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– Rwanda –

Engaging Society, Making a Difference

POSITION PAPER ON RSSB PENSION REFORM IMPLEMENTATION

Prepared by Never Again Rwanda

1. Executive Summary

Rwanda's pension system is facing a significant transformation. Reforms announced recently will double contribution rates from 6% to 12% in January 2025, followed by further increases to 20% by 2030. This mandatory change, affecting employees and employers, marks the first significant adjustment to contribution rates since the system's establishment in 1962.

The Rwanda Social Security Board (RSSB) presents compelling reasons for the reform, citing increased life expectancy, the need for fund sustainability, and plans for expanded investment in national development. However, the implementation approach raises substantial concerns among stakeholders. The system serves only 9% of Rwanda's workforce, with approximately 60,000 pensioners receiving benefits and the lowest monthly pension payment at 13,000 RWF.

Critical analysis reveals significant challenges in the reform's immediate implementation. The absence of comprehensive stakeholder consultation before the decision and the abrupt timeline pose risks to employees and employers. Low-income workers face an immediate reduction in take-home pay. At the same time, small businesses, NGOs, and organizations operating on fixed budgets must navigate substantial increases in operational costs without adequate preparation time.

The reform's reach extends beyond simple contribution increases. New provisions will apply deductions to gross salary and additional benefits, including transport allowances, fundamentally altering the calculation basis for pension contributions. While potentially beneficial for long-term pension values, this change creates immediate financial pressures on employers and employees.

Never Again Rwanda's assessment indicates a need for substantial modifications to the implementation approach. The organization recommends establishing a gradual implementation framework, conducting broader stakeholder consultations, and developing support mechanisms for vulnerable groups. Additional recommendations include expanding the benefits package to include health insurance for pensioners, reviewing survivor benefits, and improving RSSB's transparency in fund management.

The success of this crucial reform depends on balancing long-term sustainability with immediate socioeconomic realities. A more measured, inclusive approach to implementation would better serve both the reform's objectives and Rwanda's workforce. While the reform presents an opportunity to strengthen Rwanda's social security framework, meaningful stakeholder engagement, and comprehensive support mechanisms must accompany its implementation to minimize negative impacts on Rwanda's workforce and economy.

2. Introduction

A pension scheme is a long-term savings plan. It is a fraction of the income regularly saved during the working life to ensure cash flow security in the post-retirement age when a person is no longer working. Planning the pension early is critical to guaranteeing a person's financial security in retirement. Contributing to a retirement pension allows workers to accumulate savings over their working lives, thus ensuring a steady income stream during old age. Across the world, a person decides to subscribe to various choices when faced with the option of a pension scheme. In developing countries, however, choices are limited to mandatory pension schemes, which, in most cases, are operated by a government-affiliated agency.

Pension contributions are paid under the assumption that the contributor will receive the benefits while he is still living, thus giving the pension scheme an aspect of post-retirement life insurance. Instead of living out of accumulated assets, a person has the choice of bequeathing his wealth to his family and leaving out of the pension benefits. This presupposes that a person will survive longer to enjoy his savings.

Pension benefits for old-age former workers are, at the same time, a human right and a labor security standard, as per ILO. It aims to provide income security to people of retirement age. This response to Sustainable Development Goal (SDG) 1 on eradicating poverty in all its forms for all people, and SDG

3 targets to ensure healthy lives and promote well-being for all ages (UNO, 2015). Pension schemes that are well and equitably designed contribute to reducing societal inequalities and fighting poverty in old age persons.

There are various types of pension schemes. The most common are public pension schemes based on solidarity and collective financing as advised by International Labor Organization social security standards (ILO, 1952). These schemes mainly rely on the contributions of employees and employers and on investment of the collected funds in risk-free sectors to generate more revenues. Most of the public pension schemes are mandatory. The public pension schemes can be complemented by other types of pensions that are either voluntary or mandatory. These schemes can either be semi-public or purely private. Private pension schemes are pension plans into which individuals contribute voluntarily and will pay their pension after retirement. They can be mutual funds run by insurance companies and other financial institutions or occupational pensions run by employers. Voluntary pension funds are an alternative or complementary to state-run pensions. Usually, the contribution to private pensions can be deducted from income tax.

