

**SOCIAL SECURITY FUND SCHEME IN ENHANCING THE SOCIO-
ECONOMIC DEVELOPMENT OF RWANDA**

(CASE STUDY: SSFR HEADQUARTER KIGALI RWANDA)

A Thesis

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By:

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DECLARATION A

"This dissertation is my original work and has not been presented for a Degree or any other academic award in any University or Institution of Learning".


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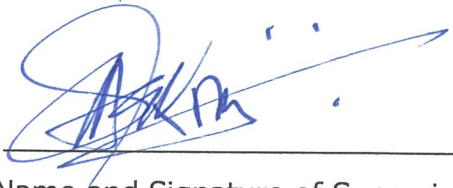
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This dissertation entitled" SOCIAL SECURITY FUND SCHEME IN ENHANCING THE SOCIO-ECONOMIC DEVELOPMENT OF RWANDA" prepared and submitted by RUSIBANA CLAUDE in partial fulfillment of the requirements for the **degree of MBA(Banking and Finance)** has been examined and approved by the panel on oral examination with a grade of **PASSED**.


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DEDICATION

I dedicate this work and the effort that went into it to the most understanding and caring people I know: My Parents, UMUHOZA Antoinette my beloved wife.

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Five **FINDINGS, CONCLUSIONS, RECOMMANDATIONS**

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Abstract

Social security development is one of the measures that have been adopted by developing countries to overcome poverty related challenges. The relevancy of social security in promoting economic growth and poverty reduction stems from its roles in saving mobilization,

The objectives of the research are To investigate the benefits paid to the retirees at the time of retirement or death;

1. To find out how the contributor's funds are invested towards socio-economic development of the country;
2. To find out how the contributor's funds are invested towards socio-economic development of the country;
3. Investigate the impact the SSFR has on individuals.

By using different methods and techniques to verify the roles played by the SSFR in enhancing social economic Development of Rwanda, the researchers realized that due to the fact that SSFR benefits trends in increasing in positive way, SSFR pays the retirees at the time of retirement. Apart the benefits received by the pensioners, enhancing the socio-economic development of the Country, SSFR participate in different social responsibilities and contribute to the welfare of the population. The contributed amount in social responsibilities of the SSFR is 96m Rfw. From Real estate projects SSFR created job in several dimension and the researcher discover that 2.368 have created to unemployed. It is recommended here that SSFR should revise the current law governing benefits and thereby calculates benefits with interests instead of dumping the money in the coffers which is not for the benefit of the contributor, SSFR should design project that aligns with the middle income earners; SSFR should give advance to pensioners in order to start project at their energetic time. Government should reinforce measures for total adhesion to pension schemes for all workers in formal sector, and in informal sector.

LIST OF ABBREVIATIONS

MMI	: Military Medical Insurance
MBA	: Master of Business Administration
SSFR	: Social Security Fund of RWANDA
MINECOFIN	: Ministry of Finances and Economic planning
CEO	: Chief Executive officer
VAT	: Value Added Tax
TPR	: Pays as you earn
%	: Percentage
FRW	: Rwandan Francs
UTC	: Union Trade Center
USA	: United State of America
SONARWA	: National Insurance Company of RWANDA
B.K	: Bank of Kigali
RWANDATEL	: RWANDA Telecommunication
SA	: Anonymous Society
SARL	: Society on limited Responsibilities
MGs	: Millennium Goals
HIV	: Human Immunodeficiency Virus
AIDS	: Acquired Immunodeficiency Syndrome
RAMA	: La RWANDAise d'Assurance Maladie
EDPRS	: Economic Development Poverty Reduction Strategies
GDP	: Gross Domestic Product
R.F.TZ	: RWANDA Free Trade Zone
R.F.I	: RWANDA Foreign investment. Company
PFP	: Provident Fund" Pillar
RSSB	: RWANDA Social Security Board

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CHAPTER ONE

THE PROBLEM AND ITS SCOPE

1.1. Background to the study

Social security is one of America's most successful government programs. It has helped millions of Americans avoid poverty in old age, upon becoming disabled, or after the death of a family wage earner. Social security is one of the greatest achievements of the American government and one of the deepest commitments to the American people said President Bush (Peter A, Diamond & Peter R. Orszag, 2004:1). Social security has the economic benefit of correcting market failure, in that the private sector is unable alone to redistribute income, to alleviate poverty, and to promote social welfare and stability of the population and promote investment. But there may be also negative consequence of social security including roles on labour markets and savings (E. PHILIP DAVIS, 2004; p.18). Social security pensions are also subject to political risk, that benefit promises will be reneged upon. This study covers the contributions of the SSFR toward the socio-economic development of RWANDA and the population in large. Where by Socio-economic Development means "improvement in a country's economic and social conditions". More specifically, it refers to improvements in ways of managing an area's natural and human resources in order to create wealth and improve people's live. Geographers often compare levels of development between different countries or regions and the people who live in them - talking about more economically-developed countries and less economically-developed countries. Development is considered in terms of either economic or human development, and ways of measuring development are called development indicators.

Clearly, RWANDA is an example of a country that has suffered the most devastating roles of bad governance. However, after the 1994 genocide there has been an emphasis on creating more accountable and transparent systems, which need further support.

