from being able to save and accumulate wealth for their families.

The median monthly earnings (in-cash) for persons in paid employment (UBOS, 2021) was the highest amongst women in formal employment, UGX 600,000 (~USD 162), as shown in the figure below.

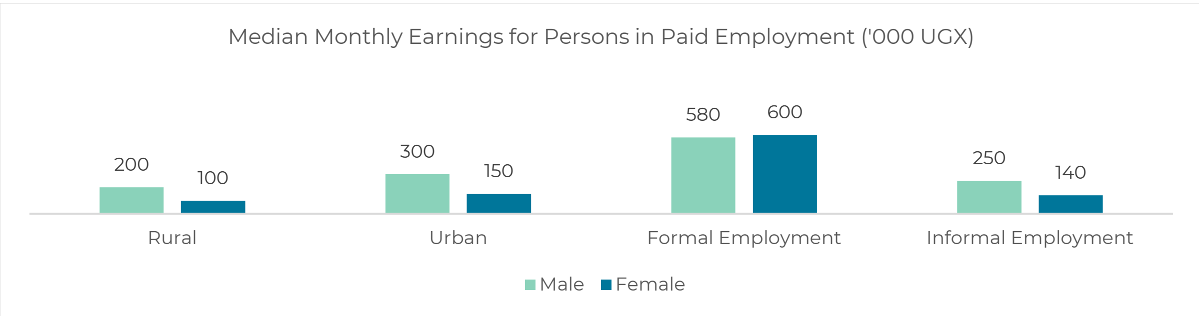


Figure 7: Median Monthly Earnings for Persons in Paid Employment ('000 UGX) (Source: UBOS, 2021)

The figures for women and men in the rural setting were amongst the lowest in 2021 at UGX 100,000 (~USD 26) and UGX 200,000 (~USD 54) respectively. Median monthly earnings for women in both rural and urban settings, as well as in informal employment, were 50% lower than that of men. This could be attributed to the impact of care responsibilities on women’s incomes which potentially lasts for many years, preventing them from participating in stable, long-term income generating activities. Currently, there are insufficient benefit schemes which provide, at least, a basic level of income security just before, during and after childbirth for women in the informal sector. This highlights the need for interventions targeted at women to help increase their incomes and ability to save.

It is expected that those in the informal financial sector, which is primarily made up of rural low-income people, will frequently pay higher service fees and other transaction costs than their counterparts in the formal financial sector. This hinderance is even more exaggerated with women due to restricted movements, lack of bargaining power in their households, lack of assets for collateral, constraint of time to pursue jobs when engaged in unpaid domestic work, and the concentration of this gender in lower paying economic activities (FSD, November 2021).

Despite the lower incomes, the informal sector would still be willing to contribute a portion of their income to a long-term savings scheme. In the 2023 survey, men and women stated they could contribute different percentages of their income as captured in the graph below.

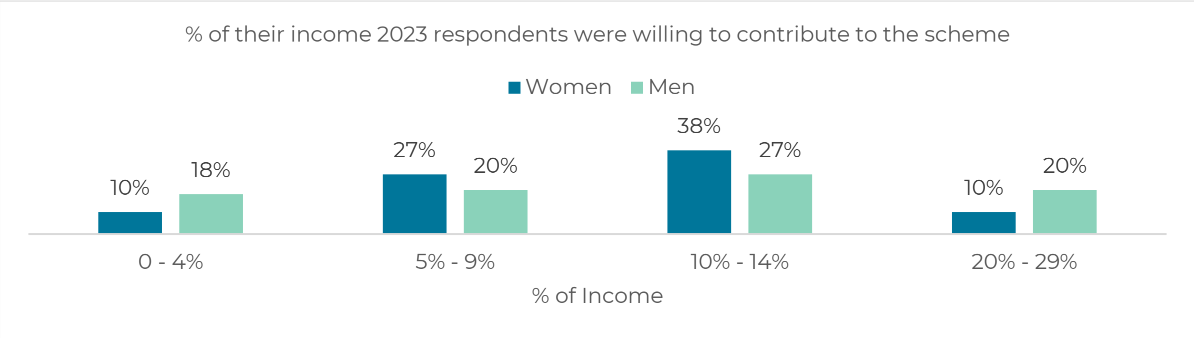


Figure 8: Percentage income contribution towards long-term savings

On the frequency of contribution, most respondents – regardless of earning more or less than UGX 250,000 preferred to contribute monthly to align with regular income cycles. Thus, there is potential to secure scheme contributions from a range of income levels, though emphasis is placed on the importance of offering flexible contribution options within a long-term savings scheme. The survey findings also support the recommendation by the OECD to encourage participation in contributory pensions by offering flexibility and voluntary participation instead of imposing strict requirements. This would encourage participation of temporary and/or seasonal workers and reduce non-compliance with mandatory public pension schemes. According to the World Bank (World Bank, 2005), for low-income countries, the threshold for contribution rates should be as low as 10%.

Limited disposable income creates competing priorities

The informal sector is more concerned with their deficiency needs (e.g., education, food, and health) which are a means to an end, compared to the formal sector who prioritise their growth needs (e.g., creativity, achievement). For individuals in the informal sector, there is a harder choice between consumption and saving money and as a result, they have little left over to save for retirement. To illustrate, only 18% of adults in the informal sector reported that they were saving for retirement, compared to 60% in the formal sector (URBRA, 2018).

During the 2023 survey, several factors (indicated in the graph below) were identified as priorities which prevent informal sector individuals from saving. Majority of respondents (73%) highlighted paying for education for themselves or their children as a significant priority. This suggests that education is a major financial commitment for many individuals in the informal sector.

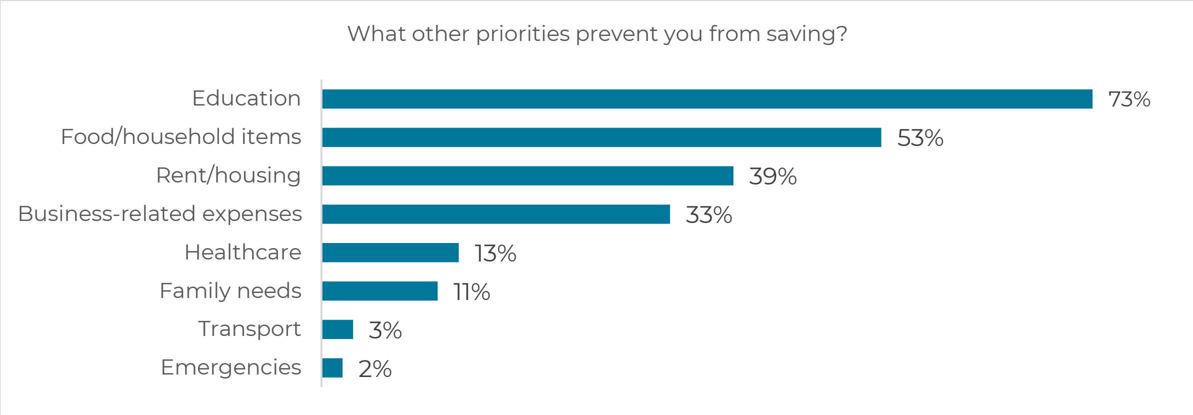


Figure 9: Priority needs for informal sector individuals (Source: 2023 Survey)

Savings for retirement is therefore on the lower list of priorities for these persons, and so, they end up being excluded from long-term / retirement saving. Notably, despite the low-income levels, during the 2023 survey, when informal sector workers were asked if they could afford to save for the long-term, 88% of respondents (regardless of gender) agreed that they would be able to. The reason for not saving for retirement for a large percentage (54%) of the respondents was not necessarily low-income, but a lack of stable income. This highlights the need for policy makers to regulate wages (43% of paid employees, i.e., about 1.4 million people, were inadequately paid in 2021 according UBOS).

Availability: The item (product) is not offered

As discussed in the previous section, there are informal sector retirement schemes available which work around the financial constraints faced by many Ugandans. Moreover, (URBRA, 2018) reported that only 1% of survey respondents felt that there was a lack of retirement schemes available for them to join. This implies that although there may be products available, they may not be attractive or enticing enough to incentivise organic (or even forced, as is the case with the national mandatory scheme) participation.

- An attractive product is one which allows contributions and withdrawals to be made via convenient channels (e.g., mobile money). It also permits inclusivity because with convenient channels, female clients would not feel obligated to pause their responsibilities to go to the bank and made a deposit.

An attractive product also incorporates the right incentives. The International Labour Organisation (ILO) Social Security Convention 102 (ILO, 1952) put forward the minimum standards for all nine branches of social security. These are:

- Medical care
- Sickness benefit
- Unemployment benefit
- Old-age benefit
- Employment injury benefit
- Family benefit
- Maternity benefit
- Invalidity benefit
- Survivors' benefit

The ILO requires member states to ratify three of these branches depending on their socio-economic level. Offering these benefits could also foster female participation. For instance, medical benefit packages create the outlook that the female client is looking after her family by participating.

The 2023 survey sought to understand the specific types of benefits informal sector workers would prefer in their ideal LTSS. Regardless of gender, majority of respondents (86%) expressed a strong preference for education related benefits. Paying school fees was viewed as a high priority.

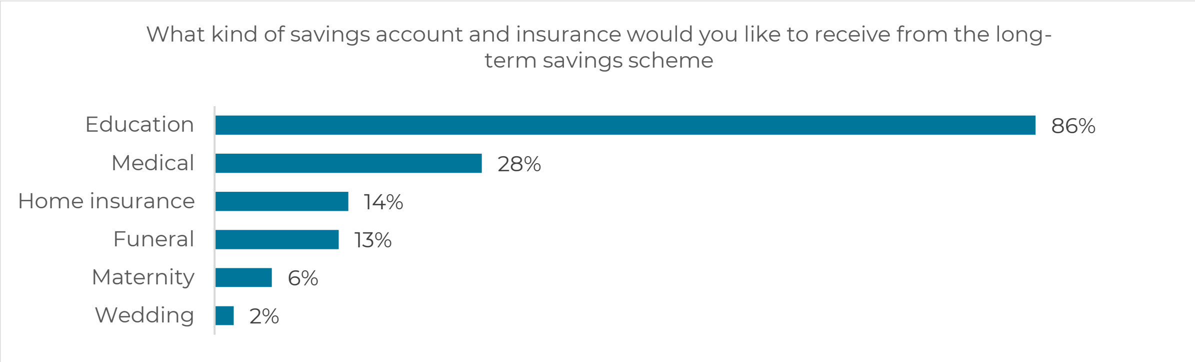


Figure 10: Informal sector insurance preferences (Source: 2023 Survey)

Case Study: Tunisia - Social Insurance Scheme for Female Informal Sector Workers

- The Tunisian Ahmini Programme was developed in partnership with Tunisie Telecom and the Caisse Nationale de Sécurité Sociale (CNSS) in 2016. It offers some ideas for the extension of social insurance schemes to female informal workers in the agricultural sector. This scheme is directed at the 500,000 female informal workers in the agricultural sector, many of whom work as day-labourers earning between 10-17 dinars (USD 3-5) per day. Ahmini – 'protect me' in Arabic – aims to collect contributions towards health care, work-related injuries, and pensions among this category of workers who are rarely registered in the social security system. It allows female agricultural workers to contribute to social insurance through mobile money transfers.
- Contributions are set at a minimum of one dinar (USD 0.32) and the scheme aims to collect 20 dinars (USD 6.4) per month, per beneficiary. The scheme relies on 'ambassadors' to collect registration data from rural women including their national ID number, birth certificate, social security registration form, and certificate of agricultural activity. Their social security number is then registered to their mobile telephone numbers allowing them to make contributions using mobile money transfers (UNDP, 2021).

Key innovations:

- Additional Benefits: A key incentive is the access to health care for female workers and their family members in addition to work-related injuries and a pension. This provides a more comprehensive benefit package than the social assistance programme of subsidized health care for the poorest and most vulnerable households.

Key innovations:

- Digitalization: A growing trend in the region is extending social insurance using digital platforms. The scheme brought together young unemployed tech graduates and rural women to develop apps which facilitate access to services (including voice activation technologies), provide service on the ground, and utilise community associations for outreach and awareness raising.
- Reaching remote areas: The mobile app addresses the high illiteracy rates among rural female workers and the long traveling times women would need to spend travelling to social security offices to register and make regular payments.
- Flexible contributions: The scheme recognises the limited contributory capacity of rural female workers, so it allows for low minimum payments. This can be paid on a daily, weekly, or monthly basis to reflect female workers' seasonal and irregular earnings.
- Collaboration with mobile provider: Contributors receive bonus mobile phone credit through Tunisie Telecom when making contributions through mobile phones.
- Tackling youth unemployment: The programme recruits young volunteers to facilitate the registration process and engage local communities to raise awareness about the programme and its benefits. It may be an attractive experience given high rates of youth unemployment and underemployment in Tunisia.

Awareness: The consumer does not know that the product/service is available

The informal sector understands the importance of saving and is generally aware of retirement schemes such as the popular NSSF. However, they have limited knowledge about the scheme to inform their decision to participate. Moreover, according to (URBRA, 2018) the financial knowledge of informal sector workers does not extend to saving for retirement. Due to low financial literacy levels, individuals may not have adequate information about the schemes available or be educated enough about their benefits and uses to take them up.

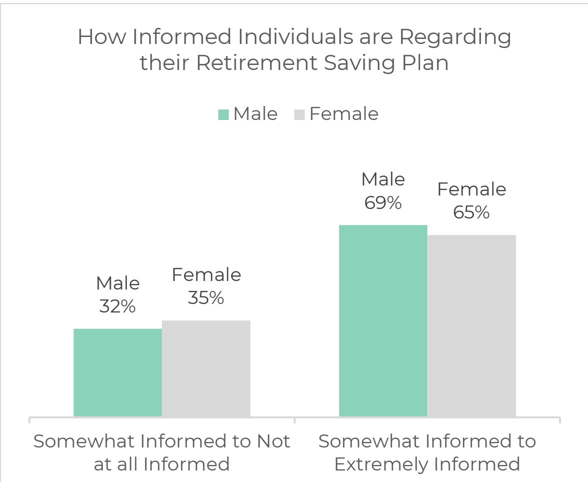


Figure 11: How Informed Individuals are Regarding their Retirement Saving Plan (M/F), URBRA

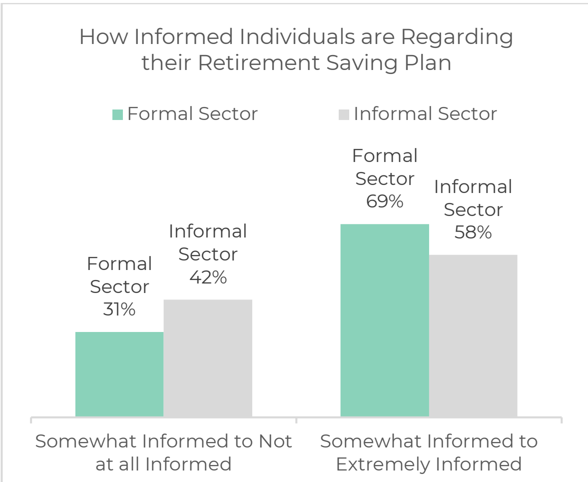
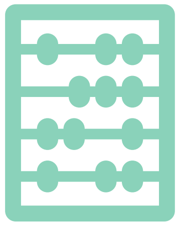


Figure 12: How Informed Individuals are Regarding their Retirement Saving Plan (F/Inf), URBRA

The survey responses suggest that majority of men and women in both the formal and informal sector are '*somewhat informed to extremely informed'* about retirement saving plans. Low awareness and training of informal sector LTSSs and micro-pension schemes and their benefits hinder informal sectors workers from joining such schemes. Few, ineffective awareness campaigns, publications and education seminars are done upon the launch of a new scheme. According to (UBOS, 2021) 61.5% of Ugandans use the radio as their main source of information while 1.8% prefer the internet. Radios could therefore be a key communication and awareness platform for current and future schemes developed.

Although between 32-42% of respondents were not well informed on savings plans (signalling a need to improve outreach and other marketing campaigns of the benefits of savings plans), the vast majority were. It is therefore unlikely that the low uptake of these plans / schemes is only due to lack of awareness. The same survey reported that 85% of respondents in the informal sector would like micro-pension schemes to be set up in Uganda so that low-income earners in the informal sector can use them to save for retirement. However, there are currently two informal sector micro-pension schemes (KACITA and MAZIMA) in the country, and they both have low participation levels. This reinforces that the latent demand for informal sector schemes could be because the population is either unaware of these schemes (the micro-pension schemes need to improve their marketing and outreach) or unwilling to join the existing micro-pension schemes in Uganda (due to the allegations of mismanagement within these schemes).

Financial Literacy



Financial literacy refers to the knowledge, skills, and understanding that individuals possess about financial concepts, principles, and practices. It involves having the ability to make informed and effective financial decisions, manage personal finances, and navigate various aspects of the financial world. In the context of an informal sector scheme, it also entails educating individuals about the scheme's features and benefits so that they can understand its importance and make informed decision about why they should utilize it. The need for financial literacy and sensitisation of informal sector workers on retirement schemes and the importance of saving for the longer term was frequently mentioned in the 2023 survey as a key requirement. The high rate of financial illiteracy among informal sector workers limits their desire to participate as they are unable to understand the scheme's complex requirements and processes.

In the survey, most respondents (over 75%), regardless of gender, age, or income bracket, indicated that receiving more information and education about schemes would encourage them to save more. They recognized the importance of saving for the future and believed that being well-informed about the benefits and workings of the schemes would help them make informed decisions. Some expressed the need for financial inclusion and literacy programs to raise awareness and educate the public about long-term savings.

The respondents' most preferred medium for education about long-term savings schemes was through face-to-face interactions which was captured from 34% of participants. They appreciated the opportunity to ask questions, seek clarification, and have discussions in person. In this regard, community leaders and representatives were seen as reliable sources of information, as they could provide real-life examples and address specific concerns. Radio (17%) and mobile (15%) channels were also mentioned as mediums for education due to their accessibility and potential effectiveness in reaching a wider audience. Overall, there was a preference for interactive and personalized modes of education.

There was also a preference to receive financial literacy training sessions frequently – on a monthly (stated by 34% of respondents) or weekly basis (stated by 20% of respondents). This suggests a desire for regular and consistent information updates and reinforcement of knowledge.

Case Study: India's National Pension System

- In India, for example, about 80% of informal sector employees failed to take up schemes because they did not know what a pension was. In the National Pension System created – which is available to the entire population, one of the approaches to onboard workers into the system was through financial education via public awareness campaigns. In 2018, the Pension Fund Regulatory Authority of India (PFRDA) launched a dedicated website called "Pension Sanchay". Through this website, PFRDA aims to address the need of financial literacy from the perspective of retirement planning. The content of the website was designed in view of the four most important concepts in financial decision making: knowledge of interest rates, interest compounding, inflation, and risk diversification. The website has a separate segment with available blogs written by professionals in the financial sectors and the officers of the authority. The blogs provide meaningful insight on the fundamentals of finance, banking, and investments. As of mid-April 2023, the website had received over 400,000 visits which can be translated as the number of individuals trained on financial concepts, making them more financially literate (PFRDA, n.d.).
- A unique, field-tested financial literacy strategy and Retirement Literacy Toolkit was developed by the National Bank of Agriculture and Rural Development and the Invest India Micro Pension Services to educate low-income informal sector workers about pensions, savings, and insurance concepts and products. (URBRA, 2018). Further, PFRDA conducts subscriber awareness programs through its central record keeping agencies at different places across India. It has empanelled a dedicated training agency for creating subscriber awareness and capacity building regarding the National Pension System and APY India. PFRDA also conducts Annuity Literacy Programs in co-ordination with the National Pension System Trust and Annuity Service Providers to make subscribers aware of the different annuities available to them (National Centre for Financial Education, 2020).
- Through the above-mentioned financial literacy strategies, the National Pension System and APY India schemes have been adopted by over 90 million of the 442 million workers in the Indian informal sector (The Hindu, 2023).

The importance of trust

As stated previously, the 2023 survey responses reflected a general lack of trust in the credibility and trustworthiness of scheme providers. Many respondents expressed scepticism towards government-operated schemes, citing unfulfilled promises, lack of information, concerns about corruption and embezzlement of funds. The fear of losing money due to closure or mismanagement of schemes was also a prevailing concern.

Ugandan Context:

News of corruption in both the public service pension scheme and the private NSSF continues to manifest in various ways. For example, most recently, over UGX 165 billion pension funds meant for former workers of the East African Community was lost in the hands of unscrupulous officials in the Ministry of Public Service. The NSSF has also been hit by funds mismanagement scandals in the past such as those surrounding the Temangalo and Nsimbe land purchases. In 2016, it was also accused of investing members' funds in risky ventures without due diligence. These allegations have raised concerns about the transparency and accountability of the scheme's fund management.

Lack of understanding and information about existing schemes was another factor contributing to the uncertainty and doubt regarding their credibility. Thus, trust is reinforced by financial literacy and one's own experience with a saving scheme.

On the safeguards that individuals would expect from a long-term savings scheme to build their trust, responses emphasized the need for transparency, open communication, and frequent updates on scheme operations. Building trust through strict protocols, accountability for officials who mismanage funds, and punishments for embezzlement was also emphasized. Many respondents highlighted the importance of easy access to savings when the time is due and the need for clear processes to protect savings in case of scheme closure. Education, sensitization, and regular visits by scheme representatives were suggested as ways to enhance understanding and confidence in the scheme. Furthermore, branch presence in different locations was mentioned to provide accessibility and prompt resolution of issues. Testimonials from other members, and proper record-keeping are additional factors that respondents believed would contribute to building trust.

6. Long-Term Savings Schemes in Uganda – Supply Side Analysis

The supply-side analysis considers the factors which drive a scheme's effectiveness and accessibility, thereby strengthening its impact and coverage. This section delves into two key aspects which warrant careful consideration:

- The coordination between established players in the ecosystem, and
- The effectiveness of mobile devices and technologies.

These aspects shape an understanding of a savings scheme's operational landscape.

6.1.1. Supply side players of long-term savings schemes in Uganda

According to the EY/IFC Framework for good practice for pension markets, ideally there should be above five providers available to perform various roles (including insurers, distributors, administrators) in a retirement system. The Ugandan environment meets this parameter. There are various supply side players involved in the development and delivery of retirement schemes.

These players include:

BANK OF UGANDA	UGANDA MICROFINANCE REGULATORY AUTHORITY	UGANDA RETIREMENT BENEFITS REGULATORY AUTHORITY	CAPITAL MARKETS AUTHORITY OF UGANDA	INSURANCE REGULATORY AUTHORITY OF UGANDA
➢ 25 Commercial banks ➢ 3 Credit institutions ➢ 5 MDIs ➢ 7 Mobile money service providers ➢ 24 Payment service providers and payment system operators ➢ 160 FinTechs	➢ 58 SACCOs ➢ 172 MFIs ➢ 941 Money lenders	➢ 1 Public pension fund ➢ 1 Social security fund ➢ 60 Private retirement benefit schemes	➢ 26 Licensed firms	➢ 26 Non-life insurance providers ➢ 8 life insurance providers ➢ 3 Micro insurance providers

Figure 13: Breakdown of financial service providers in Uganda. Source: (NFIS, 2023)

Understanding the supply-side players and their potential impact on the success of a national level long-term savings scheme is crucial in determining the feasibility and sustainability of the scheme in Uganda.

Financial institutions catering to informal sector workers

MFIs are financial institutions that provide financial services to low-income individuals and microenterprises. They can help target the informal sector, which is a large part of the potential market for the savings scheme. MFIs can also help with financial literacy and education, which is important for encouraging people to save. In addition to MFIs, other financial institutions that cater to informal sector workers and offer long-term savings schemes include Banks, Pension Funds, and Non-Bank Financial Institutions (NBFIs).

In Uganda, the Uganda Microfinance Regulatory Authority (UMRA) regulates microfinance institutions and non-banking financial institutions such as savings and credit cooperatives (SACCOs) and VSLAs. Data from UMRA indicated that as of end of June 2021, twenty-six

SACCOs had been licensed, and these had aggregate assets and share capital of UGX 58.19 billion and UGX 16.67 billion respectively, with SACCOs having strong capital and liquidity positions. This shows that there is already a significant level of savings mobilization happening in the country. However, while SACCOs are an important source of financial services, they may not be sufficient to cater to the diverse needs of the population. For instance, not all SACCOs provide long-term savings options that are necessary for people to save for retirement or other long-term goals. This is where the development of a national long-term savings scheme would be beneficial and could complement the existing SACCO industry.

Payment Service Providers (PSPs)

PSPs are companies that offer payment processing services and can help with the collection of savings contributions and the distribution of pay-outs for the NLTSS. PSPs can provide payment gateways, mobile payment solutions, and other payment processing services. Examples of PSPs in Uganda include Pegasus, Interswitch, and Cellulant Yo Uganda, which have provided payment processing services for various financial services, including savings schemes.

In Uganda, the enactment of the National Payment Systems (NPS) Act (2020) paved way for the Bank of Uganda to issue licences to payment systems operators and service providers. As of June 30, 2021, four institutions had been licenced (BoU, 2021). However, by April 30, 2022, the number of licensed institutions had only risen to 14 (for comparison, there are 23 licensed payment service providers in Kenya). The following is a breakdown of the institutions licensed in Uganda.

- 8 institutions licensed as both payment systems operators and payment system providers.
- 5 institutions licensed only as payment system operators.
- 1 institution licensed only as a payment service provider.
- Of the 14 institutions, 9 are licensed to handle large funds, 3 are licensed to handle medium funds, and 2 are licensed to handle small funds.

Mobile Network Operators (MNOs)

MNOs are companies that provide mobile telecommunications services and can help reach a wider audience for a savings scheme using mobile technology. MNOs can provide mobile payment systems, SMS reminders, and other mobile-based services to make it easier for people to make contributions to their accounts. For example, Vodafone M-Pesa in Kenya partnered with a micro pension provider, PensionPlus, to offer mobile-based micro pension services.

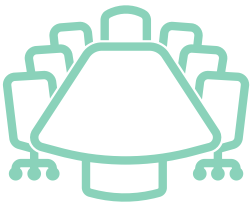
In Uganda, mobile money remains the main payment system for a significant share of households and small enterprises across the country. In June 2020, the value of money transactions stood at UGX 7.63 trillion and grew to 18.25 trillion in 2023. In the same period, the number of active mobile money users increased from 17.5 million in June 2020 to 26.4 million in June 2023 (Bank of Uganda, 2023). Low value transactions (in the range of UGX 0 - 50,000) remained dominant accounting for 93.2% of the total transactions with cash in and cash out transactions also accounting for the bulk of the transaction values at a combined 65% as at end June 2021. The continued growth of mobile money payments is indicative of the success of on-going initiatives by the government and MNOs to encourage the use of digital payments as a strategy for financial inclusion. In addition, mobile money payments have been boosted through the expansion of the range of channels by MNOs such as MTN Momo Pay and Airtel Money pay channels that allow the public to receive payment for goods and services, pay suppliers, pay salaries as well as transfer money to their respective banks and vice versa (Bank to Wallet, Wallet to Brank) at significantly reduced fees. (BoU, 2021)

Pension Fund Administrators (PFAs)

PFAs are financial institutions that manage and administer pension funds and help manage the investments and pay-outs of pension and micro pension schemes. They are licensed and regulated by the government, which means that they can ensure compliance with the pension laws and regulations. Examples of PFAs include Pension Alliance Limited and Sigma Pensions in Nigeria, which have helped to manage micro pension schemes in the country.

