Towards Sustainable Development

RESEARCH SERIES No. 143

EXPANDING THE PENSION SECTOR IN UGANDA

Pic courtesy: NCHIMOTO News

EZRA MUNYAMBONERA
MIRIAM KATUNZE
MARTIN LUTHER MUNU
BRIAN SSERUNJOGI

May 2018

RESEARCH SERIES No. 143

EXPANDING THE PENSION SECTOR IN UGANDA

EZRA MUNYAMBONERA
MIRIAM KATUNZE
MARTIN LUTHER MUNU
BRIAN SSERUNJOGI

May 2018

The Economic Policy Research Centre (EPRC) is an autonomous not-for-profit organization established in 1993 with a mission to foster sustainable growth and development in Uganda through advancement of research –based knowledge and policy analysis. Since its inception, the EPRC has made significant contributions to national and regional policy formulation and implementation in the Republic of Uganda and throughout East Africa. The Centre has also contributed to national and international development processes through intellectual policy discourse and capacity strengthening for policy analysis, design and management. The EPRC envisions itself as a Centre of excellence that is capable of maintaining a competitive edge in providing national leadership in intellectual economic policy discourse, through timely research-based contribution to policy processes.

Any enquiries can be addressed in writing to the Executive Director on the following address:

Economic Policy Research Centre
Plot 51, Pool Road, Makerere University Campus
P.O. Box 7841, Kampala, Uganda
Tel: +256-414-541023/4
Fax: +256-414-541022
Email: eprc@eprcug.org
Web: www.eprcug.org

TABLE OF CONTENTS

ABSTRACT

Uganda has to expand the coverage of the pension sector in order to deal with the rising numbers of retirees as well as the uneven coverage. The study investigates the nature of additional reforms required to expand pension coverage in the country. Specifically, the study focuses on governance and regulation, scope and coverage, efficiency, and competitiveness with specific reference to national social security, fiscal burden of the public pension scheme, and entry of new players in the pension space. The methodology used includes analysis of national household surveys and administrative data on public pension scheme, document reviews, key stakeholder interviews as well as reviews of other country case studies. Pension coverage is low at about 9.3 percent of total employed Ugandans in both the formal and informal sectors, but mainly in the formal sector. With regard to the non-contributory public pension scheme, the fiscal burden has reached an unsustainable level with cumulative arrears of about UGX 516 billion by 2016. At the same time, governance and regulation continue to affect the effectiveness and efficiency of the national pension system and warrants further reforms.

1 INTRODUCTION

There are immense benefits from reforming and expanding the coverage of pension schemes. Pension funds contribute to economic growth by increasing the capitalization and liquidity of financial sector especially in capital markets and banking sector. This increases financial intermediation, total factor productivity, and resultant GDP growth (Yuwei Hu, 2012). Moreover, savings from the pension sector leads to a reduction in interest rates for borrowing, leading to private sector profitability and subsequently to growth through creation of jobs. Funds from the pension sector can also be used to finance government projects such as infrastructure developments and in the medium-term they reduce government reliance on donors (Wasswa, 2016).

In response to the fiscal burden of public pension systems and pressures from the ageing population, many countries such as Nigeria, Ghana, Botswana, and Chile have undertaken pension sector reforms, geared towards adopting a multi-structured framework recommended by the World Bank (Alo, 2004; Holzman & Hinz, 2005). This framework recommends a national pension system that integrates both public and private schemes to address the challenge of efficiency, scope and coverage.

Although a number of reforms have been undertaken in the pension system for Uganda over the years, administrative challenges in the overall pension sector persist. Most notable is the unsustainable fiscal burden of the public service pension scheme. Despite reforms that followed the 1994 law[1] and the significant expansion of both the country's labour force and elderly population, the pension sector has continued to suffer from limited coverage. Specifically, pension coverage of the older population stands at 2 percent while that of the active working population stands at 2.8 percent and 2.3 percent by the public service pension scheme and National Social Security Fund (NSSF), respectively (GoU, 2015).

Moreover, there appears to be a fragmented policy framework surrounding the pension sector, which has resulted in ongoing debates targeting private sector reforms, especially NSSF (Kalyegira, 2017; Munyambonera, 2017; Musaali, 2017). Overall, this current dispensation suggests poor performance of the country's pension sector. It also implores questioning how effective, efficient, and adequate Uganda's pension sector really is. Do we need further reforms to improve performance of the sector? What are the potential implications of such reforms? Notably, the need for further pension sector reforms in Uganda is in line with the wider reforms in the sector across the East African Community (EAC) Partner States. Partner States are currently working on the harmonisation of policies to enable the full implementation of the EAC Common Market Protocol (CMP), which came into force on July 1, 2010. The EAC CMP provides free movement of goods, capital, services, and labour across the region,[2] thus calling for portability of social security.[3]

It is against this background that this study examines the current pension sector. In addition, it provides the case for further reforms in Uganda's pension system. Specifically, the study investigates whether (i) there is need to have a universal law for the entire pension sector, (ii) the public service pension scheme needs to change; (iii) further reform of the NSSF is required and (iv) there is a case for introducing new private sector players in the pension market. Broadly, the study contributes to the policy discourse surrounding Uganda's ability to accelerate national social protection interventions, as emphasized in the second National Development Plan.

The rest of the paper is organized as follows: The next section discusses a diagnosis of the pension sector in Uganda and the reform process. Section 3 consists of the literature review. Section 4 outlines the conceptual framework and describes the data and methods of analysis. Section 5 presents and discusses the

1 Changes such as establishment of the pension regulatory authority called the Uganda Retirements Benefits Regulatory Authority (URBRA) in 2011 and a complimentary act- supposed to guide the operations of the authority (the Uganda Retirements Benefits Regulatory Authority Act, 2011).

2 Common Market Protocol and Annexes, available at http://www.eac.int/commonmarket/index.php?option=com_docman&task=cat_view&gid=30&Itemid=6

3 Portability of social security is the ability to obtain, preserve, maintain and transfer vested social security rights or rights in the process of being vested, independent of nationality and country of residence (Avato et al. 2010). Harmonization refers to adoption of measures that makes polices and laws among partner States compatible or almost similar etc. Coordination entails provisions to establish common rules and principles which have to be observed by authorities and institutions of each coordinating party.

findings of the study, and finally, Section 6 presents the conclusion and policy options.

2. PENSION SECTOR REFORM PROCESSES

2.1 Structure of Uganda's Pension Sector

Despite Uganda's growing population and the consequent increase in the working population age, coverage of the pension sector remains dismal. Table 1 reveals that Uganda's labour force stood at 17.2 million in 2014, of which 15.6 million were employed in both formal and informal sector, and thus eligible to pension savings. However, pension coverage was 1.97 million (including public service, national social security fund and a few occupational schemes) – representing only 12.6 percent of the estimated active labour force in Uganda. Furthermore, Uganda's pension sector has two pension schemes, namely, a non-contributory Public Service Pension Scheme (PSP) for civil servants and the National Social Security Fund (NSSF) for other formal workers including government agencies, non-government organisations and formal private sector business firms with five (5) or more workers.

Where a large number of the employed population is excluded from pension savings, it presents an old age risk challenge to the government. This problem is expounded with the proportion of the active pension savers to the total labour force at 6.6 percent benefit payment as percentage of GDP at 0.35 percent and age dependent ratio of 103 percent. With life expectancy at birth having improved from 47 years to about 63 years in the last ten years, and at retirement improving from less than 10 years to around 17 years, limited pension savings during the working life of majority of the young population creates a higher social security problem to government. Though there have been reforms in the past, they have only been partial reforms. While they addressed structural problems and payment mechanisms both in public pension schemes and national social security schemes, they did not address the coverage and efficiency challenges that continue to characterize the current pension sector. The entire pension sector continues to face challenges related to governance, compliance, and inclusiveness of the majority of the employable Ugandans largely in the informal sector. This poses a big social security risk to the aging working population in the near future.

2.2 The Public Service Pension Scheme

The PSPS was established by the 1946 Pension Act which was later amended in 1994. The provision of pension benefits to public service employees[4] is enshrined in the constitution. The Armed Forces are provided for under the Armed Forces Pension Act (AFPA). Before the amendment of the PSPS in 1994, the provision for pensions for the Urban Authorities pension was being managed under the Local Government Provident Act (CAP 292), while Municipalities were being administered under Municipalities and Public Authorities Provident Fund Act (CAP 291). Following the amendment of the Pensions Act in 1994, the provision of pensions to both Urban Authorities and Municipality employees was brought under the purview of the Pensions Act, which requires that all Local Government (Urban Authorities and Municipalities alike) should provide for the pensions of their employees. Subsequently, the responsibility of administering and managing pensions for local government was transferred to the Ministry of Public Service (MoPS).

Table 1 shows the scheme's eligible membership at 429,000 employees – which represents 21.8 percent of total pension sector coverage. This constitutes about 0.82 percent (of which traditional civil servants constitute 0.3 percent and teachers, 0.52 percent) of the entire population of Uganda. The total benefits that the beneficiaries consume are about 0.35 percent of the country's GDP as of 2015 (GoU, 2014). This presents a small percentage of the working population; indicating a larger percentage being excluded from the social security savings net.

Although the size of Uganda's civil service is smaller, the total pension payments paid to workers on average annually has grown to about 0.35 percent of GDP; indicating a growing fiscal burden government (GoU, 2014). In the current arrangement, Uganda's PSP is pre-funded. The growing number of civil servants, as a result of decentralization of the government

4 This covers traditional civil servants, including police and prisons services, local government employees and teachers.

Table 1: Selected indicators on the structure of Uganda's social security sector

Indicator	
Panel A[a]	
Population (2014), million	34.6
Total labour Force, million	17.2
Labour force employed, million	15.6
NSSF as at June, 2015	
Registered	1,500,000
Active	700,000
Non-Compliant	800,000
Number of employers registered	10,911
Eligible employers	33,000
Public Service Pension Scheme [c]	
Total	429,000
Active	330,000
Pensioners	70,000
Other pension arrangements	
Occupational Schemes	24,174
Total number of employers	123
Registered with URBRA	63
Senior Citizen Grant as of Dec. 2015	123,153
Total pension coverage excluding SAGE	1,970,696
Panel B[b]	
Coverage ratio of total labour force	11.4
Coverage ratio to active total labour force	12.6
Ratio of active members to total labour force	6.6
Benefits payments as percent of GDP	0.4
Life expectancy at birth	63.3
Age dependency ratio	103

Notes: [c] Covers traditional civil servants, civil servants in local governments, and teachers.

Source: [a]Bekabye (2017); and [b]UBoS (2016).

administration and an ageing working population, may create more fiscal burden to government in terms of pension payments both in arrears and pension due. In this paper, it is indicated that since the 1990s, pension arrears have accumulated to unsustainable levels in terms of budget allocation of about UGX 516 billion. The literature and empirical evidence from OECD countries suggest that it is important to reform the publicly financed pension schemes, by converting them from non-contributory to contributory to make them affordable and sustainable. With increasing numbers of workers and growing ageing working population in OECD countries, these schemes have become an unaffordable and pose a high fiscal risk to governments (OECD, 2015). Gradual reforming of these publicly financed pension schemes could ease the fiscal burden and avail more resources for other competing development demands. For the case of Uganda, public financing of the pension remains a high fiscal risk to government, given its cumulative fiscal impact on the budget.

2.3 National Social Security Fund

The provision of formal social security for the private sector commenced following the enactment of the Social Security Act (No.21), of 1967. Under this Act, the Social Security Fund was established, operating as a department in the Ministry of Labour. Later, this Act was repealed by the National Social Security Fund Act (No.8) of 1985, which established the NSSF as a body corporate. The NSSF is a Provident Fund, which pays benefits in a lump sum and at the moment provides only the following benefits: Old Age, Invalidity, Survivors, Withdrawal and Emigration Grants. The NSSF covers all employers who have five or more employees between 16 and 55 years of age, with the exception of employees under the Government Pensions Act. The NSSF Act requires a registered employer to pay contributions to the Fund for his\her employees every month during which salaries are paid. It is mandatory for employers to deduct and remit five percent of each employee's gross pay to NSSF each month, and for themselves, as employers, to contribute an equivalent of 10 percent of each employee's gross salary to the NSSF. The NSSF Act does not provide for voluntary membership for employers with less than five employees. The NSSF currently has about 1.5 million registered members with compliance rate at 46 percent. This means therefore that there are legal and regulatory requirements which require reform in order to increase these numbers. The intention of the reforms is to amend the NSSF Act to require mandatory contribution of all workers regardless of the size of their enterprise, provide for voluntary contributions from self-employed workers and provide for voluntary contributions by workers above their mandatory contribution. Amending the NSSF Act could improve the membership from the current 1.5 million to 3.5 million (Byarugaba, 2017) and fund growth to about 20 trillion by 2025 (NSSF, 2016). In 2017, NSSF monthly collection had hit a target of 100 billion from a target of 77 billion, indicating registered a significant progress in collections (NSSF, 2017).

