Legal analysis of access to old-age public pension benefits in Rwanda: challenges and trends

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CHAPTER 4: OLD-AGE PUBLIC PENSION IN RWANDA, KENYA AND MAURITIUS IN THE LIGHT OF THE ILO TWO-DIMENSIONAL APPROACH FOR THE EXTENSION OF SOCIAL SECURITY: A COMPARATIVE ANALYSIS

4.1. Introduction

This chapter presents an analysis of the innovative approaches for old-age pension coverage extension in Rwanda, Kenya and Mauritius compared to the ILO two-dimensional strategy for the extension of social security. This strategy reflects the principles of the ILO Social Security (Minimum Standards) Convention, 1952 (No. 102) and the principles established by ILO Social Protection Floors Recommendation, 2012 (No.202). This ILO two-dimensional strategy combines the extension of coverage to all through nationally defined social protection floors with the progressive implementation of higher levels of social security through comprehensive systems. Therefore, the ILO two-dimensional strategy provides clear guidance on the future development of social security at all levels of development in compliance with the international social security standards.

A critical analysis of the innovative legal approaches used by Rwanda, Kenya and Mauritius in old-age pension coverage extension explores their consistency with the ILO two-dimensional strategy. The study also identifies key weaknesses of the existing pension systems in Rwanda, Kenya and Mauritius that need further attention. It also presents similarities, differences and lessons learnt that can serve as a model for other developing countries. Particularly, this study explores the endeavours of Mauritius to achieve universal pension coverage with its *Basic Retirement Pension* (universal non-contributory pension) and gives the reference to some examples from others countries across the world for a large audience.

A comparative legal analysis of Rwanda’s social security pension legislation with international social security standards and the comparison with other countries has received little attention. This study fills that gap by a comparison between Rwanda, Kenya and Mauritius. There exists only a limited legal literature about the Rwandan pension schemes, mainly the *Long-Term Savings Scheme* and there is little available data on its impact to date.[191]

Some scholars have studied the Mauritius universal non-contributory *Basic Retirement Pension* scheme and Kenya's *Mbao Pension Plan,* which is a strategy for pension and savings coverage extension, suitable for the unique nature of the informal sector.[192]

Kenya's *Mbao Pension Plan* has received more attention due to its accessibility and affordability as enrolment and savings are made possible through technological innovations using mobile phones that allow also small contributions.[193] The scheme has some similarities with Rwanda's *Long-Term Savings Scheme.[194]* The scholars share the same idea of persistent low pension coverage in Africa, which was reaffirmed in the ILO's World Social Protection reports.[195] In the rural areas of developing countries, one of the factors contributing to low social security coverage is the high rates of employment in the informal economy, where access to finance is a challenge to the contributory capacity of the unemployed population to participate in pension schemes. Therefore, this study reaffirms the importance of knowledge exchange in ILO member States.[196] The choice of Rwanda, Kenya and Mauritius for comparative analysis was motivated by their innovative approaches for the old-age pension coverage extension.

The chapter is composed of five sections. Section 4.1 introduces the chapter, Section 4.2 explains the relevance of the ILO two-dimensional strategy for the extension of social security coverage for Rwanda, Kenya and Mauritius; Section 4.3 deals with the comparative analysis of the legal approaches to old-age public pensions coverage extension; section 4.4

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[191]UNDP/ILO, *Informality and Social Protection in African Countries: A Forward-looking Assessment of Contributory Schemes* (UNDP 2021) p.78 <file:///C:/Users/USER/Downloads/SP%20and%20Informality.pdf>, accessed 18 November 2021.

[192] Lola Okulo, 'RBA Launches Sh 20 Pension Scheme for Informal Sector' (2011), Star (June 29), Nairobi <https://allafrica.com/stores/201106300044.htm> accessed 7 January 2020; ISSA, 'Good Practices in Africa. Mbao Pension Plan: A case of the Retirement Benefits Authority. Retirement Benefits Authority' (2011) <www.issa.int/en_GB/africa/gp/-/asset_publisher,...> accessed 17 September 2019; Kabare Krystle, 'The Mbao Pension Plan: Savings for the Informal-Sector' (Development Pathways, Working Paper, October 2018) <https://www.developmentpathways.co.uk/wp-content/uploads/2018/10/Mbao.pdf> accessed 10 January 2020.

[193] Rose Musonye Kwena and John A Turner, 'Extending pension and savings schemes coverage to the informal sector: Kenya's Mbao Pension Plan' (2013) *International Social Security Review* 66 (2), p.80.

[194] Law No.29/2017 of 29/06/2017 establishing The Long-Term Savings Scheme and determining its organization, *OG* No. Special of 18/08/2017.

[195] ILO (n 150), p.XXIX; ILO, (n 151).

[196] R02-Social Protection Floors Recommendation, 2012 (No. 202), Art. 24 (1). <https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:R202> accessed 9 January 2020.

discusses comparative dimension of social security pension in other countries across the world; section 4.5 deals with the conclusions and discussion.

4.2.The relevance of the ILO Two-dimensional strategy for the extension of social security coverage for Rwanda, Kenya and Mauritius

The ILO has developed its two-dimensional strategy to provide guidance on the future development of social security at all levels of development. The two-dimensional strategy for the extension of social security was defined in the Resolution and Conclusion adopted by the International Labour Conference at its 100th Session in June 2011 to address the challenge of extending social security coverage.[197]

The strategy is based on a *horizontal dimension* that aims to establish and maintain social protection floors as a fundamental element of the national social security systems. This strategy is in line with the Social Protection Floors Recommendation, 2012 (No.202). The strategy has also a *vertical dimension* that aims to pursue strategies for the extension of social security that progressively ensure higher levels of social security to as many people as possible. This is guided by ILO social security standards, particularly in line with Social Security (Minimum Standards) Convention, 1952 (No.102).[198] These strategies aim at building comprehensive social security systems in line with national priorities, resources and circumstances.

From an ILO perspective, effective national strategies to extend social security in line with national circumstances, should aim at achieving universal protection of the population by insuring at least minimum levels of income security and access to essential health care, which are the floors of social protection. Social protection floors guarantees have a strong normative character as they originate from an international legal instrument which is the ILO Recommendation, 2012 (No.202) concerning social protection floors. The extension of social security protection constitutes one of the four pillars of the ILO Decent Work Agenda. ILO

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[197] ILO, *Social Security for all:Building social protection floors and comprehensive social security systems.The strategy of the International Labour Organization* (2012), p. 1.
[198] Id., p.3.

defined Decent Work as 'work that not only provides a sufficient level of income but also ensures social security, good working conditions and voice at work'.[199]

The application of a two-dimensional approach in extending social protection promotes decent work and helps to realize the human right to social security and to reduce and prevent poverty, vulnerability and social exclusion, hence to achieve Sustainable Development Goals 1and 3.