Communities have the right to decide how to utilize small amounts of resources using participatory planning approaches. In addition, the government of RWANDA has significantly developed its public finance systems in order to monitor, execute, and audit spending programs. The money is used differently according to the needs of the population to satisfy their basic needs such as health, education and infrastructure.

Social security development is one of the measures that have been adopted by developing countries including RWANDA to overcome poverty related challenges. The relevancy of social security in promoting economic growth and poverty reduction stems from its roles in saving mobilization, capital market development and income redistribution. According to monetary studies reveal that if social security is considered in socio-economic and poverty reduction programs, significant progress can be made in improving standards of living in the developing world. Owing to this noble role in poverty reduction and economic development, social security reforms are being undertaken in different parts of the world to align social security systems and programs to economic growth and development. The ultimate objective is to develop a social security system that responds to country needs and priorities. For the last 15 years, RWANDA's economic development has been a success story to many in the region with tremendous developments in all sectors of the economy. Though this rapid economic transformation can be attributed to many factors, the Social Security Fund of RWANDA (SSFR) played a significant role.

It is this central place of social security in the country's socio-economic progress that has prompted the government to improve social security administration and systems by conducting reforms. The administrative reform introduced the merging of existing social security institutions into one national body while social security system reform introduced the provident fund. While there is a general appreciation of the role of RWANDA's social security scheme in the country's on-going economic transformation, no study has been

conducted to quantitatively illustrate the contributions of the scheme to Rwandan economy. This article is therefore intended to demonstrate how the Social Security Fund of RWANDA has contributed to the development of RWANDA's economy, hence justifying the aforementioned attempt by developing countries to develop social security as a strategy of achieving accelerated socio-economic progress.

Before discussing the aforesaid roles, it is important at this stage to briefly describe the Social Security Fund of RWANDA. The Social Security Fund of RWANDA (Peter A, Diamond & Peter R. Orszag, 2004:1), hereinafter referred to as the Fund is a public institution created in 1962 to administer two branches of pension and occupational risks. Its principle functions are; to collect contributions from members, pay benefits to qualifying members and productively invest the surplus. The contribution rates, according to existing legislation are 6% for pension branch and 2% for occupational risks. These employee savings constitute a pool of resources the Fund has used to significantly contribute to RWANDA's economic recovery as expounded in the section that follows.

The Law n° 60/2008 of 10/09/2008 determining the responsibilities, organization and functioning of RWANDA social Security fund of RWANDA, Article 3 relating to the responsibilities of the SSFR indicates that SSFR has responsibilities of assessing and collecting pension contributions from both the employers and employees; Distributing benefits to pensioners, invalids and/or their beneficiaries; Investing the excess revenues in the most responsible manner to ensure that the funds grows and contributes to economic growth of the country; Mobilizing long-term savings; Gathering appropriate statistics necessary to facilitate the planning and implementation of the above mentioned core functions. (Guide of insurers 2002, p.8).

1.2. Background of the case study

The SSFR "Social Security Fund of RWANDA" was established and maintained under the Decree law of August 22, 1974 concerning organization of social security and Law no 06/2003 of 22/03/2003 modifying and completing the Decree law of August 22, 1974 concerning organization of social security. The purpose of the Fund is to provide occupational hazards and disease benefit, old age pensions and death pensions, retirement benefits and other social security benefits to employees of the public and private sector. Benefits are based on the above mentioned laws; the Board is the trustee of the Fund. The Board authorizes all the major investments of the fund. Member contributions are paid into the Fund and increase annually with the return on investment; Fund benefits and administration costs are paid out of the Fund

1.2. Statement of the problem

The problem focused on the issue of retirement benefits of Social Security fund toward the social economic Development of Rwanda. The Researcher wants to investigate the Social Security Program and its impact on contributors towards their retirement.

1.3. Purpose of the study

This study will present the analysis of the impact of the social security fund of RWANDA towards the social economic development of the country, through benefits received by old age.

1.4. Objectives of the study

The objectives are the following:

- i. To investigate the benefits paid to the retirees at the time of retirement or death;

- ii. To find out how the contributor's funds are invested towards socio-economic development of the country;
- iii. Investigate the impact the SSFR has on individuals.

1.5. Research questions

The research questions are the following:

- How are the SSFR's benefits of the retirees handled at time of retired or death which come early?
- What are some of the methods of investing the contributions to boost socio-economic development?
- What impact does the SSFR in economic status has on individual members?

1.6. Scope of the study

This study was conducted in SSFR Headquarter Kigali and the analysis was done only to the benefits which paid to old age and survivors eligible. This study covers only issue relating to the role of SSF scheme in enhancing socio-economic development in Rwanda.

1.7. Significance of the study

This study is significant in the following ways:

1. Workers or Employee will know the role of SSF in enhancing the socio-economic development in RWANDA
2. Pensioners will gain more information about how SSFR works and operate;
3. Stakeholders will get interpretation on how SSFR invest contributions of the ensured

This Research will be the tool of Government to measure the saving rate.

Besides this, the research is a requirement for the award of a Masters of Business Administration. The research is also an addition to other studies carried out in the field of socio-economic development.

1.8. Theoretical Framework

The following terms are going to be defined, explained and discussed in order to get information on their meaning and contribute to the well understanding of the topic.