Rwanda has a public mandatory pension scheme run by the Rwanda Social Security Board (RSSB). RSSB also runs a voluntary pension scheme known as Ejo Heza. Different insurance companies also run some private pensions and life insurance in Rwanda. While Ejo Heza has the potential to become a vital pension scheme as it has a significant contribution base (4,1 million Subscribers) to tap into, the private life insurance funds managed by insurance companies do not cover a substantial portion of the Rwandan population.

The public pension scheme in Rwanda started in 1962, along with other forms of social security under the then Caisse Sociale du Rwanda (CSR). The current pension rate was decided by then and fixed at 3% of the employee's basic salary, whereas the employer paid the other 3%. Since then, there have been changes in the institution that manages public social security in Rwanda. However, the contribution rate remained the same as it was formulated in terms of percentage. Thus, its nominal value kept growing as salaries increased. Further reforms were carried out in 2010 when the CSR was merged with La Rwandaise d'Assurance Maladie (RAMA) to make the Rwanda Social Security Board (RSSB). Currently, RSSB is the giant of the Rwandan economy as it shares most of the strategic investments across the country. The pension scheme remains one of the essential branches of RSSB as it collects long-term deposits that can be tapped into by banks and other strategic investors.

The underlying logic of a pension fund is that money collected is invested in risk-free businesses to accumulate interest that will be used for pensioners' benefits. According to RSSB management, less than 4% of their investments are underperforming, and RSSB registered more than 400 billion Rwandan Francs of interest in the previous financial year. This means that RSSB is profitable and not short of liquidity.

3. Background

On November 9th, the Cabinet approved the Presidential Order fixing the rate of contributions for the mandatory pension scheme in Rwanda. This presidential order (not yet published) is implementing the provisions of Article 8, paragraph 4 of the law N° 05/2015 of 30/03/2015 governing the organization of pension schemes in Rwanda. The draft presidential order is not yet published in the official gazette. This presidential order passed unnoticed until Thursday, 28th November 2024, when RSSB informed the public of the new pension rates to be implemented from January 2025. Many people were surprised because there were no public consultations with relevant stakeholders concerned by pensions, such as the trade unions representing workers, the civil society, and faith-based organizations. Only the representatives of the Private Sector Federation were consulted. This information shocked employees and employers, as witnessed by the comments on the classics and social media in reaction to the announcement of new rates by RSSB.

The proposed changes to pension contribution rates are that effective from January 2025, the contribution rates will double from 6% to 12% for both the employee and the employer. The current rate of 6% is shared equally by the work, and the employer will increase to 12%. There will be no change in 2026. From 2027 to 2030, an increase of 2% will occur to reach 20% of employee gross salary in 2030. This is a considerable increase. According to the Ministry of Finance and Economic Planning and RSSB, these changes are meant to align with the contributions in other countries, to ensure that retirees get decent revenues, and to contribute to economic development by creating an SME Fund that will enhance access to capital for small and medium-sized enterprises (SMEs), Increase Liquidity in Capital Markets for it to be able to support businesses and establish a Research and Development fund that will help start-ups and innovative ventures.

Another policy change is that effective that date, contributions will be deducted from the gross salary plus other fringe benefits such as transport allowances to increase contributions and later the benefits the employee will get when retirement age is reached. This sudden increase will affect employees and their dependents. This policy action will also affect employment and the economy in general.

Never Again Rwanda (NAR), a leading peace-building and social justice organization, would like to contribute to the pension reform debate through this policy brief, which analyzes and provides recommendations on the recently announced RSSB pension reform.