2.4 Reforms in the Pension Sector

The policy reforms on pensions were initiated in the mid-1990s and included staff retrenchment, monetizing the pay as consolidated, revision of the benefit formula, introducing the indexation of pensions to salaries (as a result of the high inflation) and applying it retrospectively to all wage increases since 1988. This resulted in a sharp increase in the stock of pension liabilities as pension arrears. Over this period, there was an amendment of the Pension Act of 1978, to recognize the services of persons who served under the defunct East African Community; and the decision by the High Command of the UPDF to recognize the services of persons who served in previous armies, since independence. As a result of these changes, the implied pension arrears increased for retired civil servants and this has continued to be a burden to the budget, necessitating the urgent need to reform the PSP (GoU, 2014). In addition, the expanding size of the public service, with the expansion of local governments has resulted into further building of pension arrears necessitating further reforms of the public pension scheme.

Pensions (Amendment) Statute No.4 of 1994 and the Statutory Instrument No.6 of 1995 amended the Pensions Act and the Regulations, respectively. Pensions were indexed to the salaries, allowing them to be raised whenever salaries of serving public officers are increased. The amendment also provided for the payment of the survivors' pension to the spouses, children, and dependants of the deceased public officers and pensioners. This amendment was backdated to July 1, 1988. The consensus for the reform of the PSPS gained momentum and strengthened in the early 2000s partly informed by the studies commissioned by the MoPS.

The African Peer Review Mechanism (APRM) Country review report of 2009 also recommended further reforms in regulation and liberalization of the pension sector. Other subsequent review studies and task forces commissioned by Ministry of Gender, Labour and Social Development (MGLSD) and Ministry of Finance, Planning and Economic Development (MoFPED) also recommended comprehensive reforms of the pension sector to establish a legal, regulatory, and financing framework for the pension sector. This would require reviewing the existing legislation to provide constitutional protection of social security and pension rights to all Ugandans (as opposed to only public servants) and to consolidate all pieces of legislations on retirement schemes, social security institutions, and pensions. The reviews also recommended an independent regulator for the entire social protection sector and making all public pensions mandatory.

More recent reform proposals commenced in 2005 to address the persistent challenges of governance, coverage, efficiency, compliance, and affordability across the different pension schemes. The reforms resulted into drafting of the RBSL Bill, 2011 and the URBRA Bill 2011, which was turned into an Act to operationalise the pension liberalization process. The specific reforms that were proposed out of the pension reviews included: (i) reforming the PSPS from non-contributory to contributory between government and workers and operate the scheme as an independent account outside government main account and payment systems; (ii) complete liberalisation of the pension sector to internal and external market competition; (iii) and complete liberalisation of the NSSF to market competition and establishment of a pensions/retirement benefits regulatory framework to regulate and promote the development of the retirement benefits sector. The successes of the 2005 reforms were that by 2014, URBRA had licensed four corporate trustees, 345 individual trustees, six fund managers, five custodians and 11 administrators. Nevertheless, the reforms, particularly the liberalisation bill, represent opportunities to de-monopolise the NSSF and PSP leading to higher coverage of persons contributing mandatorily (Mwesigwa & Nakiryowa, 2015). Uganda's current legal framework for the pension sector is weak, as it is unable to ensure fiscal sustainability in the long run and good governance in the sector. Indeed, this demonstrates that further reforms are required.

3. REVIEW OF RELATED LITERATURE

There is an increasing trend of pension sector reforms in many developing countries, including those in Africa. The reforms primarily aim to improve efficiency in the regulation and supervision of the pension sectors, increase the scope and coverage of the pension systems, attain fiscal sustainability of the non-contributory-defined public pension systems, and improve efficiency and compliance of the contributory public-private pension systems, in order to ensure inclusive social security for the active and old aged population.

3.1 Effectiveness of Regulation and Supervision of Pension Systems

The global financial constraints faced by the Pay-As-You-Go (PAYG) schemes has forced several countries to limit public pension benefits and encourage complementary private pension schemes either by promoting a voluntary (third) pillar through tax incentives, and/or by introducing a mandatory (second) pillar. The drive to achieve a high rate of coverage in private pension provision has led to an increasing number of countries to reform the PAYG schemes to mandatory private-public pension schemes in many parts of the world, including Europe and Latin America (Rocha *et al*., 1999). It is expected that in the next decades, mandatory and voluntary private schemes will constitute a larger share of retirement income in many countries. As a result, there is a need to evaluate the effectiveness and efficiency of the institutional and regulatory frameworks of the pension industry, and establish whether the industry will be able to meet the expectations of workers and policy makers.

In evaluating the regulatory framework for the pension industry, Rocha *et al*. (1999) suggest that it is important for policy makers to identify the types of risks that the industry is exposed to, assess whether the regulatory framework in a country is prepared to cope with these risks, and what type of improvements are required. Such an evaluation may also benefit from lessons learned from other financial sector reforms, especially from the banking sector. There are major reasons justifying a comparison of the regulatory frameworks for banks and pensions, and identifying possible lessons from the former to the latter. The banking sector has been extensively examined globally, more than any other area of the financial system, and lessons learned may be applicable to pensions (ibid).

The need for the regulation of the pension industry can be motivated by the desired objectives including increasing scope and coverage, efficient allocation and mobilization of resources in a framework that ensures transparency, security, and stability; and minimizes costs and that promotes sound investment decisions (ibid). The regulatory framework for pension funds should also be cognizant of the distinctive features of institutions that are involved in managing the pension industry to advance key social policy objectives, such as the provision of retirement income. Pension funds have a greater role to play in household wealth of the average participant in most emerging and developed countries than other types of real-time financial incomes such as wages. Even in countries where private pension schemes are voluntary, such as the United States, pension funds represent a large portion of household wealth. The potential risks which accompany the growing importance of private pension schemes would call for prudential regulation and supervision.

3.2 Increased Scope and Coverage of Pension Systems

According to Grushka (2001) and Bertranou *et al.* (2001a, 2001b), pension coverage is termed as the number of persons receiving and contributing (to receive later) pension contributions, and survivor's or disability benefits. To Rofman *et al.* (2008), this dimension refers to the proportion of elderly persons protected by pension systems while Rofman and Oliveri (2012) define coverage as an indicator that measures the effectiveness of a country's pension system. Literature on pension coverage largely explores the determinants of coverage through the perspective of the economically active population and the elderly. Rofman *et al.* (2008) examined the extent of coverage of the pension system in Latin America from the standpoint of various variables that relate to active employment. They found that although coverage is high among public employees, it is generally low among active workers in most countries due to challenges of high unemployment and low participation of self-employed workers. These challenges are most significant among workers of the primary sector and small firms where coverage is almost non-existent. Coverage among women, the poor, and the elderly is generally low for most countries. They assert that while these findings are useful for better understanding the pension system they call for further evaluation as definition, inconsistencies, and comparison problems may surface once the data is used for analytical purposes. They recommend for more collection of time series data as more surveys become available.

Likewise, Rofman and Oliveri (2012) assessed coverage of the pension system among economically active persons and the elderly in 18 Latin American countries for a period of over 40 years. Their findings are similar to results in Rofman *et al*. (2008). They find that indeed coverage is lower than 30 percent among economically active population in 8 out of 18 countries. Chile, Uruguay, Costa Rica, Argentina, and Brazil are the only countries studied with coverage exceeding 50 percent. They attribute this trend to financial crises, privatization, trade liberalization, and a trend towards softening labour regulations that facilitated more informal recruitment practices, especially between the early 1990s and early 2000s. While they found no systemic differences in coverage among employed persons by gender, they acknowledge that pension coverage is higher for males than females. The same is true even for the elderly. While coverage is high for those in their 30's and 40's, it is significantly low for younger employees. With the exception of Brazil, Bolivia, Chile, Uruguay, and Argentina, coverage rates by rural/urban status were higher for the elderly living in urban areas than in rural areas because most contributors and beneficiaries are located in the urban areas. They call for future works to concentrate on collecting data on adequacy and sustainability of pension systems, particularly to analyse pension benefits, contribution histories, and vesting while taking a cross-national approach.

Literature on private pension coverage in developed countries asserts that overall coverage remains low even though there is misreporting of coverage in some surveys on retirement in the United States. and this is because most employees know more about their pension savings than what their employers provide for them (Munnell & Bleckman, 2012). Yabiku (2000) also assessed coverage of private pensions from the perspective of family history. His results revealed varied probabilities to earning pension income which depended on one's marital status. Antolin *et al*. (2012) assessed coverage rates of private pension schemes in eight OECD countries by whether the scheme is voluntary or mandatory and by socio-economic characteristics. They found that coverage was highest in countries that had a mandatory or quasi-mandatory scheme such as Australia and the Netherlands. The report also found that coverage was highest for men with the exception of the United States and the United Kingdom which have equal representation. Likewise, coverage was highest for full-time workers who had a permanent contract.

The determinants of pension coverage have been assessed for developing countries like the Philippines.

Mandigma (2016) assessed the determinants of pension coverage for the Economically Active Population (EAP) and the elderly and reported that coverage among the EAP was encouraged by economic stability, capital formation, wage growth, and urbanization and discouraged by the degree of economic development and globalization. On the contrary, pension coverage among the elderly, was encouraged by economic development, economic stability, national administrative capacity, wage growth, unemployment, and underemployment and discouraged by capital formation and urbanization. Coverage among the elderly was also positively influenced by non-economic factors such as feminist theory, education, and poverty incidence while the informal sector discourages it.

Other similar works in developing countries have tackled the extension of pensions in Africa. For example, Bailey (2004) asserted that because the majority of Africa's population is engaged in informal jobs, they are less likely to participate in pension schemes. This is because they receive low incomes which they would rather spend on health emergencies than save for retirement. Additionally, a large proportion of Africa's rural population do not understand pension schemes and therefore cannot participate. Bailey (2004) further reported that including the concentration of coverage for formal workers with voluntary participation of the self-employed; provision of universal coverage under the law and fostering the development of decentralized and community-based pension schemes are vital strategies employed by various countries to tackle the problem of extension of pension.

While a host of literature is based on finding the determinants of pension coverage, there is a significant portion of the literature that tries to explain why some parts of the population are not covered by assessing the characteristics of a country's existing pension scheme. Jefferson (2009) reported that women were more unlikely to be covered by pension schemes related to paid employment because they are more involved in unpaid care work and self-employment. Jefferson (2009) argues that there are few examples of developed countries with basic pension schemes i.e. that do not link coverage to employment history. Such pension schemes may be provided based on one's residency status, one's age, or one's marital status, as is the case in countries like Australia, New Zealand, Canada, the Netherlands, and the United Kingdom. Nonetheless the countries like Australia, Canada, and New Zealand, which have had pension reforms targeting capital accumulation accounts, were discovered to be unfavourable to women, because they closely link to employment history (Condon, 2001; Morissette & Drolet, 2001; Gee *et al*., 2002; and Jefferson, 2005).

3.3 Efficiency and Fiscal Sustainability of Public Pension Systems

Globally, it is viewed that the high cost of the non-contributory defined public pensions are increasing becoming a fiscal burden on the national budgets of most developing countries. The above scenario has emanated from growth in the number of public workers entering the labour market and a surge in the population of the elderly who demand social security. Williamson (2010) studied pension reform in China, South Korea and Singapore and reported that the rate of increase of the old-age dependency ratio was particularly rapid and a major factor behind the search by pension policy experts, in many of these nations, for innovative ways to reform their existing public pension schemes to ensure these schemes are equipped to address demographic and economic pressures. Recently most of African countries are reforming their pensions sectors in attempt to minimize the significant effects of the growing public pensions system. Casey and Dostal (2008) reported that reforms in Nigeria since 2004 aimed at solving the high costs problems imposed by the PAYG non-contributory public pension schemes. The authors further revealed that although the Nigerian pension reforms were not initially successful, second generation reforms resulted into growth of pension assets from about US$ 10 billion to US$ 30 billion within ten years.