The following discussion explores the ILO approach of guidance and the approach of coverage reflected in a two-dimensional approach that will help to assess their impact on Rwanda, Kenya and Mauritius in applying international social security standards. This discussion focuses on coverage extension mechanisms to supplements the analysis undertaken in chapter 3. That chapter focuses more on the analysis of the effectiveness of Rwanda's legislation governing mandatory public pension and the importance of applying the ILO standards setting minimum levels of protection. Due to the limitations of contributory pension schemes, the study identifies ILO two-dimensional strategy that includes the ILO approach to guidance and coverage as an important tool to extend coverage to the whole population. This strategy helps to design comprehensive pension schemes that establish non-contributory pension schemes to provide basic income security in old-age to all in need and to improve the existing contributory pension schemes to progressively ensure a higher level of protection.

4.2.1. ILO approach to guidance and coverage

The ILO two-dimensional approach includes the approach of ILO guidance and coverage. The approach to the guidance of ILO social security standards reviews the normative principles underlying the design of pension schemes and the main trends and policy issues with regard to the coverage and the extension of social security. ILO has developed international standards with a legal and universal character as they affect the existence, the form and the development of social security worldwide.

The two-dimensional strategy reflects the principle of universality of protection set out in ILO Social Protection Floors Recommendation, 2012 (No.202), as the basis for social security development and the foundation of a right-based approach to social security. Even

[199] ILO, *Decent Work Agenda in Africa 2007-2015*, adopted at the Eleventh African Meeting, April 2007, p.15.

though ILO Recommendation, 2012 (No.202) serves as non-binding guidelines, it is a legal instrument that has power and influence in ILO member states. It provides a clear guidance for developing and maintaining a comprehensive social security system. In this regard, ILO Recommendation No.202 provides 'flexible but meaningful guidance to Member States in building social protection floors within comprehensive social security systems tailored to national circumstances and levels of development'.[200]

Coverage and benefits levels are important aspects in the design of social protection. Coverage takes into account both legal coverage and effective coverage, reflecting the objectives of the ILO two-dimensional approaches focusing on coverage extension and benefit levels. Ansiliero and Paiva point out that the greater the proportion of employed workers enjoying social protection, the better the system fulfils its basic function. [201] While exploring the design and implementation of public pension systems in developing countries, Bloom and McKinnon, realized that what is often lacking is comprehensiveness in terms of the population covered and of the risks covered and the capacity to offer adequate benefits and quality services in a sustainable manner.[202]

The idea of coverage extension was also emphasized by Gillion et al. who explored the multiplicity of factors influencing coverage extension and argued that the extent of population coverage for social security pensions depends on many factors. The following are particularly significant: the method of financing, the age of the scheme, the level of the economic development, the size of the formal sector, the capacity of social security administration and Government policy.[203] A study conducted by Cichon et al. explained the role of income transfers, also called "benefits" in standard social protection jargon, indicating that income transfers are means rather than ends in themselves as their role is to guarantee a minimum level of consumption for people living in poverty or on the threshold of it or to replace all or part of the income lost as a result of a certain contingency, or to achieve a higher level of income equality.[204]

ILO explored the challenge of limited social security coverage and the need to close the gaps. In June 2011, the 100th session of International Labour Conference considered the

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[200] ILO (n 197), p.1.
[201] Graziela Ansiliero and Luís Henrique Paiva, 'The recent evolution of social security coverage in Brazil' (2008) *International Social Security Review* 61 (3), p.2.
[202] Bloom (n 78),p.3.
[203] Gillion (n 13), p.8.
[204] Michael Cichon et al., *Financing Social Protection, Quantitative Methods in Social Protection Series* (ILO 2004), p.12.

triple role of social security as a human right, a social and economic necessity and noted the highest priority of closing the coverage gaps and the urgent need to extend coverage through a two-dimensional strategy, with a view to building comprehensive social security systems.[205]

From the analysis of these different researchers' views, it appears that previous researchers focused on the importance of coverage and benefits adequacy without reference to legal norms. This study therefore, proposes a legal approach to complement the existing research and is in line with ILO two-dimensional approach on coverage which considers the legal coverage and the effective coverage. This study shares the same opinion with previous researchers that coverage also implies the adequacy of benefits provided as well as the quality of services offered. From a legal perspective, in old-age pension scheme, social protection of individuals is not limited to the transfer of the money but rather from the transfer of entitlements to a certain level of consumption.

4.2.2. The innovative approaches of old-age pension coverage extension: Characteristics and limitations

Some African countries have adopted innovative approaches to extend pension coverage and the importance of experience sharing of best practices among ILO member States has been reaffirmed in ILO Recommendation No.202.[206] Comparative study of Rwanda, Kenya and Mauritius offers a sample for analysis of how pension rights are guaranteed by national legislation with the influence of ILO social security standards. They have been inspired by ILO social security Standards.

To bring their legislation closer to the ILO Social Security (Minimum Standards) Convention,1952 (No.102) with regard to the contingencies covered, Rwanda, Kenya and Mauritius have established mandatory and voluntary pension schemes, even though these countries have not yet ratified the Convention. The common challenge for Rwanda and Kenya is the low social security coverage, with increasing informal economy not covered in social security.[207] Therefore, Rwanda and Kenya have used a similar approach (with some differences) of coverage extension by introducing voluntary pension and saving schemes

[205] ILO (n 197), p. 1.
[206]Paragraph 24 (1) of R02-Social Protection Floors Recommendation, 2012 (No.202) <https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:R202> accessed 9 January 2020.
[207] Republic of Rwanda, *National Social Security Policy (MINECOFIN 2009*), p.10.

designed for informal economy workers. The experience of Mauritius is different as the challenge that lead to the adoption of a legal approach to achieve universal coverage, is the pressure of demographic transition that pushed Mauritius to find an immediate solution to the increasing share of the elderly.

A. Rwanda's Long-Term Savings Scheme

In 2017, Rwanda introduced the Law n°29/2017 of 29/06/2017 governing a Long-Term Savings Scheme (LTSS) '*EjoHeza'* into the national social security system to extend coverage to the informal economy workers and to help all Rwandans and foreigners living in Rwanda to have a pension saving scheme. '*EjoHeza'* is a national public pension and savings fully funded scheme designed for low-income participants, based on contribution voluntarily given by opening a savings account with a scheme administrator'.[208] All workers in Rwanda may contribute on a voluntary and complementary basis regardless of their income or age.