It is noteworthy that NAR understands the benefits of increasing the contribution rate. However, Never Again Rwanda is of the view that wide consultations with all relevant stakeholders to understand immediate, quick wins, short-term, medium- and long-term benefits, and adverse effects would have been the best approach not only to yield some consensus around the measure but also to discuss together how adverse effects could be mitigated or avoided. This paper, thus, instead of contributing to this problem, outlines some recommendations from Never Again Rwanda for a smoother implementation.

4. Comparative analysis with other countries

Rwanda's pension contribution rates are among the lowest. Most of the African countries have more than 10% contribution rates. Some are more than 20%, and some outliers above 30%. In OECD countries, most countries have mandatory pension schemes for public servants, which average 18.2%. Italy has the highest contribution rate of 33%, and the lowest countries include Canada, South Korea, Mexico, and Lithuania at less than 10%. Meanwhile, the private sector can choose private pension schemes. Countries with mandatory pensions are Australia for employers, Chile, Costa Rica, Denmark (no mandatory public pension scheme), Iceland, Israel, Mexico (no mandatory public pension scheme), Netherlands (public servants do not pay contributions), and Norway (only employers pay contributions).

However, these are advanced economies with well-functioning private pension schemes. The table below shows the status of mandatory pensions in the OECD.

Table 1. Mandatory pension contribution rates in 2020 (% of gross earnings)

For old-age and survivor pension schemes in OECD countries in nominal rate

	Employee, public	Employer, public	Employee, Private	Employer, private	The effective rate on average earnings
Australia			0.0	9.5	9.5
Austria	10.25	12.55			22.8
Belgium	7.5	8.9			16.4
Canada	5.25	5.25			10.5
Chile			11.3	1.6	12.8

Colombia	3.5	10.6			14.1
Costa Rica	4.0	5.3	1.0	3.3	13.5
Czech Republic	6.5	21.5			28.0
Denmark			4.0	8.0	12.8
Estonia	0.0	20.0			20.0
Finland*	7.15	17.0			22.4]
France	11.3	16.5]			27.8
Germany	9.3	9.3			18.6
Greece	6.7	19.8			26.5
Hungary	10.0	11.8			21.8
Iceland*	0.0	6.35	4.0	11.5	21.9
Israel	7.0	7.6 [w]	6.0	6.5	19.2
Italy	9.19	23.81			33.0
Japan	9.15	9.15			18.3
Korea	4.5	4.5			9.0
Latvia	10.0	10.0			20.0
Lithuania	8.72	0.0			8.7
Luxembourg	8.0	8.0			16.0
Mexico			1.1	5.2	6.3
Netherlands	18.0	0.0	7.7	14.8	25.1
New Zealand					0.0
Norway	8.2	13.0	0.0	2.0	23.2
Poland	9.8	9.8			19.5
Portugal	7.2	15.5			22.7
Slovak Republic	4.0	18.8			22.8
Slovenia	15.5	8.85			24.4
Sweden	7.0	10.8	0.0	4.5	22.3
Switzerland	4.2	4.2	6.25	6.25	17
Turkey	9.0	11.0			20.0
United States	5.3	5.3			10.6

Source: Country profiles and OECD Taxing Wages 2021.

What is striking from the table is that only a few countries do not have mandatory contributions to the pension for public service. Instead, many do not have mandatory contributions for private employees and employers. Another feature is that contribution rates from the public sector are not necessarily the same as those from the private sector.

Rwanda has the lowest rate in Africa, after Seychelles, which has 4%. In East Africa, Kenya has a 12% rate, 18% in Ethiopia, 20% in TZ, 15% in Uganda, and 10% in Burundi. In Africa, Ghana contributes 13%, Cote d'Ivoire 25%, Senegal 35%, Morocco 23.5%, and South Africa 7.5%. West African countries have the highest contribution rates on the Continent. According to Abels M. & Melis U. G., in a few countries, including Rwanda, the employer and the employee share the contribution equally. In most countries, employers pay up to double what the employee pays.