As of January 2023, the Uganda Retirement Benefits Regulatory Authority (URBRA) had licensed 10 institutions (such as Enwealth Financial Services UG Ltd and Jubilee Insurance Company Uganda Limited) as pension fund administrators. Most of the administrators are established institutions in the insurance sector in Uganda.

Pension Fund Trustees



The role of a trustee in a pension scheme is to act as a fiduciary and ensure the effective management and protection of the scheme's assets and interests on behalf of the scheme's beneficiaries. Trustees have a legal and ethical duty to act in the best interests of the scheme's members and beneficiaries, independently of the sponsoring employer.

They are responsible for overseeing the scheme's administration, investment decisions, and adherence to relevant laws and regulations. Trustees are tasked with making informed decisions regarding the scheme's investment strategy, reviewing, and selecting service providers, monitoring the scheme's financial health, and communicating with scheme members. Their primary goal is to safeguard the scheme's assets, promote its long-term sustainability, and secure the financial well-being and retirement benefits of the scheme's beneficiaries.

In Uganda, as of January 2023, there were four licensed corporate trustees and 192 individual trustees.

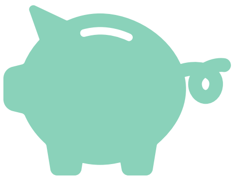
Pension Fund Managers (PFMs)

Pension fund managers are responsible for investing and managing funds on behalf of pension scheme members. To work with a provider of a national savings scheme, the pension fund manager can potentially invest some of the funds in the savings scheme to generate additional returns for their members. This can provide an additional source of investment for the savings scheme and can also enable the pension fund manager to diversify their portfolio.

However, any such collaboration would require careful coordination and communication between the two parties to ensure alignment of investment objectives and management strategies. Additionally, it would be important to ensure that any investment in the savings scheme is appropriate and aligned with the fiduciary duties of the pension fund manager to act in the best interests of their members.

As of January 2023, there were 6 licensed pension fund managers in Uganda. The fund managers are all asset management firms operating in Uganda's financial market. These firms provide investment management services to clients, including individuals, corporations, and institutional investors. Their offerings include a range of investment products such as mutual funds, retirement funds, and other managed investment portfolios. As asset management firms, they play an important role in the financial market, helping clients to invest their money effectively and generate returns over the long term.

Insurance Companies (and Actuarial Firms)



Insurance companies can partner with long-term savings scheme providers to provide insurance coverage and manage the associated risks. Together, they can offer a comprehensive financial planning solution for customers, including life insurance policies that complement the savings scheme. Some insurance companies that have partnered with savings scheme providers include AXA (France), Allianz (Germany), and MetLife (USA). These partnerships can help customers achieve their long-term financial goals by providing a range of financial planning services, and addressing concerns around affordability, security, and transparency.

Actuarial firms can partner with savings scheme providers to help them manage and mitigate financial risks associated with their schemes. These partnerships can involve the provision of actuarial advice and expertise to help the scheme provider accurately estimate future liabilities and manage investments to ensure that the scheme remains financially sound. Actuarial firms can also help the scheme provider develop and implement risk management strategies that enable the scheme to withstand unforeseen events and market fluctuations.

In Uganda as of June 2021, there were 2 reinsurance companies, 21 non-life insurance companies, 9 life insurance companies, 2 specialized microinsurance companies, 5 health management organizations, 42 insurance brokers, 3 reinsurance brokers, 25 loss assessors/adjusters, 19 bancassurance agents, and 3,120 insurance agents. (BoU, 2021)

Technology Companies

A pension technology company is a company that specializes in providing technology solutions and services for pension plans and retirement savings management. These companies develop software platforms, applications, and tools that help pension plan administrators, employers, and individuals effectively manage and administer retirement benefits. Pension technology companies often offer a range of services and features such as retirement planning tools, investment tracking and management, automated enrolment and contribution processing, compliance monitoring, beneficiary management, reporting and analytics, and participant communication portals. Their goal is to streamline and automate various processes related to pension administration, enhance the participant experience, ensure regulatory compliance, and optimize the overall management of retirement benefits.

These companies play a crucial role in the digital transformation of pension management, enabling efficient and accurate administration, reducing manual paperwork, and improving transparency and accessibility for plan sponsors and participants. They cater to various types of pension plans, including defined benefit plans, defined contribution plans, and hybrid plans, serving both private sector and public sector organizations.

According to FITSPA (Financial Technology Service Providers' Association), there are numerous technology companies in Uganda that handle payments, lending, investment and savings, remittances, and insurance. These companies dominate in niche markets such as asset lending, solar, agro-business, micro-loans, and savings. They have capitalised on their understanding of the traditional Ugandan SACCOs and microfinance structures to offer digital transformation solutions to this market segment. (FITSPA, 2022)

6.1.2. Coordination between established players in the ecosystem

Leveraging these established institutions is essential for success. In the 2023 survey, several of these institutions mentioned that they are willing to support the government in making an informal sector scheme a success.

The architecture of a long-term savings scheme can take a multi-stakeholder approach. This approach assigns distinct roles to different stakeholders:

- Respected private pension fund managers responsible for fund management.
- Private sector players driving customer acquisition and contribution collection.
- Asset managers and insurance companies would manage the assets.
- Technology companies facilitating user-friendly account management.
- The government's role would primarily be that of a regulation and oversight, while also serving as a sponsor to facilitate decision-making processes.

The multi-stakeholder approach, which leverages the expertise and efficiency of the private sector, can potentially bring innovation, competitive investment strategies, and customer-centric services to the scheme. Leveraging the strengths of various stakeholders and ensuring a balanced system are also key advantages of this approach. It allows for diversification of perspectives, accountability, and better risk management.

However, the following risk factors to the approach should be considered.

- The private sector's focus on profitability and market-driven practices may drive efficiency and performance. However, the limited incentives for private providers to establish robust delivery infrastructure hinder progress as it involves considerable upfront costs and may not yield profitability for an extended period, if at all. This limited infrastructure may negatively affect scheme accessibility and participation.
- Both private providers and the government often opt for expedient, basic solutions that adversely impact user experience and engagement. This can compromise the effectiveness of a scheme and inhibit its potential for widespread adoption.
- The government's emphasis on delegating responsibilities to providers often results in inadequate governance, penalties, and competition oversight. This can lead to inefficiencies and subpar outcomes.
- The absence of vigilant progress monitoring of the scheme and an adaptable framework from the government's side delays the identification of issues until it is too late, resulting in significant financial investments being misdirected.

For efficient collaboration, clear communication, transparency, and accountability is needed for the private sector to participate. To do this:

- Efficient governance structures and processes are required within the scheme.
- There also needs to be effective coordination between various Ministries and Authorities to avoid duplication of efforts in delivering retirement schemes. This coordination involves regular collaboration, and information sharing among the relevant entities to ensure an integrated approach.
- Protection of members' interests, methodical risk evaluations, and stakeholder alignment are also necessary for success.

In a multi-stakeholder approach success is hinged on the creation of mutually beneficial gains, such as opportunities to cross sell products/services within the ecosystem. Partners, especially those in the private sector, should be incentivised as they often prioritise "what is in it for them".

Insurance companies can contribute by participating in recruitment and providing regular reporting. Diversified product range and membership growth is important for their incentivisation.

Banks can act as a custodian and retail intermediaries for product distribution and customer acquisition. They prioritize the safety of the funds to maintain trust with their customers. They are also interested in accessing the funds to provide loans with interest. Their involvement in sensitization and awareness initiatives would also be appealing to them.

VSLAs can help elicit participation from the informal sector, particularly women. Outreach through these groups is also an effective way of building trust in the scheme. These associations can be incentivised by offering free financial literacy training to their members, as well as train-the trainer workshops. This would also equip them with the skills and tools to continue educating members about the importance of saving for retirement and address their questions and concerns.

6.1.3. Effectiveness of mobile devices and technologies

Creating a robust delivery infrastructure is a critical requirement for the success of informal sector schemes. It aims to achieve cost-effectiveness, exceptional user experience, and efficient management of interactions.

The potential of mobile devices and digital public goods in Uganda is pivotal. It offers wider accessibility and circumventing technological barriers. Prioritizing the development of an infrastructure that combines affordability, user-centric design, and effective management holds the key to promoting inclusivity, optimizing engagement, and harnessing the transformative capacity of mobile devices and digital assets.

> A 2021 survey by the United Nations Capital Development Fund (UNCDF, 2021) rated Uganda strong (77%) in its digital policy and regulation and 51% in digital infrastructure. However, in terms of digital skills, Uganda scored 33%

The telephone penetration rate is estimated at 80% for Ugandans aged 15 and above. According to (UBOS, 2021) 49% of Ugandans aged 10 years and above used their own mobile phones, whilst 39% did not. Although other technologies (e.g., desktops, and laptops) are utilised to varying degrees, the report also showed that the population were more likely to use telephones (fixed/mobile) and radios as their preferred ICT equipment.

Figure 14: Mobile usage rates amongst the Ugandan population (UCC, 2022)

Preferred method of communication

The preferences for receiving information about savings for retirement were diverse among the 2023 respondents. Like the URBRA survey, radio emerged as the most preferred channel, with 27% of respondents indicating a preference for this medium. Face-to-face interactions and mobile communication were equally favoured by 23% of respondents. Agent-based interactions, TV, and the internet were also mentioned as preferred channels, albeit with lower percentages. To investigate further, respondents were asked to describe why they believed this method was effective. Their responses are captured below.

- **Radio remains relevant:** Radio is still considered a valuable channel for receiving retirement savings information. Respondents who preferred the radio appreciated the ability to listen frequently and the convenience it offers from being cheap and requiring no internet use.
- **Mobile phones are also preferred:** The responses indicated that mobile phones were the second most popular choice for receiving information about savings for retirement. This preference was attributed to factors such as accessibility, convenience, and frequent usage.
- **Face-to-face interactions are valued:** While mobile phones and radios were the top choices, face-to-face interactions still hold significance. The respondents appreciated the personal touch, higher level of trust, and the opportunity to have interactive discussions with agents or representatives. Here, the ability to ask questions and receive swift answers was a high preference.
- **Internet and road shows have limited appeal:** The internet and road shows were among the least preferred channels for receiving retirement savings information. Only a small percentage of respondents indicated a preference for these methods.

6.1.4. Importance of technology for retirement / long-term saving schemes

Digital platforms provide access to affordable services to customers, which not only facilitates demand, but also fosters the connection between demand and supply (ISSA, 2019). The simplicity and convenience which incorporating technology platforms in retirement schemes provides make it a necessity in administration. The (NFIS, 2023) highlighted that those schemes which allow members to utilise mobile money to make their contributions are most suitable for informally employed persons.

There are five key areas where technology would be valuable for a savings scheme. These are: engagement and information, financial advice, promoting participation among employers and employees, streamlining account administration, facilitating contributions and withdrawals, as well as efficient benefits administration.

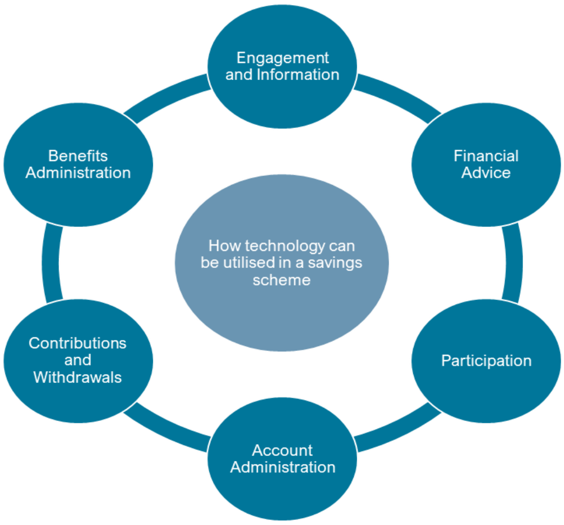


Figure 15: How technology can be utilised in a savings scheme

1. **Enhance engagement and information dissemination** - by providing real-time access to investment performance and personalized notifications (e.g., confirmation of receipt of deposit/withdrawals) through interactive mobile applications. To leverage this potential, a savings scheme provider can develop user-friendly mobile apps with personalized dashboards and regular updates on investment progress.

2. **Algorithm-based financial advice** - tailored to participants' risk tolerance and goals. To incorporate this feature, providers can integrate robo-advisors into their mobile platforms, offering users personalized investment recommendations and strategies based on their financial profiles.

   In offering financial advice and disseminating information, a multi-faceted communication strategy is needed which combines both digital and face to-face channels (e.g., scheme agents) to engage individuals. The findings from the 2023 survey noted that there is value in providing options that allow information to be received easily, anytime, and anywhere. Although convenience and accessibility are important considerations for accessing information about schemes, face-to-face channels which offer opportunities to ask questions, seek clarifications, and engage in interactive discussions are also of value. This medium promotes trust building as the individuals are opportune to see physical evidence of the scheme's operations.

3. **Enrolment and encouraging participation among employers and employees** - to boost involvement, savings scheme providers can create mobile enrolment portals that allow seamless registration and contribution tracking. Telephone helplines could be used to provide information or facilitate access to registration and other administrative procedures (ILO, 2021). If provided as a free service, this can considerably reduce the time and cost of registration for scheme applicants.

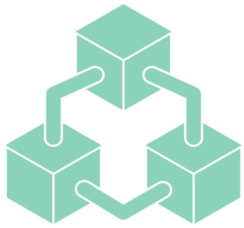
   In such digital portals for retirement schemes, national systems like the national ID play a crucial role in ensuring the identification and verification of individuals. So, the process of obtaining a National ID must be streamlined such that it addresses the accessibility challenges the informal sector may have. This could include reducing bureaucratic hurdles, combining both physical and digital options for registration, employing user-friendly systems, and simplifying documentation requirements.

4. **Simplified account administration** - by enabling participants to monitor their accounts, update beneficiary information, and adjust conveniently. Ideally, an automated scheme should have a higher level of self-servicing. To enhance administrative efficiency, savings scheme providers can implement secure, user-

friendly mobile interfaces that facilitate account management. Incorporating biometric verification for enrolment and account management can boost security and saver confidence in the scheme.

5. **Technology-driven benefits administration** - ensures efficient processing of claims, reducing delays, and enhancing participant satisfaction. Ease of administration is attractive. The existence and maturity of data and payment standards and relevant associated infrastructure is vital for effective, efficient, and lower cost transmission in the scheme. The higher the level of automation and end to end straight-through processing (data and payments) across the retirement ecosystem, the better. To implement this, providers can adopt automated benefits processing systems accessible through their mobile platforms, ensuring a seamless claims experience.

   Blockchain technology is being explored as an effective solution for transacting micro values at minimal costs.

   Blockchain can enhance the effectiveness of records management and KYC processes which are often the cause of delays during payment processing. By leveraging blockchain, multiple parties can securely access and synchronize data, ensuring integrity and separation of information, thereby reducing delays in pay-outs.
   The Ugandan government has been open to the idea of embracing blockchain, and it previous hosted the Africa Blockchain Conference in Kampala in 2018. A project conducted by the Blockchain Association successfully implemented a blockchain solution in rural areas with limited digital literacy, device access, and technology infrastructure. This platform allowed individuals to send small contributions (at little as UGX 1,000) at almost zero cost, benefiting vulnerable families in Uganda. Over time, the platform expanded its features to include savings and balance checking functionalities.
   This technology is also being adopted by NSSF – the Fund is seeking to incorporate a platform to quickly synchronise KYC which would enable customers to apply for their benefits and receive the money into their accounts within minutes.

   Integrating blockchain technology within a long-term savings scheme could yield several benefits such as:

   - transparency and trust as members would be able to verify transactions and track their contributions and investment activities,
   - security and data integrity of personal information, financial records, and investment data to prevent against fraud,
   - smart contracts and automation of various processes including contribution collection and benefit pay-out,
   - traceability and anti-money laundering, and
   - seamless integration of existing financial infrastructure such as banks, insurance companies and payment gateways.

6. **Provision of flexible options for contributions and withdrawals** – a savings scheme system that offers flexible contributions and withdrawals relies on an architecture that seamlessly integrates various functionalities. The system should have a user-friendly interface that allows participants to easily adjust their contribution amounts based on their preferences and financial situation. This could involve a web or mobile app interface where users can input desired changes and receive real-time updates on their contributions.

   > On the type of mobile system preferred by the informal sector, smartphones were favoured by 44% of respondents in the 2023 survey, USSD was favoured by 38% of respondents while 17% of respondents could use either.

   The system also needs to manage withdrawals efficiently, providing a straightforward process for users to initiate withdrawal requests, which could involve secure authentication methods and transaction tracking. Behind the scenes, the system should have a robust database to store participant information, transaction histories, and balances, ensuring accuracy and security. Another integral part of the technology would involve automated calculations of interest or returns on contributions, aligning with the flexible nature of the scheme. The system's success hinges on its ability to smoothly handle contributions and withdrawals in real-time while maintaining data integrity, security, and providing a user-friendly experience.

Case Study: Rwanda's Ejo Heza Long Term Savings Scheme

- The Ejo Heza Long Term Savings Scheme is a voluntary defined contribution scheme created by the government of Rwanda in 2017 to expand coverage of pension schemes. As of 2023, the scheme has achieved a penetration rate of 43.61% among the informal sector workers of Rwanda. One of the factors that contributed to the scheme's success is its affordability. Members can contribute any amount, any day, from anywhere. Moreover, there are a set minimum contribution amounts (which are considered affordable) that attract government matching contributions. Contributions to the scheme depend on the individual's 'Ubudehe' category. Members of categories 1 and 2 make a minimum annual contribution of RWF 15,000 (USD 14 ~ USD 1.17 monthly), category 3 members make a minimum annual contribution of RWF 18,000 (USD 16 ~ USD 1.33 monthly) while category 4 members make a minimum annual contribution of RWF 72,000 (USD 65 ~ USD 5.42). Categories 1 and 2 attract 100% government matching contributions while category 2 attracts 50% government matching contributions. There is no registration fee charged to members who want to join the scheme.
- Ejo Heza allows short-term withdrawals if individuals have at least RWF 4 million (USD 3,701) in savings. On reaching the pension eligibility age of 55, individuals can choose lumpsum and/or scheduled withdrawal options for the pay-out phase. Additionally, members have access to 40% of the accumulated savings for housing and education. For liquidity needs, participants have access to 25% of the total accumulated savings. Moreover, 40% of the total savings can be used as collateral to obtain a loan (Ministry of Finance and Economic Planning, 2018).

Key Considerations

- By strategically integrating mobile devices and technologies, savings scheme providers can address inefficiencies and optimize participant experiences in long-term savings schemes. Engaging interfaces, personalized advice, seamless enrolment, efficient account management, flexible contributions, and automated benefits processing are among the solutions that can enhance the overall effectiveness of these schemes.
- To build trust in technology and in the long-term savings scheme, it is important to incentivise individuals to save and provide clarity on the duration of saving.
- An informal sector scheme should permit frequent withdrawals to cater for emergencies and other priorities. However, this poses a risk of depleting the savings balances intended for retirement. Therefore, a balanced approach should be adopted, considering mechanisms that allow for limited and regulated withdrawals while ensuring the preservation and growth of savings over the long term. To limit the frequency of withdrawals, the scheme can restrict withdrawals to a certain limit/percentage of an individual's accrued amount each year. Another proposal is to allow members to withdraw only the interest amounts while keeping the principal amount intact, or to withdraw only to cater for emergencies.
- The technology adopted should support easy access to funds. It should also enable members to monitor the growth of their saving and the performance of the investments.
- Promoting digital literacy can empower members to utilise technology and derive the benefits of convenience and accessibility. It can also foster fraud prevention and build trust. Like financial literacy, a holistic national approach is also needed.

7. Analysis of the Economic and Regulatory Environment – Policy Side

This section examines various aspects that contribute to the overall effectiveness, stability, and credibility of the retirement benefit sector. These aspects encompass the significance of fostering predictability within the retirement benefit sector, ensuring the sustainability of the sector, the impact of incentives to scheme members, and the importance of maintaining efficient processes within the ecosystem. Each aspect plays a pivotal role in building trust and confidence in the schemes, underpinning their credibility and effectiveness.

7.1.1. Laws influencing the development and administration of the NLTSS

In Uganda, the government has recognized the importance of social protection. Several policies aimed at promoting their development and sustainability of retirement schemes have been formed. These include:

- The Uganda Retirement Benefits Regulatory Authority Act, 2011. This law established the Uganda Retirement Benefits Regulatory Authority (URBRA) and sets out its functions, powers, and responsibilities. URBRA is responsible for regulating and supervising retirement benefits schemes in Uganda. The body has several mandates which include supervising and regulating the operations of retirement benefit schemes, protecting the interests of scheme members and beneficiaries, promoting the development of the sector, and ensuring its sustainability. It also carries out awareness campaigns, licenses, approves scheme auditors and actuaries, and advises the minister on national policy and implementation of the government's sector policy.
- The National Social Security Fund Act, 1985. This law established the National Social Security Fund (NSSF), a mandatory retirement savings scheme for all employees in Uganda. Employers and employees contribute a percentage of their salary to the scheme, which provides retirement, invalidity, and survivors' benefits.
- The Income Tax Act, 2014. This law provides tax incentives for pension and retirement savings schemes, including deductions for contributions made to such schemes.
- The Capital Markets Authority ACT, CAP, 84. This Act established the Capital Markets Authority (CMA) for the purpose of promoting and facilitating the development of an orderly, fair, and efficient capital markets industry in Uganda. It makes provision with respect to stock exchanges, stockbrokers and other persons dealing in securities.

The figure below depicts the various other laws, policies and programmes that govern social protection in Uganda.

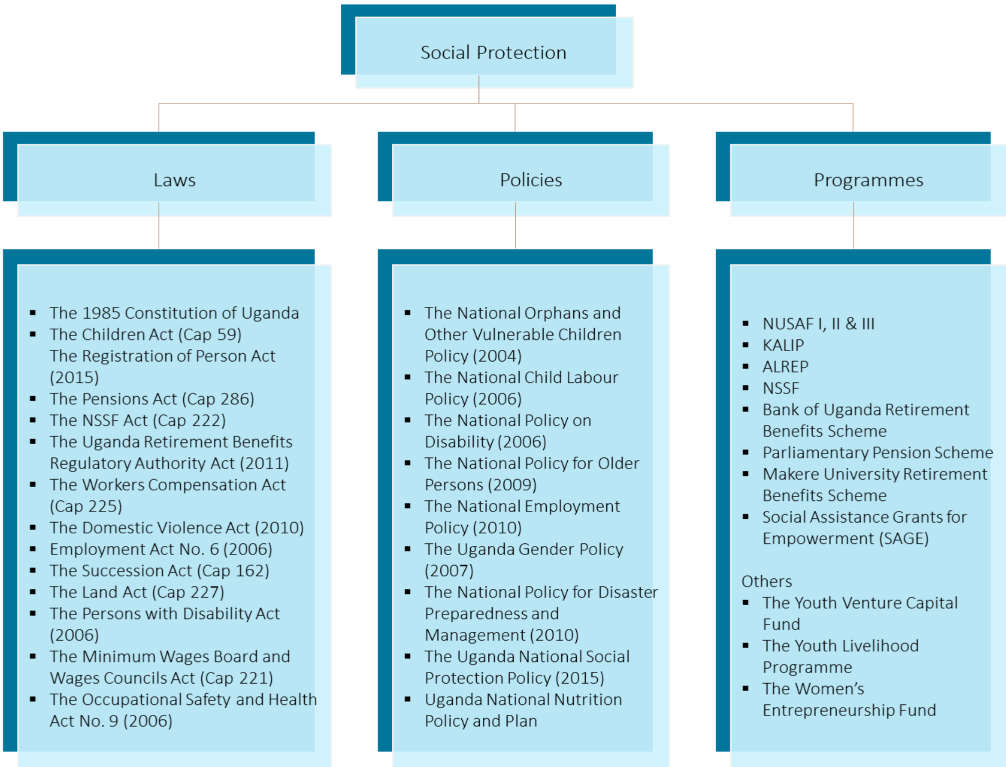


Figure 16: Social Protection Policies, Regulations, and Programmes in Uganda, Source; (EPRC, 2017)

However, currently, pension coverage is among individuals in traditional / formal employment systems. To increase coverage and mitigate old age poverty, URBRA and the government of Uganda are addressing some of the policy gaps which hinder informal sector workers from taking up retirement benefit schemes. In this regard, there have been several Bills, Strategic Plans, Programmes and Guidelines which strive to promote and extend social protection to the vulnerable population. Some of these are listed below.

Uganda Vision 2040

- Amongst other development areas, Uganda Vision 2040 aims to increase the availability of long-term development finance by implementing reforms in the pension sector and promoting Capital Market development by enhancing the capacity of institutions regulating and participating in activities of the sector.
- The vision also highlights the government's intention to rationalise pension fund management to strengthen it as a source of investment finance.
- These are part of the government's goal of developing and implementing social protection systems to respond to the specific needs of vulnerable groups. The implementation of a scheme such as the NLTSS would be relevant to achieve this goal.

URBRA Strategic Plan 2020/21 – 2024/25

- URBRA finalized and is now implementing its strategy of extending pension coverage to self-employed persons and those in the informal sector. This aims to introduce a regulatory framework for informal sector retirement saving arrangements (IOPS , 2020), and to roll out a national micro-pension and insurance scheme. In its plan, URBRA (URBRA, Strategic Plan 2020/21 - 2024/25, 2019) seeks to:

- Develop a regulatory and supervisory framework retirement benefit arrangements in the informal sector.
- Establish a centralised administration system to facilitate enrolment, collection, investment, pay-out, and customer service.
- Introduce a fee structure for all services provided.
- Develop and implement a special informal sector communication strategy.

NSSF (Amendment) Bill, 2019:

- The Bill proposed changes to the NSSF Act, Cap 222 that was enacted in 1985. It will, among others, empower NSSF to expand coverage by making membership to the Fund mandatory for all formal sector employers, permit those employed in both the formal and informal sectors to make voluntary contributions to the Fund, cater for the introduction of new benefits, and improve its governance.

NSSF (Amendment) 2022

- To expand social security to the informal sector, the NSSF 2022 Amendment extended coverage to include all employers irrespective of their number of employees (NSSF, January 2022). Small and large companies who have employees on various contractual agreements (temporary, permanent, casual) must make mandatory contributions to the NSSF for their staff. Thus, currently, all workers in both the formal and informal employment in the private sector, can save for retirement.
- The Amendment also allows for persons who are self-employed to apply for membership and make voluntary contributions to the fund.