1. Accessibility, affordability and flexibility

The particular characteristic of *Long-Term Savings Scheme* lies on the accessibility and affordability as well as the category of membership and Government incentives. Registration for membership and payment of contribution are digital-based and subject to the requirement of having a National Identity Card (ID) and a cell phone which are necessary to enrol and pay the contribution which depends on their financial capacity according to the categorization named *"ubudehe"*.[209] The innovative aspect of the *Long-Term Savings scheme* is its design to enable the adhesion of everyone, including children below the age of sixteen (16) years in the scheme as beneficiary through an account opened by his/her parent or guardian.[210]

Members of the scheme have access to 40 per cent of the accumulated savings and related interests, provided that the remaining amount is not less than four million Rwandan francs (4,000,000 frw) to respond to the needs for housing and education.[211] The amount of pension to be provided at the age of eligibility (55 years) depends on an individual's savings and related interest from investment returns. The member of the *Long-Term Savings Scheme*

[208] The art. 3 of Law No.29/2017 of 29 June 2017 establishing Long-Term Savings Scheme and determining its organization.
[209] *Ubudehe* category is the system of classification of the population according to their financial capacity.
[210] Art.6 of the law No. 29/2017 of 29 June 2017 establishing Long-Term Savings Scheme.
[211] Art.6 of Ministerial Order No. 001/18/10/TC of 05/12/2018 determining modalities of granting Long-Term Savings Scheme Benefits, *OG* No.50 of 10/12/2018.

is entitled to an allowance equal to twenty-five per cent (25%) of the total amount and the remaining amount is paid monthly over a period of twenty (20) years.[212]

2. **Government incentives for a member of Long-Term Savings scheme**

The other innovative aspects of the *Long-Term Savings scheme* "*EjoHeza"* are incentives of the Government composed of life insurance (death allowance and funeral expenses) provided to members of the scheme, based on the categorization of the population according to their financial capacity (Category of *Ubudehe*).[213] To motivate people to register to *Long-Term Savings Scheme*, the government provides an incentive of up to 18,000 Rwandan francs a year for subscription in the first three years starting on the date of its official launch on 14 December 2018.[214]

The *Long-Term Savings Scheme* '*EjoHeza*' shows progress in extending coverage, but the scheme has limitations due to its voluntary nature reflecting the absence of legal obligation to adhere to the scheme. This leads to a low membership of 1,323,054 (as of 20 April 2021) registered since *EjoHeza* creation in 2017.[215] Although the scheme is open to everyone, many vulnerable people lack the contributory capacity to pension schemes.

3. **Statutory retirement age and its implication**

The statutory retirement age fixed at sixty (60) years in mandatory pension scheme differs from the retirement age of fifty-five (55 years) in *Long-Term Savings Scheme*.[216] This can reduce the level of coverage of self-employed who can hesitate to adhere to public pension schemes (mandatory for employed workers but extended to self-employed) governed

[212] Art.3 of Ministerial Order No. 001/18/10/TC of 05/12/2018 determining modalities of granting Long-Term Savings Scheme Benefits, *OG* No.50 of 10/12/2018.

[213] Art.10 of Ministerial Order No. 001/19/10/TC of 14/01/2019 determining other incentives for the Long-Term Savings Scheme and terms for their administration, *OG* No. 03 of 21/01/2019.

[214] Melis Guven, *Extending Pension Coverage to the Informal Sector in Africa* (Social Protection &Jobs, Discussion Paper, No.1933 July 2019) International Bank for Reconstruction and Development/The Word Bank, World Bank Group, p. 35. <http://documents.worldbank.org/curated/en/153021563855893271/Extending-Pension-Coverage-to-the-Informal-Sector-in-Africa> accessed 13 January 2020.

[215] Republic of Rwanda, Ministry of Finance and Economic Planing , 'Budget Framework Paper 2022/2023-2024/2025' (May 2022), p.16 <https://www.minecofin.gov.rw/index.php?eID=dumpFile&t=f&f=43987&token=0ab46aca3c209c4a1da4616ff14cb516f6ec6636>, accessed 15 September 2022.
RSSB, *Rwanda Social Security Board Strategic Plan July 2020-June 2025,* (Report& Publications), p.73 <https://www.rssb.rw/index.php?id=38> accessed 1 March 2021.

[216] Art.9 of Law No.29/2017 of 29/06/2017 establishing The Long-Term Savings Scheme and determining its organization, *OG* No. Special of 18/08/2017.

under defined-benefit pension system.[217] This system has the advantage of periodical increase of pension benefits and the totalization of periods of contributions during computation of benefits for former employees who were members of mandatory pension scheme but no longer meet the conditions for maintaining membership.

From the analysis of the *Long-Term Savings Scheme*, it appears that the legislation does not provide information on the duration of the contribution. As a consequence, contributors attaining the statutory retirement age of fifty-five (55) years can apply for benefits and continue to contribute, as the competent authority has not set maximum higher age with due regard to the working ability of elderly persons. This constitutes a gap that will create difficulties to the social security administration with regard to the management of endless operations. This gap may also lead to the speculation in a way that some elderly persons may contribute in a very short time targeting to benefit from the government incentives. For example, there is no legal basis limiting a 90 years old-person to contribute to *Long-Term Savings Scheme* as the scheme is open to everyone regardless the age.

B. Kenya's Mbao Pension Plan

The Long-Term Savings scheme established in Rwanda has some similarities with *The Mbao Pension Plan,* which is a voluntary defined-contribution pension and savings scheme designed for informal sector workers established by the Retirement Benefits Authority (RBA), in Kenya. Kenya's pension system defines four distinct categories of schemes: Public pension comprises the Civil Service Pension Scheme, which exists since the colonial times and provides retirement benefits to all civil servants employed by the government and mandatory Public Provident Fund for employed workers in the formal and informal sectors, managed by the National Social Security Fund (NSSF).[218]

There are also private pensions, The Private Occupational Pension Schemes, which are employment-based with a voluntary nature established by employers for the benefit of

[217] Article 5 of law No. 05/2015 of 30/03/2015 governing the organization of pension schemes in Rwanda, *OG* No.20 of 18/05/2015.
[218] The Republic of Kenya: Law of Kenya, The National Council for Law Reporting with the Autority of the Attorney-General, *National Social Security Fund Act No. 45 of 2013* <https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/97350/115470/F-463813696/KEN97350.pdf> accessed 8 September 2021.

their employees and the Individual Retirement Benefits Schemes established by corporate institutions, usually insurance companies.[219]

1. Design and implementation of the *Mbao Pension plan*

The Kenya's *Mbao Pension plan* is a voluntary retirement savings scheme privately managed and it was piloted in the Nairobi area (the capital city of Kenya) and was extended later to other parts of the country. The Kenya's *Mbao Pension plan* was designed for low-income participants and the scheme uses mobile phones for members' registration and easy access to contribution payment. All workers in Kenya may contribute on a voluntary basis regardless of their income or age, by opening individual savings accounts. The main objective of the scheme was to extend the coverage of the retirement benefits to Jua Kali workers.[220]

Previous research on the performance of Kenya's *Mbao Pension Plan* described it as an innovative programme of saving, suitable for the unique nature of the informal sector. The scheme aims to encourage a savings culture for workers, but it can also be used for savings for other purposes.[221] Kenya's *Mbao Pension Plan* is based on the usage of mobile phones which facilitate participants to easily register and make small contributions anytime and anywhere, at relatively low cost. The International Social Security Association (ISSA)'s paper related to Good practices in Africa, recognized *Mbao Pension Plan* as a good practice and explained that the name" *Mbao*" refers to the amount of 20 Kenyan shillings (KES) which is the minimum daily contribution that a member can make.[222]

The experience of the Kenya's *Mbao Pension Plan* shows that one of the responses to the challenge of low coverage in developing countries is the development of microfinance initiatives, which should increase the contributory capacity of informal economy workers to pension scheme. Clearly, microfinance provides micro-credit to help low-income workers to

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[219] ISSA, 'Mbao Pension Plan: A case of the Retirement Benefits Authority, Good Practices in Social Security' (2011), p. 2 <www.issa.int> accessed 7 January 2020.