5. Rwandan pension regulatory framework

The pension scheme in Rwanda is regulated by the law N° 05/2015 of 30/03/2015 governing the organization of pension schemes. This law creates mandatory and voluntary pension schemes in Rwanda.

According to Article 3 of this law, a "mandatory pension scheme is a pension scheme under which employees and political appointees jointly with employers are required to build up retirement savings and which is managed by a qualified public entity," whereas "a voluntary pension scheme is an individual or collective retirement saving scheme in which membership is acquired voluntarily and is managed by legally authorized persons."

By law, the following employees should be members of the mandatory pension scheme: (1) all employees governed by the law regulating labor in Rwanda regardless of nationality, type of contract, duration of the contract, or the number of wages; (2) all employees governed by the General Statutes for Public Service and civil servants governed by special statutes; (3) political appointees; (4) employees of international organizations, national nongovernmental organizations, international non-governmental organizations, faith-based organizations and employees of Embassies accredited to Rwanda (art. 4). This means that, notwithstanding few exceptions on this article 4, all employers in Rwanda are supposed to register their employees in the mandatory pension scheme, i.e. around 8.890.000 persons. There are sanctions attached to not abiding by this law. Despite that, RSSB reports that only 9% (approximately 800.000) of workers in Rwanda are registered in the mandatory pension scheme.

The law also provides for voluntary pension schemes that complement occupational or individual pension schemes. Complementary occupational pension schemes are agreed upon between the employee and the employer. In contrast, personal pension schemes result from an individual subscribing to a pension scheme in an authorized financial institution.

Article 8 of this law provides that the percentage of an employee's salary determines the contribution rate to the pension scheme. It states that in determining the contribution rate, consideration should be made to revenues sufficiency to cover pension benefits, working capital of the mandated institution, and savings invested to generate more revenues and grow the fund. The same article re-emphasizes the principle of equal sharing of the contribution rate to the pension scheme between the employer and the employee. However, depending on the nature of employment, the law stipulates that "a differential rate may be applied to the contributions for the categories of employees with particularly harsh and strenuous working conditions."

Regarding the benefits of the mandatory pension scheme, a person is eligible for a pension if he has accumulated 180 months of contribution. In the contrary case, he receives a one-off lump sum. An eligible person can receive pension benefits for 60 years (voluntary retirement) or 65 years (mandatory retirement). When a pensioner dies, his spouse is entitled to ½ of the benefits of the rightful pensioner. Equally, children under 18 or 25 who are still in school can receive some benefits. In addition, the law provides for disability benefits, which cannot be less than 50% of the minimum wage.

In voluntary pension schemes, the pension payment is determined by the agreement between the employee and the employer or between an individual and the financial institution whose scheme he/she subscribes to.

More importantly, the law, in Article 80, requires pension schemes to provide their members with information on the status of their scheme, their duties, decisions taken regarding them, and their rights in the pension scheme. This right should be exercised regularly by members of pension schemes.

6. Some Facts and figures about employment in Rwanda

According to the 2022 Population Census, the elderly persons between 60 and 64 years were around 311 thousand, 2% of Rwandans. This is a bracket from which voluntary retirement starts. Elderly persons with ages ranging between 65 years and 69 years were at around 214 thousand (1.8%), and those between 70 and 75 years were 147 thousand (1.3%). In contrast, those aged between 75 and 79 were 77 thousand, representing 1%, and those above 80 are also 1% of the total population. This means that the total percentage of elderly persons above 60 years is 7.1% of the entire population. According to RSSB, those receiving pensions are around 60.000, less than 0.5% of the total population and around 1.4% of the total working population. Notably, the pensioner who received the least pension gets RwF 13,000 as of 2024.

