Experts Chart Path for Affordable, Digital-First Pension Scheme for Informal Workers

Uganda is moving closer to rolling out a digital-first, affordable pension scheme for informal sector workers as financial and sectoral experts convened to chart the governance, technology, and investment frameworks needed for the National Long-Term Savings Scheme (NLTSS).

The high-level dialogue held recently in Kampala brought together fund managers, regulators, telecoms, and trustees to discuss strategies for mobilizing long-term savings from workers in Uganda's non-standard economy, highlighting the importance of careful planning, strong governance, and innovative digital solutions.

Grace Ssemakula of SBG Securities, a subsidiary of Stanbic Bank and one of Africa's leading fund managers, emphasized that even for savers with limited formal education, the fundamental question remains the same: "What is my return?"

He explained that this link between savings and investment makes disciplined portfolio design essential. Long-term savings require patient capital guided by strategic, disciplined investment practices that generate returns while also building confidence among members.

Ssemakula clarified that SBG Securities is often mistakenly identified as a security company, whereas its core role is fund management, and it ranks among the top asset managers on the continent.

Under the new scheme, SBG Securities' mandate will involve managing members' funds through strong risk management, prudent investment practices, and responsible portfolio strategies.

However, he stressed that governance must come first, noting that before delving into portfolio design, the NSSF Trust must establish a robust Investment Policy Statement (IPS) that clearly outlines risk objectives and expected returns, such as inflation plus 3–5%, in line with global best practice.

Ssemakula outlined a likely three-bucket savings model consisting of long-term savings, an emergency fund, and an insurance portion. In this approach, long-term funds would primarily be invested in fixed-income instruments and growth assets such as public and private equities, while emergency funds would focus on liquidity through cash or short-term money market instruments.

The insurance portion would remain conservative, largely anchored in fixed-income instruments.

Ssemakula added that the overall strategy would be conservative but open to opportunities such as pension-backed infrastructure investment through either infrastructure bonds or direct financing.

"Our mandate is to grow members' money prudently, sustainably, and responsibly," he said, underscoring the need for disciplined portfolio construction to attract confidence from members who may be saving for the first time in a formal system.

Rita Karungi Manager National Financial Inclusion Strategy Coordination & Monitoring at Bank of Uganda noted that Uganda's evolving payments infrastructure is already creating pathways for affordable, seamless transactions, which are essential for informal sector workers contributing small, regular amounts.

"The Bank of Uganda has been at the heart of driving financial inclusion, and this aligns perfectly with our expanded mandate on socio-economic transformation," she said.

She explained that BoU's oversight of the payments ecosystem since 2020 has accelerated access to previously underserved areas, and she highlighted findings from the latest FinScope study, which shows that 81 percent of Ugandans now have some form of account, with 68 percent of that uptake driven by digital financial services.

Karungi pointed to the National Switch Project as a transformative initiative for enabling interoperability across all payment service providers, which allows for real-time, seamless transactions.

"Full interoperability significantly lowers transaction costs for both small and large players, which is vital for inclusive pension coverage," she said.

She added that the NLTSS fits squarely within Uganda's financial inclusion agenda, with ambitions to expand pension coverage from just 2% today to 8% by 2028, emphasizing that digital infrastructure will be a key equalizer for both the formal and informal sectors.

Nelson Bamwine, Senior Manager for Products and Innovations at MTN Mobile Money, explained how mobile money platforms can serve as the digital backbone for long-term savings.

He said MTN has been preparing for the integration of long-term savings for years, noting that mobile money transformed the SIM card into a financial tool for accessing a broad range of services beyond basic communication.

"Today's lifestyle is about saving for the future. When customers save with us, they remain active within the ecosystem," he said.

Bamwine highlighted MTN's partnership with Sanlaam, which allows customers to save as little as sh500, and emphasized that the widely recognized platform could serve as the primary "rail" for digital savings.

He suggested embedding automated savings features within everyday transactions so that a portion of payments, such as bills or wages, is automatically directed into long-term savings accounts.

"We want to be the gateway, building solutions, integrating partners, and ensuring a seamless 360-degree experience for savers," he said, stressing that mobile money operators are now central to Uganda's digital financial ecosystem.

Alan Lwetabe of the Deposit Protection Fund of Uganda urged stakeholders not to rush into designing complex investment structures before first understanding the real market size and saving behavior of informal workers.

"Is the opportunity big enough to justify all this effort? We talk about 25 million Ugandans in the non-standard workforce, but when you consider realistic saving potential—whether $10 a month or even as low as $3—the question becomes whether the aggregate numbers justify such an elaborate, layered structure," he said.

Lwetaba stressed that the challenge becomes more practical when considering real workers, such as boda riders, gardeners, and security guards who have stable but modest incomes.

He proposed that last-mile uptake should be simple, almost invisible to savers, while remaining beneficial, suggesting that micropension deductions could be embedded within digital payments.

"If I pay my gardener via mobile money and a fee is deducted, why can't a small portion of that go directly into a pension? Expecting people like Mama Mboga in Kalerwe to voluntarily send money weekly or monthly for ten years is unrealistic," he said.

Lwetaba emphasized the need for predictable inflows and flexible outflows, supported by treasury bills, unit trusts, or lines of credit with banks to smooth collections and payouts. He proposed a layered fund administration structure, where a government-mandated superannuation authority provides fund management, administration, and technology, while associations such as KACITA and artisanal miner groups maintain direct engagement with members.

Alan Lwetabe, Director of Investment, Deposit Protection Fund of Uganda

"It's too early to discuss investments. What matters now is getting the structure right and solving last-mile uptake. Once we fix that, everything else becomes much easier," he said.

Robert Luvuma of Pearl Trustee Services highlighted the fiduciary responsibility of trustees, especially when dealing with low-income and vulnerable members.

"Every decision we make must be in the best interest of the members. This requires discipline, foresight, and integrity," he said. Luvuma called for strong governance frameworks, including clear investment policies and service-level agreements with all service providers.

"Your investment policy determines the returns you expect. Your communication policy must set correct expectations. Misrepresentation is dangerous—if you tell people they can access 30 percent when the law says 20%, you break trust," he warned.

He added that protecting savings is more important than chasing high returns.

"If a member has 500 shillings today, they shouldn't find 400 next week. Risk management must be central," he said, noting that frequent updating of member statements helps build confidence and transparency.

Luvuma also cautioned against fraudsters, who often target new schemes, and highlighted the role of technology in safeguarding contributions. "Technology is the first layer of transparency. With unique identifiers from registration through contribution, you eliminate reconciliation gaps, which is where most fraud occurs," he said.

Pearl Trustee Services, Luvuma noted, is fully prepared to provide proactive oversight for daily contributions, managing multiple schemes including umbrella funds and LECA Mobile.

He concluded with a call for responsible stewardship, emphasizing the importance of protecting members from short-term impulses while promoting long-term discipline.

"Human beings are naturally greedy; sometimes we must protect members from themselves. They may not appreciate it now, but when they see how much they have saved, they will value the discipline. Above all, we must never misrepresent what we promise," he said.

The panel's discussions underline that the success of Uganda's National Long-Term Savings Scheme for informal workers will hinge on effective governance, digital innovation, and careful structuring that balances accessibility, predictability, and responsible investment.