[220] The term "*Jua Kali*" is derived from two Kiswahili words, *Jua*, meaning sun and *Kali* meaning hot. Those small scale workers eking out their living by manufacturing products and/or providing services in open air under the tropical sun are generally referred to as "*Jua Kalis*" or *Jua Kali* artisans.The *Jua kali* association is an umbrella association of primary artisan's small business association across Kenya.

[221] Lola Okulo, ' RBA Launches Sh 20 Pension Scheme for Informal Sector' (2011), Star (June 29), Nairobi <https://allafrica.com/stores/201106300044.htm> accessed 7 January 2020; Musonye Kwena & John A Turner, ' Extending pension and savings schemes coverage to the informal sector: Kenya's Mbao Pension Plan' (2013) *International Social Security Review* 66 (2), p.79.

[222] ISSA, 'Good Practices in Africa. Mbao Pension Plan: A case of the Retirement Benefits Authority. Retirement Benefits Authority' (2011) <www.issa.int/en_GB/africa/gp/-/asset_publisher> accessed 17 September 2019.

start or improve a business and open micro-savings accounts for their old-age (micro-pensions).[223]

2. The impact of withdrawing savings before retirement

Although Kenya's *Mbao Pension Plan* has contributed to the extension of pension coverage to the informal economy and facilitates the investment and savings for participants, it has limitation with regard to the sustainability and the universality of coverage. The possibility for participants to withdraw their contribution or to use their savings as a loan security makes the scheme more like a savings plan rather than a pension plan. As an incentive to register to *Mbao Pension Plan* and to other pension schemes in Kenya, the Retirement Benefits Act was amended to allow participants to assign up to 60 per cent of their accumulated pension or savings accounts to access mortgage facilities.[224] This has an impact on accessibility to the retirement benefit because once the participant uses his/her accumulated pension or savings accounts as a security for a mortgage, he/she cannot access the money.

As a consequence, when he/she will attain retirement age still in a such situation, he/she will lose the right to old age pension benefits. There is clearly a gap in pension coverage for the people who retire between 60-70 years of age without having pension from the contributory schemes, because they are not yet eligible to *Inua Jamii Senior Citizens'* scheme, which is a social security mechanism established in Kenya to provide basic income to all citizens aged 70 and above who are not receiving a civil service pension.[225] The *Inua Jamii* cash transfer programme has enhanced household purchasing power, has increased savings and investments among the beneficiaries and therefore contributed to poverty reduction.[226]

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[223] Musonye (n 221), p. 81.
[224] ISSA (n 223), p. 89.
[225] ILO Social Protection Department, 'Inua Jamii Senior Citizens' scheme, Country Brief (2019),p.1 <https://www.social-protection.org/gimi/ShowPublications.action> accessed 23 December 2019.
[226] Simon K Chelugui, 'Brief on Inua Jamii cash transfer Programme', Republic of Kenya, Ministry of Labour & Social Protection, p.11 <http://www.socialprotection.go.ke/wp-content/uploads/2020/05/BRIEF-ON-INUA-JAMII-CASH-TRANSFER-PROGRAMME.pdf> accessed 2 February 2021.

From the analysis of *Kenya's Mbao Pension Plan,* it appears that progress has been made to the extent that the scheme helped to develop a culture of saving and may reduce poverty. However, the established voluntary pension and savings schemes in Kenya to complement existing mandatory pension schemes have not responded to the minimum standard levels of social protection in line with international social security standards. Therefore, to ensure that no one is left behind, ILO social security standards, particularly Social Protection Floors Recommendation, 2012 (No.202) reaffirms the principle of universality enshrined in the ILO Constitution and its body of standards, as well as in several UN instruments, including the Universal Declaration of Human Rights article 22 which states that '*everyone, as a member of society, has the right to social security...'*

*C. **The universal non-contributory basic retirement pension scheme of Mauritius: A model for low-income countries to close the coverage gap***

The experience of Mauritius as one of the few African countries with near complete social protection floor of non-contributory benefit deserves attention. Mauritius, a socialist country, gained its independence in 1968. It has established a non-contributory universal basic retirement pension covering all residents from age of 60 and above, subject to certain residency requirements. Initially, on 21 March 1950 Mauritius introduced a 'basic flat pensions' under the form of a means test to be only temporary to take care of the needs of the elderly population and to be replaced later by a contributory, income-related system of pensions.[227] In 1958, the means test was abandoned and the scheme became universal under the form of non-contributory pension scheme (*Basic Retirement Pension*), financed from the government budget on yearly basis. The scheme became popular and durable and remained even when mandatory contributory schemes were established by the National Pensions Act 44/1976, which began to operate in July 1978. For this reason, some scholars argue that Mauritius ended up with a system of universal age pension by accident, not by design.[228]

1 .Contributory schemes

Mauritius has also established contributory schemes (publics and privates) in 1976, 1995 and 2012 respectively,[229] which are modelled to the social security schemes envisaged

[227] Larry Willmore, 'Universal age pensions in developping countries:The example of Mauritius'(2006) *International Social Security Review* 59 (4), p.70.
[228] Id., p. 87.
[229] The National Pensions Act 44/1976 adopted 1976-09-17), Part IV, P.9, Government Gazette, 1976-09-18, Legal Supplement. The National Pensions Act, 1976 provides for both non-contributory (universal) and

in international social security standards. It should be noted that contributions to the National Pensions Fund (NPF) under the National Pensions Schemes ceased on 31 August 2020 (National Pensions Act has been amended). As from 01 September 2020, contributions are paid to the "*Contribution Sociale Généralisée* (CSG)" which is a new system of social contributions introduced by Mauritius to replace the National Pensions Fund (NPF).[230]

2. Social Assistance Programmes

Under the social assistance arm of the social protection programmes for the elderly, the Social Aid Act (1983) provides the following, in view of reinforcing the income security [ILO Social Protection Floors Recommendation, 2012 (No.202)], subject to an income test:[231]

A monthly Income Support for the purchase of rice and flour (to each member of the qualifying household); A monthly Incontinence allowance for medical evidence; One-off grant for purchase of the dentures; A monthly financial grant to Centenarians for the purchase of medicines; A monthly allowance to old-age pensioners living alone and paying rent; One-off gift to centenarians; Helps in kind (free): wheelchairs, spectacles and hearing aids; and Funeral grant on death of the pensioner to the person who has borne the funeral expenses.