According to EICV 5 of the 2016/2017 Integrated Household Living Conditions Survey, 1.4% of the working population received the pension/old age grant from RSSB. Among these pensioners, only 8% are covered by RAMA and other private health insurance. Mutuelle de Sante covers the rest. There were 5.825,000 workers then, and female workers comprised 53.5%. Today, the number of workers is estimated to be 8.890.000 persons. According to recent data by RSSB, only 9% of working persons in Rwanda do formal jobs that contribute to pension funds. It is also worth noting that RSSB does not readily disclose the exact figures of members and beneficiaries. This also means there is a long way to go to register more workers in the mandatory pension scheme as the law requires.

7. Current challenges related to pension contribution collection

Though MINECOFIN and RSSB attribute low pensions to lower rates of contributions, the most significant factors contributing to low pensions are workers' low participation in the mandatory pension scheme and low salaries that have not progressed for many years despite the depreciation of the Rwandan franc and the yearly inflation that keeps eroding the purchasing power of the employees.

The other factors are low productivity in Rwanda and lack of diversification in Rwandan businesses. The public sector is the biggest employer in terms of informal employment. There is thus a need to overhaul the employment sector and not look at the deductions only without looking at the earnings first. This should begin with broadening the Rwandan pension base by creating a conducive environment where small businesses should strive and grow and develop a scheme of professionalizing companies. This should go with the sensitization campaign because some companies do not want to grow to escape some mandatory deductions, such as RSSB contributions. As the Rwanda Revenue Authority has started formalizing businesses by mandating Electronic Billing machines (EBM), RSSB should also follow to register employees where possible.

8. Nexus between pension contribution and retirement age

RSSB pays pensions to around 60000 pensioners, according to the figures released by the Director General of RSSB in a news brief with the Media on 2 December 2024 and the FAQs released afterward. This constitutes less than 10% of the citizens above 60 years old. The person who receives the least amount gets RwF 13,000 per month, slightly less than USD 10 per month. This is far below Rwandans' average annual per capita income and does not give hope that they will catch up with the projections for Rwanda in 2024 and 2050.

RSSB proposes increasing the contribution rate to increase what pensioners receive. However, it is unclear if this will be retroactive to benefit current pensioners or if it is meant to help those whose contribution rate will increase at retirement.

The pension scheme is understood, at least through the lens of the employee, as savings for the post-retirement period when they no longer get a salary. It usually should guarantee stable revenues for the member and his family. Something that people still question is why, when the pensioner dies, his entitled family cannot access the entire pension. Most pensioners no longer have children under 18 years old. They survive mainly with their spouses, who are entitled, in that case, to receive 50% of the pension. In case where a pensioner is survived by children under 18 years of age or 25 years of age when they are still at school or have proven incapacities, each gets 25% of the pension, but the total cannot exceed 100% of the pension. They wonder why the surviving spouse or entitled child cannot get the entire retirement.

9. Reasons underlying the increase in the contribution rate for mandatory pension schemes.

RSSB explains that the first reason for increasing the pension contribution rate was set in 1962 when social security started in Rwanda. They explain that Rwandan life expectancy was around 43 years and has since progressed to 69 years. Besides, Rwandans' lives have changed positively, with the per capita GDP increasing from USD 250 to around USD 1200. As Rwandans live longer and life expectancy is expected to keep growing, RSSB argues that the current contribution rate is unsustainable.

The fact that the pension rate is 62 years old should not be an issue because they are formulated in a percentage. This means that when the salary increases, the percentage also increases. Instead, there is an underlying issue that is brushed off. This is the fact that salaries for the lower bands have stayed the same for many years; instead, what seems like an increment is the inflation mitigation. Many salaried employees have seen their net salary decrease in real terms for many years. For example, one dollar was RWF 100 in 1990. At that time, an entrant primary school teacher earned around RWF 13000, equivalent to USD130. Today, the teacher's salary has progressed to RWF 108.000, comparable to USD 77 in 2024. It is even worse when you look at it with the Purchasing Power Parity (PPP). If you factor in the price increase of primary commodities and look at what that salary could afford, you realize that the wages need to be overhauled.