National Financial Inclusion Strategy (NFIS I):

- MoFPED in collaboration with the Bank of Uganda and other stakeholders developed the National Financial Inclusion Strategy for Uganda. The strategy's overall objective is to reduce financial exclusion by 5% in five years. In line with this, the Bank of Uganda has had a financial literacy Strategy in place since 2013.
- The Financial Literacy Strategic Plan for the 2019 – 2024 (BoU, September, 2019) period outlines the key activities to be undertaken to increase financial literacy amongst priority groups such as youth (aged 15 – 35) and women. For instance, for women, the Strategy advises that financial literacy is to be provided through women's groups and simplified messaging on TV, radio and social media. The strategy's key achievements are that financial literacy has been incorporated into secondary curriculum, and comprehensive training aids have been developed for farmers.

National Financial Inclusion Strategy 2023 – 2027 (NFIS II)

- The NFIS II (Uganda, 2023) was developed to succeed the previous Strategy considering lessons learnt to build on its successes and address its gaps. For instance, it was uncovered the first Strategy did not sufficiently cover women, youth rural dwellers and persons with disabilities (PWDs). Moreover, the NFIS I was derailed by the Covid-19 pandemic, budget constraints and a lack of clear accountability. The development of NFIS II is timely for the NLTSS as the Strategy makes a commitment to build the government's efforts towards financial inclusion.

- To expand, NFIS II aims to foster a competitive financial sector by implementing various financial sector policies. Considering that NLTSS is highly dependent on various financial institutions to act as custodians, trustees, and fund managers, promoting a stable and efficient environment for financial sector growth would boost the successful performance of the NLTSS. Moreover, the NFIS II's aims to improve the digital infrastructure to facilitate financial inclusion through digital financial services. Given the NLTSSs' leveraging of technology to promote accessibility of the scheme, this Strategy will foster its operational success.

National Health Insurance Scheme Bill, 2019

- The National Health Insurance Scheme (NHIS) is another timely government initiative that will help foster the success of the NLTSS. The scheme is being developed in collaboration with several stakeholders including the Ministry of Health, MofPED, and the Insurance Regulatory Authority.
- The NHIS aims to provide equity, accessibility, and affordability to healthcare for all Ugandans through a contributory that protects all (MoH, 2019).
- The NHIS, which is still in development, aims to protect households who continue to experience very high out-of-pocket expenditures for health that lead to impoverishment. According to the scheme's structure, members can onboard up to four dependents under the scheme. However, there is also allowance to cover as many as 20 additional dependents, though a separate premium will be paid from the 5th person, onwards.
- The NLTSS should closely collaborate with the NHIS when it is launched nation-wide. This will help prevent duplication of efforts from having members pay for two health insurance schemes – one for the NLTSS and one for the NHIS. Instead, the NHIS can be incorporated into the NLTSS, and together, upscale Ugandan participation.

Social Assistance Grants for Empowerment of Elderly Persons Programme

- SAGE begun under the Ministry of Gender, Labour, and Social Development's Expanding Social Protection Programme to provide two direct income support grants – the Senior Citizens Grant (SCG) and the Vulnerable Family Grants (VFG). The SCG aimed to provide older persons with access to basic services and to start income generating activities, while VFG was paid to poor and vulnerable households who lacked capacity for labour. In 2015, the VFG was phased out due to difficulties administering the grant and poor receptance by communities. In some cases, community leaders would request the Ministry to replace the VFG with the SCG. So, the Government of Uganda decided to scale SCG nationally because it was making a qualitative difference and improving the lives of the elderly in their communities.

Senior Citizens' Grant

- The Government of Uganda collaborated with the UK's Department for International Development (DFID) and Irish Aid to pilot an old age pension for everyone over 65 years of age – and 60 years in the Karamoja region – across 15 of the country's 112 districts. These were known as the Senior Citizens' Grant (SCG). In 2016, there were around 125,000 people receiving the Senior Citizens' Grant (SCG), 65% of whom are women, indicating that the programme makes a strong contribution to gender inclusion. In fact, when all household members are considered, the SCG reaches around 610,000 people. The transfer is currently set at UGX 25,000 (USD 7.50) per month and is paid every two months. Approximately 15% of households in each community are in receipt of the pension.

- Studies have recently been released assessing the impacts of the SCG program and impact data suggests that SCG enhances consumption and reduces monetary poverty (MGLSD, 2020). The studies show positive changes in the lives of SCG beneficiaries and their households (Kidd, 2016).
- Overall, many SCG beneficiaries report that their lives have significantly improved since the pension scheme started. Overall, the proportion of beneficiaries that were unable to cope with life fell from 25% to 8%, in just two years. However, 46% of beneficiaries were still struggling, which suggests that the value of the transfer is not high enough to eliminate poverty and, therefore, should be increased.

Micro-Finance Deposit Taking Institutions Act, 2003

- The MDI Act provides guidance for the licensing, regulation, and supervision of microfinance businesses in Uganda. It also provides statutory provisions for carrying out microfinance business in Uganda.
- MDIs would be key supply partners for the NLTSS given their extensive reach to the informal sector population. This Act will provide guidance on the extent to which they can participate in the scheme.
- In the Act, MDIs are not permitted to incorporate "Bank" when dealing with their customers, they are not permitted to offer some services offered by commercial banks, and they are not allowed to offer and/or partner with insurance companies to offer products which would be suitable for their customers. For the NLTSS, this may hinder an MFI's ability to offer their customers access to insurance products through the institution. Given that MFIs are trusted and utilised predominantly by the informal sector, amending these regulations could help increase customer acquisition to the NLTSS, and overall financial inclusion.

The Electronic Signatures Act, 2011; and The Data Protection and Privacy Act, 2019

- Electronic Signatures Act: This governs compliance with the use, security, provision, and authentication of an electronic signature. It also guides the certification requirements of service providers, their functions, obligations to confidentiality and prohibitions against dangerous activities.
- Data Protection and Privacy Act, 2019: This Act protects the privacy of individuals and of personal data by regulating the collection and processing of personal information. It makes provision for the rights of those whose data is collected and the obligations of data collectors, data processors and data controllers. It also regulates the use or disclosure of personal information, and related matters.
- Both these Acts would serve as guiding reference points during the development of the NLTSSs' digital administration architecture.

The government and regulatory authorities have introduced reforms to enhance transparency, accountability, and governance in the retirement benefits sector. For instance, URBRA's Management and Operation of Retirement Benefit Schemes (2020) and its Amendment in 2023 are strengthening the regulatory framework by setting requirements for scheme governance, reporting, risk management and transfer of funds (URBRA, March, 2020). Further, URBRA has increased its oversight of retirement benefit schemes, including conducting audits and inspections to ensure compliance with regulatory requirements.

7.1.2. Fostering predictability within the retirement sector

Predictability is one of the parameters which influences the success of a pension scheme in EY/IFC's Framework. According to the (World Bank, 2005), predictability refers to the provision of benefits which are specified by law and not subject to the discretion of policymakers or administrators. Predictable schemes protect retirees against longevity risks and includes provisions for indexation to insulate individuals from the effects of inflation, wage, and interest adjustments before and after retirement.

- Stakeholders in the 2023 survey highlighted that some policies which are used to regulate the retirement sector were outdated and needed revision. For instance, the URBRA Act was restrictive in the type of investment opportunities permitted. Also, the Electronic Signatures Act (2011) which would be used to regulate the provision of biometric information in a retirement scheme was also outdated. Furthermore, investment returns are only currently reported in annual general meetings. That means, a person would have to wait an entire year to know how their investment performed. This hinders transparency and confidence in putting one's money towards investment opportunities such as retirement schemes.
- Social protection programs are viewed as lacking a coordinated framework, resulting in poor implementation, resource duplication, wastage, and social exclusion. One of the reasons for this is the insufficient allocation of resources by the government towards implementing effective social protection policies. This was also pointed out as a constraint to the implementation of NFIS I.
- Nonetheless, stakeholders interviewed also highlighted that the current regulatory environment can support the sustenance of a national informal sector savings scheme because it has been benchmarked with other countries and the importance of accountability, safe keeping of assets and segregation of duties is clear.
- The development of effective policies and regulations to facilitate retirement savings for informal sector workers requires a collaboration between different stakeholders from the public and private sector. It is also important to ensure that informal sector workers are not excluded from the formal financial system, and their unique circumstances are considered when designing retirement savings schemes.

A review of the suitability of the current legal framework

Findings

- It is proposed that a new National Long-term Savings Scheme Act would be required.

Analysis

- The establishment of a national scheme often requires its own dedicated piece of legislation, commonly known as an "Act" or "Law." This legal framework outlines the rules, regulations, procedures, and provisions that govern the functioning, management, and implementation of the national scheme. This Act typically defines the objectives, eligibility criteria, contributions, benefits, governance structure, and other essential aspects of the scheme. The Act ensures that the national scheme operates within a clear legal framework, providing transparency, accountability, and legal protection for all stakeholders involved.
- The URBRA Act provides an underlying framework for the set-up of a new retirement scheme, however, it is not sufficient for a national scheme, particularly one which is informal sector focused.
- The URBRA Act is predominantly tailored for retirement benefit schemes including pension and provident funds, which are often employer-sponsored schemes.
- The NLTSS would require the incorporation of innovative features, investment strategies and technology-driven solutions which are not fully accommodated within the URBRA Act.

Benchmark

- It is good practice for national schemes to have their specific Laws.
- The US has a Social Security Act 1935, and the 401K is covered in a section of the tax law (Internal Revenue Code).
- The Ugandan NSSF Act, 1985 contains specific provisions which are tailored to the modus operandi of the scheme such as eligibility and registration of members, description of the various benefits the scheme offers, and methods and amounts of contributions.
- India's micro pension scheme - Atal Pension Yojana (APY) 2015 is governed by the Pension Fund Regulatory and Development Authority (PFRDA) Act, 2013.
- Rwanda's Ministry of Finance and Economic Planning (MINECOFIN) set up the law establishing the long-term savings scheme and determining its organisation (Law No. 29/2017 of 29/06/2017). The law outlines the legal foundation for the scheme's operation, governance, membership, benefits, contributions, and regulatory oversight. A snippet of this can be found in Appendix 5.1.1.

Conclusion

- In this regard, it is worth considering that the schemes' regulator in collaboration with the relevant private and public sector players, and informal sector groups develop a new Act or Guideline for regulating informal sector schemes. This could mirror the NSSF Act 1985 which established the mandatory formal sector scheme.
- An informal sector scheme Act / NLTSS Act may help ensure an NLTSS is built on a robust framework tailored to the current economic landscape, the unique architecture of the scheme, and the evolving dynamics of the informal sector.

To build a strong regulatory framework for an informal sector scheme, these guidelines need to be in place:

- Clarity and transparency: The regulatory framework need to be clear, transparent, and easily understandable to all stakeholders. This includes clearly defined eligibility criteria, benefits, and obligations for participants, as well as clear guidelines for financial institutions and other service providers that administer the scheme.
- Strong oversight and enforcement: URBRA should have sufficient resources and authority to effectively monitor compliance with the regulatory framework. This may include conducting regular audits and inspections, imposing penalties for non-compliance, and ensuring that service providers are held accountable for any fraudulent or abusive practices.
- Consumer protection: The regulatory framework should include robust measures to protect the interests of scheme participants, including measures to ensure that they are not subjected to fraudulent or abusive practices by financial institutions or other service providers. This might include requirements for clear disclosure of fees and charges, mechanisms for dispute resolution, and strong enforcement mechanisms to deter and punish misconduct.
- Flexibility and adaptability: The regulatory framework should be flexible and adaptable to changing circumstances, including changes in the economic and social environment, advances in technology, and emerging risks and challenges. This might involve periodic reviews and updates to the regulatory framework to ensure that it remains relevant and effective over time. The agility of regulatory oversight and its governance to evolve shows maturity of a country's retirement sector. Stakeholders in the 2023 survey also implored regulators to encourage innovation by adopting more accommodative regulatory best practices to help the private sector players address the constraints they face.
- Collaboration and coordination: URBRA should work closely with other relevant stakeholders, including financial institutions, civil society organizations, and government agencies, to ensure that the scheme is integrated into the broader policy and regulatory framework governing the financial sector and the economy. This might involve establishing partnerships and collaborations to enhance outreach, improve access, and promote financial education and digital literacy.

7.1.3. Ensuring sustainability of retirement benefit schemes

Sustainability is one of the parameters which influences the success of a pension scheme in EY/IFC's Framework. Sustainability means the sustained (current and future) financial soundness of the scheme (World Bank, 2005). One of the main goals of a retirement benefit scheme is to attain financial sustainability. The immediate and future benefits paid out to recipients must be in accordance with the contribution rates which were agreed upon. Ideally, there should not be any unannounced hikes in contribution rates, cuts in benefits accrued or deficits that need to be covered by other budgetary resources (World Bank, 2005). Schemes which are not sustainable lack credibility. When compounded, multiple unsustainable schemes in a country leads to lack of trust and, hesitancy to willingly participate in existing or future savings schemes developed.

Key constraints to the sustainability of retirement schemes in Uganda

- Poor Governance, Administration, and Business Models for Micro Pension Schemes. The existing micro pension schemes, such as KACITA Provident Fund and Mazima Scheme, have inadequate governance, administration, and business models. These challenges encompass high compliance costs, unsustainable proprietary administration systems, the need for significant investments in sales and distribution, and risks of service interruption.
- Financial burden of operating the schemes leads to their unsustainability. Uganda's public sector pension scheme (PSPS) is creating a financial burden due to the high entitlements given to pensioners. Although there were only 429,000 registered members, the scheme accounted for 0.35% of the Country's GDP in 2015 (EPRC, November 2017). The fiscal burden of the PSPS may cause government hesitation to invest in a new scheme for the informal sector.
- The current retirement benefits sector faces a serious governance crisis. News of corruption in both the public service pension scheme and the private NSSF continues to manifest. It points to a breakdown of pension scheme governance in Uganda which if not fixed, poses a serious risk to workers savings.
- Over-reliance of pension funds on a single asset class. The over-reliance of pension funds on a single asset class, particularly government securities. The concentration of investments in one asset class can result in lower returns and increased risk, making it crucial to diversify pension fund investments.

- The sustainability of retirement benefit schemes is also influenced by macro-economic factors such as unemployment rates, cost of living, political instability, and global conflict. For instance, the challenging economic and health conditions created by the pandemic made it difficult for individuals to sustain their financial well-being. This affects consistent participation, as members will defer to negative coping mechanisms, posing a threat to the sustainability of retirement benefit schemes.

  For an informal sector scheme, sustainability will also be influenced by low-income and irregular employment of informal sector workers as this affects their ability to make regular, predictable contributions. Many individuals prefer to spend their money on immediate needs rather than save for the long term due to concerns about potential losses, taxes, and economic instability. This may consequently cause fund managers, who are already grappling with the limited investment options available to them, to question the viability of doing business with an informal sector scheme. They would expect evidence of the scheme's scalability. To address these challenges and promote a sustainable retirement scheme, there is need for a comprehensive approach.

- This involves managing inflation issues at a national level, investing in mindset change, and starting financial education from grassroots levels, particularly targeting the youth. Interventions beyond finance are also essential to facilitate savings growth by addressing the challenge of low-income levels in the informal sector and promoting formalization. The solution lies in tackling the ecosystem problem, seeking ways to increase income and incentivize formalization. This task may seem daunting, but it is necessary to create an enabling environment that supports savings growth and uplifts individuals in the informal sector.

- It is essential to have credible financial projections that account for both short and long-term flows. While it is true that many public schemes lack this foresight, this presents an opportunity to revamp these systems and create financial sustainability, even in the absence of demographic change. By taking action to embed financial sustainability into these schemes, the government can ensure that current and future benefits can be provided at set contribution rates without relying on budgetary transfers or future benefit cuts. By accurately calculating budgetary requirements, a more transparent system that emphasizes actuarial soundness can be created. The benefits of such a sustainable system are immense, with reduced budgetary deficits and positive macroeconomic consequences even during periods of crisis.

- It is also imperative that investments are diversified beyond government securities into asset classes such as infrastructure, private equity, and stocks. Imposing limitations on where the funds can be invested can hinder their growth and potential returns. Here, URBRA needs to collaborate with relevant stakeholders such as the Capital Markets Authority (CMA), to open-up wider, attractive opportunities for pension investment, and to train Trustees to increase their risk appetite, and build their capacity to perform optimally in diversified asset classes.

  When diversifying asset classes, the risk appetite of the informal sector scheme members should also be considered, not just what the Trustees may want to pursue. For instance, the informal sector, particularly the older population, may be more risk averse, and so may prefer more conservative asset allocation strategies such as equities, fixed income, and money market securities. They may also prefer the income layering strategy which offers dynamic allocation and withdrawal tailored to their needs e.g., basic needs, contingency needs (to meet unexpected expenses), discretionary needs (to fund nice-to-have's) and legacy needs (to leave behind inheritance for family).

- Appropriate trade-off between return and risk needs to be made. A very conservative investment policy could result in meagre, but certain investment returns but it will require the sponsor to make large contributions. However, a very aggressive investment policy could make the fund vulnerable to adverse investment outcomes and jeopardise the financial health and security of the plan under management (WorldBank, 2019).

- Another vital aspect is the share of retirement assets directed towards the domestic capital market. There should be a significant portion of retirement savings consistently channelled to the domestic capital markets to contribute to its growth. Such growth not only benefits the overall economy but also serves the interests of retirement savers.

- Achieving depth and breadth of the domestic capital market is critical to retain savings capital in country and be an attractive destination to invest. The deeper and broader the domestic capital market, the more likely existing savings and retirement providers can leverage compelling domestic investments for both accumulation (saving) and decumulation (spending) products. Thus, boosting saver confidence.

  For retirement savers to consider domestic markets as attractive investment destinations, the domestic capital market needs to possess certain crucial characteristics. These include

  - robust domestic corporate governance,
  - a diverse range of long-term securities
  - bond investment options suitable for annuities and longevity guarantees

Insufficient maturity in any of these areas can dampen investment appeal and result in unfavourable outcomes for retirement savers, providers, and other stakeholders involved.

Case Study for financial sustainability: Kenya Pension Funds Investment Consortium

- In 2022, Kenya had a USD 4 billion funding gap for infrastructure investments (KEPFIC, 2022). The Kenyan government is the leading, but weakening, source of funding for infrastructure investments due to growing government budget deficits and competing needs (healthcare, education, food security). Addressing this deficit represents an untapped investment opportunity for local pension funds.
- Investments into alternative assets such as infrastructure and housing represent an attractive but underutilized investment opportunity for pension funds. This is because infrastructure investments are capital-intensive, require specialized investment and operational expertise, and extensive due-diligence processes which are difficult and often expensive for individual pension funds to carry out alone. However, infrastructure as an asset class possesses several characteristics that make it a suitable investment for pension funds:
    - Competitive returns: infrastructure investments offer competitive returns and reliable cash flows.
    - Diversification: Infrastructure is a unique asset class, with low correlations to other assets classes (offering diversification potential).
    - Asset-liability match: Infrastructure investments allows for pension funds to match their long-term liabilities to long-term assets.
    - Hedge against inflation: Revenues from infrastructure assets are usually linked to inflation in the long run.
- The Kenya Pension Funds Investment Consortium (KEPFIC) is a consortium of prominent Kenyan retirement funds working together to collectively make long-term infrastructure and alternative asset investments in the region. It was launched in October 2020 as an industry-wide initiative to address the challenges in investing in infrastructure and alternative assets for pension funds. There are over 1,300 pension funds in Kenya, which would all benefit from infrastructure investments but which on their own may be unable to do so effectively. Through KEPFIC, pension funds c an pool their resources along with partner co-investors and share in the infrastructure investment expertise and benefits that KEPFIC will provide. Due to recent provisions in the Retirement Benefits Authority investment guidelines, the pension funds can now invest up to 10% of their assets into infrastructure, effectively unlocking over USD 1 billion into the asset class. (KEPFIC, 2020). Through KEPFIC, over USD 113 million investments have been mobilized, which accounts for 134% of the total investment need. (KEPFIC, 2022).
- KEPFIC is supported by USAID and the World Bank Group and has leveraged its mission by establishing partnerships with offshore pension funds looking for liquid co-investment opportunities in the region. The consortium operates as an industry association and provides various benefits to its participating members including:
    - Pre-Screened Investment Opportunities: Access to pre-screened alternative investment opportunities that are suitable to pension portfolios.

- Economies of Scale: KEPFIC achieves economies of scale in the investment selection, deal structuring, and due diligence processes.
- Capacity-Building: through live deal analysis and project site tours, regular investment workshops with experts in infrastructure investment and networking sessions with like-minded local and foreign pension funds.
- Co-Investment with Global Pension Funds: KEPFIC has established partnerships with offshore pension funds and asset managers that would allow for co-investments with their Kenyan counterparts.
- Technical Support from Implementation Partners: KEPFIC benefits from technical support from its implementation partners including USAID and the World Bank in the investment selection and execution process.
- Advocacy: KEPFIC represents its members' interests in regular engagements with regulators and external stakeholders, contributing to a supportive policy environment.

❖ Pension funds that join KEPFIC pay a one-time registration fee of USD 195 (KES 25,000) and (KEPFIC, 2022):

- USD 1,172 for investments above USD 19.5 million
- USD 781 for investments between USD 7.8 million and USD 19.5 million
- USD 390 for investments below USD 7.8 million

❖ KEPFIC's investment structure is described in the below.

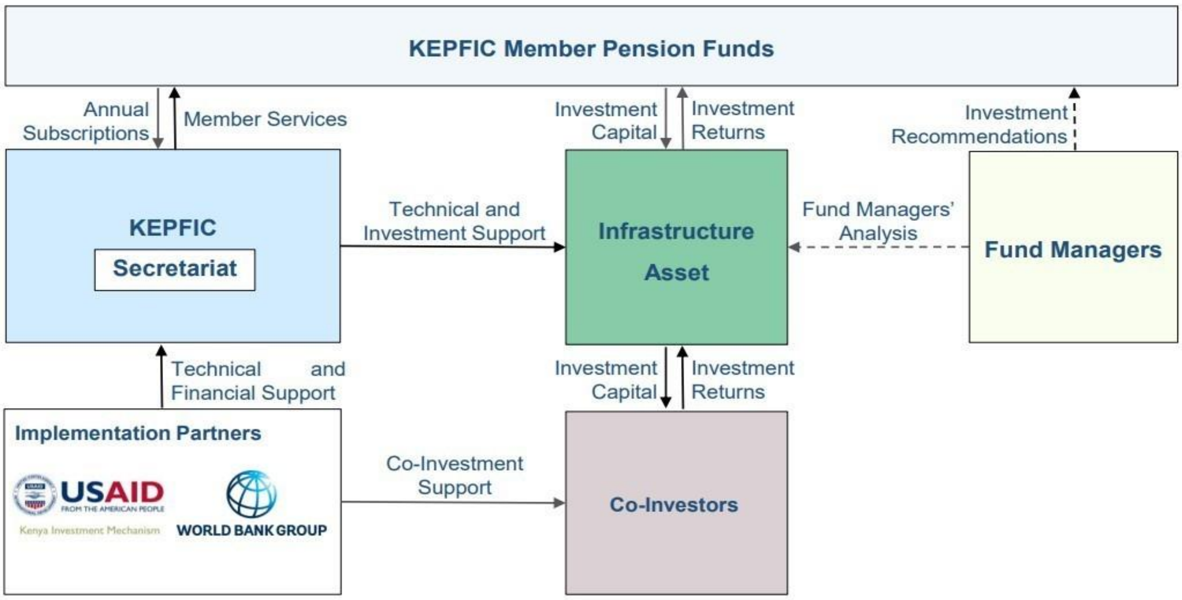


Figure 17: KEPFIC's Investment Structure

❖ The respective roles of the various parties in the structure are as shown below (KEPFIC, 2022).

Party:	Roles:
KEPFIC	▪ Develop a robust investment pipeline that provides competitive returns and diversification opportunities to our member funds and partner co-investors. ▪ Build the infrastructure and alternative asset investment capacity of member funds and the institutional investment ecosystem in Kenya as a whole. ▪ Foster like-minded pension funds to collaborate and co-invest in sustainable alternative assets investments. ▪ Provide transaction support with the support of its implementation partners. ▪ Organize networking initiatives with both local and international pension funds. ▪ Build co-investment relationships with like-minded international investors. ▪ Engage with respective regulators and policymakers. ▪ Represent its members' interests and contribute towards a supportive investment landscape.
Pension Funds	▪ Enrol and participate in KEPFIC membership activities. ▪ Build their expertise in alternative assets. ▪ Consider shortlisted alternative assets opportunities. ▪ Improve their portfolio risk-adjusted returns by diversifying into suitable alternative assets.
Fund Managers	▪ Review the shortlisted investment opportunities. ▪ Provide investment recommendations to their client schemes. ▪ Undertake investments in selected alternative asset investments on behalf of their client schemes. ▪ Participate in capacity-building exercises.
Implementation Partners	▪ Offer technical support. ▪ Provide support in due diligence.

Table 5: Roles of the Parties in KEPFIC's Investment Structure

An organization with operational similarity to KEPFIC - constituting of all individual pension schemes - can be established in Uganda to pull together assets for investment. In collaboration with implementation partners who would offer technical support and due diligence, the assets could be invested in well-rewarding, low-risk, pre-screened opportunities. Such a system would help ensure sustainability of the Savings schemes in the long run.

7.1.4. Providing incentives from the government

- Financial incentives tap into people's natural desire for immediate rewards. When used they encourage individuals, whether they are self-employed or in the informal sector, to save for retirement. Financial incentives can take the form of tax incentives (more favourable tax treatment compared to other savings vehicles) and non-tax incentives (matching contributions and fixed nominal subsidies). Non-financial incentives in the form of attractive product features (e.g., early access to funds) can also be provided and encourage participation.

- Tax incentives arise from deviating from the typical tax treatment of savings (i.e., contribute from after-tax earnings, pay tax on the investment income, and withdraw money tax free). Allowing individuals to deduct retirement contributions from taxable income encourages participation in retirement savings plans for middle-to-high income earners, because individuals respond to the upfront tax relief on contributions that reduces their current tax liability. Low-income earners are however less sensitive to tax incentives, because of insufficient income to afford contributions, insufficient tax liability to fully enjoy tax reliefs and lack of understanding of tax-related issues (OECD, 2018). Tax incentives alone only do so much to garner participation from persons in the informal sector, especially those who do not pay taxes or are too poor to set money aside for long term savings.

- Non-tax incentives are payments made by the government or the employer directly in the pension account of eligible individuals. They include matching contributions and fixed nominal subsidies. These incentives increase participation in retirement savings plans, especially among low-income earners for the former. For instance, in 2013, the Turkish government introduced matching contributions to the country's individual pension system. The introduction of the incentives contributed much to the increase in the number of the system's participants. By the end of 2013, there were a total of 4,153,055 participants, an increase of 32.8% from 2012 when the number was 3,128,130. (Pension Monitoring Center, 2014). The matching contributions also increased the size of the pension fund assets -almost doubling it in three years (Peksevim & Akgiray , 2019).
- Informal sector respondents in the 2023 survey also expressed that they would be more likely to participate if they are incentivised to do so, and government co-contribution was the most preferred incentive.

