Session Name: Pension and Savings for the Poor: Arrangements for Old Age Support
Case Study: Kenya, Mbao Pension Plan
Presenter: Ms. Patricia Odera, Senior Communications Officer, Retirement Benefits Authority
## Context and Background:

### KENYA EMPLOYMENT DATA, 000s

<table>
<thead>
<tr>
<th>Category</th>
<th>2006</th>
<th>2010</th>
<th>Change 2006 - 2010</th>
</tr>
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<tbody>
<tr>
<td>Modern Establishments</td>
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<tr>
<td>Wage Employees</td>
<td>1,857.6</td>
<td>2,060.4</td>
<td>10.9</td>
</tr>
<tr>
<td>Self Employed and unpaid family</td>
<td>67.2</td>
<td>69.8</td>
<td>3.9</td>
</tr>
<tr>
<td>informal sector</td>
<td></td>
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<td></td>
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<tr>
<td>Informal Sector</td>
<td>7,068.6</td>
<td>8,829.8</td>
<td>24.9</td>
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<tr>
<td>Total</td>
<td>8,993.4</td>
<td>10,960.0</td>
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</table>
Pillars of Kenya’s Retirement System

1. State Cash Transfer Scheme
   - Aimed at Poverty Eradication/small amount/still in pilot

2. Mandatory Retirement Benefits Scheme (NSSF)
   - Aimed at attaining Basic income

3. Voluntary Retirement Benefits Schemes (Individual, Occupational)
   - Supplementary Maintaining Standard of Living
Kenya’s Retirement System, Dec 2011

Voluntary Private Occupational
Assets 320bn
Members: 0.4m

Means Tested Old age Pension on pilot program

Non Contributory/Pay As You Go (PAYG)
Civil Service Pension Scheme
Assets: 0
Members: 0.4m

Mandatory National - National Social Security Fund
Assets: 108bn
Members: 1.3m

Individual Contributory Open Schemes
Assets: 11bn
Members: 0.06m
Scheme Design (%)
Kenya’s Retirement System (cont.)

Scheme Type (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Pension Schemes</th>
<th>Provident Funds</th>
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</thead>
<tbody>
<tr>
<td>2001</td>
<td>76.0</td>
<td>24.0</td>
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<tr>
<td>2003</td>
<td>76.0</td>
<td>24.0</td>
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<tr>
<td>2005</td>
<td>74.0</td>
<td>26.0</td>
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<tr>
<td>2007</td>
<td>70.2</td>
<td>29.8</td>
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<tr>
<td>2008</td>
<td>70.9</td>
<td>29.1</td>
</tr>
<tr>
<td>2009</td>
<td>67.3</td>
<td>32.7</td>
</tr>
<tr>
<td>2010</td>
<td>66.6</td>
<td>33.4</td>
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</table>
Kenya’s Retirement System (cont.)

Pension Scheme Assets (KSHS BN)

<table>
<thead>
<tr>
<th>Year</th>
<th>Civil Service RBS</th>
<th>Occupational RBS</th>
<th>NSSF</th>
<th>Individual RBS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>257</td>
<td>0</td>
<td>3.2</td>
<td>83</td>
</tr>
<tr>
<td>2010</td>
<td>0</td>
<td>338</td>
<td>104</td>
<td>9</td>
</tr>
<tr>
<td>2011</td>
<td>0</td>
<td>319</td>
<td>108</td>
<td>11</td>
</tr>
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</table>
Program Description:
Mbao Informal Sector Pension Plan

- **Vision:** To create a cost effective, flexible and efficient Savings/Pension Fund for the informal sector in Kenya
- **Regulatory Framework:** Kenyan Retirement Benefits Act
- **Target Population:** 12 million informal sector workers
- **Members:** 40,000 by end of June 2012
- **Awareness:** Through Association offices, Open Days, Pension Clinics, Service provider stations.
- **Stakeholders:** RBA – Regulator; Kenya Commercial Bank - Trustee & Custodian; Co-op Trust Investment Services - Fund Manager; Eagle Africa Insurance Brokers – Fund Administrator; Safaricom M-PESA – Mobile Money Transfer Platform
- **Minimum Contribution:** Kshs20 per day or 0.83 US $ per day.
Mbao Informal Sector Pension Plan
Program Description - Continued

• Coordination started from innovative concept of offering free medical services to members of informal sector and grouping them according to industries and geographical location.
• Secretariat of workers association was taken in as sponsor given that they were already organised groups.
• Sponsor contacted service providers and signed them in as official service providers approved by pension regulator.
• Trust Deed was then drafted and forwarded to regulator.
• Service providers were appointed and Scheme officially launched.
• Mobile companies were brought on board e.g Orange, Safaricom and Airtel.
Program Description

- Scheme members created awareness amongst themselves.
- Pensions regulator gave a boost and created awareness through the media as sponsor did not have money.
- Monitoring was important on a quarterly basis. Administrator had to give detailed report of membership growth and fund value.
- Associations created register among themselves so as to capture association members who were not registered.
- Mbao Pension is regulated by the RBA and is embracing the Risk Based Supervision Model.
Success to Date

- Step by step approach and keep message simple
- Keep product/structure simple (savings/retirement only)
- Solution will be driven by needs not by products.
- Identified 5 potential pilot member groups: domestic workers, farm workers, artists, footballers and hawkers
- Stakeholders excited by the opportunity
- Steering Committee to be set up to driver project together with the Project Management Committee
- Service Providers will benefit from new members (22 million unbanked)
Key Success Factors