This is coupled with the complex issue of Rwanda setting up the minimum wage. The current minimum wage was set in 1974 when the Rwandan 1 USD was equivalent to 100 RWF. There have been discussions with different stakeholders in the labor sector about setting the minimum wage, but no decision has yet been made. Setting the minimum wage would help formalize some sectors, thus broadening the pension base. In the informal sector, they have tried to adjust the minimum wage from RWF 1000 in rural areas to RWF 1500 in urban areas. In terms of purchasing power, salaries also need to be adjusted.

The second reason was to extend the contribution to other benefits the employee gets, such as transport costs, to increase individual contributions. This is a good decision because it increases the pension savings. However, it will immediately impact the employee because transport cost is calculated to cover travel to and from work, and most of the time, it does not have surpluses. Currently, low-salaried employees use their net salary for transportation. Some employees in the public sector get a transport allowance in terms of a considerable lump sum. That lump sum has one part for paying the loan and another for daily transportation. For this category of employees, it should be easy to deduct pension contributions from their transport allowances.

Other reasons RSSB has put forward are related to contributing to the development of the national economy, such as creating an SME fund and availing cheap money to the private sector. RSSB is a significant economic powerhouse in Rwanda, and these are valid reasons. However, these should not prompt sudden changes in the contribution rates. RSSB reiterated the fact that it made huge profits last year. Part of these profits can be allocated to these funds that will be progressively built. It should also be noted that RSSB is not a for-profit commercial enterprise. Instead, it manages funds from members, and they should be the primary beneficiaries. Creating an SME fund that will support start-ups and create more decent jobs cannot be done at the expense of current workers and pensioners. Instead, the progressive implementation of all these measures should be carefully studied.

RSSB argues that increasing the contribution rates will help pensioners to get more income at retirement. This is also true, and it should be the goal of the fund to ensure that its pensioners do not fall into poverty post-retirement. However, it seems that RSSB does not plan to adjust the current payments to pensioners who already complain of insufficient income. If salaries are low, the pensions are lower.

As there is a philosophy of mutuality among the current working class and pension beneficiaries, the current employees paying more should immediately affect the current pensioners. In addition, other benefits for persons who receive pensions should be explored.

10. Impact on employee

The practice in Rwanda is that the employees negotiate the basic salaries, and most do not know the breakdown of their salaries. In the private sector and civil society, most employers offer the basic wage that is at the same time the gross salary on which mandatory deductions are made, i.e., the tax on personal revenue or pay as you earn (PAYE) and different RSSB deductions, including the pension and medical insurance when it applies. This means that this basic salary also calculates the employer's part.

Increasing the reductions to that gross/basic salary will have a significant impact on the employee because not only will his additional portion be reduced from his salary but also the employer's portion because that is what the employer has budgeted for. If he cannot get an extra budget, all will be deducted from the envelope they had planned for the employee. It means that what was planned for 12 months might only be enough for 11 months.

For example, if an employer had budgeted RWF 310000 as the gross monthly salary of an employee, he would deduct RWF 57,000 of the tax, RWF 91.450 of RSSB (composed of 12% of pension, 2% of professional hazards, 15% of RAMA and 0.5% of maternity leave insurance). This employee will take home RWF 161,550 in January 2025 compared to RWF 180.150 they were getting the previous year. Come 2030, if the salary is not increased, the employee will take home RWF136.750, equivalent to 44.1% of the gross salary. When this salary is coupled with the rising inflation and the devaluation of the Rwandan currency, it puts the employees with low wages (most of the Rwandan workforce with formal employment) in precarious situations. This is an example of a slight deduction from his salary being significant.

Among these deductions, health insurance for private sector and civil society employees is not mandatory. Therefore, as a short-term solution, some employers downgrade their employees' health insurance from RAMA or any other private health insurance to Mutuelle de Sante, which is affordable and payable once a year.