It is important to note that pensioners drawing only from the old-age universal pension (BRP) qualify for the above assistance programmes. For others, an income test (as mentioned earlier) must be carried out.

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contributory (social Insurance) pensions but also includes work-related benefits (Industrial Injury Allowances, Disablement Benefit, Survivor's Pension) <https://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=13649&p_country=MUS&p_count=667&p_classification=15.02&p_classcount=83>, accessed 11 March 2020; The National Savings Fund regulated by The National Saving Act 14/1995, <http://socialsecurity.govmu.org/English/Documents/Act/National%20Savings%20Fund%20Act%201995/nsf95.pdf> accessed 3 December 2019; Occupational and Private Pension Schemes in Mauritius regulated by The Private Pension Schemes Act No.15 of 2012, Government Gazette of Mauritius No.73 of 21 July 2012 <https://www.fscmauritius.org/media/1012/the-private-pension-schemes-act-2012.pdf> accessed 31 December 2019.

[230] Mauritius Revenue Authority, 'Contribution Sociale Généralisée', <https://www.mra.mu/index.php/business/csg> accessed 04 March 2021.

[231] The Republic of Mauritius, Ministry of Social Security and National Solidarity, 'Social Aid' <https://socialsecurity.govmu.org/Pages/Department/Social-Aid.aspx> accessed 10 September 2021.

3. Comparison of the Mauritius pension structure with the ILO Multi-pillar Pension Model

The design of Mauritius social security schemes shows that Mauritius has established comprehensive social security schemes, despite that Mauritius has not yet ratified ILO Social Security (Minimum Standards) Convention, 1952(No.102). More particularly, *Basic Retirement Pension* (a non-contributory old-age pension) is the most important component of the pension system in Mauritius financed by the government.[232] Basic Retirement Pension responded to the ILO principle of universality of coverage envisaged in ILO social security standards, given that the non-contributory universal pension (Zero Pillar) established in Mauritius is one of the ILO Multi-pillar pension model explored in chapter two. This approach is legally accepted on the grounds based on the principle that there is no single model of social security.[233] The ILO Social Security Minimum Standards are flexible and recognize that it is up to each country to develop the required protection.

The study found out that contingencies covered are those determined by the ILO Convention No.102 and Mauritius pension pillars are in conformity with the ILO Multi-pillar Pension Model. This Model is characterized by the combination of non-contributory pension schemes with contributory pension schemes.[234]

Among the schemes established in Mauritius, the provided civil service pension is exceptionally generous in comparison with the private sector provision in Mauritius and the level of benefits set by international standards. The civil service pension scheme is a defined-benefit arrangement offering retirement benefits equal to two-thirds of the final salary after 400 months of service (33 1/3 years) with the possibility of the benefit being indexed to earnings after retirement.[235]

From the analysis of Mauritius' experience in social security protection, it appears that by the time Mauritius established *Basic Retirement Pension,* it was not developed but today, Mauritius has characteristics of a developed country as opposed to Kenya and

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[232] National Pension Act 1976 (Act No. 44 of 1976 adopted 1976-09-17), Part IV, 9, *Government Gazette, 1976-09-18, Legal Supplement* <https://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=13649&p_country=MUS&p_count=667&p_classification=15.02&p_classcount=83> accessed 11 March 2020.

[233] ILO (n 46),p.2 .

[234] ILO (n 23), pp.18-19.

[235]Country profile-Mauritius, p.4 <http://www.iopsweb.org/resources/MauritiusPensionSystemProfile.pdf> accessed 31 December 2019.

Rwanda. In July 2020, The World Bank has classified Mauritius as a high-income country with GDP per capita equal to 12.740 USD for the year 2019. [236]

However, the sustainability of pension schemes in Mauritius is threatened by an ageing population and the increase of public expenditure to finance non-contributory benefits provided to all citizens above age 60 as well as the relatively generous civil service pension.[237] Therefore, there is a need for reforms to balance benefits adequacy and the sustainability of Mauritius pension schemes.

4.3. A comparative analysis of the legal approaches to old-age public pensions coverage extension in Rwanda, Kenya and Mauritius

This section compares the Rwanda's *Long-Term Savings Scheme* with the *Kenya's Mbao Pension Plan* and the *Mauritius Basic Retirement Pension scheme*. The study investigates if those innovative approaches have helped to attain the universal old-age pension coverage in line with the international social security minimum standards and identifies similarities, differences and lessons learned from the schemes.

From the ILO perspective, all pension schemes that contribute towards old-age income security are relevant. Their degree of relevance is however gauged by their compliance with ILO standards on social security.[238] This means that the flexible nature of ILO standards leaves the freedom to countries to design their pension systems according to their political and socio-economic situation and to progressively achieve the high level of protection.[239]

However, while countries have the option to design their own pension systems, they are subjected to the reporting duty on the implementation of ILO standards setting the minimum level of protection and to respect certain internationally accepted basic principles. This situation reflects the power of ILO standards adopted by the tripartite ILO constituents, considering that their consensus expresses the universal and legal character. Where ratified,

[236] World Bank, 'World Bank classifies Mauritius as High-Income Country' (News Release, July 1, 2020) <https://www.bom.mu/sites/default/files/pr_mauritius_high_income_econ_classification.1.pdf> accessed 18 May 2021; The World Bank, 'GDP per capita (current US$)-Mauritius' <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=MU> accessed 15 October 2020;

[237] Mauricio Soto et al.,'Pension Reforms in Mauritius: Fair and Fast Balancing social protection and Fiscal Sustainability'(*IMF Working Paper WP/15/126*, 2015), p.1, <https://www.imf.org/external/pubs/ft/wp/2015/wp15126.pdf,> accessed 7 May 2020.

[238] ILO, *Social Protection for Older Persons: Policy trends and statistics 2017-19 (2018)* Social Protection Policy Papers, Paper No.17, International Labour Office-Social Protection Department, p.3.

[239] Old-Age, Invalidity and Survivors' Benefits Convention, 1967 (No. 128) .

the states are legally-bound. However, the adopted standards have influence in non-ratifying states. The ILO has the 'solemn obligation to further among the nations of the world programmes which will achieve among others, the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care…'[240]

4.3.1. Similarities and differences between the schemes

From the comparative study, it appears that classical branches of the social security defined by the ILO Convention 102 have been a source of inspiration for Rwanda, Kenya and Mauritius in the establishment of their social security systems. In relation to the ILO two-dimensional approach for the extension of the social security, the common challenge for developing countries is that most social security pension schemes are contributory and generally cover formal sector workers and leave a large number of informal economy workers uncovered. In this regard, the study considers that method of financing is essential to determine the way coverage will be achieved.