Pension (Old Age benefit)

The Social Security code of law N0 06/2003/ of 2006 regulating pension and occupational hazards, repealing law of 22 August 1974 on organization of social security in RWANDA, indicates that The Social security Fund begin to give benefits of retired as early as age of 55 years of age or the pension age fixed by particular statutory arrangements, Beneficiary have been insured with the S.S.F.R for at least 15 years, Beneficiary have stopped all salaried activities (Social security Guide 2002, p.53).

Lump-sum allocation

The Social Security code of law N0 06/2003/ of 2006 regulating pension and occupational hazards, repealing law of 22 August 1974 on organization of social security in RWANDA, indicates that The Social security Fund begin to give benefits of retired as early as age of 55 years of age or the pension age fixed by particular statutory arrangements, Beneficiary have been insured with the S.S.F.R for at least one year, Beneficiary have stopped all salaried activities. And the amount of Beneficiary old age lump-sum allocation depends on the duration of beneficiary justified. The determination of the duration of Beneficiary insurance is obtained by counting the number of months beneficiary were subjected to contributions deductions for pension insurance: by month of insurance is meant any month during which beneficiary worked at least less than 15 years of his contribution while subjected to insurance. .

The occupational hazards

While at work, the worker may fall off a ladder, the worker may cut his hand, finger, arm etc. the worker may get burnt, The vehicle he drives may skid resulting into serious accident, Fire may burn the building in which he is Working, A piece of metal or a brick may fall on his head etc. all these events constitute accidents at the place of work. While going to work, while on beneficiary way home from work or returning to work from having meals or to and from receiving beneficiary salary: A vehicle may knock beneficiary down, beneficiary may fall off a bicycle, Beneficiary may slip and fall etc. all these events are called the accidents due to work-related journey. As a result of his work, The worker may catch a disease due to the place or conditions in which he is working (Social security fund of RWANDA guide 2002, p44).

Free Medical care

All beneficiary medical care is provided by the S.S.F.R once it is confirmed that beneficiary are a victim of work-related accident or work-related disease. This medical care consists of : Medical and surgical assistance, X-rays and Laboratory Medical examinations, Pharmaceutical products, Treatment in approved hospital plus feeding, Dental health care, Supply and renewal of prosthesis and Orthopedics, Transport expenses from the place of accident to medical centre, hospital or beneficiary residence (Social security fund of RWANDA Guide 2002, p.47).

Daily sickness allowances

During the duration of beneficiary not working, the employer may stop paying beneficiary. In this case the S.S.F.R will give beneficiary some daily allowance. This daily allowance is calculated with role from the day after beneficiary accident. The daily allowance is equal to 75% of the average of beneficiary daily remuneration. It is paid at the same intervals as the salary. The payment of this daily allowance does not go beyond the period of 180 days. To calculate the daily allowance reference is made to the salaries

of the 3 months before the month during which the accident occurred (Social security fund of RWANDA Guide 2002, p.47).

Incapacity social security benefits

The disability benefit is a social security benefit in money form paid periodically. There is a table of rates of incapacity to which doctors must refer for fixing the degree of incapacity to work. These rates are in percentage form. When the degree of incapacity resulting from beneficiary work-related accident or work-related disease is equal or more than 15%, beneficiary will be entitled to incapacity social security benefits which will be accorded to beneficiary with role from the date of healing or consolidation of injuries on condition that there is loss of salary revenue due to accident.

Incapacity Lump sum benefits

When beneficiary degree of incapacity is less than 15%, beneficiary will be entitled to a lump sum benefit which will be given to beneficiary once only on condition that there is loss of salary revenue due to accident. This Lump sum will be equal to 3 annuities of social security disability benefits corresponding to beneficiary degree of disability or incapacity (Social security fund of RWANDA Guide 2002, p.48).