- Simple Savings/Pension Plan that takes into account, SHORT and LONG term needs, saving patterns, mobility issues of their members.
- Strong promoters/distributors - Regulator, Jua Kali (Informal Sector) and Safaricom (mobile telephone service provider).
- Cheap, efficient and flexible
- Stakeholders with long-term alignment
- Strong backing from Parent Ministry
- Mobile Banking
Key Success Factors II

• Contribution reflected instantly on member account
• Instant access to total asset value (contributions plus bonus)
• One year lock-in period and no preservation
• Partners no fee for first three years (except Safaricom)
• Strong distribution channel through the Jua Kali Associations (650 associations)
• Mobile banking platform has 15.2 million accounts
• Started pilot and it was successful
• Steady bonus declared annually (smooth bonus).
• No guaranteed capital but aim never to have below capital value.
Key Success Factors III

- Low cost solution is essential. Mobile phone technology is a major enabler.
- Efficient and seamless administration with economies of scale
- Policy maker, Regulator, Service Providers joint effort.
- Exemptions may be required.
- Excellent proposal to address gap in terms of coverage for the Informal sector for savings/risk/pension.
Key Success Factors PROPOSAL

- **Stakeholders**: long-term alignment; strong promoters/distributors - regulator, Jua Kali (Informal Sector) and Safaricom (mobile telephone service provider); Policy maker, Regulator, Service Providers joint effort; ...

- **Technology**: Mobile money; Contribution reflected instantly on member account; ...

- **Design Factors**: Instant access to total asset value (contributions plus bonus); Simple Savings/Pension Plan that takes into account, SHORT and LONG term needs, saving patterns, mobility issues of their members; One year lock-in period and no preservation; ...

- **Political Context**: Strong backing from Parent Ministry; ...
Key Success Factors

• It was proposed as a voluntary scheme
• Members are able to obtain statements on real time (through their mobile phones upon each contribution)
• It being a first of its kind, the extensive media campaign served as a constant reminder. The jingles produced resonated with many locals and as such, everyone wanted to be part of the ‘feel good factor’, of saving with Mbao Pension Plan.
• RBA staff who recruited most members was rewarded thus staff were all out to recruit more members.
Results and Findings

### 2012 Monthly Contributions

<table>
<thead>
<tr>
<th>Month</th>
<th>No. of Contributions</th>
<th>Contributions (KES)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>11,408</td>
<td>1,618,941</td>
</tr>
<tr>
<td>Feb</td>
<td>16,912</td>
<td>2,534,783</td>
</tr>
<tr>
<td>Mar</td>
<td>20,023</td>
<td>3,441,512</td>
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<tr>
<td>Apr</td>
<td>16,314</td>
<td>2,990,406</td>
</tr>
<tr>
<td>May</td>
<td>22,701</td>
<td>4,050,410</td>
</tr>
<tr>
<td>Jun</td>
<td>18,791</td>
<td>3,484,594</td>
</tr>
<tr>
<td>Jul</td>
<td>16,709</td>
<td>3,267,066</td>
</tr>
<tr>
<td>Aug</td>
<td>17,993</td>
<td>3,623,584</td>
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<tr>
<td>Sep 19th</td>
<td>10,911</td>
<td>2,319,016</td>
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<tr>
<td>Total 2012</td>
<td></td>
<td>27,330,312</td>
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<tr>
<td>Add 2011 Contributions</td>
<td></td>
<td>2,795,215</td>
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<tr>
<td>Total 2011 and 2012</td>
<td></td>
<td>30,125,527</td>
</tr>
</tbody>
</table>
Main Challenges

- Penetration to the informal sector. If there is no buy in from the informal sector, it will fail.
- Getting members to have confidence in the scheme and believing in the regulator to handle their grievances.
- An efficient and effective ICT mobile telephony platform for members to make contributions.
- Goodwill and support from decision makers. (government, opinion leaders, trade unions, etc)
- Sabotage from competitors e.g insurance companies, micro finance institutions.
Addressing Challenges

- Embarked on a nationwide media campaign.
- Got informal sector secretariat to help in recruitment of members.
- Mobilised Ministry of Finance to endorse the product.
- Continuously monitoring service providers and having fortnight reviews initially, graduating to quarterly reviews.
- Ensuring reputable service providers manage the scheme.
Lessons and future priorities

- Scheme growth is high at 20%, therefore mobile telephony needs to be improved.
- A workplan is important. Mbao didn’t have a workplan. Was more or less a developmental issue which saw it develop at an alarming rate.
- Do away with registration forms for any similar project and instead concentrate on having contributions and registration done with mobile phone.
- Always remember to make it a social issue and incentivize members of the informal sector. They appreciate value additions no matter how small.
Advice to Other Countries

• For any similar scheme for the informal sector, a country should have a strong dynamic and robust regulatory and legal framework to protect scheme members.
• A Corporate Social Investment Programme should be identified to benefit the informal sector which acts as a buy in for members.
• Relevant bodies/service providers to allocate budgets for start up, advertising, registration and other initial logistics.
• Service providers should commit to assist in cost reduction through waivers of administrative costs.

• What are the best resources to help countries frame their thinking in this areas?
Advice to other countries

- Ensure that there is proper handling of politics within trade unions, service providers and competitors of the product.
- Ensure that there is a strategy of increasing replacement rates especially when members get a additional income from their small scale business.
- The scheme should be flexible for members to make payments and withdrawals. If possible, allow for draw downs and annuities.
- Get a solid team together to work on the project. A formidable think tank.
- Awareness, awareness- the magic word.
- Pay a visit to Kenya and study experiences.