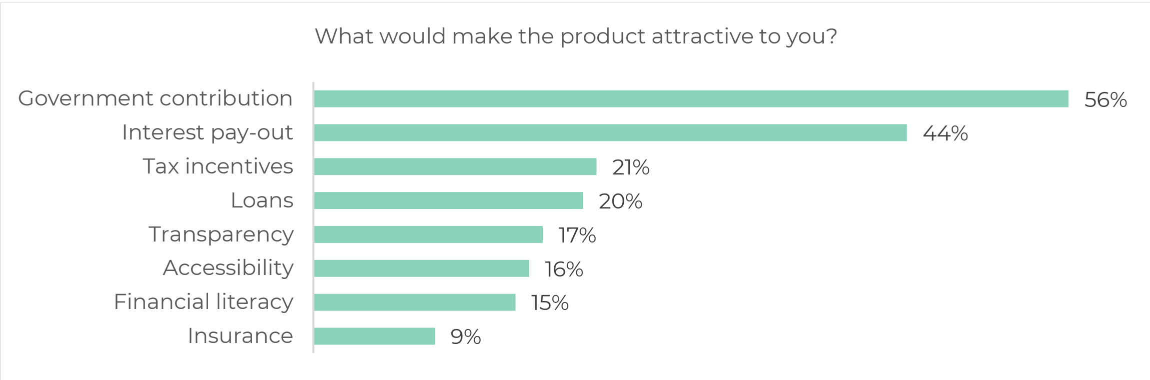


Figure 18: Preferences for an attractive long-term savings scheme (Source: 2023 Survey)

- From the discussions had with the policy stakeholders, it was understood that the Ugandan government is willing to provide monetary incentive through co-contributions, to encourage participation in an informal sector scheme. This is however hinged on the provision of a strong business case to do so, and the demonstration of financial success of the long-term savings scheme. The government's ability to provide this incentive is evidenced through its current and consistent provision of the Senior Citizens Grant in the Social Assistance Grants for Empowerment (SAGE) programme.
- To address concerns of budgetary constraints, the Ugandan government may consider putting a cap on the maximum co-contribution amount permitted for the scheme to issue to members. In the Ejo Heza scheme, this cap is RWF 18,000 (~USD 16). Receiving the co-contributions should be hinged on certain conditions (e.g., locking in one's saving until retirement). It may also be beneficial to collaborate with development partners to pool resources towards the cost of implementing the scheme.

- Notably, co-contributions alone may not increase coverage. People with low or uncertain incomes might still be unable to join, even with generous government subsidies. The public may also doubt that they will receive the benefits promised to them at retirement. To address this, emerging economies should also provide poverty-based social assistance programs. Additionally, building public trust through financial literacy, effectively reinvesting funds and ensuring scheme security and sustainability is crucial, especially for new schemes.

7.1.5. Building trust in retirement benefit schemes

- Establishing trust in retirement benefit schemes holds significant importance for the demand side. It was previously captured that the 2023 informal sector respondents perceived a general lack of trust in the credibility and trustworthiness of scheme providers, particularly government-related schemes. Most also expressed doubt regarding the government's willingness to provide incentives for scheme participation.
- The governance of public sector schemes has posed administrative challenges, and its spending takes up a high portion of the government's revenues. This spending is likely to increase rapidly, which could hinder the allocation of much-needed resources towards covering the elderly and other vulnerable groups in society. Additionally, corruption and fund mismanagement has negatively impacted the reputation of government-owned schemes in Uganda such as NSSF.

> Government and supply-side players can build trust in retirement benefit schemes through transparent and clear regulations (e.g., reference is made to the Law establishing long term savings scheme in Rwanda), effective oversight mechanisms (investing into URBRA to enhance their ability to regulate the sector), and robust consumer protection efforts (complaint resolution procedures and safeguards against fraud and mismanagement).

- This importance of trust is magnified when considering the supply and policy-side dynamics, particularly the potential role of government and regulatory measures in addressing the matter with relative ease.
- Building trust in retirement benefit schemes, would require commitment and decisiveness. Trust can be fostered through strict governance structures, effective operations, and the demonstration of tangible benefits and quality standards. Scheme regulators and providers need to ensure transparency and accountability of retirement schemes. This includes ensuring proper financial reporting and holding responsible parties accountable for any mismanagement or corruption.
- Stakeholders in the 2023 survey highlighted that clear and accessible information about the operations, performance, and safeguards in place should be provided to members and partners. Additionally, fostering partnerships with credible and independent oversight bodies and fund managers can help strengthen the scheme's integrity.

7.1.6. Ensuring efficient processes

- The world of retirement savings is intricate, involving a significant volume of transactions annually, numbering in the thousands or even millions. Yet, the average saved amount is low, and high transaction costs pose a detrimental effect on participation and overall success.
- In the Ugandan retirement sector, delays have been noted in accessing funds upon retirement due to several factors. These factors include a lack of proper records, breakdown in the administration infrastructure, and the absence of a system to assist those living in remote areas. In the past, these issues have caused payment delays, resulting in the accumulation of arrears by the government. Mismanagement of pension records has also contributed to this problem as ghost pensioners have been enrolled in the system, adding more strain to government resources. According to a report by the Auditor General, fraudulent enrolment of 3,000 ghost pensioners led to a loss of UGX 165 billion (USD 66 million) between 2009 and 2012. This issue caused delays and suspension of pension payments for around 60,000 retirees for up to a year (The World Bank, 2014).
- (MoFPED, 2016) also reported the following issues regarding the payment of pensioners:
  - Inadequate and inexperienced staff affecting the timely processing of pension and gratuity in local governments (LGs).
  - Despite decentralization of the pension payroll, several pension records under MoPS are not yet decentralized due to inadequate information.
  - Delay in approval/processing/validation of pension files caused by lengthy bureaucratic pension processes.
  - Lack of timely feedback and follow up by Human Resource Departments in LGs.
- In this scenario, the key lies in boosting efficiency. This involves:

Adhering to data and payment standards	End-to-end automation of processes	Minimizing instances where the expected processes within the system deviate from the established standards	Adopting effective technology solutions across the entire system	Establishing solid governance and oversight mechanisms, including enforcing rules

  Each of these five aspects warrant considerable focus, serving as "no regret" initiatives, regardless of the scheme in question.
- An informal sector saving scheme should ideally have a centralised administration infrastructure which is robust and efficient to ensure proper record-keeping and management of pension data. Modern technologies and systems such as blockchain and databases should be adopted to streamline pension processes, improve data accuracy, and ensure timely feedback and follow-up on pension queries.
- A comprehensive training program should be provided to relevant staff involved in the scheme's operations, including auditors, human resource departments, accountants, and designated officers at different levels of government. This will enhance their skills and knowledge of the centralised architecture, proper record keeping, customer service, pension regulations, and the use of integrated payroll systems, amongst others.

- To mitigate fraudulent practices and the enrolment of ghost pensioners, stringent measures should be implemented to verify the authenticity of pension beneficiaries. This can include conducting regular audits, data cross-checks, and employing biometric identification systems to ensure that only eligible individuals receive pension benefits.
- Registration procedures can be facilitated by reducing the number of supporting documents required for registration (ILO, 2021).

7.2. Key takeaways from the demand, supply, and policy analysis

Takeaways: Demand-side

Integrating demographic insights

- Understanding members' biographical data (e.g., age, income level, education, and gender) is important to foster the provision of ongoing tailor-made solutions and marketing. It will also help project how much contributions the scheme is likely to get in a period. This information should be collated during member enrolment.
- Factors such as social norms and power dynamics in households should be considered to prevent the marginalisation of women.

Allowing for flexible and affordable contributions

- Allowing for flexible and affordable contributions is a crucial aspect to consider when designing a national-level long-term savings scheme, especially in relation to informal sector workers and those with seasonal income patterns.
- Additionally, it is crucial to consider allowing for flexible withdrawals from the long-term savings scheme to cater to the need of quick access to cash vulnerable groups within society usually face. However, caution must be exercised to prevent excessive leakage from the system.

Takeaways: Supply-side

Driving financial literacy and education

- Tailored financial literacy and education campaigns should be developed, targeting different segments of the population. These initiatives should not only focus on increasing awareness about the importance of long-term savings and retirement planning but should also highlight the potential benefits of participating in a national-level scheme.
- Efforts should be made to simplify complex financial concepts and terminology, making them accessible and relatable to individuals from diverse backgrounds.
- Financial literacy should also be incorporated holistically, at primary and secondary school levels, and not just at the point of development or administering of a scheme.

Multi-stakeholder collaboration for successful informal sector savings scheme

- To ensure the success of a long-term savings scheme targeted at the informal sector, leveraging established institutions is vital. Adopting a multi-stakeholder approach that involves the private sector can yield numerous benefits, including innovation, competitive investment strategies, and customer-centric services. For effective collaboration, clear communication, transparency, and accountability are essential to encourage active participation from the private sector.

Fostering trust and driving process improvement

- To build trust in retirement benefit schemes, commitment and decisiveness are crucial. This can be achieved through strict governance structures, effective operations, and highlighting tangible benefits and quality standards. Establishing partnerships with credible and independent oversight bodies and fund managers can further enhance the scheme's integrity.
- An ideal informal sector saving scheme requires a robust and efficient centralized administration infrastructure and modern technologies such as blockchain and databases to ensure proper record-keeping and pension data management. These technologies will streamline pension processes, enhance data accuracy, and facilitate timely feedback and resolution of pension-related queries.

Takeaways: Supply-side (cont'd.)

Leveraging technology for an enhanced savings scheme

- In enhancing a savings scheme, technology plays a crucial role in five key areas: engagement and information dissemination, algorithm-based financial advice, enrolment and encouraging participation among employers and employees, simplified account administration, and technology-driven benefits administration, including flexible options for contributions and withdrawals.
- Adopting both face-to-face and technology-enabled channels (e.g., radio, mobile phones) for communication is preferred.
- Blockchain technology has emerged as a promising solution for conducting micro transactions at minimal costs.

Takeaways: Policy-side

Building a regulatory framework for an informal sector scheme

- To establish a robust regulatory framework for informal sector schemes, collaboration between the schemes' regulator, relevant private and public sector players, and informal sector groups is essential. Developing a new Act or Guideline, akin to the NSSF Act 1985 that governs the national scheme, may be necessary.

Promoting sustainability in an informal sector retirement scheme

- The low-income and irregular employment patterns among informal sector workers, influences the long-term sustainability of a scheme. A comprehensive approach is necessary. This includes addressing inflation issues at the national level, fostering a mindset change, and initiating financial education from grassroots levels, with a particular focus on the youth.
- Diversification of investments beyond government securities into asset classes like infrastructure, private equity, and stocks is also imperative. Moreover, directing a significant portion of retirement assets towards the domestic capital market is vital to contribute to its growth, retain savings capital within the country, and attract investments.

Enhancing participation in retirement savings for the informal sector through financial incentives

- The informal sector respondents expressed a willingness to participate if incentivized. Non-tax incentives, such as matching contributions and fixed nominal subsidies, have proven to boost participation, particularly among low-income earners.
- For emerging economies implementing poverty-based social assistance programs should also be considered as co-contributions alone might not fully address coverage gaps.

8. Benchmarking Long-Term Savings and Micro-Pension Schemes

Benchmarking long-term savings and micro-pension schemes from countries like Rwanda, Kenya, India, and Nigeria can provide valuable insights and learning opportunities for policymakers and supply-side players interested in promoting financial inclusion and pension coverage for low-income populations in Uganda. These countries have made significant strides in developing innovative micro pension models that are affordable, accessible, and tailored to the needs of informal sector workers.

However, it is important to note that these schemes have also faced several challenges, including low uptake, lack of awareness and trust, administrative inefficiencies, and inadequate regulatory frameworks. Analysing these challenges can help develop strategies to improve the design and implementation of a long-term savings scheme.

Country	Pension Scheme	Administrator	Regulator	Short-term savings, % of total	Use of savings as collateral	Mobile technology	Subsidies
Kenya	MBAO Pension Scheme	Privately run Eagle Africa, launched in 2008 by the National Federation of Jua Kali	The Retirement Benefits Authority	100% can be withdrawn after first year of contribution	No	Mobile money accounts: Safaricom's M-PESA and Airtel's Airtel Money	Accessing mortgage facilities
Rwanda	Ejo Heza Long-Term Savings Scheme (LTSS)	Rwanda Social Security Board (RSSB)	Government of Rwanda (Ministry of Finance)	25%	Yes, 40%	Save through mobile money: MTN, AirtelTigo, MobiCash	Matching contribution, fiscal incentives, life, and funeral insurance
India	Atal Pension Yojana (AYP)	Government initiative	The Pension Regulatory and Development Authority	100% can be withdrawn, but without government co-contribution	No	No mobile technology-linked to bank accounts	Matching Contribution, Benefit committed based on committed contributions
Nigeria	Micro Pension Plan	Government initiative	National Pension Commission	40% can be withdrawn after 3 months of contribution	No	No mobile technology	No subsidies

Table 6: Features of Informal Sector Pension Schemes

8.1.1. Rwanda - The Ejo Heza Long-Term Savings Scheme

To expand coverage for pension schemes, the Government of Rwanda passed legislation to enable the creation of an old-age savings scheme in 2017. This resulted in the Ejo Heza Long-Term Savings Scheme (Ejo Heza LTSS). It is a voluntary defined contribution scheme administered by the Rwanda Social Security Board that is open to the participation of all Rwandans and foreigners residing in Rwanda. It is possible for parents to open accounts for children ages below 16. Employers can also open accounts for employees, including domestic workers.

Structure and features

To encourage uptake of this product and to build a culture of savings for retirement, the Government of Rwanda has provided incentives for different categories of members to this pension scheme for the first three years of enrolment.

There are four categories based on the cultural community support structure, "Ubudehe" as below (Ministry of Finance and Economic Planning, 2018):

Ubudehe Categories	Subscriber Eligibility Minimum Amount per Year	Government Co-contribution Ceiling	Government Co-contribution (%)	Life Insurance	Funeral Insurance
Categories 1 & 2	RWF 15,000 (USD 14)	RWF 15,000	100%	RWF 1,000,000 (USD 1,114)	RWF 250,000 (USD 278)
Category 3	RWF 18,000 (USD 16)	RWF 18,000	50%	RWF 1,000,000	RWF 250,000
Category 4	RWF 72,000 (USD 65)	-	-	RWF 1,000,000	RWF 250,000

Table 7: Government Incentive Structure for the Ejo Heza LTSS

No minimum contribution is required, and individuals can choose how often and how much they wish to contribute based on their cash flows. Ejo Heza allows short-term withdrawals if individuals have at least RWF 4 million (USD 3,701) in savings. On reaching the pension eligibility age of 55, individuals can choose lumpsum and/or scheduled withdrawal options for the pay-out phase. They can also choose to keep their savings in the account beyond the age of 55 and withdraw later Members have access to 40% of the accumulated savings for housing and education. For liquidity needs, participants have access to 25% of the total accumulated savings. Moreover, 40% of the total savings can be used as collateral to obtain a loan.

Ejo Heza accounts are mapped to each member's unique national identification number and are portable across jobs, locations, and service providers. Members can make contributions using mobile wallets, bank accounts, or debit or credit cards. Members enjoy single-window access to services through a nationwide network of thousands of branches and agents of banks, cooperatives, savings and credit cooperative societies, MFIs, mobile money service providers, and so forth. A simple and transparent web- and telephone-based mechanism has been established through a national toll-free helpline that provides information and complaints resolution support to members.

Subscribers receive a periodic LTSS bill via SMS or e-mail with the following arrangements:

- LTSS bills are payable through bank or mobile money transfers or in cash (akin to paying a utility bill).
- All LTSS contributions flow to an LTSS pooling account in the custodian bank for reconciliation. Only reconciled savings are invested.
- LTSS bills and contributions are automatically indexed at 5% a year.
- LTSS savings are invested according to specified investment guidelines by a professional fund manager regulated by the National Bank of Rwanda.
- LTSS savings are unitized, and the custodian computes and declares a daily net asset value of the LTSS portfolio. Subscribers can verify the current value of their savings easily.

The amount in an LTSS account is paid back as a monthly pension that increases by 5% a year in line with inflation. The actual pension value will be calculated and calibrated to last for 20 years, subject to a minimum of USD 18 per month (at 2017 prices). This monthly pension will continue to be paid until the balance in the LTSS account reaches zero. Subscribers who accumulate sufficiently to achieve a monthly pension of USD 92 over 20 years will be able to withdraw a part of their savings as a lump sum.

Ejo Heza has been referred to as "Africa's First Universal Digital Pension Scheme for the Mass Market," and it has indeed drawn on digital technology to reduce barriers to access. Membership is linked to a Rwandan ID (which makes it possible for foreigners who are permanent residents to join, as well as members of the Rwandan diaspora). It is possible to open an account, make contributions and check on balances using a mobile phone, as well as a web-based platform. Importantly this feature is not limited to internet-based smart phones but can also be accessed via USSD codes on basic mobile phones (UNDP, 2021).

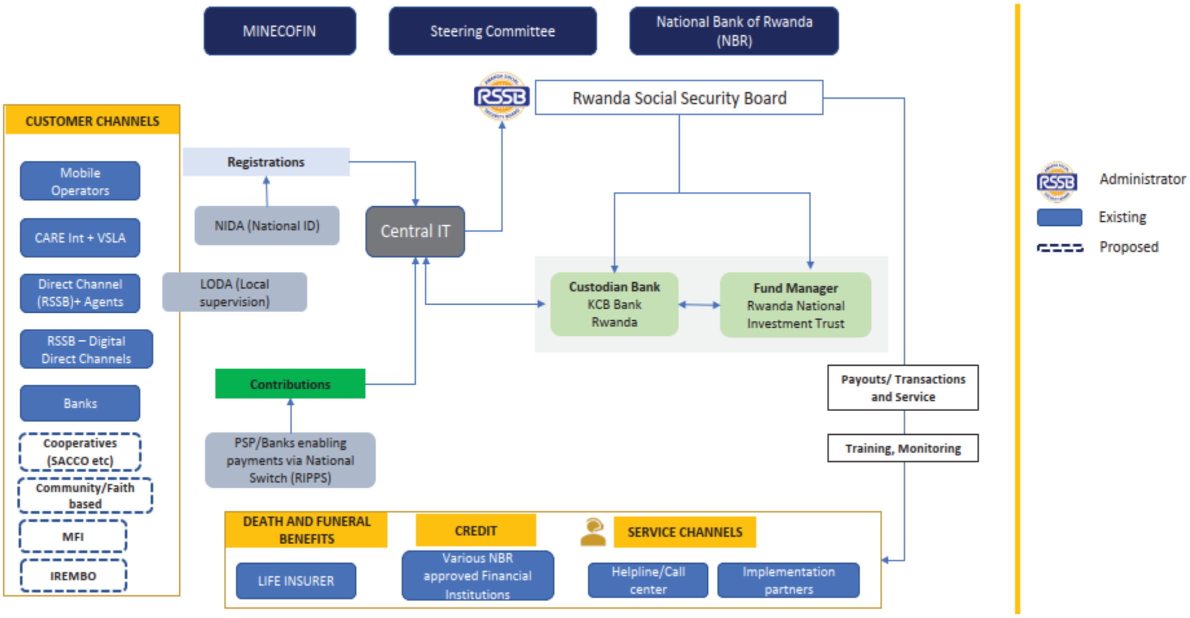


Figure 19: Ejo Heza Ecosystem Map (RSSB Ejo Heza team)

- The Rwanda Social Security Board (RSSB) administers Ejo Heza- managing operations, maintaining records, ensuring payment of life insurance and funeral benefits and compliance and implementation of Ejo Heza with applicable laws).

- The Rwanda National Investment Trust (RNIT) serves as the investment manager-managing and overseeing the investment policy operations of Ejo Heza in accordance with the law and investing the assets in accordance with the scheme's investment policy.
- The KCB Bank serves as the custodian for the scheme- responsible for safekeeping of the scheme's assets, receiving and accurately recording contributions within the timeframes set forth in its custodian agreement, and reporting to the trustees if any transactions could jeopardize the interests of the scheme.
- National ID (NIDA) database is used to verify the identity of subscribers and the database of the Local Administrative Development Agency (LODA) is used to retrieve the Ubudehe category of households.

Partnerships with local officials at the district level and with aggregators (like cooperatives) have allowed Ejo Heza to have a grassroots presence while still benefitting from the fiscal support and scalability that a national scheme offers (World Bank Group, 2023).

The scheme relies on radio, TV, promotional street banners, social media, VSLAs, CARE International, informal sector associations, local community meetings, roadshows, and mobilization campaigns. It was noted that the local government efforts are the most successful in increasing awareness of the scheme.

As of December 2022, Ejo Heza had a total enrolment of 2.9 million (with 2.4 million active users), 87% of which were from the informal sector working population. The scheme has achieved a 43.61% penetration rate among the informal sector population. The assets under management as of January 2023 stood at USD 42 million (World Bank Group, 2023).

Challenges

- The saving culture, particularly for the long-term, remains low which has impacted the take-up rate.
- While it is easier to reach the informal sector workers belonging to any group (cooperatives, workers association), it is challenging to reach individual workers.
- Digital literacy especially in adult population remains low, despite government and stakeholders' efforts in recent years.
- Access for women: With the current design, female informal workers who take time out of paid work for care responsibilities are disadvantaged due to difficulties in saving.
- Administrative barriers: The difficulty of registration linked to the need to have a birth certificate or national ID card. This led to a national campaign for informal workers to apply for ID cards and register for the mutual, however, it is still poses a barrier.

Strategies for future success

- Strengthening the scheme visibility through cross-selling & co-branding with the existing intermediaries.
- Integrating with more collecting agents (Banks, MFIs, etc) to increase footprint and service outlets, through partnership with financial and telecom institutions and NGOs.
- Working with workers' associations and cooperatives from the informal sector to ensure all members adhere to the scheme.
- Investing Ejo Heza in secure, high return securities to make it attractive.
- Intensifying media outreach to educate and encourage saving with Ejo Heza and extend mobilization to Diaspora through the Ministry of Foreign Affairs.

- Enhancing IT capabilities to ensure efficient claim management and prevent abuses and frauds.
- Targeting informal sector workers with regular incomes such as household enterprises, MSMEs especially those in urban areas.

Key take-aways for Uganda's Informal Sector Pension Scheme

- ✓ Incorporate fiscal incentives such as matching contributions and insurance to attract more informal workers to join the scheme.
- ✓ Incorporate a design that accommodates women who take time out of work due to care responsibilities.
- ✓ Make allowance for no minimum and flexible contributions based on member's cash flows.
- ✓ Leverage on local governments and aggregators such as cooperatives to increase awareness of the scheme. Set targets such levels and recognize those who meet them to help with increased ownership, higher accountability, and lead to innovative campaigns by district level staff who want to be recognized.
- ✓ Enable single-window access to services through various channels such as branches and agents of banks, cooperatives, savings and credit cooperative societies, MFIs, mobile money service providers, among others. This enables ease of use by members.
- ✓ Use of digital infrastructure like national ID and payment to make registration, contribution, and payments easy, portable, and efficient.
- ✓ Explore partnerships at the sub-national and civil society level as well as volunteer village-level mobilizers to help in mobilization efforts.

Rwanda Law Establishing the Long-Term Savings Scheme and Determining its Organization

Overview of the Law

This Law (N°. 29/2017 of 29/06/2017) establishes the long-term savings scheme and determines its organization. The long-term savings scheme is established on a contribution basis given voluntarily by opening a savings account with a scheme administrator. The administrator (public institution authorized to manage the scheme) establishes these accounts that persons open upon subscription. Such accounts are kept separately from other accounts for assets of the administrator and shall not be part of his/her general assets.

Any Rwandan and any other foreigner residing in Rwanda has the right to subscribe as member to the long-term savings scheme. The member of the scheme pays a contribution depending on his/her capacity. Accounts of the scheme are established for the following persons:

1. a self-employed person working in the informal sector wishing to make long-term savings;
2. a worker operating in the informal sector wishing to make long-term savings;
3. a salaried person wishing to make long-term savings regardless of his/her status as member of any other social security scheme;
4. a person whose active membership has ceased in a social security scheme but still receiving an amount of money under the laws regulating that scheme, and transfers such money to a long-term savings account ;
5. a child below the age of sixteen (16) years who is a beneficiary of a long-term savings scheme account opened by his/her parent or guardian;

Select Chapters and Articles within the Law

Chapter: Organisation of the Long-Term Savings Scheme

- Article: Nature and character of the long-term savings scheme
- Article: Membership right to the long-term savings scheme
- Article: Establishment and management of long-term savings scheme accounts
- Article: Beneficiaries of long-term savings scheme accounts
- Article: Member's contribution
- Article: Right of the member
- Article: Conditions for providing benefits to the member
- Article: Prescription of the rights of the member
- Article: Equal rights for members
- Article: Rights of the successors of the deceased member
- Article: Reserves in the long-term savings scheme
- Article: Rules of procedure of the long-term savings scheme
- Article: Amendment of the Rules of Procedure of the long-term savings scheme

Chapter: Provision of Services of the Long-Term Savings Scheme

- Article: Long-term savings scheme service providers
- Article: Administrator of the long-term savings scheme
- Article: Investment manager of the long-term savings scheme
- Article: Custodian of the long-term savings scheme

Chapter: Responsibilities of the Long-Term Savings Scheme Service Providers

- Article: Responsibilities of the administrator
- Article: Responsibilities of the investment manager
- Article: Responsibilities of the custodian
- Article: Requirements for providing long-term savings scheme services
- Article: Authorising to provide the long-term savings scheme services
- Article: Inspection of long-term savings scheme and service providers

Chapter: Government Motivation for Subscription to the Long-Term Savings Scheme

- Article: Government contribution to the long-term savings scheme
- Article: Fiscal incentives
- Article: Other types of incentives for the long-term savings scheme

Chapter: Long-Term Savings Scheme Investment

- Article: Investment programme
- Article: Investment monitoring
- Article: Investment performance report
- Article: Restrictions on the long-term savings scheme investment

8.1.2. Kenya - MBAO Pension Plan

MBAO Pension Plan is a private retirement scheme established in 2009. Targeted at informal-sector workers (about 80% of the total number of people employed in the country), the plan provides workers with a voluntary mechanism for pooling and investing their savings. Although the scheme is open to any citizen above the age of 18 with a National ID or passport who would like to join, it is particularly well suited to the informal-sector as it caters to those with low and variable incomes, offering these workers the opportunity to save regularly for retirement.

Structure and Features

The government plays a support role (regulatory framework, higher tax incentives, government co-contribution (matching contribution)) and county level support for regional promotion & activation.