Furthermore, Stewart and Yermo (2009) demonstrated that reforming public pensions could reduce government expenditure, thereby releasing funds to finance other unmet public development expenditures. The study further postulated that the unsustainable PAYG public pension systems were a greater concern to most countries in Africa with increasing levels of labour market informality, where most of the larger groups of the population are excluded from the pension systems but support it indirectly via the tax system. Public spending of pensions for civil servants and other special schemes is on the increase in the region, and is crowding out spending on other deserving programs. The potential for major fiscal imbalances and regressive distributional outcomes is compounded when the pension scheme is designed to cover only specific workers with a high degree of political power. In all countries, the formula used to calculate the pension for civil servants is more generous than for private sector workers. The impact of this more generous computation formula in Africa, with its lack of reserves, have continued to create more fiscal burden on the rest of the population and resulted in large deficits that have a crowding out effect to other important expenditures.

3.4 Efficiency and Compliance of Private Public Pension System

Efficiency of public-private pension systems can be defined as controlling spending, accomplishing more with lesser financial resources, commissioning long term investments to save financial resources over time and using budgets prudently (OECD, 2004). Therefore, an efficient pension scheme promotes the development of the financial sector through increasing the portfolio and providing a basis for a robust economy while concurrently cushioning savers from potential loss of their savings. Compliance, on the other hand, is the adherence to a pension scheme by players i.e. regulators, fund managers, employers and workers to the rules and regulations governing the pension scheme. Essentially, it refers to how regulators follow established rules on pension schemes, the operation of private fund managers within the stipulated laws, and the contribution of workers and employers as per the laws governing the private-Public Pension Systems.

A good pension should be inclusive and provide adequate, affordable, sustainable, and robust benefits (Holzmann & Hinz, 2005). There is a positive correlation between the effectiveness of pension schemes and compliance by sector players i.e. regulators, fund managers, and the contributors themselves. Bateman and Mitchell (2004) argue that pension fund efficiency is essential in promoting higher returns on investment and consequently high retirement benefits to the pensioners. This is basically due to the fact that efficiency promotes the rise in interest rates as returns on investment increases. Pension fund inefficiency, on the other hand, leads to higher costs of operation, low returns on investment, and in extreme cases to the demise of the funds (Bikker & Dreu, 2009). The need to promote efficiency in the pension sector has seen a considerable increase in the role of private pensions in the provision of retirement income over the past two decades. This reflects the efforts, through reforms, by many countries to trim down unsustainable pay-as-you-go benefits (Tapia, 2008). Policy reforms in the pension sector are crucial to ensuring efficiency and compliance. A case in point is Kenya where the National Social Security Fund (NSSF) was faced with poor record keeping and inefficiency (Odundo, 2003), which led to delays in determining benefits precipitating a US$100 million unallocated suspense account (Masinde & Olukuru, 2014). As one of the key measures to address these challenges, the country enacted the Retirement Benefits Act Cap 197 (the Act) to regulate pension schemes in the country. This, in addition to reforms in the financial sector, resulted into a significant growth of the industry's assets and increased registration of new schemes. In addition, a large proportion of retirement benefits schemes have been brought into full compliance with the Retirement Benefits Act.

4 METHODS AND DATA

4.1 Conceptual Framework

The conceptual framework is underpinned on a modified framework of Holzman and Hinz (2005) that has widely been used to study pensions and pension sector reforms in many emerging and developing countries. In light of the challenges brought on by an ageing population, many countries made dedicated efforts to reform their retirement pension systems to enhance sustainability. Holzman and Hinz (2005) propose a multi-structured approach that allows for the inclusion of both public and private sector pension schemes to improve coverage and sustainability. Using this framework each country can develop its reform approach, determined by its starting position, national preferences, and macroeconomic and structural constraints, with the result that there are no two identical systems in the world. This diversity of experiences has resulted into learning process in design and implementation for many countries.

The recent proposal by government to maintain the public pension and national social security fund for public interests is, therefore, consistent with the multi-structured model. Using this framework, it is important to assess the initial conditions and capacities, and establish core objectives of a pension system. This can be followed by evaluating potential modalities for pension systems by applying a structural approach for feasible reform designs. The potential designs should then be evaluated against a set of primary and secondary evaluation criteria in an attempt to reach an outcome that is contoured to country-specific conditions, needs, and objectives. Finally, the World Bank recommends application of additional design principles in evaluating if the reform is progressive. It is important to consider the measures that need to be taken to strengthen the enabling environment to ensure it is conducive to the reform options that best satisfy the core objectives. Once the core objectives have been identified, one can then identify the mandate of the public pension system, the balance between insurance and adequacy functions, and appropriate system design options.

Within this multi-structured framework, it is possible to identify the pillars and strategies for the pension sector reforms against their primary criteria ability to maintain adequacy, affordability, sustainability, predictability, equitability and robustness while achieving welfare-improving outcomes for workers in terms of enrolment to different schemes and growth of the pension funds and linking these to the efficiency gains of the reforms. To have effective pension sector reforms, the major emphasis should be placed on the process including political economy aspects. The three feasible process criteria recommended include are: i) a long-term, credible commitment by the government; ii) local buy-in and leadership; and iii) sufficient capacity-building and support for implementation (See Figure 1).

It is in this context that the study on the need for further reforms in Uganda's pension sector is conducted.

4.2 Data

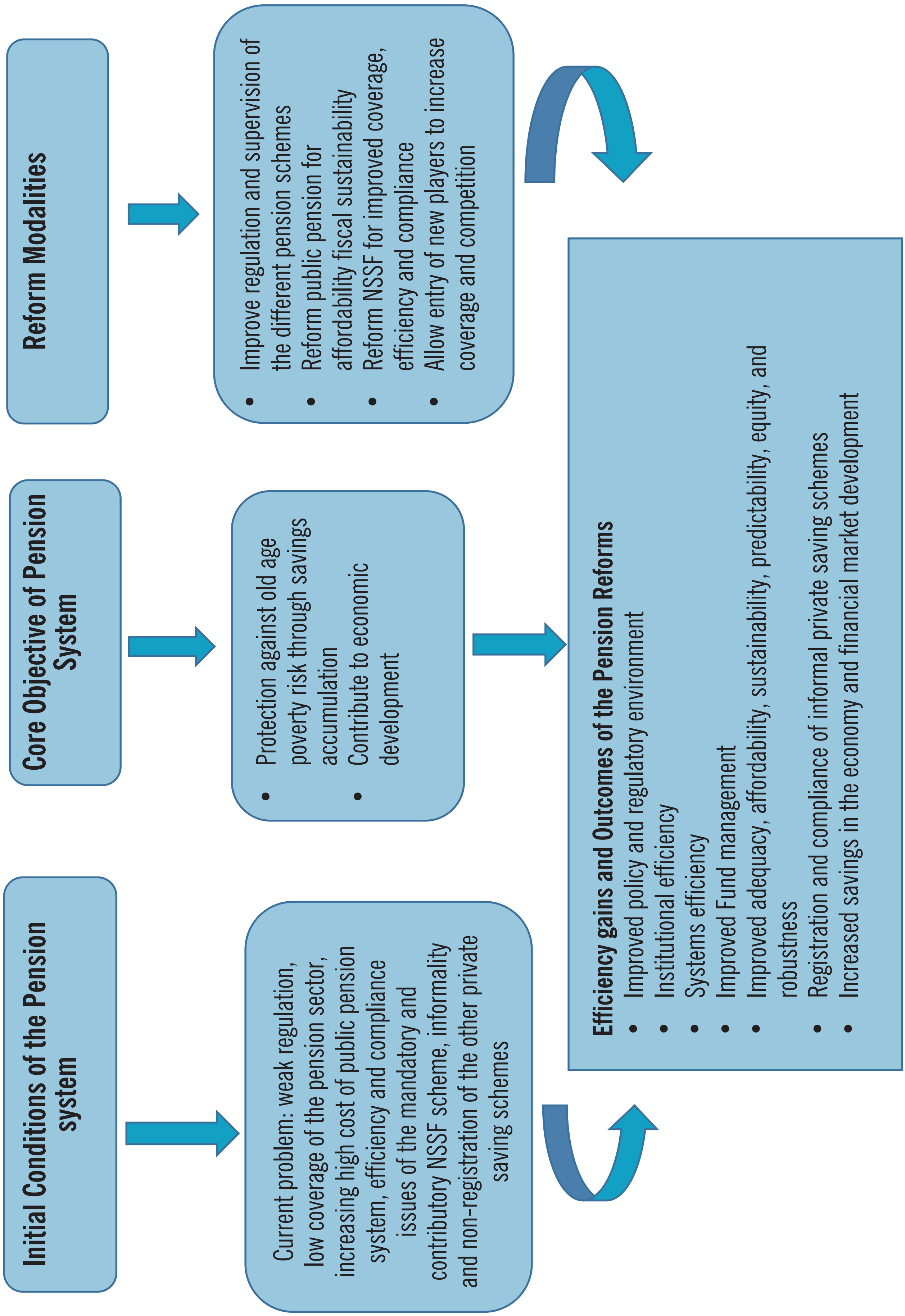
Administrative data on pension arrears and expenditure was obtained from various public reports namely the Annual Budget Performance reports from MoFPED and the Annual Auditor General Reports from the Office of the Auditor General. In addition, national statistics data on GDP and tax revenue collections from URA were used to compute two indicators of the pension sector namely; pension expenditure as percentage of GDP and pension expenditure as a percentage of tax revenue, to examine the fiscal burden of Uganda's public pension scheme. The other data source was the 2012/13 Uganda National Household Survey (UNHS) that provides insights into coverage of social security for Ugandans.

Key informant interviews were conducted to complement the above secondary data sources. The key stakeholders in the pension management and payments in Uganda include - MoPS, MoFPED, Parliamentary Budget Office (PBO), National Trade Union (NATU), Uganda National Teachers Union (UNATU), Donors, NSSF, MGLSD, Capital Markets Authority (CMA), Bank of Uganda (BoU), Uganda Debt Network (UDN), Uganda Coffee Development Authority (UCDA), Uganda National Roads Authority (UNRA), UMEME, Uganda Law Society (ULS) The key stakeholders provided their perceptions and opinions on why Uganda requires further pension sector reforms and how they should be conducted to solve the current challenges which have persisted.

4.3 Country Case Studies

Country case study experiences demonstrate the need to have effective pension sector reforms to address the challenges of governance and regulation, scope and coverage, fiscal burden and participation of other private sector players. The country case study experiences show that, for example, reforming the public pension systems from non-contributory to contributory arrangements eases the fiscal burden to national budgets; having flexible laws for national social security systems like the NSSF increase competition and coverage; and having a law that allows that the participation of other players, especially in the private scheme, provides avenues for informal savings schemes to emerge in the economy with a

Figure 1: Conceptual Framework: Adopted with Modification of Holzman and Heinz (2005) Model



variety of new products and services. The cases for Nigeria, Kenya, and Tanzania, show that Uganda's pension sector needs reforms to address the current challenges. The details are presented in the Appendix.

5. FINDINGS AND DISCUSSION

5.1 Scope of Pension Coverage

Table 2 presents the pension coverage by selected indicators. There is a gender dimension in coverage with men (9.9 percent) more likely to be covered than women (8.2 percent). The results are similar to those of Antolin *et al.* (2012) who reported higher coverage rates among males in Australia and the Netherlands. This is not surprising since men are more likely to be employed in formal paid employment than women as the majority of women are employed in unpaid care work or self-employment (Jefferson, 2009; Bailey, 2004). According to the Uganda National Household Survey (2012/13), only 37.3 percent of women in Uganda are in paid employment while about 52.6 percent are self-employed. The results indicate that pension coverage by gender among Uganda's economically active population is very low justifying more reforms to close this gender gap in social security coverage. Overall, about 9.3 percent of total employed Ugandans are covered by the formal sector schemes, which are largely NSSF and PSP by about 99 percent. The remaining 91 percent are excluded from formal public pension schemes.

With regards to marital status, results indicate that respondents in monogamous marriages (12.7 percent) were more covered than those in polygamous marriages (8.6 percent). The results are in agreement with those of Yabiku (2000) who asserted that married couples were more likely to access social security coverage. The findings give further evidence of the disparity of pension coverage among married couples in formal employment.