11. Impact on employers

One of the suggestions by RSSB while explaining how this change will be implemented was that employers were encouraged to take up the portion of the employees. This is the case in many African countries and other parts of the world (See Abels M. & and Guven M.U; see also OECD). However, considering that most of the businesses have small profit margins. In contrast, others, such as civil society organizations, international NGOs, and faith-based organizations, depend on donations and fixed budgets with a smaller margin of deviation. In the first two years, it will be challenging for employers to adjust to the reforms. Employers face the challenge of either reducing their employees' salaries or the number of employees to maintain the same wages for the remaining employees. Another consequence is that prospects of increasing employee salaries will disappear because employers will have to use any budget planned for the salary increase to cover the new pension contributions rate.

It might be easy to manage for small businesses and organizations with less than five employees. However, getting an extra budget for employers to cover employer participation will be challenging as the number of employees increases. It will even get more burdensome for employees and employers when contribution rates reach 20% of the gross salary. Besides, employers are also mandated to pay 2% to cover professional hazards. If employers are to bear the cost of the new changes, in 2030, they will contribute to RSSB by 17% in the pension, 2% to the professional hazards' funds, and 10% for medical insurance for those subscribing to RAMA. This means an employer would contribute 29%, whereas the employee would contribute 3.5% of the gross salary.

Besides, as the mandatory contribution to the pension will also consider transport allowances, the employer must match the equivalent portion of the transport allowances. In some cases, transport allowances are more significant than salary and will present challenges to employers. For example, suppose an employer was paying some senior staff a transport allowance not previously deductible from pension contribution in new changes. In that case, this transport allowance will be deductible, and the employer must match the employee contribution at 6%. The employer will either find an extra budget for this or deduct it from the employee's gross salary.

12. Managing RSSB's image in the public

RSSB manages trillions of equities in different funds ranging from pension schemes to medical insurance. To have enough money to cater to the needs of its beneficiaries and members, RSSB has made many investments that are not known to the public. According to the CEO of RSSB, less than 4% of the investments do not give adequate returns. However, judging from what was written on social media and discussed in the media following the announcement of the new pension contribution rate reform, it is to be noted that RSSB needs to be better in terms of transparency and public relations. Many people, including the educated ones, know RSSB through the Auditor General of Public Finances reports about nonperforming investments and losses made in some risky investments. Some people even think that raising the contribution rates is meant to cover losses in the pension fund that can no longer pay pensions to beneficiaries. Thus, RSSB must be more transparent in its operations and ensure its members are well-managed. For this reason, RSSB should communicate more to its beneficiaries and the public as an organization of public interest.

13. Conclusion

Worldwide data shows Rwanda is among the countries with low mandatory pension contribution rates. In addition, private pension schemes are not well developed in Rwanda. This leads to low savings, which has a negative impact on liquidity in the economy. It is also one of the factors leading to expensive loans in banks.

In addition, Rwandans with formal jobs contributing to the pension scheme are very low at 9% of the total workers. This means that the informal sector is prevalent. This also means that many old age persons do not have sustainable revenues. Also, those receiving pension payments do not get sufficient money to cover their needs due to low contributions. Thus, it was critical to review the pension scheme in Rwanda. However, reviewing the pension contribution rate is one piece of the puzzle. More should be done to ensure that a significant fraction of Rwandans are covered in their retirement age.

This national issue of interest also concerns different generations, so wide consultations are paramount to getting a system or scheme tailored to Rwandan problems and reality. They will bring sustainable solutions as Rwanda continues its development journey. The principle of leaving no one behind should guide these consultations. Additionally, as it is essential to cater to post-retirement financial situations, it is equally important to cater to today's workers, which is why the changes proposed by RSSB attracted many negative comments. RSSB did its job, but it would have been better if these changes intervened in a broader overhaul of social security in Rwanda within which actors such as MIFOTRA, MINALOC, MINECOFIN, PSF, CSOs, and trade unions take place.