Funeral lump assistance

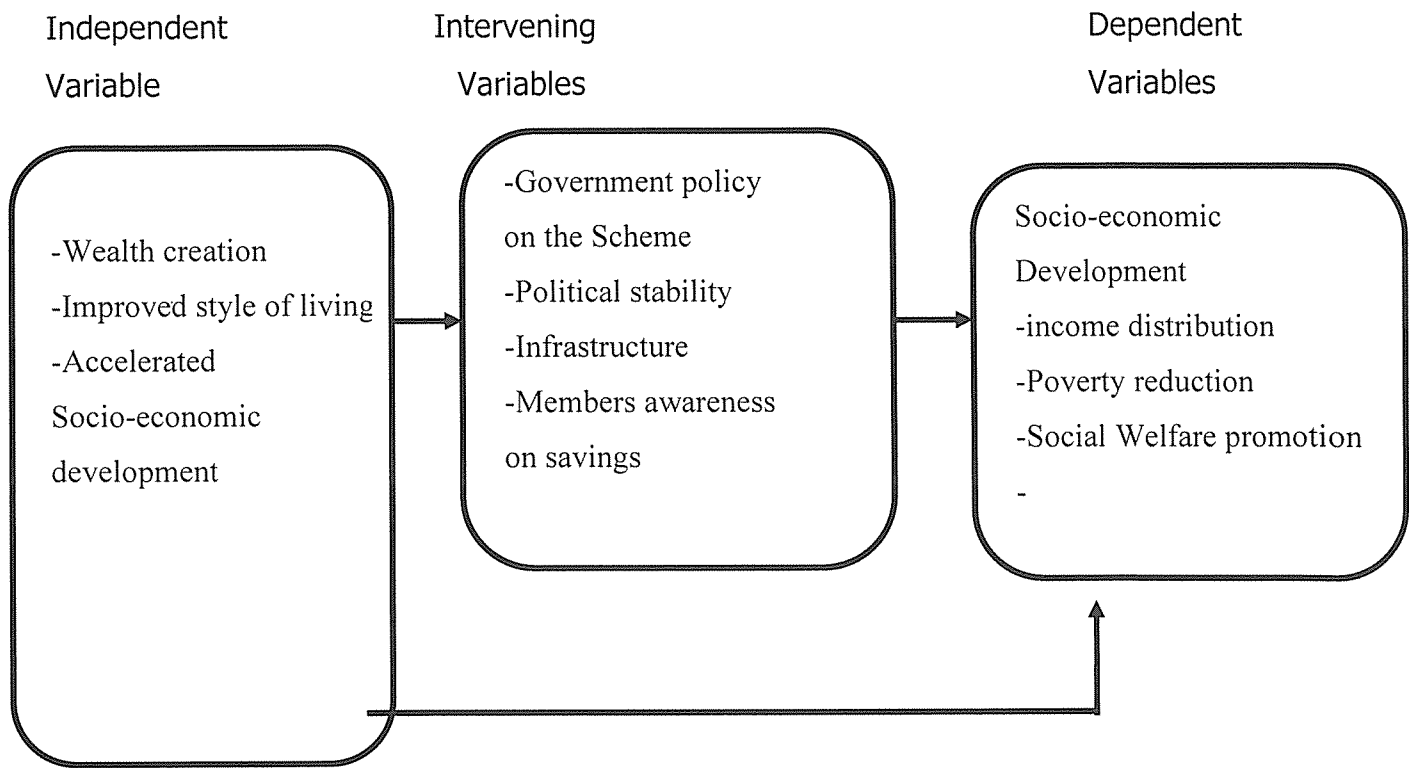
Funeral expenses shall be met by Social Security Fund of RWANDA. An accident befalling a worker at the occasion of a crime or an offence committed by the worker or an intentional fault on his or her part is not covered by social security. The eligible survivors are the non-divorced legitimate wife, married at least six months before beneficiary death. All the children, who are not married and are not working for a salary, and are either the deceased's legitimate children or those legally adopted or those born outside legal marriage but recognized by law as his or hers and are less than 18 years old or less than 25 years old if still at school, or without age limit if they are disabled physically or

mentally, and cannot work for a salary. Beneficiary own biological parents or legally adopted ones.

1.9. Conceptual framework

In this research we have Independent variables, dependent variables and Intervening variables, whereby the independent variable is what the researcher (or nature) manipulates a treatment or program or cause, it influences, predict, control and determine the dependent variables. The dependent variable is what is affected by the independent variable, the roles or outcomes and the intervening variables work with the independent variables to influence the dependent variables. An intervening variable is a hypothetical internal state that is used to explain relationships between observed variables, such as independent and dependent variables, in empirical research. An intervening variable facilitates a better understanding of the relationship between the independent and dependent variables when the variables is likely not to have a definite connection.

CONCEPTUAL FRAMEWORK



For the purpose of this research, the Independent variables are wealth creation, improvement style of living and accelerate socio-economic development. The dependent variables in this research are income distribution, poverty alleviation, social welfare promotion and investment for savings. Intervening variables may include, Political stability, Infrastructure, Government policy on the scheme, and members' awareness on savings.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Overview

This chapter deals with the different documented evidence regarding social security fund toward social economic development of RWANDA and overcome poverty reduction. This information helps to shed more light on issues related to best practices in social security within the environment in which security is implemented. An attempt is made to analyze the issues that may hinder or facilitate social economic development of RWANDA via Social Security Fund of RWANDA. Since SSFR concepts tend to be indistinct, and sometimes controversial, the major concepts used in this research are defined.

2.2. Review of Relevant literature review

Since social science concepts tend to be indistinct, and sometimes controversial, the major concepts used in this chapter will be defined.

2.3 Development

Are you sure that you know what "development" really means with respect to different countries? (Rwanda Statistics, 2006: p12) And can you determine which countries are more developed and which are less? It is somewhat easier to say which countries are richer and which are poorer. But indicators of wealth, which reflect the quantity of resources available to a society, provide no information about the allocation of those resources—for instance, about more or less equitable distribution of income among social groups, about the shares of resources used to provide free health and education services, and about the roles of production and consumption on people's environment. Thus it is no wonder that countries with similar average incomes can differ substantially when it comes to people's quality of life: access to education and health care, employment

opportunities, availability of clean air and safe drinking water, the threat of crime, and so on. With that in mind, how do we determine which countries are more developed and which are less developed?

2.4 Goals and Means of Development

Different countries have different priorities in their development policies. But to compare their development levels, you would first have to make up your mind about what development really means to you, what it is supposed to achieve. Indicators measuring this achievement could then be used to judge countries' relative progress in development. Is the goal merely to increase national wealth, or is it something more subtle? Improving the well-being of the majority of the population? Ensuring people's freedom? Increasing their economic security. Recent United Nations documents emphasize "human development," measured by life expectancy, adult literacy, access to all three levels of education, as well as people's average income, which is a necessary condition of their freedom of choice. In a broader sense the notion of human development incorporates all aspects of individuals' well-being, from their health status to their economic and political freedom (MINECOFIN, 2008-2012, p.38)

2.5 Economic growth

It is true that **economic growth**, by increasing a nation's total wealth, also enhances its potential for reducing poverty and solving other social problems. But history offers a number of examples where economic growth was not followed by similar progress in human development. Instead growth was achieved at the cost of greater inequality, higher unemployment, weakened democracy, loss of cultural identity, or overconsumption of natural resources needed by future generations (MINECOFIN 2008:12).