Table 2: Pension coverage by selected indicators, 2012/13

Indicator	%
Sex	
Female	8.2
Male	9.9
Marital status	
Married monogamous	12.7
Married polygamous	8.6
Divorced/Separated	4.3
Widow/Widower	4.0
Never married	6.1
Education level	
No formal education	1.2
Some primary	1.0
Completed primary	4.0
Some secondary	14.0
Completed secondary	14.7
Post-secondary plus	30.9
Residential status	
Rural	4.6
Urban	16.1
Economic sector	
Primary	1.1
Production	6.6
Service	17.2
Employment status	
Paid employment	9.6
Self-employment	1.4

Source: UNHS 2012/13

The likelihood of having social security coverage increases with education levels. In particular, people with post-secondary education (30.9 percent) are more likely to be covered than those with other education levels. The results are in agreement with Rofman et al. (2008) who reported that in all Latin American countries, the better educated showed systematically higher rates of social security coverage than the less educated. The observed high coverage among the highly educated in Uganda further confirms that the existing pension schemes, i.e. the PSP scheme and NSSF, are exclusively for people in formal employment. These findings point to a need for further reforms to expand coverage.

Concerning social security coverage by place of residence, Table 2 depicts that coverage rates in Uganda are very low. Indeed, only 16.1 percent of employed persons living in urban areas are covered while in rural areas only 4.6 percent of employees are covered. The observed low coverage in the rural areas could be attributed to low sensitization on the importance of pension, typical in Africa's rural population (Bailey, 2004). In addition, labour markets are better organized in cities and government agencies have more enforcement power in urban areas (Rofman & Oliveri, 2012). Therefore, it is important that existing pension schemes broaden their outreach to expand coverage. This is likely to be possible through amending the NSSF Act to allow coverage for small and medium enterprises employing less than five employees and expansion of the NSSF's product range to include innovative products for the self-employed and the informal sector. Prior studies by Mandigma (2016) reported similar results among the elderly in the Philippines.

The weighed percentage of pension coverage in Uganda is about 9.5 percent, comprising 9.6 percent paid employment and 1.4 percent self-employed (Table 2). The findings indicate that close to 90 percent of employed Ugandans are excluded from social security coverage. The exclusion could partly be due to limitations in the NSSF Act of 1985, which limits social security contribution to employers with five workers and above, limited sensitisation and financial literacy on the importance of saving for the old age. In addition, the observed low coverage among the self-employed is an indication of the low penetration of the informal (private) pension systems. Larger exclusion from the formal insurance coverage signifies the presence the larger informal sector workers that are not covered by the insurance sector and provides more room for coverage and expansion if new reforms are implemented.

With regard to coverage by employment sector, the findings reveal that those employed in the service sector (17.2 percent) had the highest social security coverage, followed by those employed in industry (6.6 percent), while coverage was lowest in the agriculture sector (1.1 percent). The observed low coverage among agricultural sector employees provides further evidence of the difficulties experienced by traditional pension systems in covering rural areas and sectors characterized by high informality. Therefore, to improve social security coverage in the agriculture sector, the NSSF Act needs to be amended to allow for expansion of the product range to include products designed to bring the informal sector into the social security net.

Pension coverage by industry of employment

An in-depth examination of the social security coverage (Table 3) by the industry of employment reveals that the financial and insurance sub-sectors led with 62.5 percent, followed by information and communication sector with 48.5 percent. The real estate sector follows with coverage at 40.3 percent while public administration, education and health and social work activities registered coverage rates of 34.9 percent, 27.4 percent, and 25.7 respectively. The findings further indicate that the agriculture, forestry and fishing sub-sector registered the lowest coverage rate of only 1.2 percent and yet this sub-sector employs about 70 percent of labour force (UBOS, 2016). The very high rates of pension exclusion in this sector implies that policy makers should urgently implement pension reforms to improve coverage of the sector that absorbs the majority of the country's labour force.

Table 3: Pension coverage by industry.

	%
Industry of employment	
Agriculture, forestry, and fishing	1.2
Manufacturing	10.4
Electricity, gas, and water	20.2
Construction	4.2
Trade	5.4
Transport and storage	2.3
Hotels and restaurants	9.2
Information and communications	48.5
Financial and Insurance activities	62.5
Real estate, renting, and business	40.3
Public administration	34.9
Education	27.4
Human health and social work activities	25.7
Arts, entertainment, and recreation	19.3
Other service activities	4.4
Activities of extraterritorial organizations and bodies	40.8
Type of employer	
Government	34.5
Private	5.8
Other	17.4
Occupation	
Armed	51.1
Legislators, Managers, etc.	41.3
Professionals	33.7
Technicians and Associate Professionals	30.9
Clerks	36.9
Service workers	11.6
Agricultural and Fisheries workers	8.3
Craft and related workers	3
Plant and Machine Operators	6
Elementary occupations	1.2
Contract type	
Usual Full-time worker	15.5
Usual Part-time worker	3.3

Source: UNHS 2012/13

Pension coverage by employer type

Considering social security coverage by employer type (Table 3), the findings reveal that persons employed by the government (34.5 percent) were more likely to be covered than private sector employees (5.8 percent). Given the fact that private sector employees are covered under the NSSF, the findings provide evidence for gaps in the NSSF Act of 1985 to be closed to increase coverage for all private sector employees and improve NSSF's efficiency in ensuring that all private employers are compliant in remitting employees' social security contributions. The higher exclusion of private sector employees (91.2 percent) is evidence that urgent reforms are required to bring more employed persons into the social security net.

Pension coverage by type of occupation

The findings (Table 3) of social security coverage by occupation indicate that coverage is high among civil servant occupations such as the army (51.1 percent); legislators (42.3 percent); technicians and associate professionals (30.9 percent); and clerks (36.9 percent).

The observed high coverage among government related occupations is due to the mandatory coverage by all civil servants under the defined benefit but non-contributory public service pension scheme which is funded from government taxes. On the contrary, the low coverage rates registered among self-employed occupations can be alluded to rigidities in the existing pension laws and the informal nature of these occupations which do not attract formal pension schemes.

Pension coverage duration of employment
An examination of social security coverage by whether an employed person is in full time or part time employment (Table 3) reveals that coverage rates are higher for full-time workers compared to part-time workers. Indeed, results indicate that among the usual full-time workers, 15 percent were covered compared to the 3.3 percent among the usual part-time workers.

5.2 Fiscal Burden of Public Service Pension Scheme

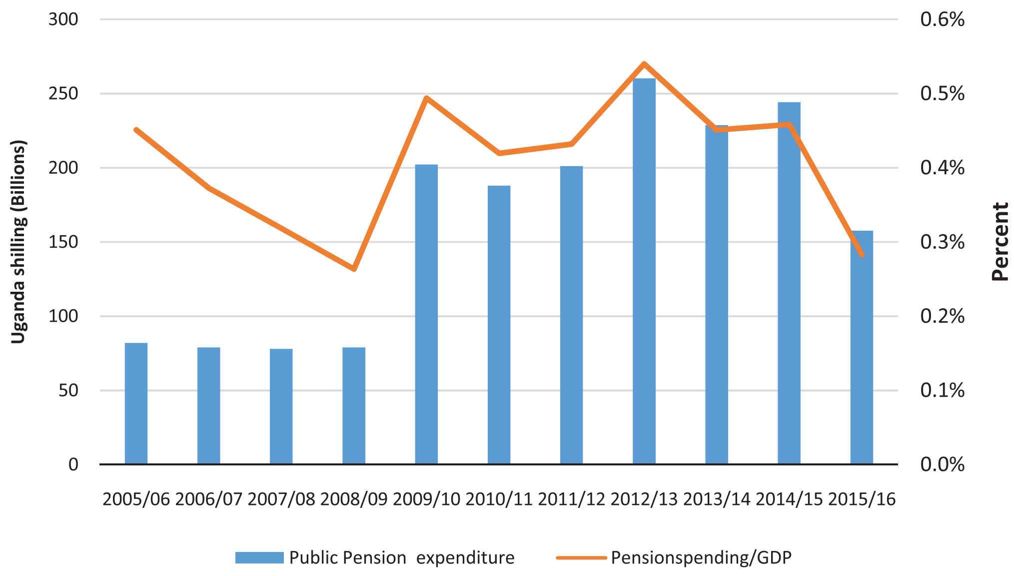
The fiscal burden of Uganda's public pension scheme, was examined by analysing Uganda's public pension expenditure to GDP, public pension expenditure as a share of total tax revenue, and trends in the public service pension arrears for the period (2005/06 – 2015/16), this was augmented with some key stakeholder analysis.

5.2.1 Pension expenditure as a share of GDP

A pension system is sustainable only when it has the capacity to pay current and future benefits over a long horizon without shifting substantial burdens to future generations and without having to cut benefits, increase contributions or change qualifying conditions (Montserrat *et al*., 2012). Figure 2 reveals that Uganda registered rapid growth in total public pension expenditure, increasing from UGX 82 billion in 2005/06 to UGX 202.23 billion in 2009/10, and has since stayed over the UGX 200 billion mark. This drastic increase is partly explained by increased decentralization which has led to the expansion of the public service, particularly the local governments (AfDB, 2010). In a bid to ensure effective administration, government increased the number of districts from 81 in 2008 to 112 districts by 2011, and further expanded the number of districts by 25 to 137 between 2012 and 2015 (Odyek *et al*., 2012). Secondly, corruption in the ministry of public service led to a loss of UGX. 88.2 billion between 2010/2011 and 2011/2012 for payment of ghost pensioners (Kayondo, 2016).

Thus, given the design of Uganda's public pension system as non-contributory scheme, the increasing number of retirees in the general civil service, the military service, and teachers, who are entitled to benefits is likely to create a fiscal strain on government. We

Figure 2: Public pension expenditure as % of GDP



Source: Computation from MFPED Annual Budget Performance Reports.

observe that public pension expenditure to GDP has increased since 2008, putting more fiscal burden on the country's resources. Therefore, the above scenario calls for new reforms in the current public pension system to make it affordable and sustainable in the medium to long term.

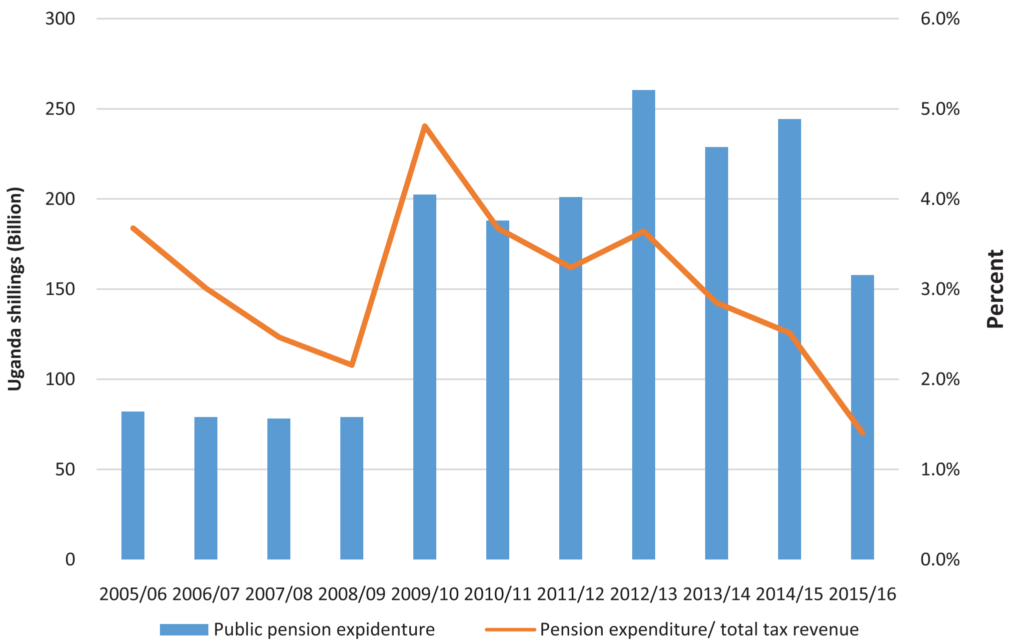
5.2.2 Pension expenditure as a share of total tax revenue

The proportion of total government tax spent on funding the public pension scheme provides a more direct measure of the fiscal burden of the public pension scheme. Despite Uganda's low tax revenue to GDP ratio of 12.6 percent (MoFPED, 2016), Uganda's expenditure on public pension as a share of total tax revenue averaged at 3 percent in the last decade (Figure 3). Indeed, Figure 3 reveals that before 2009/10, the share of public pension spending to total tax revenue consistently declined. However, it drastically rose from about 2 percent in 2008/09 to almost 5 percent in 2009/10 probably due to misappropriation of public funds in the Ministry of Public Service (MoPS). However, after 2009/10, the share of public pension spending to total tax revenue gradually declined, probably as a result of public finance management reforms which were initiated by government in 2012/13 (Munyambonera & Lwanga, 2015). The reforms in the decentralized payroll management reduced the incidence of ghost workers which, in turn, reduced government's total wage bill (ibid). Even though the share of pension spending in total tax revenue has declined after 2009/10, it has remained relatively high over the years. Given Uganda's low tax base, the increasing level of public spending on public pensions necessitates new reforms to make it sustainable.