14. Recommendations

1. **Public, comprehensive, and encompassing consultations:** Though the Cabinet has already approved the presidential order establishing new pension contribution rates, doors should not be closed for more consultations. For the reform that will impact many people of different categories and generations, it should be better to have broader and representative consultations to mitigate resistance and negative perceptions as they might negatively

affect the implementation of the reform. It is not too late to discuss with segments of society that were not consulted during the preparation of the pension contribution rates, such as civil society, including trade unions and faith-based organizations, not only as employers but also as advocates and mobilizers in the community. These consultations might not be on the contribution rates but on how to implement these new reforms.

2. **Gradual implementation framework:** RSSB, MINECOFIN, MINALOC, and MIFOTRA should conduct further consultations to agree with key stakeholders, including the trade unions and different employer representatives, on a gradual implementation modality. Otherwise, the new reforms might lead to unintended results, such as killing jobs because employers will reduce employees instead of penalizing them by RSSB. The implementation date should be moved and phased in small increments of one year when the 12% should be reached in 2027.

3. **Voluntary pension schemes:** It is also essential to explore venues for reinforcing voluntary pension schemes and giving them enticing benefits to increase national savings. This will alleviate pressure on the mandatory pension scheme and achieve the same objectives. It will also contribute to the evolution of mindsets about saving for the golden age. It will create a better understanding in participants that they are making savings that they can access while alive or accessed by their heirs after their death. While mandatory pension schemes offer guaranteed income, their prevalence is declining worldwide. Voluntary pension schemes provide greater flexibility but require active engagement and financial literacy. Policymakers should encourage employers to provide accessible and transparent pension plans and support employees with financial education and resources

4. **Monitoring the reform impact:** A framework for monitoring the reform impact should be put in place. Every year, the effect of the reform should be assessed to understand how the intended objectives are being achieved. This cannot be done without consultations to align all stakeholders to the common goal.

5. **Cater for vulnerable groups:** Some employees are already vulnerable, and their salaries are below the minimum. A Rwandan's 2024 per capita GDP is USD 986, equivalent to 1,340.400. To reach this figure, a person should earn at least a net wage of RWF 115,000. Many millions of Rwandans with formal jobs do not earn this salary. There should be strategies to ensure that the wages of these vulnerable groups do not reduce.

6. **Rwanda should invest in retirement savings education and promote financial literacy.** This will help employees understand different options and make informed decisions about their retirement planning. Additionally, policymakers should consider measures to incentivize participation in private pension schemes and avail innovative and flexible options.

7. To ensure a secure retirement for individuals, the passive approach, in which employees are not aware of what they contribute and how it is used, ***should be abandoned.*** A comprehensive approach that includes employer-sponsored plans and individual active savings strategies should be promoted. This should be coupled with more transparency in the funds that manage pension savings.

8. ***Match contribution increases with other benefits, such as health insurance for pensioners and their dependents:*** As contributions are growing, RSSB should also look at the list of benefits. Older adults in retirement need stable revenues for their daily needs and spend a lot of money on medical expenditures. Thus, RSSB, as an institution with a well-functioning medical insurance scheme, should consider extending it to its pension members.

9. ***Making the pension the saving and the right of the surviving spouse:*** When a pensioner dies and is survived by his or her spouse, the latter inherits the pensioner's assets and liabilities, all other savings included. Even if no other eligible beneficiary exists, the spouse is only entitled

to 50%. RSSB should consider allocating the surviving spouse 100% of the pension if no other beneficiary exists.

10. ***Paying the interest to contributors:*** Among suggestions raised in the aftermath of the new contribution rates announcement was using the interests accumulated from the pension fund's investments. RSSB should investigate increasing members' contributions with part of the interests generated by different pension fund investments.

15. References:

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