As the links between economic growth and social and environmental issues are better provided by nature, such as pollution absorption and resource regeneration. Moreover, economic growth must be constantly nourished by the fruits of human development, such as higher qualified workers capable of technological and managerial innovations along

with opportunities for their efficient use: more and better jobs, better conditions for new businesses to grow, and greater democracy at all levels of decision making, if environmental and social/human losses resulting from economic growth turn out to be higher than economic benefits (additional incomes earned by the majority of the population), the overall result for people's wellbeing becomes negative. Thus such economic growth becomes difficult to sustain politically. Second, economic growth itself inevitably depends on its natural and social/human conditions. To be sustainable, it must rely on a certain amount of natural resources and services.

2.6 Sustainable Development

Sustainable development is a term widely used by politicians all over the world, even though the notion is still rather new and lacks a uniform interpretation. Important as it is, the concept of sustainable development is still being developed and the definition of the term is constantly being revised, extended, and refined.

According to the classical definition given by the United Nations World Commission on Environment and Development in 1987, development is sustainable if it "meets the needs of the present without compromising the ability of future generations to meet their own needs." It is usually understood that this "intergenerational" equity would be impossible to achieve in the absence of present-day social equity, if the economic activities of some groups of people continue to jeopardize the well-being of people belonging to other groups or living in other parts of the world. Imagine, for example, that emissions of **greenhouse gases**, generated mainly by highly industrialized countries, lead to global warming and flooding of certain low-lying islands—resulting in the displacement and impoverishment of entire island nations. "Sustainable" development could probably be otherwise called "equitable and balanced," meaning that, in order for development to continue indefinitely, it should balance the interests of different groups of people, within the same generation and among generations, and do so simultaneously in three major interrelated areas—economic, social, and environmental. So sustainable development is

about equity, defined as equality of opportunities for well-being, as well as about comprehensiveness of objectives.

2.7. Measuring development

Studying development is essentially about measuring how developed (**developed**: economically, socially, culturally or technologically advanced) one country is compared to other countries, or to the same country in the past. There are many different ways of considering development, but the two most important are **economic development** and **human development**.

2.8 Socio-Development indicators

There is no simple, single way to calculate the level of development of a country, region, or people, because countries and economies, cultures and peoples differ so much. Instead geographers use a series of development indicators: Development indicators are factors that are used to compare the development of one region against another. Examples of indicators include GDP, number of doctors per 1000 people, adult literacy, and life expectancy to help them judge a country's level of development (RWANDA STATISTIC, 2006: p.46). For example: Health, Do all the people in a country have access to medical care? What level of healthcare is available - basic or advanced? Is it free or paid for? Industry, what is the most common type of industry? A Less Economically Developed Country has low levels of development, based on economic indicators, such as gross domestic product. The most advanced countries tend to focus more on tertiary industries - services businesses, such as banking and information technology. Education, With this aspect of development, you want to analyse if all the people in a country have access to education? Is it free? What level of education is available (ie primary education, secondary education or further/higher education)? How many people can read and write? The animation below shows examples of these indicators.

2.9. Economic development indicators

In order to assess the economic development of a country, geographers use **economic indicators**. The most important of these indicators are listed below: (Rwanda statistic, 2006, p.39)

Gross Domestic Product (GDP) measures the wealth or income of a country. GDP is the total value of goods and services produced by a country in a year.

Gross National Product (GNP) is another measure of a country's wealth or income. GNP measures the total economic output of a country, including earnings from foreign investments which are not included in GDP.

GNP per capital is a country's GNP divided by its population. (Per capital means per person.)

Economic growth measures the annual increase in GDP, GNP, GDP per capita, or GNP per capital.

Inequality of wealth is an indication of the gap in wealth and income between a country's richest and poorest people. It can be measured in many ways (eg, the proportion of a country's wealth owned by the richest 10% of the population, compared with the proportion owed by the remaining 90%).

Inflation measures how much the prices of goods, services and wages are increasing each year. High inflation (above a few percent) is believed by many to be a bad thing, and suggests a government lacks control over the economy.

Unemployment is measured by the number of people who cannot find work.

Economic structure shows how a country's economy is divided between primary, secondary and tertiary industries.

2.10 Meaning of Social Security

Social security primarily refers to a social insurance program providing social protection, or protection against socially recognized conditions, including poverty, old age, disability, unemployment and others. Social security may refer to: Social insurance, where people receive benefits or services in recognition of contributions to an insurance scheme. These

services typically include provision for retirement pensions, disability insurance, survivor benefits and unemployment insurance. income maintenance mainly the distribution of cash in the event of interruption of employment, including retirement, disability and unemployment services provided by administrations responsible for social security. In different countries this may include medical care, aspects of social work and even industrial relations.