A. Similarities: Limitation of voluntary contributory pension and savings schemes in Rwanda and in Kenya

Rwanda and Kenya have made some progress in extending the pension coverage and have been inspired by the ILO social security standards while establishing their pension systems. However, the majority of the population remains uncovered. Voluntary pension schemes established in Rwanda (*Long-term Savings Scheme*) and Kenya (*Mbao Pension Plan*) to extend coverage to informal economy workers have in common the aspect of accessibility and affordability. They are digital pension schemes that allow members to register and pay their contribution using mobile phones and their National Identity cards serving as a saving account. These schemes are affordable as they are established to reach small earners.

1. **Limited personal pension coverage**

Voluntary pension schemes designed under defined-contribution system like those established in Rwanda and Kenya show a progress in pension coverage extension to low-income participants and in the development of a culture of savings. However, these schemes

[240]ILO Constitution (Preamble and article 1), *Declaration of Philadelphia, 1944* article III (f); <https://www.ilo.org/dyn/normlex/en/f?p=1000:62:0::NO:62:P62_LIST_ENTRIE_ID:2453907:NO> Accessed 9 June 2021.

have limitations in insuring effective pension coverage and their sustainability faces the challenge of enforcement mechanisms in case of non-compliance. It is clear that in voluntary pension schemes, there is no legal obligation for the self-employed to register to the pension schemes. Therefore, there are no penalties for those who do not register to the schemes or for the registered members who fail to pay regular contributions until retirement age. In case of non-compliance, social security administration uses public education and awareness campaigns through a partnership with central and local government institutions and organizations, including cooperatives and associations to encourage the population to save for their retirement.

Informal economy workers may pay a small contribution or prefer to allocate their low and irregular revenue to immediate needs rather than saving for their retirement. As a consequence, the low period of contribution and the small amount of the contribution impact the adequacy of pension benefits. The need to effectively cover informal economy workers is addressed among eighteen principles (e) set out by ILO Social Protection Floors Recommendation, 2012 (No.202) to be applied by ILO Member States.

2. The implication of the withdrawal of savings on the adequacy of pension benefits

Voluntary pension schemes established in Rwanda and in Kenya have similarity in a way they offer the possibility to withdraw savings and to use a part of the savings as loan security. As per the analysis, the withdrawal of savings before retirement age helps beneficiaries to satisfy their immediate needs but makes these schemes more like a savings plan than a pension plan. Members who withdraw a percentage of their accumulated savings or use their savings as a loan security reduce their future pension benefits. They may also lose the possibility to access regular payment of pension benefits while ILO Convention No.102 requires that the benefit shall be a periodical payment.[241] Therefore, the low rate of pension coverage, the absence of income security guarantee in old-age or the provision of inadequate benefits undermine the achievement of the objective of pension schemes which is social inclusion, eradication of inequalities and poverty and more particularly income redistribution.

[241] Art.28 of ILO C102.

3. Benefits from being in the same geographical zone: The enforcement of pension rights for migrant workers

Another aspect of similarity is that Rwanda and Kenya are in the same geographical zone, which facilitates the regional integration allowing free movement of persons, goods and services. Kenya and Rwanda are members of the East African Community (EAC), which encourages greater economic cooperation among Member States (Rwanda, Kenya, Burundi, Tanzania, Uganda and South Sudan).[242] The EAC is also a forum to address the challenge of enforcing pension rights for migrant workers with regard to portability of pension benefits. The cross border movement of workers requires the Partner States to find out a legal framework to maintain workers' pension rights through harmonization of legislation or developing pension arrangements that do not hinder free movement of workers.

B. Differences in social protection mechanisms and in pension structure

Social security protection systems in Kenya are both public and private, and tax-financed schemes. Kenya has established a special scheme for public servants and a special scheme for the informal sector (*Mbao Pension Plan*) as well as tax-financed cash transfer programme under the name of *Inua Jamii Senior Citizens'scheme.* It provides basic income to all citizens over the age of 70 and above who are not receiving a civil service pension.[243] The *Inua Jamii* Cash Transfer Program targets three categories of vulnerable persons, namely: older persons, orphans and vulnerable children and persons with severe disabilities.

The analysis revealed that there is no specific legal framework on *Inua Jamii Senior Citizens'* scheme as a component of the social protection programme. The scheme finds its basis in the framework for the development of the social protection sector offered by the 2010 Kenyan Constitution and the 2012 National Social Protection Policy. In its article 43 (3), The 2010 Kenyan Constitution recognizes the right to social security for every person and the responsibility of the State to provide appropriate social security to persons who are unable to support themselves and their dependents.[244]

As per the analysis of the Kenyan pension system, due to the fact that official retirement age in Kenya is fixed at 60 in Mandatory individual account and Provident fund

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[242] EAC Partner States, available at *eac.int*, accessed 5 March 2020.
[243] ILO (n 225), p. 1.
[244] The Consititution of Kenya, 2010, published by the National Council for law reporting with the Authority of the Attorney-General available at www.kenyalaw.org , accessed 24 December 2019.

scheme, and at 70 for the universal tax-financed scheme (*Inua Jamii Senior Citizens'* scheme), the pension coverage gap remains for persons aged between 60 and 70 years who have not yet been guaranteed a minimum income when they retire. Therefore, to be in conformity with international social security standards, there is a need for Kenya to establish a legislation guaranteeing a non-contributory basic income security to all the elderly with no social security protection. The pension reform should legislate *Inua Jamii Senior Citizens'* scheme and retirement age for *Inua Jamii cash transfer programme* should be reduced from 70 to 60 for the entitlement condition to be in conformity with the retirement age of 60 set for other pension schemes.

Contrary to Kenya, in Rwanda's pension systems, all workers (public and private) are subjected to one pension law and Rwanda does not have a universal pension scheme as explained in chapter 3. The existing social protection mechanisms providing income support to the elderly are limited to a small proportion of the population in the category of the indigents who are classified in *Ubudehe* special category E expected to benefit full State social protection support).[245]

With regard to the retirement age, in Rwanda there is a difference in retirement age fixed at sixty (60) years in mandatory pension schemes, while in voluntary public pension scheme (*Long-Term Savings Scheme)* the retirement age is fifty-five (55) years.[246] This means that the self-employed may hesitate to adhere to public pension scheme for salaried workers and lose related advantages such as totalization of periods of contribution for self-employed who were previously member of pension scheme.[247]

The study also identified the difference in the categorization of membership as the Rwanda's pension coverage extension approach (*Long-Term Savings Scheme/EjoHeza)* categorizes its members according to their economic status in "*ubudehe*". This categorization serves the basis of the government incentives provision in the first three years starting on the date of its official launch (14 December 2018).

[245] Julius Bizimungu, 'New ubudehe categories: What you need to know' *The New Times*, Rwanda's Leading Daily, (Kigali June 25, 2020); Republic of Rwanda, *National Social Protection Policy* (MINALOC June 2020) p. 34.