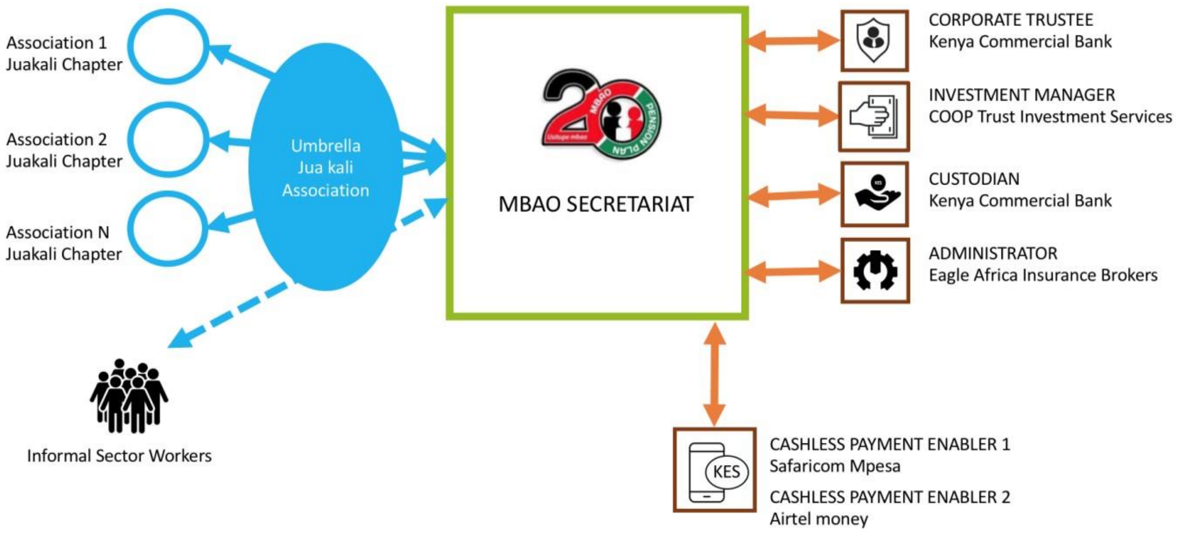


Figure 20: Structure of the MBAO Pension Plan

The funds raised by members are managed and invested on their behalf by service providers appointed by MBAO Trustees and approved by the Retirement Benefits Authority (RBA). The scheme enjoys tax exemption status by the Kenya Revenue Authority and is not taxable at the point of exit unless it exceeds the maximum exception taxable limit of KES 20,000 (USD 158) per month, up to KES 240,000 (USD 1,896) per year. If a member continues saving up to the age of 65 years old, no tax is levied on the saving. The member enjoys 100% exemption after the age of 65 years of age. Therefore, the government bears a small cost through a loss of tax revenue on the savings as well as the cost of the RBA (UNDP, 2021).

To register for the Mbao Pension Plan, workers must pay KES 100 (USD 0.79, an affordable amount), fill out a registration form and present a national photo identification card. A key feature of the scheme is the ease of payment: participants can contribute anywhere and anytime over a mobile phone. The minimum periodic contribution is about KES 20 (USD 0.20) per day. If scheme members contribute KES 20 per weekday, they can save up to KES 5,200, or roughly USD 39 per year. To ensure inclusivity, there are no penalties if a member fails to contribute. Additionally, individuals rely on mobile money accounts supplied by mobile network operators (MNOs).

While savings are pooled, should one decide to exit the scheme, individual savings can only be withdrawn as a lumpsum payment, which can be made at any age, after three years of participation in the plan. Upon the death of the account holder, a lump-sum payment is made to the designated beneficiary.

The Kenyan government amended the Retirement Benefit Act to allow members of the MBAO Pension Plan use their savings to access mortgage facilities. When members opt for that, they cannot make a withdrawal from the plan until the mortgage is paid off. The RBA has also proposed to include both insurance and credit options in the retirement plan to attract more informal workers. This would allow informal workers to borrow against what they have set aside in old age (UNDP, 2021).

Successes

As of 2018, the MBAO Pension Plan had 100,000 members (0.67% coverage of the informal sector) and a fund value of USD 1,342,000 (Kabare, 2018). Many of these members are found in urban areas. Outreach is achieved through the Jua Kali Association, which has approximately 12 million informal-sector workers as members.

The scheme's design has several attributes that contribute to its effectiveness:

- All contributions from informal-sector workers are pooled together. This creates economies of scale in the investment of funds and there is one reference point for the worker's retirement planning needs.
- Members are allowed the flexibility to contribute what they want, when they want and from anywhere in the country.
- The scheme has helped increase financial literacy by raising awareness of the importance of saving for the future to ensure income smoothing across the lifecycle.

Key challenges

- A key concern has been the slow uptake of membership since the roll out of the pension plan in 2011. The low uptake could potentially be due to a lack of awareness of the scheme. It would, therefore, be important to ascertain if and how the Jua Kali Associations market the MBAO Pension Plan to its members across the counties. A further reason is the absence of a savings culture among potential members. This has been heightened by the voluntary nature of the scheme, the fast-growing informal sector and high poverty rates.
- Moreover, the MBAO Pension Plan is not always used to save for retirement. This is due to the lack of restrictions on withdrawals, many members withdraw their savings after the required minimum period of three years, draining their funds when they are faced with short-term shocks and stresses. Therefore, unless changes are made to encourage members to keep investing, the scheme will not serve its purpose of providing income security in old age.
- MBAO is seen and used more as a short-term savings scheme and hence faces a lot of competition from other savings schemes from community-run merry-go-round schemes to savings and credit cooperative organizations that provide a range of benefits for their members, including health care and funeral savings.
- A further challenge has been around communication. Some members and / or applicants have demonstrated a lack of confidence in the scheme due to confusion caused by registration clerks. This raises a concern around the reliability of communications on the purpose, objective and benefits of the scheme, and the requirements for registration.

- The design of the registration platform has also been identified as a potential bottleneck. Although members sign up on their mobile phones, they must also fill in a hard copy registration form that is forwarded to the administrative body, Eagle Africa. Submission of the registration form for updating the Management Information System is on an ad hoc basis, and it is not clear how this procedure is undertaken, or the systematic process behind it. Migration to an online registration platform would mitigate any gaps.
- There is no gender-disaggregated data available on members of the MBAO Pension Plan, so it is impossible to assess whether the scheme is accessible to women who are more likely to earn lower incomes within the informal economy as own-account or contributing family workers.
- Challenges in administration and governance have also been identified. For example, the role of administration is handled by an insurance company, which presents a potential conflict of interest. In an ideal setup, the regulatory body would play a bigger role in administration to reduce this risk. The scheme may also face challenges related to inadequate governance systems. Government bureaucracy may impair the system's efficiency in investing funds and paying retirement benefits. Finally, low levels of public trust in government may discourage voluntary participation.

Key take-aways for Uganda's Informal Sector Pension Scheme:

- ✓ Allow for contributions through popular MNOs to enable flexibility of payment.
- ✓ Allow for online/ digital registration into the scheme for ease of the process.
- ✓ Conduct outreaches through informal sector associations to increase membership uptake.
- ✓ Need for proper Know Your Customer (KYC) processes and gender-disaggregated data to access women's accessibility of the scheme and enable designs to accommodate them.

8.1.3. India - Atal Pension Yojana (APY) Micro pension Scheme

The Government of India announced a new scheme called Atal Pension Yojana (APY) in the 2015-16 budget to replace the NPS-Swavalamban which was discontinued since it did not have a minimum pension, making it unpopular (Guven, 2019). The scheme addresses the longevity risks among workers in the informal sector and encourages the workers in the sector to voluntarily save for their retirement. The scheme is welcome to individuals between the age of 18 and 40 years who are holders of a savings bank account / post office savings bank account.

To attract informal sector workers to join the scheme, the government's co-contribution of 50% of the total contribution or INR 1000 (USD 12) per annum, whichever is lower, was available for the first five years (2015 / 16-2019 / 20) for new subscribers who joined the scheme during the period from June, 2015 to March, 2016 and who were not covered by any Statutory Social Security Scheme and were not income taxpayers. (National Informatics Centre (NIC), 2018). Another government incentive offered is a 50% subsidy on subscribers' annual premium up to INR 1000 (USD 12) for those who opt for auto-debit of their contributions from their bank account. (Atal Pension Yojana 2023: Online Application APY Chart, 2023)

Under the APY, guaranteed minimum pension of INR 1,000 / - (USD 12) or INR 2,000 / - (USD 24) or INR 3,000 / - (USD 36) or INR 4,000 (USD 48) or INR 5,000 / - (USD 60) per month is given at the age of 60 years depending on the contributions by the subscribers. Subscribers get tax reductions of up to INR 150,000 (USD 1,815) per annum on their contribution to the scheme and are exempted from tax on the maturity amount received from the pension. (Atal Pension Yojana 2023: Online Application APY Chart, 2023)

Member contributions are made at monthly / quarterly / half yearly intervals through auto-debit facility from savings bank account / post office savings bank account of the subscriber. At the back end, the APY relies on the National Pension System infrastructure. The banks pass on the contributions to the Central Recordkeeping Agency, the Pension Fund Managers, and the Trustee Bank.

Below are the monthly contributions according to the age of entry in the scheme (National Informatics Centre (NIC), 2018):

Age of entry	Monthly pension of INR 1000 (USD 12)	Monthly pension of INR 2000 (USD 24)	Monthly pension of INR 3000 (USD 36)	Monthly pension of INR 4000 (USD 48)	Monthly pension of INR 5000 (USD 60)
18	42 (USD 0.5)	84 (USD 1)	126 (USD 1.5)	168 (USD 2)	210 (USD 2.5)
20	50 (USD 0.6)	100 (USD 1.2)	150 (USD 1.8)	198 (USD 2.4)	248 (USD 3)
25	76 (USD 0.9)	151 (USD 1.8)	226 (USD 2.7)	301 (USD 3.6)	376 (USD 4.6)
30	116 (USD 1.4)	231 (USD 2.8)	347 (USD 4.2)	462 (USD 5.6)	577 (USD 6.9)
35	181 (USD 2.2)	362 (USD 4.4)	543 (USD 6.6)	722 (USD 8.7)	902 (USD 10.9)
40	291 (USD 3.5)	582 (USD 7)	873 (USD 10.6)	1164 (USD 14.1)	1454 (USD 17.6)

Table 8: Indicative Monthly Contribution Chart

Discontinuation of payments of contribution amount leads to the following:

- After 6 months, account will be frozen.
- After 12 months, account will be deactivated.
- After 24 months, account will be closed.

Exiting the scheme:

- At the age of 60: The exit from APY is permitted at 60 with 100% annuitisation of pension wealth.
- Exit before the age of 60: In case a subscriber, who has availed government co-contribution under APY, chooses to voluntarily exit APY at a future date, he / she shall only be refunded the contributions made by him to APY, along with the net actual accrued income earned on his contributions (after deducting the account maintenance charges). The government co-contribution, and the accrued income earned on the government co-contribution, shall not be returned to such subscribers.

- In case of death of the subscriber due to any cause after the age of 60: In case of death of subscriber, the pension would be available to the spouse and on the death of both (subscriber and spouse), the pension wealth accumulated till age 60 of the subscriber would be returned to the nominee.
- Death of subscriber before age of 60: In case of death of the subscriber before 60 years, an option is available to the spouse of the subscriber to continue contribution in the APY account of the subscriber. This can be maintained in the spouse's name for the remaining vesting period, till the original subscriber would have attained the age of 60 years. The spouse of the subscriber shall be entitled to receive the same pension amount as the subscriber until death of the spouse. Alternatively, the entire accumulated corpus under APY can be returned to the spouse / nominee.

During 2021/22, the government, in association with banks, conducted 13 physical outreach programmes to enrol subscribers into the scheme. This led to the opening of more than 99 million APY accounts. Around 71% of the enrolments are done by public sector banks, 19% by regional rural banks, 6% by private sector banks, 3% by payment and small finance banks. By the end of March 2022, total subscribers of the APY scheme had reached over 40 million-9.05% coverage of the informal sector population (The Economic Times, 2022).

The main challenges faced by APY are its reliance on bank branches penetration and poor agent incentivisation. Since APY relies on banks to serve as nodal points for administering the scheme, its success in reaching low-income workers living in semi-urban and rural areas is tied to the degree of geographic and demographic penetration of bank branches and the depth of their respective business correspondent networks in those areas. Agent incentives are mutually negotiated and shared between banks and the business correspondents, making them low for the agents. This discourages them from putting in maximum effort in APY related work (Rajasekhar, 2016).

Key take-aways for Uganda's Informal Sector Pension Scheme

- ✓ Incentives such as tax reductions and matching contributions attract more informal workers to join the scheme.
- ✓ Incorporating the option for an auto-debit facility from a linked bank account would minimize skipping of contributions.
- ✓ Outreach campaigns done as collaborations between all involved parties (government, informal worker associations, banks, MNOs etc) have more impact in recruiting members into the scheme.
- ✓ Penalties such as freezing or discontinuation of accounts in case of missed payments will encourage consistent contributions.

9. EY / IFC Framework for Assessing the Pension Market and Provider Ecosystem

9.1. Feasibility assessment of an NLTSS in Uganda

Left to their own devices, individuals within the informal sector may understandably prioritize immediate and pressing needs over the imperative of saving for retirement, exhibiting myopia. Although schemes do exist which the informal sector can utilise, these providers have not sufficiently tapped into the informal sector market. The informal savings landscape is hence dominated by community savings groups, market vendor groups, and village savings groups which do not provide an adequate safety net to save for the long term or to attain financial security. However, from the report findings, it is understood that despite the low-income levels within the informal sector, they are willing to save a percentage of their income for the future. Therefore, for schemes to adequately meet the needs of the informal sector they must have customized features that address the sector's unique conditions.

The key takeaways from the demand, supply, and policy analysis underline two distinct, viable strategies outlined below.

- **The establishment of a new national informal sector scheme.** The establishment of a new scheme can be an opportunity to address the unique challenges and aspirations of this underserved demographic. While an existing scheme may have some level of familiarity, it might be hindered by historical limitations and constraints. A new scheme allows for a blank canvas, enabling the incorporation of innovative features specifically tailored to the income dynamics and financial habits of the informal sector.

  By leveraging the latest technological advancements, such as blockchain for secure transactions, and modern communication channels for widespread outreach, this clean slate approach can build trust from the ground up. This approach also sidesteps any existing structural hurdles potentially leading to broader adoption, increased savings participation, and more robust long-term financial security. Therefore, the development of a tailored scheme has the potential to capitalize on this latent demand, potentially increasing retirement savings participation amongst the informal sector population.

- **The evolution of an existing informal sector savings scheme.** This presents a pragmatic and resource-efficient avenue for immediate impact. The two existing informal sector schemes in Uganda which could be great options for improvement are Mazima and KACITA. These schemes already possess a foundation of familiarity among the target demographic, providing a crucial element of trust and familiarity that a new scheme might need time to establish.

  By refining this existing structure through the integration of demographic insights during enrolment and offering flexible contribution options, the scheme can seamlessly adapt to the evolving needs of informal sector workers. Furthermore, the scheme's established administrative infrastructure can be augmented with modern technologies, ensuring efficient record-keeping, and streamlined retirement data management. This approach not only maximizes the utilization of existing resources but also demonstrates a commitment to continuous improvement while efficiently meeting the specific requirements of the informal sector.

However, if the option of enhancing an existing scheme is adopted, the following challenges would be observed:

- Limited government control for directing changes within the schemes:
  The established schemes may have entrenched structures and processes that are difficult to modify, making it challenging to adapt to evolving needs and priorities. This restriction on government control can result in the scheme becoming less effective or less relevant over time.
- Limited government control to encourage the two existing voluntary scheme to take existing learnings and improvement into account: The government has restricted influence in dictating changes within private voluntary schemes, even in instances where these changes may result in scheme improvement (e.g., enhancing governance structures and expanding product offerings). Existing schemes may not readily embrace these changes or scale them up to a national level.
- Limited capacity of existing schemes to incur additional costs to scale to a national solution:

Existing schemes may have limited appetite or ability to absorb the additional costs associated with scaling up to a national solution. This financial constraint can impede the expansion of the scheme, potentially leaving a substantial portion of the informal sector underserved.

9.1.1. National informal sector scheme – feasibility assessment score

Based on the interviews and research findings, the table below describes EY's qualitative assessment of the feasibility of both strategies - set up of a new scheme versus evolving an existing scheme.

Assessment Score:								
0: No positive value		*1: Low positive value*		*2: Medium positive value*			*3: High positive value*	
Assessment criteria	Ability to leverage existing delivery infrastructure	Cost to establish / evolve	Ability to maximize value from diverse set of lessons learned	Incentives to establish a national scheme for all informal sector	Incentives to offer attractive product range for all informal sector	Incentives to minimize conflicts of interest	Incentives to establish fit-for-purpose governance	**Aggregate**
Option 1: Set up new scheme (government-organized)	0	0	3	3	3	3	3	**15**
Option 2: Evolve/enhance existing scheme	2	1	2	0	1	1	1	**8**

Table 9: Feasibility assessment score. Note: positive value refers to the level of desirability/success of the measured outcome.

After assessing the two criteria mentioned above, it becomes evident that the more feasible choice is to establish a new scheme facilitated by the government. This option boasts several compelling advantages. Notably, the government would have the ability and the control to address existing barriers and lessons learned from previous schemes to foster desired long-term savings outcomes. A new scheme would also have the free reigns to offer a customised and attractive product with fit-for-purpose incentives to the informal sector, on a national scale. Furthermore, this approach provides the opportunity to offer a diverse range of financial offerings to increase financial inclusion and social protection amongst the informal sector population. It is recommended that a detailed assessment of both options is conducted as part of the implementation plan for the future scheme

9.2. The EY / IFC good practice framework

The EY/IFC 2022 framework provides a detailed, good practice pension market and provider ecosystem. To reach a target pension state which is market attractive, careful planning and application over long periods of time is required. This framework presents parameters and good practice setting: the ideal functions and mechanisms within the pension and provider markets.

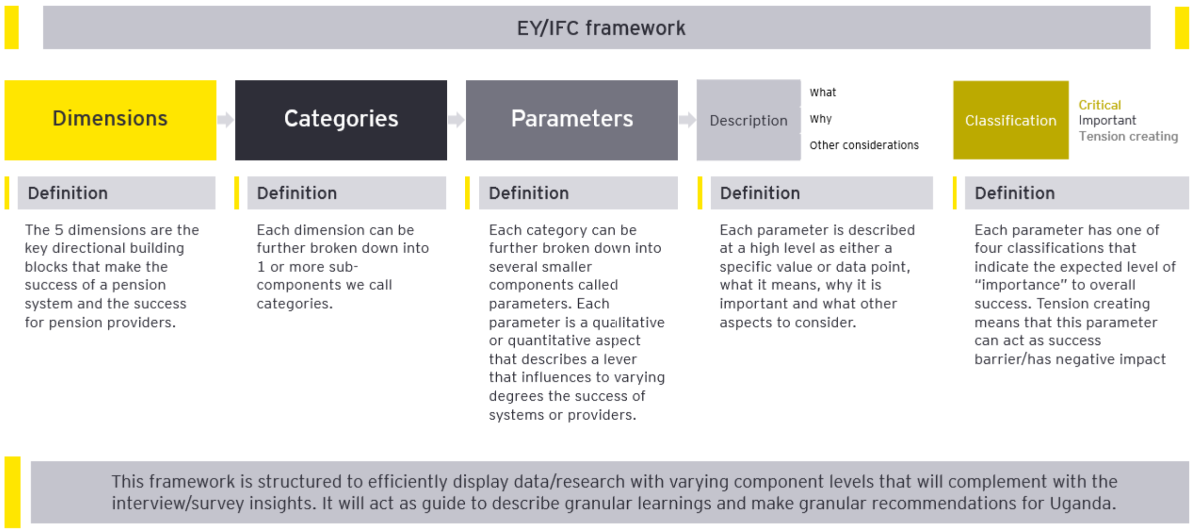


Figure 21: EY / IFC framework for assessing pension market and provider ecosystem

The framework consists of qualitative and quantitative parameters derived from EY's experience working with policy makers and retirement and pension providers. It aims to articulate the intricate ecosystem of diverse pivotal factors contributing to the achievement of success. This focus on specificity facilitates better measurement, monitoring, and evaluation of the scheme's performance, ensuring a robust and informed decision-making process.

Each dimension splits into either a single category or multiple categories. Below is a high-level description of each dimension and category and a visual representation of each individual relationship between the two.

#	Dimension	High level description
1	Context	Recognizes and describes that "success" is highly influenced by country-specific contextual aspects and levers, e.g., socio-economic or political
2	Inputs	Captures various types of "inputs" that can be influenced/set by policy makers and providers to determine success
3	Evolution	Acknowledges that private retirement systems and provider "success" evolves over a generation with individual parameters and inputs that can evolve at varying velocity and magnitude
4	Outputs	Emphasizes that "success" for government, participants and providers have both medium-term output and long-term outcome considerations that may fundamentally differ in terms of "success"
5	Stakeholders	Reflects the unique impact and sometimes conflicting "success" definitions and "tension points", particularly between providers, employers and participants or employees

#		Category	High level description
1	C	Context	See outline in box on left
2	I	Policy & governance	Various types of policy and governance settings that influence "success"
3		Products and services	Various types of product and services settings that influence "success"
4		Delivery	Various aspects of "delivery" of the agreed system either through providers or existing infrastructure, e.g., payments
5		Attract, act & retain	Various settings to attract, act and retain participating employers and their employees and customers
6	E	Continuous evolution	See outline in box on left
7	O	Medium-term outputs	Various 5-10-year output "success" aspects for system and providers
8		Long-term outcomes	Various 20-30-year outcome "success" aspects for system and providers
9	S	Stakeholders	See outline in box on left

Figure 22: Success factors in the EY/IFC Framework

Parameter	EY/IFC Sector Observations	Ugandan Context	Considerations for a New Scheme
Informal Workforce *Dimension: Context*	▪ Countries with a lower percentage of the informal workforce have a significant advantage. ▪ Informal workers present a major challenge in terms of reaching, engaging, and retaining them as savers, especially with employment-based solutions. This often leads to a significant administrative burden in collecting regular data and contributions.	▪ Uganda has a high informal sector population. 92% of the employed population is in this sector.	▪ A strong administrative and technology infrastructure would be required to adequately manage the size and diversity of the informal sector population in the scheme. ▪ A variety of mediums should be methodically deployed to engage and market the scheme to the informal sector, including those in remote areas.
Capital Market – Maturity *Dimension: Context*	▪ This is the overall maturity of the country's capital market. ▪ Higher financial market maturity provides investors with more compelling options for both saving (accumulation), and spending (decumulation).	▪ A mature capital market is characterized by a well-established and regulated system with a wide range of financial instruments and institutions. It offers a level of stability and efficiency that attracts both domestic and foreign investors. ▪ Although Uganda's capital market is well-regulated by the CMA, there are limited financial instruments. Most investments are made in government securities. There are also a small number of companies listed in the Uganda Stock Exchange	▪ Uganda's emerging capital market means the new scheme may have a limited number of financial instruments upon launch. ▪ Effort should be devoted towards diversifying the financial instruments available for investment to foster the sustainability of the scheme, as well as the overall maturity of Uganda's capital market.

Parameter	EY/IFC Sector Observations	Ugandan Context	Considerations for a New Scheme
Political Context – Predictability *Dimension: Context*	▪ This is the level of long-term predictability of government policy decisions and its relevance to pension and retirement. ▪ A minimum level of predictability is vital to attract any savers; a higher level further strengthens political trust. ▪ Predictability is essential for savers to feel confident that the money they save and the incentives they receive and expect will in fact eventuate as promised.	▪ An informal sector scheme would be regulated by URBRA. ▪ Uganda is a Unitary Republic (Common Wealth of Nations, 2020).	▪ Buy-in on the resources to develop the new scheme may require significant government lobbying and political support. ▪ A compelling case must be presented to secure the necessary resources for the new scheme to substantiate the claim that existing schemes like NSSF and Mazima are inadequate and that the new scheme would yield superior results.
Savings Culture *Dimension: Context*	▪ A robust savings culture feeds into the overall savings rate and the preferred and trusted savings products. The preferred savings products compete with the success of mandatory and voluntary retirement schemes. ▪ Savings product needs to align with investment market experience and investment risk appetite, so savers embrace compound interest.	▪ There is an active savings culture in Uganda. The informal sector workers are willing to save a portion of their income monthly, and they actively do so through numerous informal savings associations, and VSLAs.	▪ A new informal sector scheme would actively compete with other preferred and trusted savings products/informal sector associations. ▪ The NLTSS product should be made compelling (e.g., through inclusion of adequate incentives) to be perceived as more beneficial than existing schemes. ▪ Rather than competing with informal sector savings associations, they should be onboarded and compensated as distribution partners in the new scheme.
Retirement Provider Competition	▪ There should be a modest number of retirement administrators as administration requires economies of scale in	▪ There are 67 retirement schemes in Uganda.	▪ There are a number of schemes which informal sector workers can participate in, but uptake is still low.

Parameter	EY/IFC Sector Observations	Ugandan Context	Considerations for a New Scheme
Dimension: Inputs	saver numbers. Although there is no magic number, each provider should be able to generate at least cost of capital and make "reasonable profits". ▪ Higher number of providers creates unhealthy competition and makes supervision difficult.	▪ The two informal sector schemes - Mazima and KACITA – struggled to meet their operational costs.	▪ The financial burden of operating an informal sector scheme has been experienced by both Mazima and KACITA. Continued significant capital injection may be needed to build a robust administrative and operational structure for the new scheme. ▪ Moreover, as the new scheme targets lower and irregular income earners, it would require higher participant numbers to derive sustainable revenue.
Stakeholder Incentives to Participate *Dimension: Inputs*	▪ Providing incentives for stakeholders is important as setting up new mandatory or voluntary systems often take 10 - 15 years before commercial break even is achieved. ▪ This is a critical aspect for stakeholders that is rarely considered in policy.	▪ In some scheme's (e.g., Mazima) stakeholders were not properly incentivised leading to lack of motivation to participate.	▪ The new scheme would likely encounter similar issues if stakeholders are not adequately incentivized. ▪ The likelihood of breaking even in 10 – 15 years may negatively impact stakeholder motivation to support the scheme.
Public Trust in Providers *Dimension: Inputs*	▪ A minimum level of retirement scheme provider trust is crucial. ▪ It is a critical aspect for savers, particularly for voluntary and opt-out systems to lock money away for a long time	▪ News of corruption in both the public service pension scheme and the private NSSF continues to manifest. ▪ NSSF has poor public reputation. It's fund management and accountability has been questioned. ▪ Pensioners who use the Public Pension Scheme receive high replacement rates. This has	▪ Rebuilding and maintaining saver trust is an essential parameter for instilling public confidence and thus, mass participation in a national scheme. ▪ The private sector should be adequately leveraged and put at the forefront of the scheme.

Parameter	EY/IFC Sector Observations	Ugandan Context	Considerations for a New Scheme
		created a perception that schemes are a fiscal burden.	
Capital Markets Progress - # of retirement providers in the top 10 asset owners *Dimension: Outputs*	▪ This is the number of retirement providers in the top 10 asset owners in the country. The higher the number the more importance "retirement" has for the country, strong alignment to years since inception. ▪ Number is likely to take several years to grow to become compelling as the underlying retirement asset pool needs years to evolve. System leakage from unintended/unplanned large-scale withdrawals, (e.g., COVID) can have negative implications.	▪ Out of 64 retirement providers and only NSSF is amongst the top 10.	▪ There are a low number of retirement providers who make up part of the top 10 asset owners in the capital markets. ▪ The likelihood of the NLTSS being amongst the top 10 asset owner in its initial years is low, considering it relies on low-income earners. This may change as the scheme gains traction.

