



RWANDA LAUNCHES AFRICA'S FIRST UNIVERSAL DIGITAL PENSION SCHEME FOR THE MASS MARKET

On Friday the 14th December 2018, His Excellency, Paul Kagame, President of the Republic of Rwanda launched the Long Term Savings Scheme named Ejo Heza (Kinyarwanda meaning for “Brighter Future”) during the 16th National Umushyikirano Council (the National Dialogue). The launch was attended by over 2,000 participants that included members of the Cabinet and Parliament, representatives of the Rwandan community abroad, local government, Civil Society Organizations, media and the diplomatic community. The Ejo Heza Scheme offers opportunity and incentives for all Rwandan's to save a voluntary share of regular or irregular earnings to mitigate against the risk of old age poverty.

In October 2018, the Scheme was pilot-tested in a few districts. Over 30,000 citizens used their mobile phones to open digital Ejo Heza accounts in less than a fortnight and have already contributed over Rwf 20 million in long-term savings using mobile money wallets.

As is the case across Africa and South Asia, formal pension arrangements in Rwanda are restricted largely to salaried public and private sector employees. The remaining 94% of its citizens, including farmers, workers in small and micro enterprises, daily wage earners, domestic help and other non-salaried individuals are excluded from formal retirement saving programs.

Due to increasing life expectancy and a reduction of fertility rates linked to significant improvements in health systems and reduction in poverty, Rwanda faces the positive prospects of a demographic dividend. On the flip side, the projected growth in the number of older people over the next 30 years will present significant challenges at the individual and economy wide level. Comprehensive coverage and uptake of the Defined Contribution (DC) pension program could radically improve the ability of the next generation of old people to lead a financially secure and dignified retirement.

For instance, in line with the programmes investment strategy and incentives, a 20-year old person who saves US\$10 per month in real terms is likely to earn a real return of 4% which translates into an inflation-indexed pension of over US\$200 a month for 20 years at 2018 prices. If 2 million citizens joined the universal pension scheme over the next 5 years and saved \$10 a month, the government could mobilise retirement savings of over US\$ 1 billion by year five and over US\$3.6 billion by year 10. By incentivising savings for retirement at scale all Rwandan's will be provided with the opportunity to safeguard against the risk of old age poverty. From the macroeconomic perspective, the scheme will help to raise Rwanda's stagnating savings rate by generating a pool of savings that can be channelled via the capital market into long-term, productive investment in support of Rwanda's National Strategy for Transformation with a focus on job creation, private sector-led growth and to help Rwanda transition from aid.

Against this background, Access to Finance Rwanda (AFR), a financial sector deepening programme supported by UK Aid, MasterCard Foundation, USAID and Sweden, engaged pinBox Solutions, a global digital pension expert firm to help the Government of Rwanda and local private sector stakeholders to design and setup “Ejo Heza” Rwanda's novel digital pension scheme for the mass market. The scheme has a strong governance structure, backed by Government and draws on private sector expertise for fund management, custodian services and distribution.

“Ejo Heza” (will leverage existing digital financial inclusion infrastructure to provide secure and convenient access to a simple and affordable pension and insurance solution to citizens of all income classes but with incentives for those with modest, irregular incomes and limited financial literacy. It will provide all Rwandan citizens, including the diaspora, an equal right and opportunity to voluntarily accumulate savings for their old age.

Ejo Heza accounts will be mapped to each member's unique National ID and shall be portable across jobs, locations and service providers. Citizens will use their National ID and mobile phones or computers to ‘activate’ their Ejo Heza accounts. Members will be free to decide how much and when they want to save based on their own cash-flows and make periodic contributions using their mobile wallets, bank accounts, debit or credit cards. Contributions will be indexed to account for inflation and wage increases over time.

Members will enjoy single-window access to services through a nation-wide network of thousands of branches and agents of banks, SACCOs, cooperatives, MFIs, mobile money service providers, etc. A web and telephone based, simple and transparent mechanism has been established in the form of a national toll-free Helpline that will provide information and complaints resolution support to members.

Waringa Kibe, Country Director of AFR, “Over the years, AFR has actively supported the Government of Rwanda through the Ministry of Finance and Economic Planning (MINECOFIN) and the National Bank of Rwanda (BNR) in the areas of inclusive financial sector development in support of broad based economic development. Today, millions of Rwandan citizens across the country are already able to easily access savings, credit, insurance and remittance payment services through a range of credible and well-regulated institutions. Rwanda is also among the first few nations in the world to have established a robust, digital national ID infrastructure. Access to Finance Rwanda and our Funders, are very proud to be now contributing to the next phase of Rwanda's financial inclusion efforts. We are very pleased to be supporting the first national-level universal pension program in the world being launched by leveraging existing digital financial inclusion infrastructure in the true spirit of Public-Private-Partnership.”

Sarah Metcalf (Head of UK Aid in Rwanda) adds that “On behalf of AFR funders I congratulate the Government of Rwanda on setting up this important initiative. The Long Term Savings Scheme, Ejo Heza, will help meet the pension and asset protection needs of the next generation of older people while increasing Rwanda's funds for critical investments. We are pleased that our Access to Finance Rwanda programme was able to provide critical technical assistance to support the Government with this initiative.”

In a pioneering policy decision, Ejo Heza will provide a special, means-tested fiscal incentives package for the first three years to encourage mass-scale enrolments and sustained savings discipline by non-salaried workers. This includes a matching government co-contribution of up to RWF 18,000 per year along with a free life insurance cover of RWF 1,000,000 and a funeral insurance cover of RWF 250,000.

Design and implementation of The Scheme began as a project under MINECOFIN, through a special Project Management Unit that was set up with support from AFR comprising an international team of pension and IT experts from pinBox Solutions and 15 national experts. It is now being rolled out and managed by the Rwanda Social Security Board (RSSB).

Says Parul Seth Khanna, director and co-founder of pinBox Solutions, “The Government of Rwanda, BNR and AFR have already built the key pieces of an ecosystem needed for a digital universal pension program. It is hugely exciting to use technology to harness this existing financial inclusion infrastructure for pension inclusion and to be assisting in the design and launch of Africa's first, truly inclusive and completely digital micro-pension system”.

This is a giant step for the Continent as Ejo Heza seems poised to emerge as a global model for digital pension inclusion across the developing world. This is an equally historic milestone in Rwanda's journey towards an inclusive, secure and dignified retirement in the land of a thousand hills and a million smiles.