5.2.3 Pension Arrears

The high costs of the non-contributory defined public pensions are increasingly becoming a fiscal burden on the national budgets of most developing countries (Yermo, 2008). As far as pension arrears are concerned (Figure 4) public service pension arrears have rapidly increased during the last five years. Figure 4 depicts that between 2011/12 and 2015/16, the country's pension arrears increased seven-fold from Ushs.71.4 billion to 561.5 billion by 2015/16. The observed pension arrears in 2015/16 are greater than the national budget allocations for the Ministries of Tourism, Trade and Industry (116.6 billion); Land, Housing and Urban Development (139.9 billion); and Science, Technology and Innovation (71.9 billion), for the financial year 2017/18. The observed rapid growth in public pension arrears emanates largely from the design of the current public pension system

Figure 3: Public pension expenditure as % of total tax revenue



Source: Computation from MFPED Annual Budget Performance Reports.

namely; amendment of the Pension Act (Cap 286) which introduced wage indexation since 1995 and was applied retroactively to all wage increases since 1988; government's commitment to fully fund all local government pension liabilities accrued up to 2001; and finally, accrued pension arrears for disbanded armies and former workers of the defunct East African Community as stipulated in the Pension Act (Cap 286) (Tatyana *et al*., 2007). Given the increasing burden of pension arrears, it is necessary that the public service pension scheme is reformed. The scheme should be converted to a contributory scheme and its management and payment mechanisms should not be under the remit of MoPS to make it sustainable.

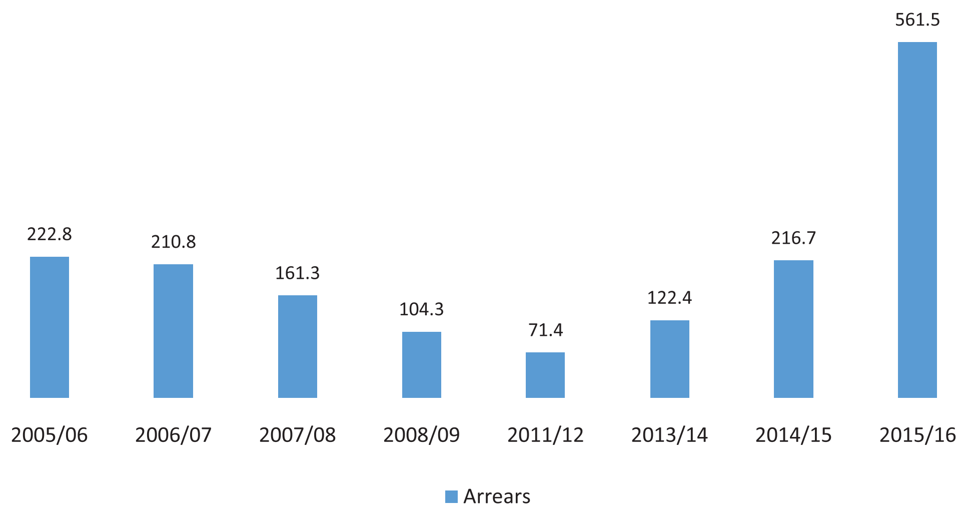
5.3 Stakeholder Perceptions on Pension Reforms and Implications

This section provides an assessment of key stakeholder's views on the need for pension sector reforms in Uganda and how best it could be undertaken. The synthesis from stakeholder analysis is presented under the following sub-heads.

5.3.1 Need for an effective universal regulatory framework for the pension sector

Majority of stakeholders agree that it was important to have both the RBSL Bill 2011 and the URBRA Act 2011 to initiate the pension sector reform process. The URBRA Act empowers the URBRA to regulate, supervise, and enforce standards in the Ugandan pension sector. However, stakeholders argue that the URBRA is more inclined towards private sector pension schemes and may not be sufficient to regulate the entire pension sector including public pension schemes (such as NSSF and public service pension sector schemes) without a universal law, like in Botswana, Kenya, and Nigeria, among others. Public argument highlights the need for independent PSP and NSSF as public sector pension schemes for medium and long-term macroeconomic benefit and other independent private sector schemes for informal sector savings inclusiveness. Coordinating these schemes effectively will require an overarching policy and legal framework. Indeed, country case studies (Appendix 1) indicate that it is important to have a universal law and regulatory frameworks for existing pension schemes, and for any new schemes which may emerge as a result of reforms, in order to ensure the effectiveness and efficiency of the pension sector. For example, pension sector reforms in Kenya and Tanzania have achieved growth of contributors and funds, and improved regulation and supervision and improved governance of the different pension schemes (See Appendix 1). The success of the reforms in the country case studies demonstrate lessons for Uganda to improve the pension system.

Figure 4: Trends in public service pension arrears, UGX Billion



Source: Authors Computation from the Auditor General's Annual Reports

Stakeholders recommended that having a universal law for the entire sector is important for the effective regulation and supervision of both existing and emerging pension schemes. In addition, the challenge of governance also has to be addressed in existing regulatory frameworks by enhancing the capacity of UBRA to effectively regulate the sector. Box 1 shows the views of MGLSD on regulation of pension sector.

Box 1: Key Informant Interview with representative of MGLSD on regulation of pension sector (May 2017)

"Uganda has a Social Protection Law, 2014, which is an overriding law for conducting reforms and revisions of the different social security schemes in the country. Given this law, it may not be necessary to have another pension sector law. Rather, government would have to implement the reforms and revisions of the existing policy and legal frameworks to address the persistent challenges of the sector."

However, we are of the view that some of the existing legal frameworks such as the Social Protection Law and the UBRA law, may not be sufficient to regulate the entire pension sector. Both laws require further amendments or another universal legal regime specifically targeting pensions to effectively address the current challenges of coverage, efficiency and fiscal sustainability.

5.3.2 Need for further reform of PSP scheme

With regards to fiscal sustainability of the public pension schemes, stakeholders from the MoPS and MoFPED suggested that reforming the public service pension scheme from Defined Benefit (DB) to Defined Benefit but Contributory (DBC) is important for affordability and fiscal sustainability on the national budget. Indeed, the main arguments for reforms in the public service pension scheme stems from increased growth in the number of public servants, improvement in life expectancy averaging at 63 years, and the current level of fiscal burden in terms of outstanding pension arrears. Stakeholders from MoPS suggested that there would be far reaching financial and economic benefits to the country if the PSP Scheme is reformed (See Box 2):

Box 2: Key Informant Interview with representative of MoPS on need for further reforms in PSP (May 2017)

"If the current public pension is reformed from non-contributory schemes, government may accumulate about UGX 1.8 trillion in savings from pension in the next five years. This is over and above the cumulative arrears estimated at UGX 500 billion by 2016/17. These cumulated funds can be used to clear the fiscal burden on the budget and release resources for other competing development budget priorities of the country. It may be important for government to ensure a fixed amount of pay into the scheme to ensure the adequacy of the system as projected by the formula for the replacement monthly income and gratuity. We also suggest a contribution of 10 percent for government and 5 percent for workers as a minimum. To be effective, it would be important to manage this scheme outside the government account for instance as an independent public pillar of which the most appropriate would be the Central Bank under a trusteeship arrangement. If these funds are invested in the economy they can generate accumulative returns for the savers and ensure higher income at retirement"

This means that to ensure the adequacy of the public pension system and its fiscal sustainability, parametric reforms have to be implemented within the agreed formulae and actuarial rates to ensure adequate pay for workers at exit and retirement. This replacement rate should be consistent with the rate defined in the ILO's Social Security (Minimum Standards) Convention (No.102) of 1952, i.e. 40 percent as replacement income of the current pay. Regardless of the rate paid, such a level must be affordable and not threaten the future financial sustainability of the programme or discourage the contributory effort of labour market activities.

5.3.3 Need for further reform of the NSSF

The initial reform proposals suggested complete liberalization of NSSF as an institution to market competition. This is because the NSSF was perceived to be inefficient to realize the optimal potential of fund collections and coverage of the population. However, given the uncertainties in the economy and the

Box 3: ULS suggestions made in a meeting with the Members of the Parliamentary Committee on Finance (April, 2017)

- *Of the 15 percent mandatory savings from each member, 10 percent should be reserved for NSSF and the remaining 5 percent available for open competition from the private sector occupational schemes.*
- *ULS observed that it may be risky to have complete liberalisation of NSSF assets without safeguards to protect savers money and their future social security.*
- *Even with 5 percent liberalisation, Parliament has powers to review after 10 years.*
- *NSSF has greatly improved over the years, what is required is to amend the law to make it more independent from political interference. NSSF should be more accountable and competitive in a liberalised pension market.*
- *ULS opposed the sharing of risk between the savers and fund managers as it would create room for private investors to under declare profits.*
- *Government must put a trusteeship law, before passing the bill to manage the new saving schemes, just like the NSSF, for effective management of savers' money.*
- *ULS proposes freedom among the savers to choose between lump sum payments against annuity payments, in case Government insists to this reform, then members should at least be paid 50 percent of their savings and get balance in form of annuity*

financial investments the fund offers to the economy, stakeholders suggest that the NSSF as an institution should be preserved as a public pillar and the reforms process should instead amend the NSSF Act to address the current challenges of coverage, compliance and competition. Stakeholders anticipate that amending the NSSF Act would enable the fund to tap into an estimated 250,000 small-scale and medium-sized enterprises employing about 1 million employees, which would increase NSSF membership to 3.5 million by 2025 and fund accumulation to about UGX 20 trillion (Byaruhanga, 2017). In addition, other stakeholders suggest that the NSSF Act should be amended to allow for: (i) conversion of lump sum to annuity payments at retirement; (ii) mid-term access loans for mortgage and other investment loans; (iii) liberalize the 5 percent contribution for workers while preserving the 10 percent for employers; (iv) diversification of investment funds of NSSF for medium and long-term finance of government infrastructure and (v) allow mid-access of 30 percent of pension benefits at 45 years (See Box 3). Some of the above suggestions were indeed approved by Cabinet for inclusion in the 2018 NSSF Amendment Bill, 2018.[5]

6. CONCLUSIONS AND POLICY OPTIONS

6.1 Conclusions

This study aimed to achieve the following objectives: (i) examine the implications of having an effective legal and institutional framework for pension sector regulation and supervision; (ii) understand the implications of reforming the NSSF on its effectiveness and efficiency, coverage, and compliance; (iii) explore the implication of effectively reforming the Public Pension Scheme to address the persistent challenges of fiscal sustainability and adequacy; and (iv) demonstrate the importance of including other independent players in the pension space (formal or informal) to increase coverage and completion. The analysis was conducted using data from the Uganda National Household Survey 2012/13, administrative data from the Ministry of Finance, Planning and Economic Development, as well as a country case study review. To ensure a manageable scope, the assessment of coverage was restricted to employed persons of working age between 14-64 years. Coverage among the elderly was beyond the scope of the study.

5 Press statement by MGLSD on approval by cabinet of the proposed principles to amend the National Social Security Fund Act Cap 222.

The findings show fundamental disparities in social security coverage in Uganda. Pension coverage is skewed towards males, the highly educated (people with post-secondary education), urban residents, formal sector workers (in paid employment), persons employed in the service and industry sectors, government employees, and full-time workers. This indicates that the scope of social security coverage in Uganda is limited and hence innovative reforms are urgently required to bring more people into the social security net.

Regarding the fiscal burden of the public service pension scheme, it is worth noting that Uganda's accumulated pension arrears and current pension payments have reached unsustainable levels to a tune of UGX 561 billion and over UGX 200 billion by 2015/16, respectively. Given this trend and the challenges to tax effort in the country, these figures are likely to rise, creating further fiscal burden to government. The rapid growth in expenditure on the public service pension scheme has resulted in an increase in the fiscal constraint on government tax revenue. Although the fiscal burden on government revenues has been observed to decline in the last five years with introduction of public finance management reforms in 2013/14, the fiscal constraint of public pension expenditure on government tax revenues remains high given Uganda's low tax revenues. This situation calls for the need to review the current non-contributory PSP scheme to reduce its fiscal burden on the meagre government resources.

Key stakeholder consultations reveal that reforming the PSP should be an important consideration by government if the country is to improve the level of governance and payment of arrears and pension due to workers promptly.