Feasibility risk considerations

The following feasibility risk considerations are essential to the successful implementation and sustainability of an informal sector scheme.

1. Demand and behaviour change: The success of the initiative hinges on the level of interest and willingness of potential savers to begin saving. People need to alter their savings behaviour and embrace the idea of setting aside money for the scheme.
2. Product development and interaction: Developing suitable products and establishing effective means of communication and service delivery are essential. The offerings should match the needs of participants, and the interactions should be smooth and user-friendly.
3. Governance and oversight: Ensuring proper governance and oversight mechanisms is crucial. This means having responsible management and monitoring procedures to maintain the integrity and reliability of the scheme.
4. Incentives: Providing appropriate incentives is vital to attract participants. Incentives could include benefits that encourage people to join the scheme, making it more appealing and beneficial for them.
5. Sustainability and predictability: Long-term sustainability is key. The scheme must be designed in a way that ensures its viability over time, with a clear understanding of how it will be funded and sustained.
6. Rebuilding Trust: Trust is a foundation. Rebuilding and maintaining trust among potential participants is essential. People need to believe that their contributions are secure and that the scheme is managed with their best interests in mind.
7. Efficient processes: Smooth and efficient processes are critical. Ensuring timely pay-outs, withdrawals, and overall management of members is vital for a positive participant experience. Delays and complications can erode confidence in the scheme.

10. Recommendations to Inform the Development and Implementation an NLTSS

This report presents an assessment of the feasibility of successfully implementing an NLTSS in the Ugandan informal sector.

Adequate long-term retirement savings products, such as bank deposits, stocks, bonds, and annuity products, are necessary for financial security in old age. Although workers demand market-based retirement schemes, government intervention is needed to ensure an equitable distribution of income and to alleviate poverty, as the supply may not be assured if left unregulated. Public intervention through education, awareness and sensitisation is also needed to address behavioural impediments to their use. This is even more important with an informal sector scheme where additional effort is needed to tailor the NLTSS to the unique circumstances and needs of informal sector workers. This may involve targeted outreach and financial literacy programs, simplified enrolment processes, and collaboration with stakeholders such as financial institutions and civil society organizations.

The previous schemes aimed at attracting the informal sector have had limited success and incomplete efforts. Given that the existing informal sector voluntary schemes are privately-owned, the government has limited control to improve their administration and operational capacity. This would cause a hinderance in their ability to scale into a national solution.

A new NLTSS allows for a fresh approach unmarred by the reputation of current schemes. It would incorporate lessons learned from previous experiences, to create a scheme that is more tailored to the specific requirements and preferences of the informal sector. With a new scheme, the government – which has a mandate to increase social protection amongst its population – can ensure the right interventions are inclusively applied.

Further, a new scheme also provides ample opportunity to ensure that systems, people, processes, technology, and the underlying infrastructure are adequately set up from initiation. The right stakeholders from the public and private sector can also be onboarded from conception to generate support.

Based on EY's experience, the delivery of a new scheme will be underpinned by four delivery components and five supporting levers. This is depicted below.

Figure 23: Key components and supporting levers for a new savings scheme

10.1.1. Key considerations for a new informal sector scheme

Below is a description of EY's Point of View covering key areas to be tackled when developing and implementing a new Long-term Savings Scheme.

1. **Voluntary participation within the scheme:** Although voluntary schemes tend to have lower-than-expected participation and contribution, enforcing a mandated scheme in the Ugandan informal sector may not be successful. This is for several reasons:

    - The concept of mandated payments consequently means imposing penalties for non-payment. Charges or other forms of penalty would further segregate this population and widen the income gap.
    - Mandatory contributions would compete with an individual's ability to meet priority needs (e.g., food, healthcare, housing, and family members' welfare).
    - It may be more expensive to implement a mandatory scheme as extra costs would need to be deployed for resources such as loan collectors and loan monitoring.
    - Voluntary funded pension schemes could be more resilient to political risk because they rely on individual's additional savings rather than government financing. So, they are less susceptible to political risk associated with government financial challenges or changing priorities (World Bank, 2016).

    Based on these considerations and drawing from the success of the Ejo Heza Voluntary Long-Term Saving Scheme, it is more feasible for the NLTSS to be a voluntary saving scheme. By applying the key implementation notes highlighted in the following sections, the Ugandan government could also attain success with the NLTSS.

2. **Integrate an element of soft compulsion:** There needs to be an element of soft compulsion in the scheme whereby potential contributors retain the right not to participate but the mechanisms guide them in a direction that encourages participation.

    Here, people are 'nudged' to make decisions that are good for them, while having the complete decision to change their mind. According to the World Bank (World Bank, 2016).a good soft compulsion mechanism for voluntary schemes is automatic enrolment - where participants are automatically enrolled into the scheme but have the choice to opt out later if they prefer not to save (World Bank, 2016).

    > Several studies have suggested that automatic enrolment (e.g., using participants National IDs) is by far the most effective method of increasing participation in defined contribution savings schemes, especially for lower income earners.
    >
    > *Source: World Bank 2016*

    To illustrate, in behavioural economics (which relates to the psychology behind the economic decision-making processes of individuals), when individuals perceive that they have a choice to opt-out at will, they are more likely to retain participation (World Bank, 2016). To encourage individuals who are automatically enrolled to become active savers, financial literacy, and the incentives within the scheme (e.g., education insurance, government co-contribution, interest pay-outs and use of savings to obtain loans/collateral) must be emphasised.

3. **Offer scheme incentives:** The most appealing incentive for the informal sector scheme to garner participation of the target population is government co-contributions. Government co-contribution would encourage uptake of the product by low-income earners and vulnerable groups. Integrated incentives such as education and medical insurance would also act as a key differentiator between the improved informal sector scheme and other formal/informal retirement benefit schemes in Uganda.

   To reduce the fiscal impact of the government co-contribution incentive, it is recommended to set a maximum amount for the co-contribution and define a specific period during which it will be provided. It may also be beneficial to collaborate with development partners to pool resources towards the cost of offering this incentive.

   > Proposed financial Incentive Offering:
   >
   > **For men:** 25% of savings, up to a ceiling of UGX 100,000 per year.
   >
   > **For women:** 50% of savings up to a ceiling of UGX 100,000 per year.
   >
   > *Source: (pinBox Solutions, 2021)*

   The fiscal incentives proposed for the NLTSS is a co-contributions package for the first 36 months from scheme launch.

4. **Flexible access to savings and pay-outs to cater for emergencies**

   Government co-contribution alone may not be enough for members to lock in their savings for long periods. This incentive should be combined with the provision of flexible access to their savings and an attractive interest rate. The provision for pay-outs to cover emergencies can be structured as, as follows:

   - 60% of all contributions to the Scheme should automatically flow into the subscriber's pension account.
   - 30% of all contributions should automatically flow into a liquid health and savings account to cater for children's education, health, and other emergencies.
   - 10% of contributions will be deployed to a rotating fund which would be paid back to members each year after interest is accrued.

5. **Flexible contributions and no penalties for failure to contribute:** There should be allowance for flexible contributions to accommodate members' changing income patterns and business conditions. No penalties should be charged for non-contribution. Mechanisms that allow for limited and regulated withdrawals while ensuring the preservation and growth of savings over the long term should be considered. For example, the withdrawal amount can be capped, and frequency limited to twice a year.

   The scheme can also adopt an innovative "save the change" approach with mobile money. Here, when a mobile money transaction is equal to a fraction amount (e.g., UGX 1,069), the amount is converted to the nearest shilling (i.e., UGX 1,100) and difference (UGX 31) is automatically paid into the person's savings scheme. This approach encourages a habit of saving by leveraging everyday transactions and capturing the small amounts that would otherwise go unnoticed.

6. **Incorporate a credit feature** where individuals can borrow from the scheme or use it as collateral (e.g., to purchase land/homes). This has been successful in:
   - Rwanda's Ejo Heza Long-term Savings Scheme - where 40% of total savings are used as collateral to obtain loans
   - Togo Health and Social Insurance Scheme - where loans are offered to members to purchase productive inputs
   - Kenya - where the Retirements Benefits Authority allows pension savers to use up to 60% of accrued savings to offset outstanding mortgage loans

- It is worth noting that this feature is counter-intuitive to the purpose of long-term savings, but vital for its success as the informal sector would likely simply stop saving or worse withdraw all savings. Hence, this partial "withdrawal" acts as vital anchor to retain savers.
- There is need for an agreed repayment process.
- It may also be worth investigating other blended features to help facilitate both savings and borrowing to increase flexibility. For instance, in Australia, banks offer offset accounts. In this feature, when a customer takes out a home loan, they have the option to link it to an offset account which is like a regular savings or transaction account provided by the same bank. The unique feature of an offset account is that the balance in this account is considered when calculating the interest on the home loan. Essentially, the money in the offset account "offsets" the outstanding loan balance. For example, if a person has a home loan of UGX 100,000 and UGX 20,000 in their offset account, they will only pay interest on the remaining UGX 80,000.

  Without any barriers they can withdraw the extra payment at any time. This significantly increase flexibility for savers while reducing loan administration costs.

7. **A new NLTSS Law:** Other countries usually implement a new law to coincide with the governance of a new national scheme to increase clarity and certainty as well as often to codify amending or creating new government incentives.

   If the national savings scheme is relatively simple and does not involve significant financial complexities or risks, it might be possible to operate it without a new law.

   However, as the new scheme grows in uptake and operational complexity, a future consideration would be to introduce a new law. A national informal sector scheme Act / NLTSS Act may help ensure the NLTSS is built on a robust framework tailored to the current economic landscape, the unique architecture of the scheme, and the evolving dynamics of the informal sector.

   Examples of countries who have developed new laws for a national scheme

   - Rwanda's Law No. 29/2017 of 29/06/2017 regulates the Ejo Heza Scheme.
   - The US has a Social Security Act 1935, and the 401K is covered in a section of the tax law (Internal Revenue Code).
   - Uganda's NSSF Act 1985 for the mandatory formal sector scheme.

8. **Government support and sponsorship to cover operational costs**

   Government support is needed to establish a strong foundation for the new scheme and to cover operational costs such as financial literacy training, marketing, establishing technology infrastructure, and providing co-contributions, etc. Countries globally leverage two forms of voluntary saving systems under strict Government direction and oversight: a) government operated or b) government orchestrated, but private sector delivered

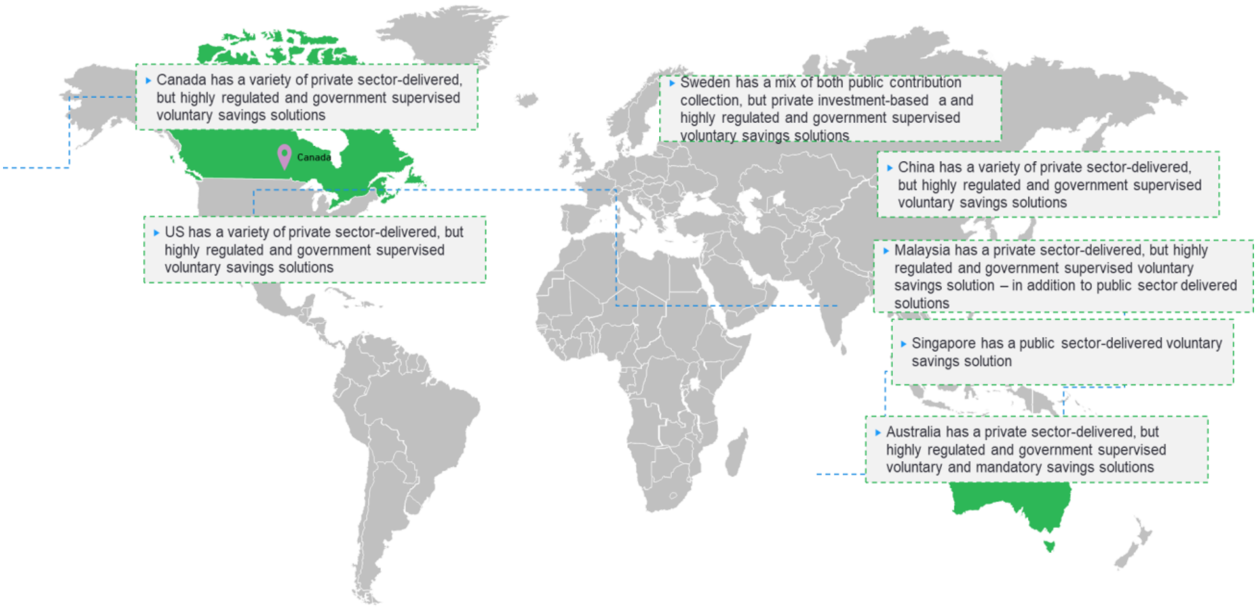


Figure 24: Countries leveraging government direction and oversight in their voluntary savings schemes

The Government of Uganda's key roles within the NLTSS can be categorised into:

- Providing co-contributions / fiscal incentives for subscribers.
- Subsidizing front-end costs for outreach, and customer acquisition. This can include subsidizing the fees paid to intermediaries who assist with these activities.
- Taking the lead in facilitating stakeholder buy-in for the new scheme. This involves removing any hurdles or barriers that might deter participation or slow down the implementation of the scheme.
- Fostering trust in the scheme and creating a transparent regulatory environment.
- Providing budgets for financial literacy campaigns e.g., workshops, seminars, educational materials, and digital resources.

EY's global experience indicates that any shortcuts and insufficient focus on these areas can fundamentally challenge the overall scheme participation and success. The upfront investment generally pays of substantially through better participation, more savings, and higher socio-economic growth through a spill-over effect from such savings.

9. **Rebuilding trust:** Trust is a foundation as a saver may hand over their contributions for potentially a very long time. The stakeholder discussions in this study indicated that particularly among the informal sector, trust has been challenged on multiple levels (including with financial institutions and the government) with significant negative implications on saver participation, saver retention, and savings amounts. Overall, this threatens scheme outcomes and success. Rebuilding and maintaining trust among potential participants is essential. People need to believe that their contributions are secure and that the scheme is managed with their best interests in mind.

10.1.2. Implementation architecture for a long-term savings scheme

Open administration structure

Integrated service delivery mechanisms, such as single-window services or one-stop shops, can help to improve access to retirement schemes, especially in rural areas, and realize economies of scale in the administration of social security schemes. Through the provision of one integrated point of service, members and employers can access several scheme services (e.g., insurance, National ID registration, and business services) at one facility. Depending on the institutional set-up, one office may be able to provide the full range of administrative services related to retirement schemes, such as information, registration, contribution collection, and benefit payment. Such integrated services can considerably reduce time, costs, and effort for future and present members by avoiding multiple visits to different offices. Single-window services can facilitate registration in retirement schemes by providing contact points close to the workplaces or homes of the groups targeted (ILO, 2021)

EY's customised architecture for an LTSS is depicted below which is based on our deep practical experience with setting up similar new schemes. For the NLTSS, an 'open architecture' administration structure which enables centralised administration, governance and delivery management would be beneficial.

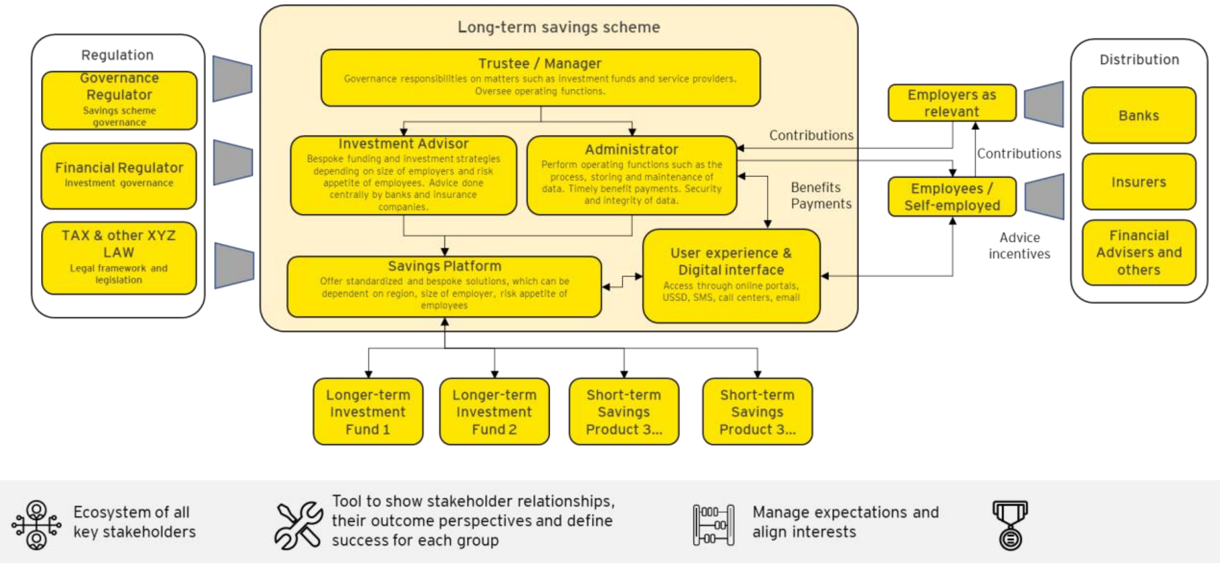


Figure 25: EY's proposed centralised administration architecture for the NLTSS

- The structure should have a central record keeping and administration platform to enable seamless account portability, automated process compliance monitoring, and uniform service quality. Such central platform helps maximise benefits from economies of scale that supports keeping administration and investment costs low.
- The platform should be national-ID linked and used on both feature and smartphone devices. The former is essential to support efficient and effective administration. The latter is vital to support choice of saver channel and convenience to engage and interact. In Uganda, the National Identification and Registration Authority had registered 26 million citizens for national ID's as of November 2022

- APIs should be used to integrate existing digital ID, finance, and payments infrastructure to establish an inclusive, secure, affordable, and scalable digital pension marketplace.
- The digital delivery infrastructure should leverage block-chain technology and other technology-enabled delivery channels to make registration, contributions, payments, and record keeping easy, portable, and efficient.

Regulatory and governance structure

Each aspect of the regulatory and governance structure must have clearly defined roles and responsibilities that are carefully considered, implemented, and integrated. EY's 'open architecture' framework can be utilised to set out a minimum outcome and meet the governance criteria by creating a hierarchy such as:

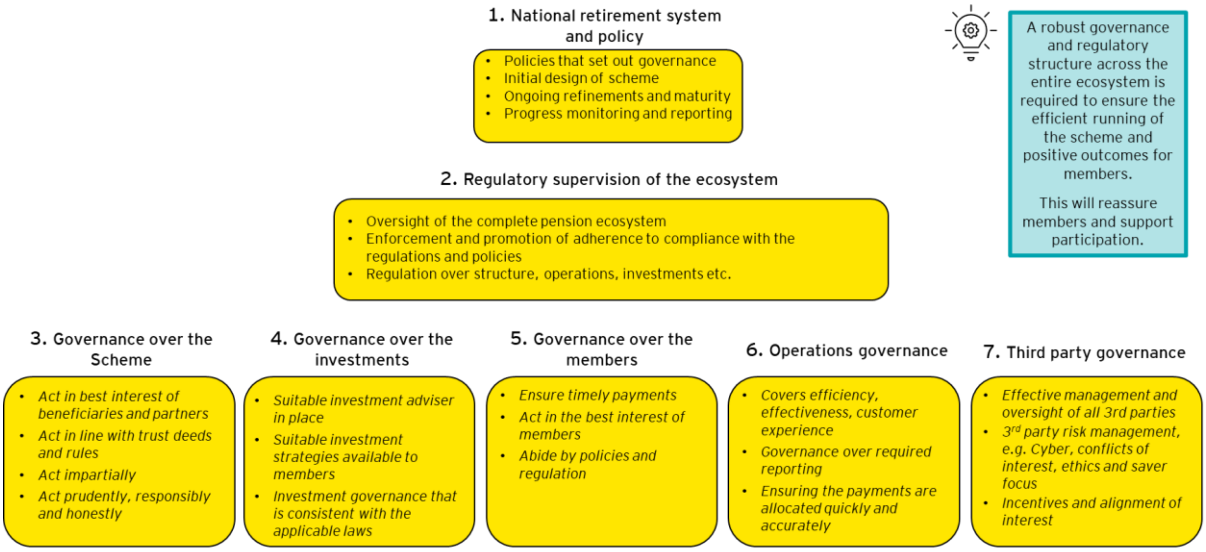


Figure 26: EY's regulatory and governance structure for retirement schemes

Investment offerings

There are benefits to starting with a small number of investment options initially and expanding later based on demand and customer insights. Investment offerings are the key product proposition and their attractiveness to a diverse set of members is a key factor for participation and scheme success. The chart below highlights EY's considerations for investment offerings.

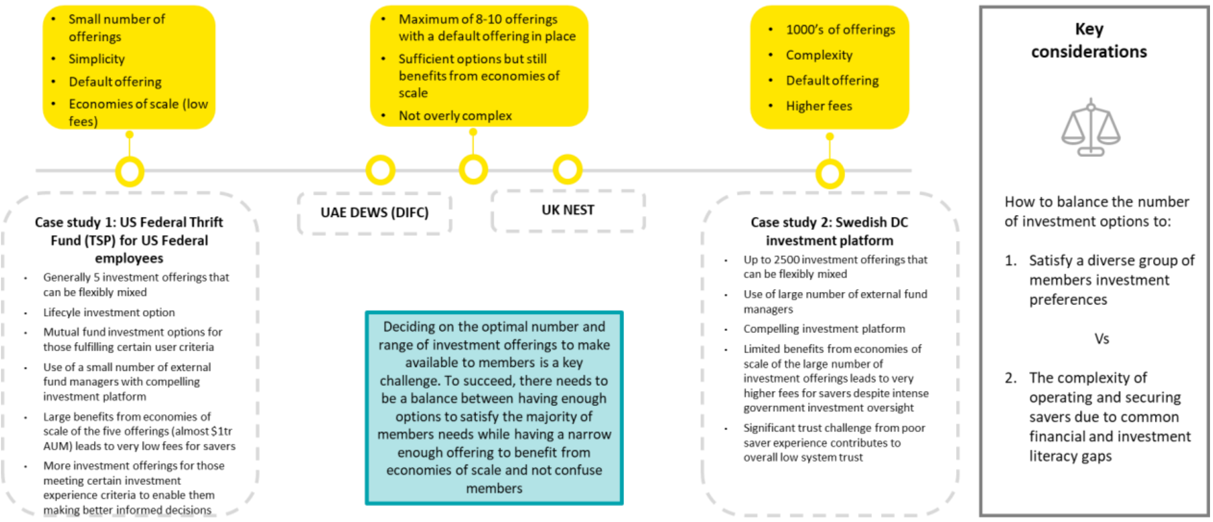


Figure 27: EY's considerations for retirement schemes investment offerings

Approach for scaling an informal sector scheme

EY's tailor-made product strategy for Voluntary Small Savings Schemes could be considered for use. It initially involves a national initiative but evolves into segmental and private sector adoption as it matures.

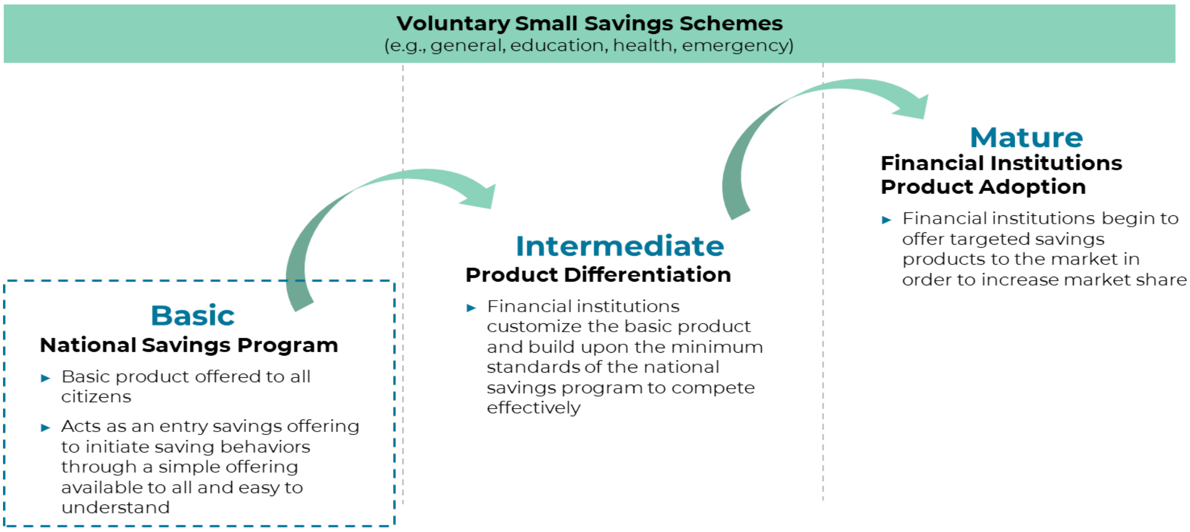


Figure 28: EY's product strategy for voluntary small savings schemes

Emphasis is placed on a phased approach. Initially, the NLTSS could aim to establish a simple and accessible savings product that appeals to a broad audience. Eventually, scheme players can be allowed to offer auxiliary services which would generate healthy competition amongst suppliers and stir engagement from the scheme members.

10.1.3. Feasibility initiatives and considerations for successful implementation

The figures below capture the initiatives[3] which if carefully executed, increases the likelihood of developing and implementing a successful informal sector scheme. The

[3] The classification of the suggested initiatives is indicative and may vary from actual implementation.

initiatives and key considerations are drawn from EY's experience as well as the research conducted in this study.

The matrix focuses on the level of effort required from supply and policy-side stakeholders, and subsequently, the level of impact it would have on demand. Using the impact and effort matrix can help stakeholders make informed decisions about which programme or initiatives to focus on first. This will ensure that efforts are directed towards those initiatives which have the greatest potential for positive outcomes.