These programs operate together to provide workers and then families with some monthly income when their normal flow of income shrinks because of the retirement, disability or death of the person who earned that income(Attorney Joseph Matthews, Dorothy Matthews 2008, p.11). Social security is a series of connected programs, each with its own set of rules and payment schedules. All of the programs have one thing in common: benefits are paid to a retired or disabled worker, or to the worker's dependent or surviving family based on the worker's average wages, salary, or self employment income from work covered by social security policy in place.

2.11. Saving: Social Security

Clearly, the system requires some adjustment. But most discussion of this term saving, is giving the false impression that the system is about to collapse, and the plan that recent administrations have to put forth for this salvation is the diversion of a portion of social security contributions into the stock market (CATHERINE CAPUTO, 2008; p.13). Instead of solidarity the system, however, this would only serve to weaken it, pushing people into highly risky investments that could only guarantee one thing: that hundreds of billions of retirement dollars are pumped into Wall Street and corporate coffers. Under current rules, people may claim social security retirement or dependents benefits as early as age set by the country and survivors (Holzmann R. and Stiglitz J.E, 2000, p.23)

In the purpose of making activities that assigned and contribute to the well being of the contributors, SSFR provided benefits to the pensioners and compensations of the occupational Hazard as shown in the table below:

2.12. Social security in other countries

Chile

Chile has one of the most interesting cases to study in the area of social security. This was a result of a weakened economy where mismanagement by the military had created a diversity of problems ranging from unemployment, high inflation, rampant strikes and corruption. In order to address these evils, the military government in 1980 took a drastic decision of rewriting the labor laws which included reforms of the pension and social security sector.

Under the new law the function of pension and social security management was divested from government and was instead transferred to private pension companies known as pension fund administrative companies.

USA Vs Japan

Worthy mentioned here is what is called the tantalization agreement with Japan. Under this agreement, workers can transfer from USA to Japan and vice versa without losing their pension contributions. They can work part of their time in USA and the other part in Japan. Pensions can then be saved in one country and be transferred to another country. Any savings that were made in one country before the worker transferred can then be shifted to a new account in the new country. All interest earned is not affected. The worker can also work in one country and retire in another one with his pension being transferee accordingly. This also shows a major shift from the traditional system where pensions had to be paid in the country where the worker was engaged.

Mauritius

In a bid to strengthen the role of Government in the provision of welfare to her people, the government in 2000/2001 decided that 5% of the budget should be spent on the provision of welfare to the citizens. The country has a full Ministry of social security, national solidarity senior citizens welfare and reform institutions which administers and oversees social security and pensions. The country three levels of protection arrangements

which one level is the basic non-contributory pension and social aid, the second is contributory pension scheme and savings and the third is Voluntary Private schemes.

Social Security in Uganda

Article 22 of the universal declaration of human rights, December 12, 1948 states, that every member of society, every human being has a right to social security. In line with this declaration, the colonial government in Uganda formed a social security department in the ministry of labour which was the precursor of present day NSSF. NSSF was formed by Art No.8, 1985 which made NSSF a corporate body.

The mission statement of NSSF states as to provide social security benefits as prescribed by law through the efficient and relieve management of the fund (NSSF, Annual report 2003).

The major activity of the NSSF are collecting members contributions, keeping members accounts, enforcing compliance, investment of funds, payment of interest to members accounts and payment of benefits.

Social security in Rwanda

The Social Security Fund of Rwanda is a public institution created in 1962 to manage the Social Security regime put in place by the Law of 15/11/1962. It is under the state guarantee and the tutelage is ensured by the Ministry of Finance and Economic Planning (www.csr.gov.rw).

The vision of social security fund of Rwanda is to "To be the best Social Security service provider in the region"

The Mission of social security fund of Rwanda is to be "Efficiently manage members' funds and provide high quality service to beneficiaries and other stakeholders"

The main activities of SSFR are To evaluate and collect social security contributions of employers and employees; To pay benefits to Pensioners, to the invalids and/or to their legitimate benefactors; To invest excess funds in the most rational ways in order to be assured of their profitability and contribution to the economic growth of the country; To mobilize long term saving; To collect the appropriate statistics necessary to facilitate planning and implementation of the above mentioned missions.

The management of SSFR is headed by the Board of Director and structured with the following department: Resources&Administration Department, Finance Department, Pension&Benefits Department, Contributor's Education & Customer Relations, Legal&Corporate Services Department, Planning ,Research & StatisticsDepartment, Investments Department, Quality Assurance &Audit Department, Real Estate Department and Information Technology Department

Investment

Dictionary definition gives investment as buying shares or property with a hope of getting profit. Investment theory depends on two factors namely return and risk.

Return on investment

The term return refers to income generated by the investment plus any change in market price of the asset being invested, expressed as a percentage of the beginning market price of the investment.

Portfolio investment

A portfolio is a combination of two or more assets or securities.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Overview

The purpose of this chapter is identifying the appropriate methodology that was undertaken for this study. This methodology demonstrates the entire process of this study, as well as an analysis of the various research methods employed during the conduct of the research. This chapter highlights the study design, the sources of data, the research design, the sample selection and size, data collection procedures. This, in different ways enabled the study to achieve the research objectives and questions that were a guide to the researcher in the study.