[246] Art.9 of Law Law No.29/2017 of 29 June 2017 establishing Long-Term Savings Scheme and determining its organization, *OG* No. Special of 18/08/2017.

[247] Art.5 of law No. 05/2015 of 30/03/2015 governing the organization of pension schemes in Rwanda, *OG* No.20 of 18/05/2015.

Another difference is that Kenya's *Mbao Pension Plan* allows the possibility to withdraw all the accumulated savings after one year of saving or the use of savings as loan security while in Rwanda participants are allowed to withdraw a certain percentage fixed at 40 per cent of their accumulated savings and related interests to respond to the needs for housing and education.[248]

4.3.2. Lessons learned and suggestions for legislative reform

From the comparative analysis of the innovative approaches for old-age pension coverage extension in Rwanda, Kenya and Mauritius, a number of general lessons is drawn as summarized below.

- *Contributory public pension schemes are suitable for employees with regular and predictable incomes*.

Pension legislation provides for mandatory affiliation of employed workers and voluntarily affiliation for self-employed, which means that unemployed population has no legal obligation to join pension schemes. As a consequence, many elderly who have not contributed to pension schemes are excluded from pension protection.

- *The full access to old-age benefits requires the combination of contributory and non-contributory (tax-financed) pension schemes*

The combination of contributory and non-contributory (tax-financed) pension schemes is necessary to achieve universal pension coverage, with the guidance of the ILO two-dimensional approach for the extension of a social security. This ILO approach reflects the principles enshrined in the ILO Social Security (Minimum Standards) Convention, 1952 (No.102) and Social Protection Floors Recommendation, 2012 (No.202) and helps to maintain the level already achieved and to progress toward achieving a universal protection for countries with low coverage.

The implementation of the universal non-contributory pension scheme requires both financial and administrative capacities. Adequate financial and administrative capacities can balance coverage, benefits adequacy and sustainability of non-contributory schemes as well as good performance of the existing contributory schemes. Based on the experience of Mauritius, the universal pension coverage is achievable and is a key to poverty eradication,

[248] Art.6 of Ministerial Order No. 001/18/10/TC of 05/12/2018 determining modalities of granting Long-Term Savings Scheme Benefits, *OG* No.50 of 10/12/2018.

social inclusion and a global commitment for the realization of Sustainable Development Goals 2030. Therefore, universal pension coverage should be among the government's priorities, considering that realizing international obligation is often considered a matter of political will and of administrative aptitude. To meet the international commitment to progressively achieve universal social security coverage, social security administrators are key actors.[249]

- *Meeting priority needs and designing adapted solutions in accordance with national circumstances*

While, countries have the option to design their own pension systems in accordance with their national circumstances and levels of development, they have to establish comprehensive pension systems guaranteeing at least basic income security to all. The extension of old-age pension coverage to excluded population, mainly the informal economy workers requires identification of their priority needs and different factors that contribute to their vulnerability. Therefore, it is necessary to extend legal coverage and to adapt the legal framework to the needs of uncovered population and to encourage the transition from informal to formal economy.

- *Sharing experience and leaning from best practices among countries*

Exchange of information, experiences and expertise on social security strategies, policies and practices among countries and with the International Labour Office is necessary to build comprehensive pension schemes.

4.4. Comparative dimension of social security pension in other countries across the world

Over the last decades, reforms of pension programs have been a topic of interest not only in developing countries with low coverage, but also in developed countries. In developing countries, the main problems that lead to the reform of public pension systems are related to coverage extension to excluded population, benefit adequacy and the sustainability of pension schemes, as described in the examples of selected African countries (Rwanda, Kenya and Mauritius) for comparative analysis.

[249] Katja Hujo, 'Introduction:Reflecting on the human right to social security' (2017) *International Social Security Review* 70 (4), p.5.

The reference to examples from other countries across the world are very relevant and potentially useful for a large audience, given that social security schemes and policies around the world are discussed by dividing the World into six regions: Asia, Africa, Latin America and the Caribbean, the Arab States of the Middle East, Central and Eastern Europe and Central Asia and the countries of Organization for Economic Cooperation and Development (OECD).[250] It must be pointed out that this division of the world is by geographical region, except for the OECD countries, which have as their unifying element that they are the most highly developed economies.

The International Social Security Association (ISSA) implements its activities and promotes social security and supports member institutions through its regional structure (Africa, Americas, Asia and the Pacific).[251]

4.4.1. The experience of other African countries

The reference to examples from other countries across the Africa is very relevant and potentially useful for a large audience as well, and compliments the comparative study of Rwanda, Kenya and Mauritius.

Significant progress in expanding social protection coverage towards universal pension coverage have been made by a number of African countries, such as South Africa, which has extended social insurance coverage to domestic workers, Algeria and Tunisia (coverage to agriculture workers), Cabo Verde and Cameroon (coverage of workers in small enterprises), Algeria, Cabo Verde and Cameroon (coverage of self-employed workers) as well as Côte d'Ivoire with the adoption of a law establishing a mandatory scheme for self-employed workers, managed by the National Social Security Fund (CNPS). Some other countries like Botswana, Cabo Verde, Lesotho, Namibia, South Africa and United Republic of Tanzania have introduced or expended large-scale non-contributory schemes for children, persons with disabilities and older persons.[252]

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[250] Gillion (n 13), p.19.
[251] ISSA, 'ISSA regional structures'< https://ww1.issa.int/regions> accessed 2 September 2022.
[252] ILO, 'Africa Regional Social Protection Strategy, 2021-2025. Towards 40%-a social protection coverage acceleration framework to achieve the SDGs', International Labour Organization, 2021 p.25, https://www.ilo.org/africa/information-resources/publications/WCMS_828423/lang--en/index.htm, accessed 23 August 2022.

4.4.2. The pension reform in developed countries

The learning from the experience of developed countries is relevant given that they have achieved high level of social protection. It must be pointed out that while pension reform in developing countries generally target universal coverage, the target aspects of the pension reform in developed countries is the retirement age and measures to reduce the deficit of the state pension systems by increasing contribution rates or by adjusting the contributions of the mandatory funded pension systems. A new challenge confronting social security in developed countries is the social security coverage for digital platform workers not covered under existing legislation due to emerging new type of work in the context of the emerging digital economy.[253]

A. Social security and Pension schemes in Countries of Central and Eastern Europe (CEE) and Central Asia

Pension reform issues are one of the most pressing issues for social security administrations in many of the countries of Central and Eastern Europe (CEE) and Central Asia. Since 2009, the CEE countries have implemented or have been planning pension reforms. Countries like Croatia, Hungary, Bulgaria, Romania, and Poland are adopting defined-contribution system, noting that Croatia and Hungary will increase the normal retirement age for women to 65 years, and Bulgaria and Romania to 63 years by 2030.[254]