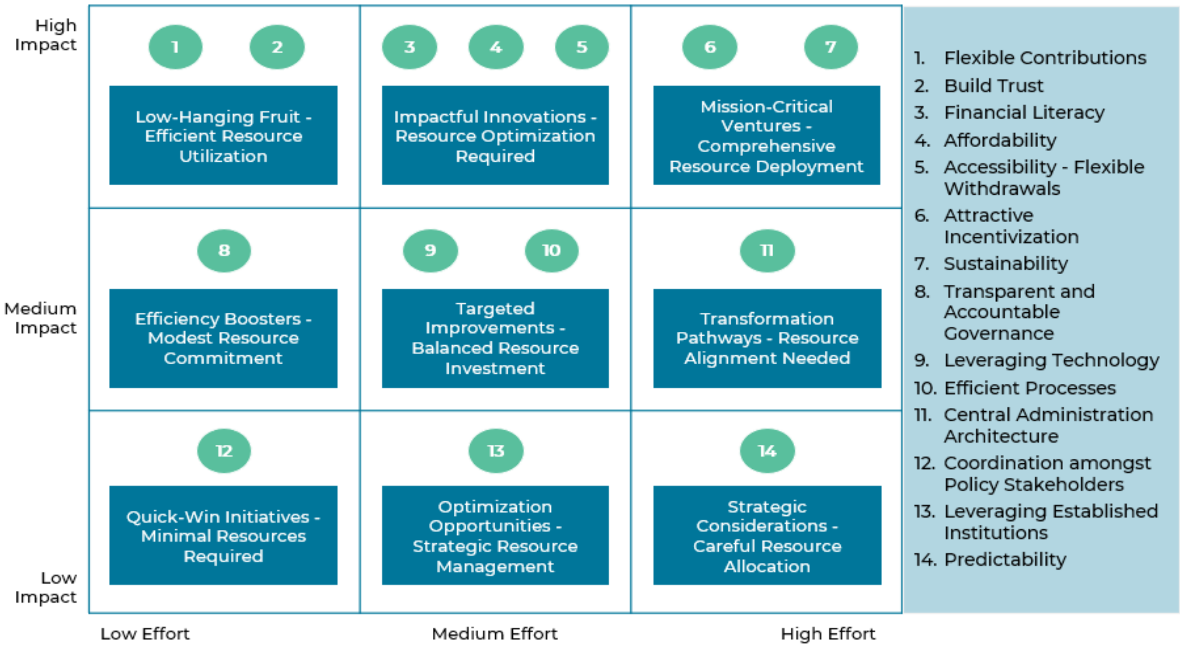


Figure 29: Prioritisation matrix for feasibility initiatives

EY proposes the following 'no-regret' initiatives which if applied may foster increased coverage of retirement schemes in Uganda:

- Building trust
- Increasing financial literacy levels
- Ensuring transparency and accountability
- Ensuring efficient processes

The table below provides a detailed explanation of the feasibility initiatives highlighted above. They are drawn from EY's experience, the findings from this report, the World Bank's framework for pension investment management (WorldBank, 2019), as well as the micro-pension Blueprint architecture developed by pinBox Solutions (URBRA, PinBox Solutions, 2021).

Initiative	Key Insights
Financial Literacy	▪ The informal sector respondents agreed that financial literacy would encourage them to save more. ▪ Preferred medium was face-to-face from community leaders or field partners, and through radio. ▪ Cost of financial literacy needs to be supported by the government.

Initiative	Key Insights
	▪ Information should be provided on the website as well as performed monthly by field partners. ▪ Information should be provided in a few Ugandan languages to encourage inclusivity. ▪ Extensive education is needed for youth and students as they may not prioritise retirement saving. ▪ The work started by the Bank of Uganda needs to be ongoing and strengthened whereby financial literacy and the importance of retirement planning is introduced in academic institutions at primary and secondary school level. ▪ Train the field staff and make them sign up to the scheme. This will prompt them to ask the questions which other members may ask. ▪ Provide standardised scripts and education materials to be used for awareness and education. ▪ Conduct audit and monitoring of financial literacy delivery. Performing random check-ins with the end-users who sign up to verify their understanding of the scheme.
Attractive Incentivization	▪ To incentivise participation, preference is for government co-contribution, followed closely by interest pay-outs. ▪ As per the Blueprint, government co-contribution should be offered at 25% and 50% (for women) per year for the first 3 years. Providing contributions may be supported by funding from development partners and DFIs. ▪ Government co-contribution must be combined with yearly interest pay-outs for emergencies to elicit longer term (untouched) savings. ▪ An ideal interest pay-out would be more than 20%. ▪ For insurance, the preference (including for women) is education, followed by medical. However, due to knowledge gap, the term insurance should be avoided. Instead, it should be marketed as a benefit for participating. ▪ Incorporating a credit feature where individuals can borrow from the scheme or use it as collateral (e.g., to purchase land/homes) would be attractive to both members and participating financial institutions. This has been successful in Ejo Heza (where 40% of total savings are used as collateral to obtain loans), Togo Health and Social Insurance Scheme (where loans are offered to members to purchase productive inputs) and in Kenya (where the Retirements Benefits Authority allows pension savers to use up to 60% of accrued savings to offset outstanding mortgage loans).

Initiative	Key Insights
Leverage Established Institutions	▪ Opportunity to build the NLTSS on top of the already existing Mazima. If successful, this may boost traction during launch and narrow the learning curve for the NLTSS. ▪ Private sector institutions are willing to partner on the scheme with the condition of accountability, transparency, and open communication. ▪ VSLA's are key access points for reaching the informal sector, especially in rural areas. ▪ Leveraging VSLA's which have high women participation would also be effective in targeting women. ▪ Local capacity and skillsets (e.g., for technology, insurance, fund management and general administration) should be fully leveraged.
Accessibility - Flexible Withdrawals	▪ Long-term is perceived as one year to the informal sector. ▪ Frequent withdrawal is not an unknown concept. Some emerging economies like Brazil have in place voluntary pension plans that do not require keeping the money in the pension fund until retirement age (World Bank, 2016). The World Bank suggested that individuals are more willing to participate in pension plans if they see that they can use their funds in case of emergency. ▪ Although the scheme should allow individuals to withdraw some money from their savings, there should be a limit to the number of times a person can withdraw (e.g., twice a year), and ideally, the member should not be allowed to empty-out their savings until the pay-out phase. ▪ For longer term savings and less frequent withdrawals, interest pay-outs must be made to members every year. This can be combined with a portion of savings to cater for emergencies such as education and medical needs.
Flexible Contributions	▪ Preference for voluntary and flexible contributions to accommodate changing income patterns and business conditions. ▪ No penalties should be charged for non-contribution. ▪ The scheme can adopt an innovative "save the change" approach with mobile money. Here, when a mobile money transaction is equal to a fraction amount (e.g., UGX 1,069), the amount is converted to the nearest shilling (i.e., UGX 1,100) and difference (UGX 31) is automatically paid into the person's savings scheme. This approach encourages a habit of saving by leveraging everyday transactions and capturing the small amounts that would otherwise go unnoticed.

Initiative	Key Insights
Affordability	▪ Regardless of earnings, informal sector may contribute as low as 4% of their income. However, this will predominantly be monthly contributions. So, there should be no upper or lower limit for contribution in the NLTSS. ▪ Customer acquisition costs should ideally be covered by the government. ▪ Members should not bear any additional or extraordinary charges and fees for participating. ▪ Members who open their accounts using mobile phones or computers, without third party assistance, should not be charged account activation fees. ▪ Strong partnerships with MNOs should be formed to subsidise costs of operating the scheme with mobile money platforms. ▪ The provision of low cost, highly standardised pension plan with limited fiduciary responsibilities for the employers of smaller companies may facilitate their participation in voluntary pension plans (World Bank, 2016). ▪ To be more inclusive to workers in micro and small enterprises, the scheme should lower or remove minimum thresholds regarding enterprise size in social security or labour legislation (ILO, 2021).
Awareness	▪ Preference for radio and face-to-face to receive communication about the scheme. ▪ Mobile offices / kiosks can be an effective and efficient way to reach populations in rural areas, including rural populations. Outreach officers can also be deployed to visit remote areas where scheme coverage is usually low (ILO, 2021). ▪ During outreach campaigns, the scheme should not be marketed as an 'informal sector' scheme because informal sector workers do not view themselves as such. ▪ Instead, it should be marketed based on occupations "e.g., a saving scheme for boda-boda riders". ▪ To encourage women participation and bridge power dynamics in households, the marketing language is also important. For example, the scheme can be marketed as "a way for women to help educate their children." ▪ Outreach should be done in partnership with informal sector associations, VSLAs, and financial institutions. ▪ Telephone helplines can also be used to provide information or facilitate access to registration and other administrative procedures (ILO, 2021)..

Initiative	Key Insights
Leveraging Technology	▪ Preference for mobile due to ease and convenience. Face-to-face through banks/scheme agents is also favoured. ▪ Mobile money was the preferred payment system, followed by banks. ▪ Mobile system should have both smartphone and USSD features. Access can also be provided through WhatsApp. ▪ The NLTSS should leverage both mobile system and face-to-face interactions (through banks and scheme agents) to interact with customers. ▪ Adopting blockchain technology will help ensure data portability, micropayments, efficient records management, and KYC processes amongst others.
Efficient Processes	▪ Simplification of procedures is an important element to favour participation in pension plans (World Bank, 2016). ▪ Efficient processes can be assured by adopting technology from the on-set, particularly blockchain. ▪ The process for acquiring a national ID needs to be reviewed to remove any bureaucracies. ▪ Through collaboration with MoFPED, the public investment management manual and systems needs to be reviewed and strengthened. ▪ Establish internal controls and external validation of processes and reporting, including an independent audit function.
Sustainability	▪ Need to diversify investment asset classes beyond government security, and train Trustees adequately including in culture of risk awareness. Considering the NLTSS investment performance will be published/transparent, the risk appetite of scheme members should be considered when diversifying investment classes, to minimise scrutiny. ▪ Appropriate trade-off between return and risk should be made during fund management. ▪ The NLTSS should be cognizant of and develop mitigations to withstand macro-economic shocks. Financial education is needed to reduce the use of negative coping strategies by scheme members. ▪ Fund management should be done by a credible and reputable private-sector firm. ▪ Government co-contribution may help boost the value of the funds under management. ▪ It is important to continuously channel a significant portion of retirement savings into the domestic capital markets. This will foster sustainable and long-term demand and supply,

Initiative	Key Insights
	contributing to the continuous growth of the domestic capital markets.
Predictability	▪ The existing policies and regulations which directly influence the NLTSS need to be reviewed in order of priority to ensure they are up to date ▪ To ensure clarity of the scheme's administration, a new stand-alone regulatory framework/guideline may be required in the future for the NLTSS. ▪ Supply-side stakeholders emphasised the need for a comprehensive legal framework that defines contributors, contribution duration, and specific requirements. ▪ Legislation should consider the diversity of employment situations and include additional categories of workers for the scheme to be more inclusive to micro and small enterprises (ILO, 2021).
Build Trust	▪ There is general lack of trust in government-run schemes, however, trust can be built though real-life success stories shared by existing members. ▪ The NLTSS should provide members with receipts/notification that their payment has been received. ▪ The scheme should also allow members to check their account balance and the amount of interest accrued from fund management at any time. ▪ Partner with community-based organizations, co-operatives, village leaders and private organizations to help build trust. ▪ Safeguards such as transparency, open and ongoing communication, education, and accountability are needed to build trust amongst both demand and supply side members.
Transparent and Accountable Governance	▪ A multi-stakeholder approach should be taken where distinct roles are assigned to different stakeholders in the public and private sector. The advantage of this approach lies in leveraging the strengths of various stakeholders and ensuring a balanced system. However, there should be clear separation of roles and accountabilities. ▪ The preference is for a private sector-led scheme however, significant government support is needed during the early years of the scheme to establish a strong foundation and cover setup costs. ▪ The scheme should be established by an independent Board of Trustees appointed by the government in consultation with URBRA. Ideally, the Trust should be made up of private sector players and informal sector workers.

Initiative	Key Insights
	▪ The Board should have sufficient delegated and decision-making autonomy to operate and manage the NLTSS. ▪ URBRA should act as a regulator. ▪ The trust should appoint private sector player to act as custodians, insurers, fund managers and retail intermediaries. ▪ There should be provision for Legal Counsel, Risk and Analytics, Internal Audit and Settlement & Control in the governance structure. ▪ Like VSLAs, there should be adequate representation of women in the governance structure to increase representation of women's voices and promote scheme inclusivity. ▪ Strong and clear leadership and delegation of roles should be allocated for planning, monitoring, and evaluation. Targets should be set at sub-national/district level to ensure higher accountability and increased ownership. ▪ Comprehensive and tailored training should be provided to all staff involved in the implementation of the NLTSS. ▪ Emphasise board-level training and upskilling. ▪ A pilot of the scheme should be launched on a limited scale. ▪ Risk usage, total return, and performance versus benchmarks should be monitored and reported regularly with a focus on the Fund's investment horizon. ▪ Adequate funding and resources should be directed towards monitoring processes and compliance within the scheme.
Central Administration Architecture	▪ A central administration architecture is needed with accounts mapped to each citizen's National ID. The central pensionTech platform should help achieve high governance standards, automated process compliance and uniform service quality. ▪ 60% of all contributions will automatically flow into a long-term savings account; 30% will flow into an education and health savings account. ▪ Ideally 10% should be paid out annually after interest is gained, to cover emergencies and other lifecycle risks. ▪ The scheme should provide subscribers with the option of 'opting out'. The repercussions of doing so should be made clear.
Coordination amongst Policy Stakeholders	▪ Planning, capacity building, stakeholder coordination and communication should be ongoing and regular. ▪ Ministries and Authorities should actively create forums of collaboration to avoid duplication of efforts. ▪ The National Health Insurance Scheme is due to be launched. URBRA should collaborate with the Ministry of Health and IRA

Initiative	Key Insights
	during the NLTSS development to avoid members being charged twice for health insurance packages. ▪ The National Health Insurance Scheme can instead be incorporated into the NLTSS. This will be a value proposition for both schemes as it will promote scaling. ▪ The Ministry of Gender, Labour, and Social Development (MoGLSD) should be core stakeholder for coordination and consultation on implementation of the NLTSS framework and structure given its experience with SAGE and assisting the vulnerable poor and persons with disabilities. ▪ The scheme should be sponsored by (MoGLSD) as the primary ministry and MoFPED as the secondary ministry. ▪ NLTSS seed funding can either be the central government or donor agencies, or both. Seed funding is vital in setting up the fund and ensuring that the early stage sunk costs can be adequately covered.

Table 10: Feasibility Criteria for the NLTSS

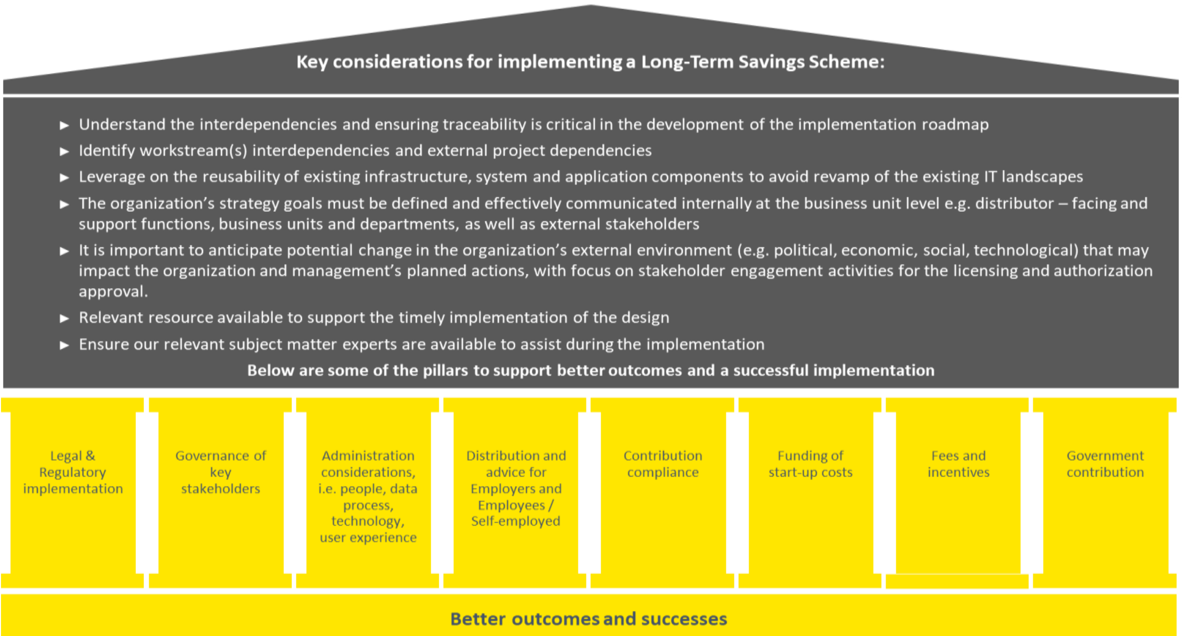


Figure 30: EY's key considerations for successful implementation of an NLTSS

It is important to meticulously implement the outlined measures. If the following feasibility initiatives are carefully applied, then the likelihood of developing and implementing a successful informal sector scheme would be high.

10.2. Roles of key stakeholders in the NLTSS

A comprehensive understanding of the individuals, organizations, and entities that have an interest or influence in the scheme's success helps shed light on their roles, expectations, concerns, and potential contributions to the scheme. This will facilitate tailoring the NLTSSs' strategies, policies, and implementation approaches to address their specific needs and foster stakeholder buy-in. The potential stakeholders who would be involved in the scheme, and their proposed roles are detailed below.

Stakeholder	Current Responsibility	Role in the NLTSS
Ministry of Finance, Planning and Economic Development - MoFPED	Co-ordinate development planning and mobilisation of public resources	▪ Possible primary sponsoring ministry for an NLTSS governance framework ▪ Approval of budget for offering incentives and initial seed funding from the government ▪ Board-level representation by the Permanent Secretary, or representative ▪ To receive and review periodic financial statements and audit reports ▪ Ministerial approval of board members for the NLTSS as specified in the legal framework
Ministry of Gender, Labour, and Social Development - MoGLSD	Empower communities, particularly disadvantaged and vulnerable groups to harness their potential	▪ Possible secondary sponsoring ministry for an NLTSS governance framework ▪ Board-level representation by a nominee ▪ Promotion of equity, diversity and inclusion in the scheme and ensure coverage to vulnerable groups ▪ Promoting the protection of vulnerable groups and advice on aspects of social protection
Ministry of Health, Uganda	Policy review, and development, supervision of health sector activities	▪ Can support in the integration of the National Health Insurance Scheme into the NLTSS to prevent duplication of efforts (i.e., scheme members paying twice for medical insurance cover)
Uganda Retirements Benefits Regulatory Authority – URBRA	Regulates the establishment, management, and operation of RBSs in Uganda	▪ Licensing, regulation, and supervision of the NLTSS ▪ Approves the board member and senior management teams for the NLTSS ▪ Licensing and supervision of NLTSS service providers (including Trustees, Administrators, Fund Managers)
Capital Markets Authority – CMA	Regulates and promotes the development of the capital markets	▪ Provides licensed fund managers and investment products ▪ Supports in the diversification of investment classes beyond government securities ▪ Trains trustees in the diversification of investment

Stakeholder	Current Responsibility	Role in the NLTSS
Insurance Regulatory Authority – IRA	Create an enabling regulatory environment for sustainable growth of the insurance industry	▪ Provides licensed insurance products and firms ▪ Can review the regulation for microinsurance to ensure it robustly covers the informal sector dynamics
Financial Intelligence Authority – FIA	Monitor, investigate, and prevent money laundering	▪ Monitors the customer activity in line country AML/CTF regulations
Bank of Uganda – BoU	Regulates and supervises payment systems and financial institutions	▪ Provides licensed payment systems operators, payment instrument providers and licensed financial institutions as custodians ▪ Can collaborate to expand financial literacy efforts
Fund Managers	Provide fund management services	▪ Act as external fund managers for the NLTSS by investing funds allocated to them and reporting on investment performance
Insurance Firms	Provide insurance services and insurance products	▪ Provide customised insurance products to NLTSS customer base, such as education insurance.
Licensed Banks and MFIs	Provide financial services and products	▪ Act as retail intermediaries and aggregators for registering new members and providing credit facilities to NLTSS members ▪ Act as recipient banks for the NLTSS for member contributions ▪ Can supply field partners for customer acquisition and financial literacy
Pension Custodian	Commonly a bank who keeps safe custody of pension assets	▪ To hold physical custody of the financial assets and securities of the Scheme. ▪ Receive and pay-out all funds for the NLTSS
Pension Fund Administrators	Manage and administer pension funds and the investments and pay-outs of schemes	▪ Manage and operate the central administration and delivery platform ▪ Providing subscribers with access to the scheme's services (including contribution, collection, reconciliation, and transfer). ▪ Expanding the scheme's coverage
Pension Technology Providers	Specialises in providing technology solutions and services for pension plans	▪ Develop software platforms, applications, and tools that help retirement plan administrators, employers, and individuals effectively manage and administer retirement benefits ▪ Digital transformation of retirement scheme management
Payment Service Providers such as MNOs	Provide payment service providers	▪ Provide low-cost access to mobile money systems as a service provision channel e.g., for members to transfer contributions periodically

Stakeholder	Current Responsibility	Role in the NLTSS
	and payment instruments	
Informal Sector Associations and SACCOs	Member associations for target audiences	▪ Outreach and education to NLTSS members ▪ Provide feedback on the perception and performance of the NLTSS ▪ Can act as board-level representation for the informal sector
Donor Agencies and Development Partners	Support feasibility and establishment of the NLTSS	▪ Conduct feasibility studies, provide advice and recommendations ▪ Provide seed financing to operationalize the NLTSS
General public (formal and informal sector)	Potential customers	▪ Potential users and advocates of the NLTSS

Table 11: Stakeholder roles and responsibilities in the NLTSS

10.3. Success factors for the NLTSS product development cycle

Success factors would be instrumental to ensuring that the NLTSS effectively meets the needs of the target population. It provides a framework for understanding and prioritising the critical elements that contribute to the successful implementation and outcomes of the scheme. These factors may also serve as a guideline to track progress and make informed decisions that align to the scheme's success.

The success factors have been broken down into the phases of a product development lifecycle as shown in the table below:

Phase	Success Factors
Design and Development	▪ Engage with all relevant stakeholders (including government agencies, community-based organizations, representatives of informal sector workers, financial institutions, etc) to seek their input, collaboration, and support. ▪ Design the scheme to be accessible, inclusive, and tailored to the varying needs of the informal sector workers to increase their interest in participation. Incentives for both informal sector workers and service providers should be considered and incorporated. ▪ Establish a robust technological infrastructure (including digital platforms, mobile applications, and online services) to support the scheme's operations, enrolment processes, account management and transactions. ▪ Establish a clear governance structure of the scheme with clear roles and responsibilities. ▪ Ensure compliance of the scheme with the legal and regulatory requirements governing pension schemes.

Phase	Success Factors
	▪ Carry out soft marketing on the product before launch to create traction and anticipation.
Launch and Marketing	▪ Implement a comprehensive financial literacy program to increase knowledge and awareness on the importance of long-term savings and benefits of participating in the scheme. This should be done in collaboration with community-based organizations and rural-based leaders, as well as trusted financial institutions to build credibility. ▪ These could be done through radio programs, road shows, face-to-face agents and demonstrations, village group meetings, among others. ▪ Establish physical points of referral for the scheme to boost marketing and trust. ▪ This phase should be government funded to encourage more supply side stakeholders to participate.
Pilot and Feedback	▪ Pilot the savings scheme with a limited group of participants. This should be done in consideration of the demographics or in a specific region, to allow for evaluation of implementation challenges. ▪ Implement a feedback and customer service system to capture concerns raised by participants to maintain their confidence and satisfaction with the scheme.
Implementation	▪ Implement effective monitoring and evaluation mechanisms to assess the scheme's performance, identify areas of improvement and measure its impact on the subscribers. ▪ Implement strong data privacy and security measures to ensure confidentiality and integrity of all participants' data.
Continuous Improvement	▪ Continuously monitor participant feedback, market trends and technological advancements and incorporate them into the scheme. ▪ Ensure flexibility and openness to iterative adjustments based on participant feedback and operational challenges.

Table 12: Key success factors for the NLTSS

Success measures should be clearly defined and quantified to support the design of the scheme and ensure that stakeholder ambitions are met.

Success measures

Government
- Participation rates
- Contribution levels
- Scheme asset accumulation
- Scheme start up costs

Participants
- Security of benefits and payments
- Flexible tailored investment options
- Low scheme charges
- Voluntary contribution option
- Superior customer experience

Employers
- Improved staff attraction & retention
- Lower benefit costs
- More stable benefit costs
- More stable financial position
- Minimal onboarding disruption
- Minimal renewal burden
- Low regulatory interference
- More simple HR / Finance operations

Stakeholder ambitions

Government
Helping meet Vision 2040 goals
- Accelerate financial services market development
- Accelerate social development
- Promote savings culture
- Enhance financial education
- Promote Uganda as a place to work and retire to
- Mitigate repatriation of funds

Participants
- Improved financial wellbeing
- Plan for financial future
- Financial knowledge acquisition
- Accumulate sufficient wealth to consider retirement in XYZ

Employers
- More committed workforce
- Improved profitability
- Improved long-term sustainability
- More simple benefit regime

Figure 31: EY success measures vis a vis stakeholder ambitions

Outlining the success measures helps to ensure alignment with stakeholder expectations and objectives, allowing for the effective tracking of progress and outcomes. It enables better decision-making, resource allocation, and adjustments to optimize the scheme's impact, thereby increasing its chances of meeting the intended goals and delivering tangible benefits to participants and stakeholders alike.

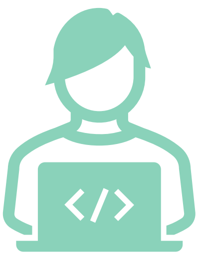
10.4. Market segmentation and customer archetypes

Capturing personas which represent segments of the addressable market fosters the effective development of product offerings and customer acquisition strategy.

Customer Archetype

The customer archetype is a narrative of a fictitious character describing the ideal customer that is likely to be attracted to the NLTSS. This narrative seeks to provide an in-depth viewpoint into the likely behaviours, attitudes, and circumstances of the ideal customer targeted for the NLTSS. In this assessment, four fictious characters have been developed to highlight the demographic factor. The characters were developed based on the observations of the different participants in the field research, after reviewing information gathered during interviews, as well as based on the consultants' perspectives of the likely demographic audience for the NLTSS. The establishment of these fictitious characters shall help in enhancing the understanding of the target audience, support the development of a target addressable market, and act as a basis for developing projections for the likely size of the NLTSS. Four possible personas have been developed and each persona has been assigned a name and a personality as a way of making the analysis relatable.

John: 'Freelance' or in 'Gig Economy'



John is in his mid-20s to 30s. He has a decent undergraduate degree from a local university. He has failed to get a formal job since leaving university, so, resorted to working freelance as a photographer and graphics designer. He is unmarried, may have a child or two, and has been working in the gig economy for a few years. He has some modest success, but he fears the gigs may be insufficient to educate and cover likely medical expenses of his growing kids. He actively participates in an investment club with his high-school friends.

John is digitally aware and likes to crosscheck information online and from his friends prior to making financial decisions. He is creative, ambitious, but cautious on financial matters. He is looking for a recognized financial provider to help in build a financial nest-egg for his kids and to help him realize his dream for a decent house, good medical coverage, and education insurance.

> The NLTSS seems like an ideal financial provider for John to achieve financial self-sufficiency.

Peter: 'Businessman', or in 'Trade and Commerce' business

Peter is a seasoned trader and businessman. He has plied the trade since he was 15. He is a school drop-out, who has gained success trading grain, real estate and used clothes. He is likely married with 3 to 4 children possibly in high school and others at an infancy stage. He is mid to late 30's and has recent experience of extreme business losses during the COVID-19 lockdown. He has travel experience to Dubai, Turkey, and China for business, and has a growing appreciation of financial products based on his experiences.