Additionally, the chapter examines the research methodology suitable for analyzing the SSFR and the socio-economic development under the dissertation. The methodology demonstrates the entire research process as well as an analysis of the various research techniques that have been administered. Besides, the chapter considers the research design and methodology on which the dissertation is based. The chapter highlights the salient features of the research methodology, while developing the underlying thesis of the dissertation.

This section describes the practical procedures for carrying out the study. It gives the details of the research design that were adopted, population study, sampling procedures, data collection procedures, and the final data analysis techniques that were applied. It gives the framework within which data was collected and analyzed.

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3.2. Research design

This study employed the descriptive survey design to determine the socio-economic development of RWANDA with particular attention on SSFR the focus of the research. It also involved both quantitative and qualitative data collection.

In this chapter, the researcher had a background against which findings of the study were assessed regarding its validity and reliability. Therefore this section highlighted the research design, area and population of study, sample selection and size, the data collection methods, data analysis and the limitations to the study anticipated. Furthermore to that, the study mainly focused on two (2) type of respondent, (those who received benefits directly (retired or invalid) and those who received benefits indirectly (survivors) in order to collect opinions on the social contribution of the SSFR to RWANDA, and contribute to the achievement of the objectives of the study.

3.3. Study population

The study population is 264 composed of 72 pensioners, 64 deceased beneficiaries, 8 Directors at SSFR and 10 staff from the SSFR.

3.4. Sampling size

The sample size is **35** respondents under pension 17 beneficiaries and 8 persons made of SSFR staff. The sampling technique used in this research is purposive sampling to those whose knowledge will provide the required information.

3.5. Sampling procedure

In this sampling the researcher took the payment made from the system and sorted by bank; 7 beneficiaries from the local banks of Kacyiru, 7 beneficiaries from the Popular

Bank of Kimironko, 3 Beneficiaries from the Popular Bank of Remera, whose benefits are above 500.000frw per quarter to analyze the social contribution of SSF to RWANDA. To analyze the economic development of SSF to RWANDA; questionnaire has been prepared and administrated to 8 Directors and 10 staff from the Department of Real Estate and the Department of Investment.

3.6. Research instruments

The study used three instruments of data collection namely; questionnaires, in-depth interviews and documentation.

Primary and secondary data collection sources are popularly applied in research, there are two main sources of data, that being; primary and secondary data. Therefore, the sources of data for this study were of two kinds; primary and secondary sources.

3.6.1. Primary sources of data

Primary data is data collected from the source and is often referred to as original data (Korthari, C.R 2004; p.31). Therefore in order for the researcher to fulfill the objectives, which involve analysis, the SSFR toward the socio-economic development of RWANDA and it was important to undertake interviews. Conversely, Primary sources include obtaining data at the primary level such as reports. The researcher collected information afresh from the different stakeholders in SSFR such as experts, the providers and the clients. In collecting those primary data, the methods of questioning, observation and interviews were applied.

3.6.2. Secondary sources of data

The only secondary sources relating to analysis of the SSFR toward the socio-economic development of RWANDA, official reports from SSFR, reviewing related literature on the

SSFR performance and from libraries, internet, other institutional annual reports, journals and any other form of literature on the above study, and news paper articles. However, they gave quantitative data and explained the crises that had occurred and what might have gone wrong, but did not provide sufficient information on the causes of SSFR toward the socio-economic of RWANDA. For this study a qualitative data approach was thought likely to reveal a greater understanding of the casual factors and therefore the research concentrated on the collection of primary data.

Additionally, a literature search was conducted to investigate the SSFR and the socio-economic development of RWANDA. Remarkably, in this research, the application of secondary data enables the researcher to mitigate the costs of time of gathering data; it is also an imperative need to relate secondary data to what is obtaining in the field. Therefore this was achieved through the administration of questionnaires and semi-structured interviews.

Other data had been collected from a wide range of written documents, reports and research papers as shown in the bibliography. This information helped the researcher to get, on one hand, a sound and wide understanding about the different principles underlying the social security and social economic development. They helped, on the other hand, to reach a real analysis of the different trends that foster the present social security fund of RWANDA movement to efficiency and sustainability toward the social economic development of RWANDA.

3.7. Validity and reliability

The instruments used in the research were valid and reliable, because they correspond to the type of research to be conducted. Validity and reliability of a questionnaire refers to whether the questionnaire or survey measures what it intends to measure. Therefore, through the pilot study conducted, the tool proved its validity and reliability in the study because, the researcher's focus was to detect the problem in questions and this allowed exploration of the range of possible themes arising from an issue.

As per interview guide, the researcher was able to probe more information just to bring the issue to the surface for in-depth investigation. The information gathered from this tool was valid and reliable, since they had been gathered from the representative of the population.

Then, documentation tool validity and reliability lies in the documents that were used in the research. The researcher documented the Programme documents, SSFR documents and other published documents that are of the interest in the research topic. Indeed, there is much appropriateness and consistencies in the use of these instruments.

3.8. Data collection procedures

The researcher presented a letter to the CEO of SSFR seeking permission to conduct the study in the respective area and the formulated questionnaire was pre-tested for validity. Thereafter, administration of the questionnaire and collection of the questionnaire was done. Prior to the data collection exercise, a reconnaissance was made to establish contact with the beneficiaries. During the reconnaissance, the study purpose was explained to the respondents. The types of information and feasibility to carry out the study were determined. All the interview questions were written and administered in Kinyarwanda language. The researcher translated the questionnaire into English and recorded down the responses by filling the questionnaires and by using the tape recorder to capture some verbal responses.