With regards to how best to reform the pension sector, stakeholders suggested that to improve regulation and supervision of the pension sector in Uganda calls for enactment of a universal law to regulate the entire sector as has been the case in other counterpart countries such as Botswana, Tanzania, Kenya, and Nigeria. They argue that URBRA may not be sufficient to regulate the entire pension sector. In order to ensure affordability and fiscal sustainability of the PSP scheme, stakeholders suggest that the public service pension scheme needs to be reformed from Defined Benefit non-contributory (DB) to Defined Benefit but Contributory (DBC) between government and its workers. They further suggest that the scheme should be managed outside the government account under a trusteeship arrangement. As far as reforms for NSSF are concerned, stakeholders suggest that NSSF as an institution should be preserved as a public pillar however, the reforms process should instead amend the NSSF Act to address the current challenges of coverage, compliance, and competition. Therefore, the following key policy options are recommended to strengthen the pension sector.

6.2 Policy Options

This section highlights key policy areas government and other stakeholders could address to establish effective pension sector reforms to address the current challenges of governance, coverage, efficiency, and fiscal sustainability.

Having an effective law and institutional framework for regulation and supervision of the pension sector. Whatever approach Uganda chooses for the management of its pension system, there has to be a "**Universal Policy and Regulatory Framework"** to ensure efficiency management and supervision of the emerging different schemes. The current URBRA Act of 2011, which established URBRA as an institution, could only be efficient at regulating private sector schemes (formal and informal) who may operate independent of NSSF. However, this must be reconciled with Ugandan economic conditions and its governance challenges, as well as the fact that URBRA is an infant organization on a learning curve. It is important for policy makers to be cognizant of the existing technical and governance challenges of URBRA and address them to effectively regulate and supervise the private sector pension schemes to ensure security of workers' savings. Where possible, government should consider having an overriding policy and regulatory framework for the entire pension sector scheme (Public Sector, NSSF, Private). We also argue for less political interference in the functioning of the established pension laws. To enhance good governance of national pension funds, there is need for increased transparency and accountability of management and effective separation between comprehensive portfolio decisions and actual investment management across the different schemes.

Pension reforms should be implemented to improve coverage and effectiveness of the sector. Having only 11 percent social security coverage in Uganda of the estimated 17 million employed people remains a big challenge. Although the success of increasing pension coverage has been mixed (Holzman *et al.,* 2005), the need for pension sector reform to improve coverage is important for an economy. There is evidence that, except for universal systems financed from general budgets in some high-income countries such as New Zealand and Australia, all contributory schemes suffer from less than full coverage of their work force. But this could be a consequence of compliance and administrative conditions, which could be improved. We have seen NSSF improve collections and asset investment since 2010 and this can be achieved twice over. There is further evidence from the transition economies of Eastern Europe and Central Asia that coverage for contributory schemes could go up to 100 percent under central planning. That would imply that that if government adopts a centrally planned national social security framework through MoFPED and MGLSD, coverage and compliance of most illegible workers will be ensured. To create effectiveness and competition, other mandatory private sector schemes being proposed should work under the Universal Law and operate using NSSF guidelines to enforce compliancy to contributions. While this may be the case for larger employers with more than 5 workers, it may not be the case for employers with less than 5 workers. We propose for lower rates of contributions that are consistent with the minimum standards as stipulated by ILO.

Amending, not liberalizing, the NSSF to make it more efficient and improve coverage. While suggestions regarding the reforms in NSSF have been made in various key informant interviews, it is important to be cognizant of primary objective of the pension savings and the importance of the pension savings, regardless of the option being considered. More so, we are of the view that any option considered must value the degree of adequacy and sustainability, and the risk of the pensioner's savings at retirement. For example, conversion from lump-sum to annuity has adequacy implications to the workers in their old age, mid-term access incentives have implications to adequacy and sustainability of the pension, and liberalizing the 5 percent of the workers' pay has risk implications to pensioner saving, given the uncertainties in Uganda's financial market. We are of the view that amending the NSSF law to cover the currently excluded is the most important policy option to allow for competition and increase coverage. Other proposals have to be exposed to cost benefit and risk analysis to the pensioners' savings in the economy. Given the importance of the NSSF as a major source of government borrowing, at about 60 percent, and the long-term social security implication of retired workers, NSSF should be preservation as a public pillar fund and institution in the economy, in line with recommended good practices. This does not deter workers to save in excess of 15 percent to other schemes as URBRA provides for up to 30 percent for mandatory schemes between the employer and the worker.

Further reforms within the publicly financed and non-contributory (defined) PSP scheme to contributory (defined) scheme. A combination of factors such as Uganda's increasing population, ageing labour force, life expectancy of 63, and the low tax effort may threaten the fiscal sustainability of public pension especially in the long run. The key policy options are to gradually convert the non-contributory public pension (Defined-Benefit) scheme to a contributory, defined benefit scheme. In such a scheme, government and workers will contribute to scheme index on salaries and guarantee annual payments to the scheme based on the proportions paid to the scheme by workers to ensure adequate pensions, especially for lower salaried workers. A reform that gives the pensioners less than 40 percent may not be consistent with ILO standards.

Introducing private sector schemes to compete in the pension space. This could be mandatory or voluntary. This is important for the large and growing informal sector in Uganda, especially in retail trade and transport services, where individuals can join together under an umbrella organization or other public platforms like cooperatives to save. In order to grow this sector, government has to create incentives to motivate the savers. The recent 10-year waiver to Savings and Credit

Cooperative Organizations (SACCOs) is commendable. Policy makers should explore other incentive structures that can be introduced in this sector to enable further growth. There are already a number of voluntary formal schemes owned by public institutions like Bank of Uganda, most government agencies and some public universities. These schemes would create competition with NSSF to make it more efficient and innovative. However, to function efficiently, it is important for several small schemes to operate under umbrella organizations and public platforms as this would allow effective regulation and supervision as stipulated in the URBRA Act of 2011. Voluntary pension schemes could complement mandatory schemes as in most Sub-Saharan Africa and form an anchor for old age income protection, supplemented by non-contributory schemes.

For further understanding of the pension reforms process, future research should focus on the implications of the breaking the monopoly of NSSF, and how best to reform the PSP scheme to make it affordable and sustainable. This study's focus was mainly on the need for further pension sector reforms taking into consideration the current challenges of governance, efficiency, adequacy, and coverage that have been identified in the study. What has been suggested as reform measures for both PSP and NSSF has to be studied and costs and benefits must be understood to ensure future improvement of the performance of the pension sector.

REFERENCES

AfDB. (2010). Domestic Resource Mobilization for Poverty Reduction in East Africa: *Uganda Case Study; Regional Department East A (OREA).*

Ahmad, M.K. (2006). The Contributory Pension Scheme: *Institutional and Legal Frameworks, CBN Bullion, Vol. 3, No. 2, April-June 2006, pp 1-6.*

Alo, O. (2004). "Current Pension Reforms: Implications for Career Development in the Public and Private Sectors", A Paper presented at the 2nd State Conference of the Lagos *State Branch of the Chartered Institute of Personnel Management of Nigeria (CIPMN).*

Antolin, P., Payet, S. and Yermo, J. (2012). "Coverage of Private Pension Systems: Evidence and Policy Options", OECD Working Papers on Finance, Insurance and Private Pensions, No. 20, OECD Publishing Company.

Avato, J., Koettl, J., and Sabates-Wheeler, R. (2010). "Social security regimes, global estimates, and good practices: The status of social protection for international migrants". *World Development*, Vol 38, No. 4: pp 455-466.

Bailey, C. (2004). Extending social security coverage in Africa, International Labour Organization (ILO).

Balogun, A. (2006). Understanding the New Pension Reform Act (PRA) 2004. CBN Bullion, 2:7-18.

Bateman, H. and Mitchell, O.S. (2004). "New evidence on pension plan design and administrative expenses: the Australian experience". *Journal of Pension Economics and Finance*, Vol 3. No.1: pp 63-76.

Bekabye, M. (2017). "Uganda's reform of the retirement benefit sector". A presentation to FMDC Apex committee, Bank of Uganda on the Tuesday 10th May 2017 - *unpublished*

Bertranou, F., Grushka, C. and Rofman, R. (2003). "From reform to crisis: Argentina's pension system" In International Social Security Review, ISSA, Geneva.

Bertranou, F., Grushka, C., and Rofman, R. (2001a). "La Política Previsional en Argentina a comienzos del siglo XXI." In VI Jornadas Argentinas de Población. AEPA [Asociación de Estudios de Población de la Argentina –

Argentine Association on Population Studies], Neuquén.

Bertranou; Fabio; Grushka, Carlos and Rofman, Rafael. (2001b). "La previsión social en la Argentina: una mirada integral de sus instituciones, las políticas públicas y sus desafíos." In "Informe de Tercera Edad en la Argentina", Secretaría de la Tercera Edad y Acción Social [Secretariat on Aging and Social Action], Buenos Aires.

Bikker, J. A., and De Dreu, J.A.N. (2009). "Operating costs of pension funds: the impact of scale, governance, and plan design". *Journal of Pension Economics and Finance*, Vol. 8, No. 1: pp 63-89.

Boswroth, B.P, and Burtless G. (1997). Budget crunch: population aging in rich countries, June 1, 1997, Brookings, https://www.easybib.com/guides/citation-guides/mla-format/how-to-cite-a-website-mla/, accessed September 25, 2007.

Byarugaba (June 2017), "NSSF Targets Millions of Voluntary Scheme" *New Vision, 13th June 2017).*

Casey, B.H. and Dostal, J.M. (2008). "Pension reform in Nigeria: How not to learn from others", *Global Social Policy, Vol 8. No,2: 238-266.*

Condon, M. (2001). "Gendering the pension promise in Canada: Risk, financial markets and neoliberalism", *Social and Legal Studies Journal, Vol 10, No 1, pp. 83-103. Development in Africa", Speech by Deputy Executive Secretary and Chief Economist UN Economic Commission for Africa 15 July 2015, Africa Hall Addis Ababa, Ethiopia.*

Feldstein, M. (1998). "Privatizing Social Security", *London: The University of Chicago Press.*

Gee, S., Ng, H., Weatherall, A., Liu, J., Leong, C., and Higgins, T. R. (2002), "Saving ourselves: Gender issues in making provision for one's own retirement", *Australasian Journal of Ageing Vol.21 No.1: pp 30-35.*

GoT. (2014). "Social Security Schemes (Pension Benefits Harmonization) Rules, 2014".

GoT. (2008). "The Social Security (Regulatory) Act, 2008".

GoT. (1997). "National Social Security Fund Act, 1997".

GoU. (2015). The Second National Development Plan 2015/16- 2019/20 Government of Uganda (GoU), National Planning Authority, Kampala.

GoU. (2014). "Pension Reform in Uganda; Challenges and Opportunities", *Office of the President, Directorate of Economic Affairs Research.*

Grushka, C. (2001). "La cobertura previsional en Argentina a fines del Siglo XX", In Socialis, No. 4. Rosario, Argentina.

Holzmann, R and Hinz, R. (2005). "Old Age Income Support in the 21st Century: The World Bank's Perspective on Pension Systems and Reform".

Holzmann, R., Hinz, R., Hermann von Gersdorff; Indermit, G; Gregorio, I; Musalem, A; Palacios, R; Robolino, D; Rutkowski, M; Schwarz, A; Yvonne, S; Kalanidhi, S. (2005). "Old-Age Income Support in the 21st Century, An International Perspective on Pension Systems and Reform", World Bank.

Isaka, I. C. (2016). "Updates on Social Security Reforms in Tanzania NBAA Seminar on Social Security Schemes", *NBAA Seminar on Social Security Schemes,* 19th - 20th February 2016.

Jefferson, T. (2009). "Women and retirement pensions: A research review", *Feminist Economics*, Vol 15, No.4: pp.115-145.

Jefferson, T. (2005). "Women and retirement incomes in Australia: A review." *Economic Record, 81(254)*: 273-91.

Kalyegira, K. (2017) "Why Uganda must expedite reforms in pensions sector, Daily Monitor, 15th February 2017".

Kayondo. (2016). "Pension Markets in Focus", *OECD Business Outlook.*

Mandigma, M. B. (2016). "Determinants of social insurance coverage in the Philippines" *International Journal of Social Science and Humanity*, *Vol 4, No. 9, pp 660-666.*

Masinde and Olukuru (2014). "Impacts of Pension Reforms on the Kenyan Pension Industry", *European Scientific Journal, August 2014/ SPECIAL/edition ISSN: 1857-7881 (Print) e-ISSN 1857-7431.*

MoFPED. (2016). Background to the budget: Ministry of Finance, Planning and Economic Development, Government of Uganda.