It must be noted that in some countries retirement age for men is higher than for women, allowing the former to accrue superior benefits. For example, in China and Bulgaria, normal pensionable age for men is 60 years while for women it is 55 years, 50 (men and women) if engaged in arduous work. Noting also that payments are adjusted according to an index combining local wage and price inflation.[255] In Pakistan retirement age is 60 for men and 55 for women.[256]

With regard to the coverage, over the past two decades, China has witnessed a significant and rapid extension of coverage under both contributory and non-contributory

[253] ISSA, 'Closing the gap, Global challenges for social security development and innovation' (2019), p.16, available at www.issa.int/10.
[254] Kenichi Hirose, *Pension Reform in Central and Eastern Europe. In times of crisis, austerity and beyond,* ILO, Decent Work Technical Support Team for Central and Eastern Europe, Budapest, 2011, p.8.
[255] Felix Salditt, et al., 'Pension Reform in China' (2008) *International Social Security Review* 61 (3), pp.54-55.
[256] ISSA and SSA, *Social Security Programs Throughout the World: Asia and the Pacific, 2018* (SSA2019) p.200 https://www.ssa.gov/policy/docs/progdesc/ssptw/2018-2019/asia/ssptw18asia.pdf accessed 5 september 2022.

schemes, supported by management and administrative transformation and the innovative use of ICT.[257]

B. Social security and Pension scheme in Asia and the Pacific

The characteristic of this region is the large number of counties former British colonies with no mandatory pension schemes because they have Provident Funds which do not provide replacement income for the length of retirement as pension schemes do. For example the countries like Indonesia, Malaysia and Singapore provide benefits through Provident Fund. The countries less exposed to British influence like The Republic of Korea, The Philippines and Vietnam have set up social insurance pension scheme to cover employees and sometimes also the self-employed.[258]

C. Social security in OECD countries

Pension reform has been also a great concern over the recent decades in OECD countries, motivated by the fact that OECD countries have the oldest population. This challenge of ageing population has significant implications for fiscal, economic and social policies and it is common to all European countries, influencing pension reforms. For the provision of social security retirement benefits, OECD countries rely primarily on pay-as-you-go defined-benefit scheme.[259] These schemes are affected by the falling of the number of contributors and the increase of receivers, while the fully funded schemes are affected by falling asset values and reduced returns.[260]

The OECD countries spend on average 10 per cent of their Gross Domestic Product on old age retirement benefits exceeding their health care spending.[261] The example of OECD is relevant to developing countries with significant underinvestment (financing gap) in social protection.[262]

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[257] ISSA, 'Social security in the BRICS countries' <https://ww1.issa.int/brics> accessed 5 September 2022;
[258] Gillion (n 13), p.20
[259] Ibid., pp21-22.
[260] European Commission, 'An Agenda for Adequate, Safe and Sustainable Pensions' (White Paper) COM (2012)55final, p.3 <https://op.europa.eu/en/publication-detail/-/publication/32eda60f-d102-4292-bd01-ea7ac726b731/language-en#>,accessed 2 September 2022.
[261] Gillion (13), p.21.
[262] ILO (n 151), p.40.

D. Social Security and Pension Policy innovations in the United States of America: Example of Brazil, Argentina and Uruguay

In different regions, some countries have introduced adapted mechanisms for groups of workers that are at particular risk of being exposed to protection gaps, such as part-time workers, temporary workers, self-employed workers and workers with unclear employment relationships and workers on digital platforms, who often share characteristics with the categories defined above. Therefore, adapting legislative frameworks and ensuring compliance is one of adopted policy innovations to recognize their employee status and to close coverage gap.[263]

Countries like Brazil, Argentina, and Uruguay have extended coverage by adapting and simplifying the administration and financing of protection, harnessing the potential of digital innovation. For example, through simplified tax and contribution collection mechanisms (Brazil, Argentina, Uruguay).[264]

4.4.3. Lessons learned

From the analysis of pension provision in some developing countries and developed countries, it appears that there is difference with regard to the target aspects of pension reform. Social security schemes vary greatly around the world, even with within the regions, depending on culture and historical experience, legal systems and level of economic development. Therefore, sharing experience is relevant and potentially useful for both developing countries and developed countries.

4.5.Conclusions and discussion

Voluntary public pension scheme established in Rwanda *(Long-Term Savings Scheme' EjoHeza')* and *Mbao Pension Plan* (privately managed) established in Kenya to complement mandatory schemes constitute some progress in increasing the coverage rate and saving capacity. From the analysis of the *Long-Term Savings Scheme,* it appears that pension coverage for informal sector workers remains a priority, due to persistent coverage gaps. The creation of an accessible and affordable public pension scheme, like *EjoHeza* enables informal economy workers to play a key role in creating a mass market for retirement

[263] ILO, *Extending social security to workers in the informal economy: Lessons from international experience* (2nd edn, ILO 2021) p.184<https://www.social-protection.org/gimi/RessourcePDF.action?id=55728> accessed 18 November 2021.

[264] Id. (n 10).

savings and increases the coverage rate. In addition, public education and awareness campaigns through a partnership with central and local government institutions and civil society, used in implementing *EjoHeza* scheme has created general financial and legal literacy.

However, the success of the informal economy pension scheme requires good governance, infrastructure and partnership frameworks to enable mass scale saving. The scheme may encounter technological challenges for registration and payment of contributions as its operations are digital-based, build upon the integration of different IT interfaces. In addition, the enforcement mechanism for voluntary pension scheme is a challenge, given that there is no legal obligation to join the scheme. In this regard, there are no penalties for subscribers who may register and do not respect regular payment of their contributions until they attain old age. The same situation applies to the voluntary affiliation of self-employed to the pension schemes established for the employed workers under the 2015 Pension legislation.

The study concludes that the *Long-Term Savings Scheme* should be reformed to make the scheme mandatory for self-employed with contributory capacity and workers in organized groups and to provide pension benefits for the duration of the contingency (old age). The identified gap is the lack of enforcement mechanism due to the voluntary nature of the *Long-Term Savings Scheme* and the provision of benefits in a limited period of twenty (20) years. This constitutes a challenge for contributors who will live longer, given that the scheme will deliver income security through regular pensions for the elderly until the age of 75 years, considering that the retirement age is fifty-five (55) years.[265] It must be pointed out that the ILO C102 requires that all pension benefits have to be paid in cash as periodic payments for the duration of the contingency.[266]

For the progressive realization of the universality of old-age pension coverage and the provision of adequate benefits, a combination of mandatory pension scheme with voluntary pension schemes and non-contributory universal pension schemes is necessary and achievable, with Mauritius and other countries across the world mentioned in this study, serving as good examples. In the same perspective, public and private pensions and social assistance programmes should be well coordinated.

[265] Art.3 of Ministerial Order No. 001/18/10/TC of 05/12/2018 determining modalities of granting Long-Term Savings Scheme Benefits, *OG* No.50 of 10/12/2018.
[266] ILO C102, art. 28.