He is likely a community influencer in the trading community. He is a charismatic character, fluid storyteller, easily shares ideas and loves a comfortable life. He likes to take reasonable risks as long as the ideas are well explained in simple and understandable language. Peter has heard about the unit trusts and is not yet sure how they work. He desires to have a financial safety-net to his infant children and wants to gift his older children some capital to start their business in 5 years' time. He is still renting and may be interested to get a decent place if the price is right.

> Peter believes that if the NLTSS has diverse product offerings to help him cover education expenses, get a decent house, and build a financial gift for his children, he may be interested to participate.

Sheryl: 'Farmer', or in 'Agriculture' business'

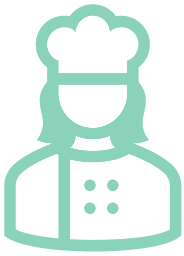
Sheryl grows and trades in grain such as maize, groundnuts and soyabean. She has built a successful enterprise crushing groundnuts and vending her products in various markets across Kampala city. She is likely a single mother to 2 children. She is in her mid-30's to early 40's She has basic education up to secondary school level but has a very high intellect and is good with numbers.

She has lost money before in various Ponzi schemes and is highly sceptical of any financial products that are too complicated. She deals mainly with her SACCO for financial transactions, and occasionally banks with a women-focused microfinance entity. She understands that good financial institutions should have a license from the authorities, and that she may have protections in case of any trouble at that institution. She is results driven, dedicated to efficiency, open minded, and

> Sheryl is interested in learning ways of protecting her wealth and safeguarding her family's financial future. She will likely participate in the NLTSS if it shows it can be trusted and has the products and services to help her secure her financial future.

enjoys day to day challenges. She is a natural born problem solver but worries about her children's financial future.

Mary: 'Food Vendor', or in 'Restaurant' business



Mary has built a small business that deals in food at a local market. She has a stable clientele comprised of boda boda riders, market vendors, and walk-ins. She works hard and has a very difficult schedule that involves waking up at 4.30 am each day to shop for the day's stock and finishes work at 5.00pm. She worries about her health due to the toll of her work and is interested to learn about how she can have financial security in case of ill-health.

Mary is now in her mid-40s to early 50s. She understands that her ability to work long hours will be reduced. She also would like to continue educating her four children through university and wants to build a house in the village for when she retires. She has actively saved with a women's' VSLA and is also active in the market SACCO as well as a microfinance entity.

Mary understands how grassroots financial institutions work, and she would like to have a financial institution that caters for her financial future.

10.5. Addressable market for the NLTSS

The persona description of likely customer types highlights the personality types that maybe suited for the NLTSS.

The new scheme would be developed to cover the entirety of the informal sector. EY global experience and research reviewed indicate that attraction and take-up of such voluntary scheme may only gradually grow over time. For some voluntary schemes even those in developed countries like the US, participation is still far below 100% even after almost five decades. Some schemes struggle to grow beyond 10%. Moreover, for voluntary schemes targeting informal sector workers, there's a clear indication that these programs may encounter challenges related to retaining savers over the long term and encouraging substantial, periodic contributions. This often resulting in more modest savings amounts being accumulated over time.

To estimate the addressable market for the informal sector scheme, the number of informal sector workers (including those in purely subsistence agriculture) will be multiplied by the monthly recurring savings that an individual within the informal sector might allocate for the scheme. A description of the addressable market, achievable market, and target market is outlined as follows:

- Total Addressable Market (TAM): TAM helps new and existing businesses to estimate potential size of the entire market for their product or service, and to assess the market opportunity if 100% market share is achieved. Here, the aggregate count of informal sector workers serves as the foundational parameter. It outlines the potential pool from which participants of the informal sector scheme may emerge.

- Serviceable Available Market: This is the part of the addressable market that is realistically attainable. It considers factors such as people's willingness and ability to save in the scheme.
- Target Market: This is the specific group of people the scheme would reach out to and those who would be interested in participating.

To assess the above parameters, the following assumptions have been made.

Market	Assumptions
Total Addressable Market (TAM)	▪ Assumes the population of informal sector workers (9.2 million) plus those in purely subsistence agriculture (8.2 million) is 17.4 million. (UBOS, 2021). ▪ The maximum amount 154 Ugandan informal sector respondents were able to save was between UGX 10,000 to 60,000 (URBRA, 2018). ▪ Based on the above, it is assumed that the arithmetic average an informal sector worker saves each month is UGX 35,000, so, annual savings is estimated at UGX 420,000. ▪ TAM is the estimated annual savings multiplied by the population of informal sector workers.
Serviceable Available Market (SAM)	▪ For simplicity, the annual savings have been kept constant. ▪ Assumes that like NSSF, the overall penetration levels of the scheme may fall at 4% (Note that this penetration level is a modest estimate based on current performance. However, the actual uptake may differ during implementation). ▪ SAM may therefore be 4% of TAM. (It should be noted that 4% this would be the worst-case scenario). ▪ However, Rwanda's Ejo Heza Scheme as per the (World Bank Group, 2023) evaluation, has so far achieved 49% subscriber to total labour force penetration. ▪ If the recommendations and key considerations highlighted in section 1.6 are methodically applied for the NLTSS, then it is assumed that SAM may fall at 30% of TAM. ▪ A moderate 30% has been assumed for the NLTSS because compared to Rwanda, Uganda has a much higher GDP and population.
Target Market (TM)	▪ Assumes that like Rwanda's Ejo Heza, the informal sector scheme may achieve a modest 1% of SAM during its first year of penetration.

The figure below outlines the addressable market and expected fund size of the informal sector scheme.

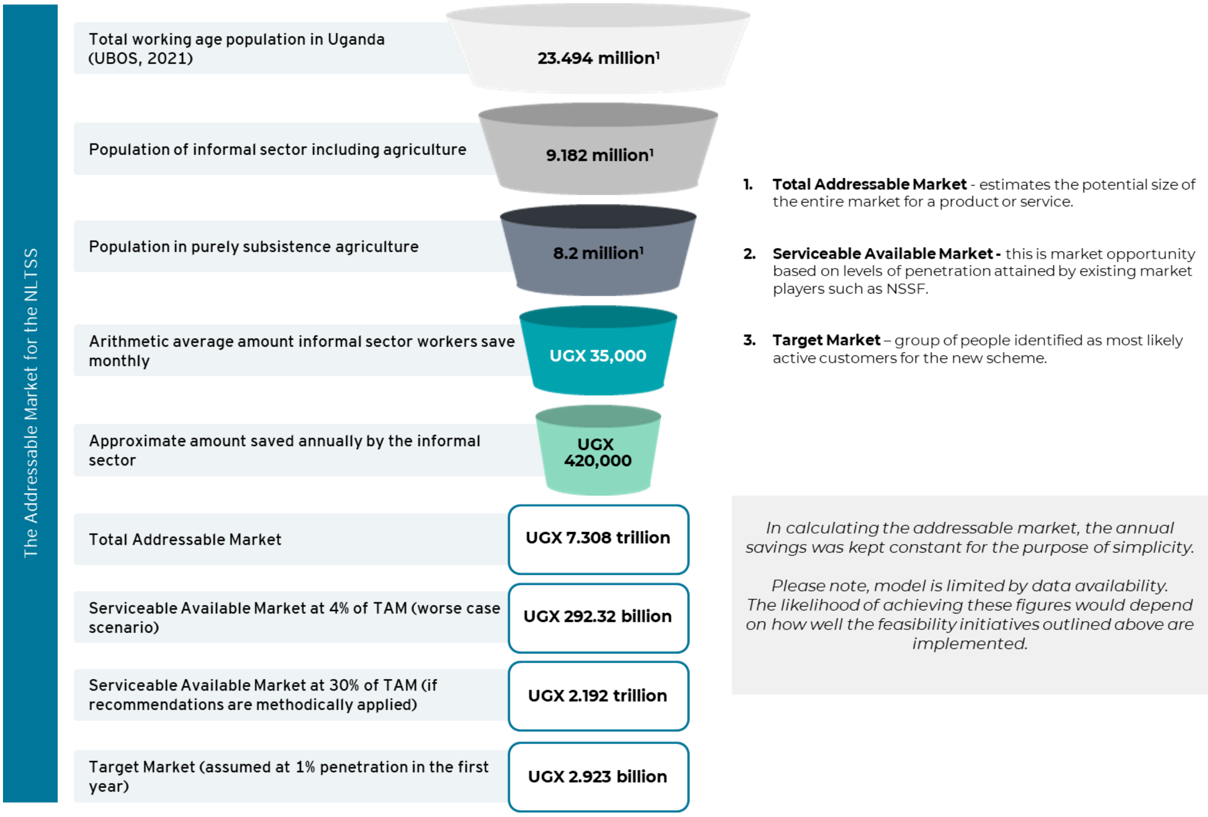


Figure 32: Addressable Market for Informal Sector Scheme. Source 1 - UBOS, 2021

- A key assumption in these projections is that as per our recommendations above, a compelling long-term savings product exists, and participant outreach is consistently carried out through a variety of channels.
- The figures may be (more or less) based on restoring and maintaining trust, national economic growth, and certainty, as well as the absence of natural disasters.
- The government is best positioned to have the necessary long-term perspective and financial means to continually focus on growing savings.
- The savings capital accumulated may need to be brought to good use in the domestic capital market to benefit from economic spill-over effect that accelerates prosperity.

10.6. Future considerations: A scheme to formalise informal savings groups

Informal savings associations such as Village Savings and Lending Associations (VSLAs) have a large membership of the informal sector. They support in the provision of access to financial services in underserved rural and remote areas, fostering financial inclusion among marginalised communities. Informal savings associations also help promote savings habits, build financial literacy, and offer access to small loans which contributes to the economic empowerment of the informal sector, as well as social cohesion amongst communities. However, there is no structured supervisory mechanism to monitor these associations and membership penetration, they are usually small-scale which hinders their ability to mobilise significant savings, and often, they lack access to more diversified formal financial products and investments.

So, as a future consideration, it may be beneficial to utilise the NLTSS as an umbrella scheme to formalise informal sector associations into one central administration architecture. Informal sector associations could be onboarded as distribution agents for the scheme with a commission paid to them for their work. They could also support in extending financial literacy to their members and securing and retaining savers.

It could be mandated for all associations to register in the umbrella scheme. However, they could retain ownership of their members and how their associations are run to promote autonomy. The NLTSS would serve as an oversight body to ensure their administrative efficiency.

The NLTSS' central administration structure would provide the associations with:

- A custodian bank to securely store member funds and automatically pay out funds to members.
- Trusted fund manager(s) and structured fund management practices to invest and report on investment performance.
- Financial literacy training to members. This can be done through a train-the-trainer approach where the scheme trains the leaders of the associations and empowers them to deliver the training to their members and communities.
- A robust technology infrastructure with electronic Know Your Customer and digital payment systems enabled for both feature and smartphones.
- A variety of insurance options (e.g., medical, education) which members can sign up for.

Key values derived from this recommendation are the opportunity to efficiently coordinate, aggregate, and formalise informal sector groups, and to ensure more efficient coordination and coverage of financial literacy efforts. It is worth noting that delivering this approach may be met with resistance to change from members and leaders, loss of some level of autonomy within associations, and difficulty coordinating large groups of associations with varying needs.

10.7. Key risks and mitigations

Identifying the potential challenges and threats that could hinder successful development and operation of the NLTSS will help ensure preparedness and application of safeguards. Highlighting this will help ensure sustainable implementation.

Risk Category	Risk Description	Likelihood (L, M, H)	Impact (L, M, H)	Residual Risk	Mitigation action(s)
Compliance, Political and Regulatory Risk	Ministry-level apathy to NLTSS	L	H	M	▪ Compelling feasibility study. ▪ Engage strategically with ministries and parliament. ▪ External financial support on seed funding.
Market Risk	Anti-competition actions from NSSF	M	H	M	▪ Clearly articulate unique selling point to stakeholders for NLTSS as the premier scheme for informal sector. ▪ Engage strategically with parliament, line ministries and line regulator.
Financial Risk	Insufficient start-up funding	H	H	H	▪ Engage strategically with donors and central government. ▪ Engage in adequate budgeting, planning and cost benchmarking prior to scheme development with joint partners.
Saver Uptake Risk	Inadequate participation from the informal sector	H	H	H	▪ Conduct mass sensitization/ extensive awareness campaigns and financial literacy programs. ▪ Simplify enrolment process. ▪ Offer attractive incentives, such as matching contributions and education insurance to encourage informal sector workers to join the NLTSS.
Technological Risk	Inadequate infrastructure for NLTSS implementation	L	H	M	▪ Assess existing infrastructure. ▪ Utilise experienced external consultants for NLTSS development. ▪ Invest in latest pension technology and systems. ▪ Training and capacity building of implementation staff. ▪ Form strategic partnerships with various private sector firms.

Risk Category	Risk Description	Likelihood (L, M, H)	Impact (L, M, H)	Residual Risk	Mitigation action(s)
Operational Risk	Inadequate sustainability measures and long-term funding	M	H	M	▪ Develop a sustainable financial model for the scheme. ▪ Develop a concise financial sector development plan in conjunction with the NLTSS. The plan should focus on widening and deepening the financial market and diversifying financial instruments for investment of pension funds. ▪ Conduct regular financial assessments and adjust funding strategies accordingly.
	Lack of clear implementation structure and strategy during roll-out of the scheme	L	H	M	▪ Proper and frequent stakeholder engagement and coordination. ▪ Conduct regular planning, monitoring, and evaluation sessions to benchmark progress against targets. ▪ Equip responsible authorities with the necessary skills and expertise for effective scheme management. ▪ Roles and responsibilities should be clearly communicated to different actors, including beneficiaries, government agencies, private sector, and development partners.
Compliance, Political and Regulatory Risk	Governance risks relating to fraud and corruption	M	H	M	▪ Strengthen URBRA's capacity to effectively regulate and supervise the sector. ▪ Review and update the existing regulatory framework. ▪ Develop a risk-based supervisory framework to prioritise allocation of resources and supervisory activities. ▪ Enhance collaboration and information and information-sharing amongst various partners.
ESG Risk	Lack of sustainable and responsible investment	M	H	M	▪ Diversify investment portfolio to include assets with strong ESG performance. ▪ Implement ESG due diligence on potential investment ▪ Encourage active engagement with companies that promote ESG.

Table 13: Potential risks and mitigations

11. Next Steps

11.1. Points to Consider on the NLTSS Governance Structure

EY's prior experience indicates that adequate and effective setup, ongoing governance, and oversight, as well as legal and role clarity are key elements to convert opportunities like NLTSS into meaningful short and long-term outcomes. A recent IFC and EY report (EY and IFC, 2023) indicates the benefits of leveraging experienced global, regional, and local private sector providers, their capital, and capabilities plus the benefits from spill over effects from domestic risk capital from savers.

As the NLTSS is a long-term initiative, robust short and long-term planning is crucial to enable effective evolution and essential creation of stakeholder trust.

1. The role of Ugandan Ministries. Establishing a robust governance structure for the NLTSS entails essential roles for ministries. From EY's observations in similar contexts, we would recommend that the Ministry of Finance, Planning and Economic Development is designated as the primary sponsoring Ministry for the NLTSS, and the driving force behind the initiative to lead the formation of the NLTSS. This is because the NLTSS is a financial product dealing with social security and the mobilisation of public resources, which aligns with MoFPED's mandate to regulate financial management and ensure efficiency in public expenditure, as well as oversee national planning and strategy development initiatives for economic growth. Some key tasks which would fall under its purview are:

- Leading the planning and implementation committee for the establishment of the NLTSS
- Set the governance and legal framework for the NLTSS
- Review and approval of budgets for the NLTSS, including the budget for offering incentives to members and suppliers/distributors
- Set the terms for the project team/consultant to operationalize the NLTSS in the pilot phase.
- Lead the formulation and presentation of the Regulatory Impact Assessment to justify a prospective NLTSS bill
- Seeking a license from URBRA for the promulgation of the NLTSS Act
- Review the tax code and other relevant legislation to identify and propose possible incentives that can lead to an attractive and viable NLTSS in the long-term.
- Seek out seed financing partners for the NLTSS.

We would recommend that a nominee from the Ministry of Gender, Labour, and Social Development should also be represented in the Board of Trustees of the NLTSS. Participation from the Ministry of Gender is essential to ensure guidance on gender-related issues, social protection (e.g., fiscal transfers), NLTSS benefits package, ensure the seamless integration of equity, diversity, and inclusiveness throughout the NLTSS, and the safeguarding of vulnerable groups including women, youth, older people and persons with disabilities.

2. On the establishment of an NLTSS Act. As the NLTSS crystallizes into a formalized structure, the promulgation of an NLTSS Act may be necessary. This should be a thin Act which delineates specific aspects of the scheme, including objectives, features, eligibility criteria, member contributions, incentive provisions, and other operational aspects such as governance structures, and management protocols. This will ensure consistency and clarity in its operation. The creation of the thin Act should be collaboratively done with other institutions such as the Insurance Regulatory Authority, Bank of Uganda, Capital Markets

Authority, and Uganda Microfinance Regulatory Authority, and the contents should be cross-referenced with other existing legislation and programmes including but not limited to:

- Uganda Vision 2040
- The National Health Insurance Bill
- The Electronic Transactions Act
- National Financial Inclusion Strategy
- Microfinance Deposit Taking Institutions Act
- Bank of Uganda Act
- Data Protection and Privacy Act
- Capital Markets Authority Act

11.2. Tactical Steps Over the Next Two Years

Timeline	Activity	Output
Month 1 – Month 3	▪ Develop a detailed Implementation Blueprint containing key activities to derive an NLTSS pilot based on the recommendations in this report. Assign roles and responsibilities using a RACI matrix and develop a budget plan.	▪ NLTSS pilot launched
Month 3 – Month 4	▪ Develop a business case / pitch deck for potential partners showcasing the value proposition of the NLTSS (e.g., domestic capital growth, financial inclusion, old age financial security)	▪ NLTSS pitch deck
Month 2 – Month 24	▪ Work towards the establishment of the NLTSS Act, ensuring it coordinates with related existing laws.	▪ An NLTSS Act that is self-sustaining and cohesive with related laws
Month 5 – Month 10	▪ Crowd in large DFIs (e.g., IFC) to stimulate positive media coverage and capital injection.	▪ Positive media coverage, expertise/advise, and capital influx
Month 5 – Month 10	▪ Crowd in a small number of foreign supply-side providers (e.g., fund managers, insurers, telecommunication providers) already active in Uganda and in neighbouring countries	▪ Partnership with reputable institutions, expertise/advise
Month 10 – Month 12	▪ Form a joint planning committee including key stakeholders from identified DFIs and supply side providers. This will be in the form of an effective Public Private Partnership led by the Ugandan Ministry of Finance.	▪ Establishment of a joint planning committee
Month 13 – Month 16	▪ Define key selling points and formal oversight requirements for informal sector savings associations and credit associations. Create a	▪ Manual outlining the incentive package and

Timeline	Activity	Output
	manual for their regulation, incentivisation, and inclusion into the Scheme	regulations for associations
Month 17 - 20	▪ Identify credit associations to serve as customer acquisition channels / product delivery points of presence. Memorandum of Understanding (MOU) should be signed with identified associations, and they should be onboarded onto the Scheme's planning and implementation process	▪ MOUs signed with onboarded credit associations
Post month 24	▪ Scale up pilot(s) and build an effective, efficient, well-managed, promoted and overseen engagement, enablement, interaction, and delivery infrastructure	▪ Efficient and effective NLTSS infrastructure that is enabled to deliver expected outcomes
Post months 24	▪ Establish a robust NLTSS industry governance framework to regularly review, refine, and evolve NLTSS	▪ Agile NLTSS that evolves

Table 14: Next Steps over the first two years

12. Appendices

12.1. Sample Questionnaires used in Data Collection

12.1.1. Demand side questionnaire

Question	Response
District	
Age	
Gender	
Level of Education	
Geography	
Income Bracket	
Type of Employment (occupation, self-employed)	
Number of Employees	
Sector (e.g., Agriculture, Services, Manufacturing)	
Has a Long-term Savings/Retirement Benefits Scheme	
Membership of Savings Society	
Type of Saving Society	
Why is it important to save?	
Do you have a savings account in a bank, MFI, or any financial institution? Which one?	
Would receiving more information/ education about pension schemes encourage you to save more? Why?	
How would you like to be educated about the long-term savings scheme? (Including, channels, mediums)	
How frequently would you like to be educated?	
What is your current understanding of saving for retirement/ long-term saving schemes?	
What retirement benefit schemes do you know? How do you know about them?	

How do you prefer to hear/receive information about savings for retirement that would interest you to adopt it?	
Can you describe why you believe this method would be most effective for you?	
Can you afford to save money for long-term?	
What other priorities (such as food consumption, housing, healthcare and children's education) prevent you from saving?	
How affordable are the current savings schemes for you?	
Do they allow you to save infrequently and with lower amounts? Are there any penalties?	
What percentage of your income (maximum) would you be willing to put aside for long term savings?	
How frequently would you save this amount?	
Would you be able to pay this amount every month for the next 10 or 20 years?	
What influences your decision to save? (e.g., saving for a particular goal)	
What kind of goals would you like to save for (e.g., children's education, housing, buying a land, emergency, or healthcare)	
What would enable you to participate consistently in saving?	
How long do your savings go untouched/ unused?	
How often would you like to access your savings (e.g., every 3 years. 20 years, after retirement)	
Would you accept to get lower amounts/interest for accessing your savings sooner?	
Why don't you like to lock in your savings for more than 10 years?	
How would you describe your ideal micro pension/ long-term savings scheme? What would make it attractive to you?	

Can you describe the pain points you face in the savings schemes you use?	
How can these be reduced?	
What kind of savings account and insurance would you like to receive from the long-term savings scheme (e.g., funeral savings, children education insurance, maternity benefits, wedding savings, home insurance, etc.)	
If government gives matching contribution, would it encourage you to leave your savings untouched for longer?	
How do you prefer to make your contribution (e.g., mobile money, or door-to-door collection)	
How would they prefer to interact with the scheme on a frequent basis? (Digital, face-to-face interaction with a scheme agent, through a financial institution)	
What mobile system should the scheme use? (USSD, Smart Phone, both, either?)	
Which services/products offered by the institutions do you mostly use?	
What kind of savings products would you like these institutions to offer?	
What encourages you to join these groups/institutions?	
What are some of the advantages/drawbacks from saving in these groups?	
How can trust in the groups be increased so that you save more?	
How do you view the credibility and trustworthiness of financial institutions and scheme providers?	
What prevents you from trusting the existing schemes?	
What kind of safeguards would you expect from a long-term savings scheme to build?	

12.1.2. Supply side questionnaire

Banks and Insurers	
What would you say are the biggest challenges and identified opportunities in serving the informal sector of Uganda?	
In your experience, what are the most saleable savings products to the informal sector of Uganda?	
What features and management structure in the NLTSS do you think would make it most attractive financial institutions to want to partner in the scheme?	
What additional membership benefits (e.g., loans and mortgage facilities) would work in the scheme, and how would it be structured?	
What would you say should be NLTSS' strategy for reaching out to the informal sector and what channels should it use?	
Can your institution provide assistance in marketing and promoting the savings scheme to the informal sector of Uganda?	
What type of technology does your institution have in place to facilitate transactions with the informal sector?	
How can your institution contribute to financial education and literacy initiatives to promote the adoption of the NLTSS?	
What potential challenges / opportunities do you foresee in the creation of a new informal sector Savings Scheme? Could these be mitigated?	
How favourable is the Ugandan regulatory environment towards administering pension products?	
Mobile Network Operators	
How do you see mobile money services fitting into a NLTSS for informal sector workers and low-income individuals in Uganda?	
What measures can be put in place to ensure the security and integrity of mobile money transactions associated with the NLTSS?	

What types of data and analytics can you provide to help measure and assess the impact of the NLTSS?	
How can MNO support financial literacy efforts?	
What challenges and potential risks do you see in the adoption of the NLTSS that incorporates mobile money services?	
From experience of having mobile money on previous schemes, what are the lessons learnt for NLTSS?	
Fund Managers	
What would you say is the biggest challenge and identified opportunities in encouraging the informal sector to invest in the NLTSS?	
What would you advise is the most suitable pension administration/governance model to successfully integrate a fund manager?	
How can trust be built amongst Ugandans (especially informal sector) on how their funds are being managed for their benefit?	
How would you describe the current regulatory environment for managing and reinvesting pension funds?	
Can this environment support the sustenance of the scheme? Why? / Why not?	
What are the opportunities/challenges for operating as a pension scheme fund manager in Uganda?	
What would incentivise (fund manager) to willingly join the NLTSS ecosystem?	
Scheme Provider	
What would you say are the current successes and challenges in implementing and operationalising a national pension scheme in Uganda?	
What has hindered the uptake of the mandatory scheme?	

What are the challenges/opportunities in serving the informal sector?	
How has (Scheme Provider) tried to build trust in pension schemes amongst the Ugandan population?	
How would the new NLTSS complement the work that (Scheme provider) has started?	
How can duplication of efforts be avoided?	
How does the current regulatory environment support or hinder the administration of a national pension scheme? What more needs to be done?	
How can the NLTSS ensure its processes are efficient for timely pay-out to beneficiaries?	

12.1.3. Policy side questionnaire

Ugandan Ministries	
Describe on the current state of social protection in the Ugandan informal sector. What are the successes, challenges, opportunities?	
What are the current retirement planning challenges faced by women and youth in the informal sector?	
How well have the current informal sector schemes – KACITA Provident Fund and Mazima served the informal sector? Including women and youth.	
How feasible would it be to develop a new NLTSS in the informal sector at this time? In your perspective is a new scheme needed, or should the focus be on making the existing schemes better?	
Are the right skills, processes, infrastructure, and capacity in place within the government to develop and administer the NLTSS architecture? (	
How can the NLTSS be best tailored to best suit the needs and profiles of the low-income earners, elderly, and disabled demographic to ensure they have social protection?	
How can the NLTSS build public trust?	

How can the government provide the right institutions to educate the informal sector on savings for retirement?	
The informal sector would need to be incentivised to participate in the scheme. How plausible is it for the government to provide matching contributions and tax reliefs in the scheme?	
How do the current policies and regulatory environment support the implementation of the NLTSS? What more needs to be done?	
What kind of support can the Ministry provide to the NLTSS to ensure its success and sustainability? What resources and expertise can be provided?	
Authorities	
What factors do you think would directly influence the sustainability of a national informal sector long-term savings scheme?	
What are the policies, regulations, and actions needed to strengthen the performance of Uganda's pensions in the capital markets?	
What are the challenges and opportunities in providing and reinvesting pensions in Uganda?	
What resources and technology are available to help set up the scheme for the informal sector?	
How can the Authority support in congregating its institutions to participate in the scheme? What incentives would need to be provided?	
What challenges and potential risks do you see in the adoption of the NLTSS that incorporates mobile money services?	
What resources and technology are available to set up the scheme for the informal sector?	
How can the scheme ensure that its members are adequately protected from fraud and other financial risks?	

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