Montserrat, Pallares, M; Romero; Carolina; Whitehouse and Edward (2012). International Patterns of Pension Provision II: A Worldwide Overview of Facts and Figures. Social Protection and

Labor Discussion Paper; No. 1211. World Bank, Washington, DC. https://openknowledge.worldbank.org/handle/10986/13560 License: CC BY 3.0 IGO."

Morissette, R. and Drolet, M. (2001). "Pension coverage and retirement savings of young and prime-aged workers in Canada, 1986-1997", *Canadian Journal of Economics*, 34(1): 100-119.

Munnell, A.H. and Bleckman, D. (2012). "The pension coverage problem in the private sector." *Chestnut Hill, MA: Center for Retirement Research at Boston College*.

Munyambonera, E. (2017) "What Uganda can learn from Kenya, Nigeria", The Observer, 13th September 2017.

Munayambonera, E. and Lwanga, M.M. (2015). "A review of Uganda's public finance management reforms (2012 to 2014): Are the Reforms Yielding the Expected Outcomes?" *Economic Policy Research Centre, Research series. No. 121*.

Musaali, M.E. (2017) "Why Uganda should continue with pension sector reform", New Vision, 6th July 2017.

Mwesigwa, E. and Nakiryowa, H. "An overview of the recent pension reforms in Uganda", IFLR1000, 15th October 2015.

NSSF. (2017). *Annual Report, National Social Security Fund*, Kampala, Uganda

NSSF. (2016). *Annual Report, National Social Security Fund*, Kampala, Uganda.

NSSF. (2014). *Annual Report, National Social Security Fund*, Kampala, Uganda.

Odundo, E. (2003). "Public Pension Fund Management-Proceedings of the second public fund Management conference".

Odyek, J; Karugaba, M. and Walubiri, M. (2017) "Government has announced the creation of 25 more districts for effective administration", New Vision, 19th July 2012. http://www.newvision.co.ug/new_vision/news/1304188/districts-created Accessed on 8/9/2017

OECD. (2015). "Pensions at a Glance 2015: OECD and G20 indicators", OECD Publishing, Paris. http://dx.doi.org/10.1787/pension_glance-2015-en

OECD. (2004). "Recommendations on Core Principles of Occupational Pension Regulation", OECD Publishing.

Okotoni, O. and Akeredolu, A. (2005). "Management of Pension Scheme in the Public Sector in Nigeria" *Retrieved March* 14, 2008 from http://unpan1.un.org/intradoc/groups/public/documents/AAPAM/UNPA NO26996.pdf

Oluwatoyin, S. and Ezugwu, C.I. (2009). "Evaluation of the Application of the Contributory Pension Scheme on Employee Retirement Benefits of Quoted Firms in Nigeria", *African Journal of Accounting, Economics, Finance and Banking Research*, 4(4).

Pension Reform Act. (2004). "National Pension Commission, www.pencom.gov.ng *Private Pensions,* No. 30.

Riesco, L. A. (2009). "Development welfare state and social change in Chile", *UK: Houndmill*

Rocha, R., Hinz, R. and Gutierrez. J. (1999). "Improving the Regulation and Supervision of Pension Funds: Are There Lessons from the Banking Sector?" Social Protection Discussion Paper Series No. 9929, World Bank.

Rofman, R. and Oliveri, M.L., (2012). "Pension Coverage in Latin America". *World Bank, Washington, D.C.*

Rofman, R., Lucchetti, L. and Ourens, G. (2008). "Pension systems in Latin America: Concepts and measurements of coverage." *World Bank Social Protection Discussion Paper, (0616).*

Stewart, F. and Yermo, J. (2009). "Pensions in Africa", OECD Working Papers on Insurance and Private Pensions, NO. 30, OECD Publishing, Paris.

Tapia, W. (2008), "Description of Private Pension Systems", OECD Working Papers on Insurance and Private Pensions, No. 22, OECD publishing, © OECD. Doi: 10.1787/237831300433

Tatyana, B., Gregorio, I., Montserrat, P.M. (2007). "An Assessment of Reform Options for the Public Service Pension Fund in Uganda". World Bank Policy Research Working Paper 4091.

UBOS. (2016) *National Population and Housing Census 2014: Main Report*, Kampala.

Williamson, J.B. (2010). "New Rural Pension Schemes: Can it be improved?" *Graduate School of School of Social Work, Boston College, Chestnut, Hill, Massachussetts, USA.*

World Bank. (1994). "Averting the Old Age Crisis:

Minimum pension insurance in the Chilean Pension System". *Washington, D.C.*

Yabiku, S.T. (2000). "Family history and pensions: The relationships between marriage, divorce, children, and private pensions on coverage". *Journal of Aging Studies, Vol.14, No.3.*

Yermo, J. (2008). "Governance and Investment of Public Pension Reserve Funds in Selected OECD Countries", *OECD Working Papers on Insurance and Private Pensions, No. 15, OECD Publishing. http://www.oecd.org/dataoecd/26/53/40194872.pdf*

Yuwei, H. (2012). Population Ageing and Saving Rates in China, Japan and Korea: A Panel Granger Causality Analysis, Journal of Global Economic Review, Vol 44 (1): 64-73

APPENDIX 1: LIST OF KEY INFORMANTS

1. Albert. A. Musisi (Dr.), Commissioner, Macroeconomic Policy Department; Ministry of Finance, Planning and Economic Development.
2. Capital Markets Authority (CMA),
3. Central Bank (BoU),
4. Chirstine Byiringiro (Ms), Programme officer, Governance and Juliet Akello (Ms), Policy Officer, Uganda Debt Network
5. Clara Mira, Resident Representative, International Monetary Fund (IMF)
6. David Nyakundi Bonyi (Mr), Chief Executive Officer, Martin A. Nsubuga (Mr), Director Supervision &Compliance and Hajj Hassan Nakabaale, Director Communication & Public Affairs; Uganda Retirement Benefits Regulatory Authority
7. Gerald Paul Kasaato (Mr) Chief Investment Officer, National Social Security Fund (NSSF), Uganda
8. Guloba (Dr.) –Research policy officer, National Planning Authority
9. Hon. Amos Lugoloobi, Chairperson, Budget Committee, Parliament of the Republic of Uganda
10. Hon. Lawrence Bategeka, Vice chairperson, Committee of the National Economy, Parliament of the Republic of Uganda
11. Jean-Pascal Nguessa Nganou, Senior Economic, World Bank, Uganda
12. Jermia Mutonga, Resident Representative, African Development Bank, Uganda
13. Joseph Enyimu (Mr). Acting commissioner, Economic Development Policy and Research Department, Ministry of Finance, Planning and Economic Development
14. Ministry of Gender, Labour and Social Development (MGLSD),
15. Moses Bekabye (Mr) Economic Advisor, Ministry of Finance, Planning and Economic Development
16. Moses Ogwal Goli, Director Policy and Advocacy, Private Sector Foundation (PSF), Uganda
17. Mr. Baguma, Filbert
18. Mr. Tweheyo, National Teachers Union ((UNATU)
19. Ms. Grace, Ag. Akullo, Commissioner Human Resource, Ministry of Public Service (MoPS)
20. Musimenta Angelita (Ms) –Human Resource Manager, Uganda Coffee Development Authority
21. Simon Peter Nsereko (Mr), Economic Analyst, Strategy and Policy Unit, United Nations Development Programme
22. Uganda National Roads Authority (UNRA),
23. Vera Kintu Oling, Country programme officer, African Development Bank, Uganda

APPENDIX 2: COUNTRY CASE STUDIES EXPERIENCES

1. **Chile pension system and reforms**

The Chilean pension reform model of 1981, has been one of the benchmarks of most of the developing countries in implementing pension sector reforms. The model; 1981 transformed the pervious earlier pay-as-you-go (PAYGO) public scheme with compulsory defined contribution (DC) by individual public servants and privately managed. This model was credited for linking old age social security with the facilitation of macroeconomic growth. World Bank (1994) observes that the Chilean case demonstrated that a shift of pension provisions from the public to the private sector and from PAYGO to DC would sustain social protection while increasing economic growth through developing of financial markets. Although the Chilean case proved to be much less successful than was originally assumed, it made a large share of workers formally subscribe to individual funded pension schemes, (Feldstein, 1998). There were further reforms that forced government to decide phases in a new public and tax-financed basic social pension system in order to provide additional income for current and future pensioners with very small funded pensions (Riesco, 2009). From Chile's, experience and other country studies, the World Bank suggested that subsequent pension sector reforms in developing countries should take a structured approach, but should be based on the country's economic conditions. This development gave rise to an extended multi-structured model for pension sector reforms by Holzman and Hinz (2005) in other developing countries. Over the years since 1981, Chile has implemented further pension reforms in multi-pillar framework addressing both public and private pensions by 2008 had increased coverage of 60 percent of the formally employed in both formal and informal sectors 2008 (Source). In this framework government has maintained a three pillar framework – poverty prevention pension; mandatory contribution pillar for both public workers in government and formal sector and voluntary contribution pillar for the informal sector.

2 Kenya pension System and Reforms

Kenya had the first pension reform in 1997 where the Regulatory Authority (RBA) and NSSF was established. The role of RBA was to supervise the occupational schemes and other private sector schemes, excluding NSSF. Odundo, (2003) reports that over the years during implementation, NSSF had supervision challenges of the public pension funds. The internal operation challenges impacted negatively to the investment returns. The main challenge was the fund investment profile was characterized by a lack of diversity, with about 72 percent of assets far greater than the recommended 30 percent held in real property. Returns from asset investments were low and liquidating them would offer little relief in a property market that is depressed and faced with difficulty in recovering the costs. Odundo, (2003) further notes that the NSSF Kenya was faced with poor record keeping, which lead to delays in determining benefits causing a US$100 million unallocated suspense account. The challenges to the pension NSSF fund has recently lead the Kenyan government to initiate second generation reforms in the pension sector with the main objective of improving the operations of NSSF by introducing the Retirement Benefits Act, 2011 and amending the NSSF Act 2013 and also requiring the adoption of international fund management practices of public -private funds. This will ensure that the NSSF funds are managed properly. On the regulations part, the RBA was empowered to supervise the NSSF in compliance with the retirement benefits scheme guidelines in Kenya. The challenges to NSSF also resulted into the enactment of the 2013 ACT, NSSF Act, 2013, an amendment of the old act. These reforms in Kenya are also focusing on transforming the un-funded public pension to funded public pension that will be managed by the private sector under the supervision of RBA and Government. The reform also considers the consolidation of occupational schemes and other private schemes. It recommends for partial restructuring of NSSF funds between the workers and the NSSF and also for other private savers subscribing with NSSF. Masinde and Olukuru (2014) note that reforming the NSSF scheme is important for those workers without private pension schemes, and that is the majority. This is because the higher the amount they contribute, the higher the benefits they get. What is important is that NSSF has to address the persistent governance issues. Reforming NSSF will also provide employees to access funds and invest them in areas where they can get better returns. The first phase of implementation of these second generation reforms was implemented during 2014-15.

3 Nigerian Pension System and Reforms

Nigeria is one of the first SSA countries to institute pension regulatory frameworks. Its first legislative instrument was the pension ordinance of 1951. This law was a springboard to the country's first pension scheme called the National Provident Fund (NFP) of 1961. Eighteen years later, the country enacted the Pension Act No. 102 and the Armed Forces Pension Act No. 103 of 1976. In 1987, the police and other government agencies' pension scheme such as the local government pension scheme were established. Additionally the local government pension board was instituted in the same year (Balogun, 2006; Okotoni and Akeredolu, 2005; Oluwatoyin and Ezugwu, 2009)

The government of Nigeria also made reforms in 1993, when the National Social Insurance Trust Fund (NSITF) was established to replace the defunct NPF and cater for persons employed in the private sector. Other works such as one by Casey and Dostal, 2008) detail that the Nigerian pension reforms project started in 1996. The objectives of the project was to ensure that by 2010, most Nigerians should have had access to some form of social protection by the formal Social Security Program. Notably, the reforms entailed, adopting the Chile model, which culminated to the 2004 pension reforms.

The 2004 pension reforms brought about solutions to challenges/problems in the Defined Benefit scheme (DB) (pay as you go). These challenges included the inability for government to sustain payments; missing records; inharmonious administration; conflicting laws; embezzlement; presence of ineligible pensioners on the pension's payroll; and lack of capacity to administer pension accounts from budget allocations. The DB was fully funded by the government through budgetary allocations. The Pensions Act of 2004 solved the aforementioned problems as it brought about the establishment of National Pension Commission whose mandate is to regulate, supervise and administer pension matters. The commission also ensures timely payments and remittances of contributions. It also ensures safety of pension funds through guidelines it sets for licensing, approving, regulating and monitoring of investment activities of pension fund administrators and custodians (Oluwatoyin and Ezugwu, 2009; Ahmad, 2006; Pension Reform Act 2004). While the 2004 reforms offered some relieve to challenges of the DB, they were only momentary. This is because Casey and Dostal (2008) argue that the 2004 pension reforms whose benchmark is the Chilean model have failed to ensure that most Nigerians have access to formal social protection. Indeed, the pension system created out of the 2004 reforms continued to exclude the poor and informal workers. Additionally, the system entails that civil servants make own contributions, whose deductions as seen as high, more like another tax. Casey and Dostal (2008) argue that while the Chilean model may have been a good one, it was not well suited for Nigeria. In fact, the Nigerian government did not do a good job of transposing the Chilean model to their pension system due to various regulatory and administrative challenges in Nigeria. More so, by the time the Chilean model was adopted in 2004, it was already outdated could not serve as a suitable benchmark even if Nigeria had appropriate regulatory and administrative systems (Alo Oladdimeji, 2004). Although there were some challenges of increased coverage, but because of improved regulatory framework and efficiencies across the different schemes in Nigeria, the cumulative assets from pension funds more than tripled in 10 ten years to about USD 30 billion from less than USD 10 billion.

4 Pension sector reforms in Mainland Tanzania

In this section, we discuss the pension sector reforms in mainland Tanzania, i.e. exclusive of Zanzibar since social security system is not part of the union agreement. The pension sector in mainland Tanzania is governed by the National Social Security Fund Act, 1997 (GoT, 1997), which covers those in the private sector and NGOs, the Parastatal Pensions Fund Act, No. 14 of 1978 which covers employees of government agencies and the Public Service Retirement Benefits Act, No. 2 of 1999. Other laws regarding pension sector in Tanzania include; the Local Authorities Provident Fund Act, 2000, which establishes a Provident Fund for Local Authorities i.e. Local Authorities Provident Fund (LAPF).

A number of reforms have been undertaken over the years to effect these regulatory systems. The most recent reforms started in 1997 when the then National Provident Fund (NPF) was converted to NSSF. The NSSF Act was amended in 2005 to provide coverage for employees in both the private sector and the self-employed. The Act establishes the NSSF as a contributory scheme where both the employer and the employees contribute 10 per cent on a monthly basis. In 1999, there was conversion of part of civil service non-contributory to contributory Public Service Pensions Fund. This follows the World Bank recommendations on pension sector reforms and this move contributes towards promoting efficiency and sustainability of the pensions system without putting too much financial burden on the government. In 2006, the LAPF was converted into a Pension Fund a move towards increasing coverage among employees in Local Governments. In 2008, Tanzania enacted The Security Regulatory Authority Act No. 8 of 2008 as amended by Act No. 5 of 2012, effecting operations of the SSRA. The main objective of SSRA is to supervise and regulate the Social Security Sector (GoT, 2008). In 2014, SSRA issued the pension benefits harmonisation rules. The objectives of the rules are to provide equity on the benefit structure of the schemes, provide the legal framework for standards regarding the pension benefits, as well as improve pension benefits and protection to members' interest (GoT, 014).

The impacts of these reforms have been summarised to include among others; establishment of the social security regulator (SSRA), harmonization of pension formula, harmonization of Legal and regulatory Framework, increased efficiency in coordination of social security matters across the sector as well as supervision and regulation of the sector. In addition, there has been an increase in awareness on social security matters to the public and more importantly, the coverage of social security has been increased to include workers in the informal sector (Isaka, 2016). Although pension sector reforms had some challenges of implementation, pension funds in Tanzania have grown to about USD 4.2 billion from less than 2.0 billion in 2008.

EPRC RESEARCH SERIES

Listing of Research Series published since 2010 to date. Full text format of these and earlier papers can be downloaded from the EPRC website at www.eprc.or.ug

Series No.	Author(s)	Title	Date
142	Martin Luther Munu Isaac Shinyekwa	Outcomes of the Nairobi WTO 10th Ministerial Conference: Implications for the EAC Cotton Sector Development	May 2018
141	Musa M. Lwanga Ezra F. Munyambonera Madina Guloba	Effectiveness of the Public Payroll Decentralisation Reforms in Uganda	April 2018
140	Musa Mayanja Lwanga Corti Paul Lakuma Brian Sserunjogi Isaac Shinyekwa	Boosting Domestic Revenue Mobilisation In Uganda	April 2018
139	Isaac M.B. Shinyekwa Anita Ntale	The Role of Economic Infrastructure in Promoting Exports of Manufactured Products: Trade Facilitation and industrialisation in the EAC	September 2017
138	Swaibu Mbowa Tonny Odokonyero Anthony T Munyaho	Harnessing Floating Cage Technology to Increase Fish Production in Uganda	July 2017
137	Miriam Katunze Annette Kuteesa Theresa Mijubi Denis Mahebe	Uganda Warehousing Receipt System: Improving Market Competitiveness and Service Delivery	June 2017
136	Tonny Odokonyero Francis Mwesigye Annet Adong Swaibu Mbowa	Universal health coverage in Uganda: The critical health infrastructure, healthcare coverage and equity	June 2017
135	Joseph MAWEJJE Paul C. E. LAKUMA	Macroeconomic Effects of Mobile Money in Uganda	June 2017
134	Madina Guloba Sarah Ssewanyana Elizabeth Birabwa	Rural Women Entrepreneurship in Uganda A synthesis report on policies, evidence, and stakeholders	May 2017
133	Madina Guloba Sarah Ssewanyana Elizabeth Birabwa	A pathway to social protection development in Uganda: A synthesis report	May 2017
132	Isaac M.B. Shinyekwa Francis M. Mwaura Patrick Apecu	A comparative Analysis of the Tourism Sectors in the East African Community: The Way Forward for Uganda	April 2017
131	Corti Paul Lakuma Musa Mayanja Lwanga	Linking budgets to plans in a constrained resource and institutional environment: The Case of Uganda	March 2017

Series No.	Author(s)	Title	Date
130	Joseph Mawejje Ezra Munyambonera	Financing Infrastructure Development in Uganda	February 2017
129	Isaac M.B. Shinyekwa, Miriam Katunze	Assessment of the Effect of the EAC Common External Tariff Sensitive Products List on the Performance of Domestic Industries, Welfare, Trade and Revenue	September 2016
128	Isaac M.B. Shinyekwa Alex Thomas IJJO	Determinants of Domestic Food Price Differentials in Uganda: The Potential for and Constraints on Intra-County Trade	August 2016
127	Musa Mayanja Lwanga Annet Adong	A Pathway to Financial Inclusion: Mobile Money and Individual Savings in Uganda	March 2016
126	Gemma Ahaibwe Corti Paul Lakuma Miriam Katunze Joseph Mawejje	Socio Economic Effects of Gambling: Evidence from Kampala City, Uganda	January 2016
125	Joseph Mawejje Ezra Francis Munyambonera	Tax Revenue Effects of Sectoral Growth and Public Expenditure in Uganda	January 2016
124	Tilak Doshi Fred Joutz Paul Lakuma Musa Mayanja Lwanga Baltasar Manzano	The Challenges of Macroeconomic Management of Natural Resource Revenues in Developing Countries: The Case of Uganda	October 2015
123	Ssewanyana N. Sarah Ibrahim Kasirye	Progressivity or Regressivity in Uganda's Tax System: Implications for the FY2014/15 tax proposals	June 2015
122	Gemma Ahaibwe Ibrahim Kasirye	Creating Youth Employment through Entrepreneurship Financing: The Uganda Youth Venture Capital Fund	May 2015
121	Ezra Munyambonera Musa Mayanja Lwanga	A Review of Uganda's Public Finance Management Reforms (2012 to 2014): Are the Reforms Yielding the Expected Outcomes?	April 2015
120	Joseph Mawejje Musa Mayanja Lwanga	Inflation Dynamics and Agricultural Supply Shocks in Uganda	March 2015
119	Munyambonera F. Ezra, Corti Paul Lakuma, Madina Guloba	Uganda's Tea Sub-sector: A comparative Review of Trends, Challenges and Coordination Failures	September 2014
118	Sarah N. Ssewanyana and Ibrahim Kasirye	Uganda's progress towards poverty reduction during the last decade 2002/3-2012/13: Is the gap between leading and lagging areas widening or narrowing?	June 2014
117	Mayanja Lwanga Musa and Mawejje Joseph	Macroeconomic Effects of Budget Deficits in Uganda: A VAR-VECM Approach	June 2014
116	Adong Annet, Muhumuza Tony and Mbowa Swaibu	Smallholder Food Crop Commercialization in Uganda: Panel Survey Evidence	June 2014

Series No.	Author(s)	Title	Date
115	Barungi Mildred, Wokadala James and Kasirye Ibrahim	Implementing Universal Secondary Education Policy In Uganda: How Has The Public-Private Partnership Performed?	May 2014
114	Mwaura Francis, Okoboi Geofrey and Ahaibwe Gemma	Determinants of Household's Choice of Cooking Energy in Uganda	April 2014
113	Mawejje Joseph	Tax Evasion, Informality And The Business Environment In Uganda	December 2013
112	Shinyekwa Isaac & Othieno Lawrence	Trade Creation And Diversion Effects Of The East African Community Regional Trade Agreement: A Gravity Model Analysis.	December 2013
111	Mawejje Joseph & Bategeka Lawrence	Accelerating Growth And Maintaining Intergenerational Equity Using Oil Resources In Uganda.	December 2013
110	Bategeka Lawrence et ; UN Wider	Overcoming The Limits Of Institutional Reforms In Uganda	September 2013
109	Munyambonera Ezra Nampewo Dorothy , Adong Annet & Mayanja Lwanga Musa	Access And Use Of Credit In Uganda: Unlocking The Dilemma Of Financing Small Holder Farmers.	June 2013
108	Ahaibwe Gemma & Kasirye Ibrahim	HIV/AIDS Prevention Interventions In Uganda: A Policy Simulation.	June 2013
107	Barungi Mildred & Kasirye Ibrahim	Improving Girl's Access To Secondary Schooling A Policy Simulation For Uganda	June 2013
106	Ahaibwe Gemma, Mbowa Swaibu & Mayanja Lwanga Musa	Youth Engagement In Agriculture In Uganda: Challenges And Prospects.	June 2013
105	Shinyekwa Isaac & Mawejje Joseph	Macroeconomic And Sectoral Effects Of The EAC Regional Integration On Uganda: A Recursive Computable General Equilibrium Analysis.	May 2013
104	Shinyekwa Isaac	Economic And Social Upgrading In The Mobile Telecommunications Industry: The Case Of MTN.	May 2013
103	Mwaura Francis	Economic And Social Upgrading In Tourism Global Production Networks: Findings From Uganda.	May 2013
102	Kasirye Ibrahim	Constraints To Agricultural Technology Adoption In Uganda: Evidence From The 2005/06-2009/10 Uganda National Panel Survey.	May 2013
101	Bategeka Lawrence, Kiiza Julius & Kasirye Ibrahim	Institutional Constraints To Agriculture Development In Uganda.	May 2013
100	Shinyekwa Isaac & Othieno Lawrence	Comparing The Performance Of Uganda's Intra-East African Community Trade And Other Trading Blocs: A Gravity Model Analysis.	April 2013
99	Okoboi Geoffrey Kuteesa Annette &Barungi Mildred	The Impact Of The National Agricultural Advisory Services Program On Household Production And Welfare In Uganda.	March 2013
98	Adong Annet, Mwaura Francis &Okoboi Geoffrey	What Factors Determine Membership To Farmer Groups In Uganda? Evidence From The Uganda Census Of Agriculture 2008/9.	January 2013
97	Tukahebwa B. Geoffrey	The Political Context Of Financing Infrastructure Development In Local Government: Lessons From Local Council Oversight Functions In Uganda.	December 2012

ECONOMIC POLICY RESEARCH CENTRE

51, Pool Road, Makerere University Campus,
P. O. Box 7841 Kampala, Uganda
Tel: +256414541023/4 Fax: +256414541022
Email: eprc@eprcug.org,