3.9 Data analysis

Primary data was processed and analyzed both during and after collection. During collection, the researcher studied the notes and responses taken on daily basis and organized them into complete sets of data basing on themes and content in line with the study objectives. This helped to avoid the loss of information, checked for incompleteness, accuracy, uniformity, consistence of the responses, and identified areas

which needed more probing in the subsequent interviews. Statistical tables were also drawn by adding and counting the coded responses to determine the percentages and frequencies for clear interpretation and presentation of the findings.

Data categories was identified and edited with a view of checking for completeness and accuracy. Moreover, the data from questionnaires was entered and coded. Thereafter, the data was analyzed using a computer-aided tool Excel as charts and tabulations were derived using the same program.

3.9.1 Quantitative data analysis

Since data was edited before leaving the respondents, the analysis of data aimed at showing respondents the importance of identifying the contribution of SSF to the socio-economic development of RWANDA. In addition, data collected was coded, tabulated and the coded data was broken down into appropriate summary statistics and involved statistical presentation. In other words, during data analysis, primary data gathered from the survey was reduced into frequency distributions and tabulations.

3.9.2 Qualitative data analysis

An important characteristic of the qualitative approach is that it seeks to provide a holistic view of the situation within an organization. Individual or organizational behavior is perceived not as the outcome of a finite set of discrete variables but rather as a lived experience of a social setting. By using an individual centered research methodology, it was hoped that the research would be able to examine the process that had been at work in the lived experience, and to pin point causes of the change that occurred. The idiographic approach provides a better understanding of organizational behavior particularly where the research is made by intensive study of a few beneficiaries interacting in real organization. The qualitative approach is based on the view that one

can only understand the social world by first obtaining first-hand knowledge of the subject under investigation. It emphasized the analysis of the subjective accounts which one generates by getting inside situations.

Therefore in order to get inside and gain first-hand knowledge of the perceptions of the respondents to gather their views through a well structured interview and codify their responses in order to come up with a thorough interpretation.

3.10 Ethical considerations

Extreme confidentiality had to be promised and it was only promising secrecy that the respondents agreed to answer the questionnaires and be interviewed. This imposition of confidentiality, albeit necessary, affects the results of the interviews in findings of the study. In this research the respondents were assured that their opinions and outcomes of the interviews are for academic purposes.

3.11 Limitation of the study

The study was conducted at the Headquarter of SSFR to analyze the contribution of the SSFR to the economic development of RWANDA because of the SSFR's headquarter is the responsible of investment and portfolio management and decision maker. The period of study is from 2003-2008.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

4.1. Overview

The researcher after gathering opinions from different informants who are beneficiaries of benefits in SSFR; they were visited for a thorough analysis. Information collected from different pensioners in the social security fund of RWANDA was tabulated in their raw form. These data are presented under various headings which constitute the different areas of the researcher. An appropriate interpretation had been then carried out coupled with supporting arguments; other views from other researchers were used to support or discuss the findings. It was done in accordance with the three objectives and research questions that guided the study which was to analyze benefits paid to old age and survivors eligible in the period of retirement, towards their well being, to analyse the contributions of the SSFR towards the socio-economic development of RWANDA, and suggest some modifications on the law regarding the pension in RWANDA in order to contribute to the well being of the beneficiaries in particular and the socio-economic of RWANDA in general. An investigation was done and findings are shown below with their respective questions.

4.2. Analysis of Characteristic of respondents

To start the analysis of the role of the SSFR on socio-economic development of Rwanda, the researcher would first analyze the Social characteristics of the respondents. The characteristics from the respondents on age are shown in the Table No.1.

Table No. 4.1: Age characteristic of respondents

Age	Number	%
18-27	6	17
28-37	3	9
38-47	0	0
48-57	12	34
58+	14	40
Total	35	100%

Source: Primary Data

It is seen that the most of the respondent of the questionnaire are aged of 58+ years because they are the ones who are benefiting the benefits from the social security fund of Rwanda. They were the targeted people in the sampling techniques. This age interval ensured the research to find the reliable information and contribute to the achievement of the objectives.

It is seen also from the above table that respondent on this questionnaire is aged of 38-47, this interval age are not even eligible to the direct pension, or to the deceased benefits. Another big percentage on this characteristic analysis is the interval 48-57 which represent 34% of the respondents, they are also benefiting from the social security fund through their savings.

The interval age of 18-27 is corresponding to the survivors who are getting benefits of the deceased. These beneficiaries must be children who did not attained the age of 25 above while studying and less 18 age. The table shows that they represent 17% of the respondents.

Table No. 4.2: Level of Education for respondents' analysis

Level of Education	Number	%
Primary	3	8,571428571
Secondary	6	17,14285714
Diploma	0	0
Degree	26	74,28571429
Post graduate	0	0
Total	35	100

Source: Primary Data

From the illustrated table above, the researcher realized that the status level of education of the respondents is that, the degree holders are represented by 74% of the respondents. This means that most of pensioners in SSFR have a high level of education. In this table any level postgraduate is represented. This is a high level where by pensioners cannot get in the period of retirement. It is seen also in this representation that 17% of respondents are the survivors who are still at school and benefiting the pension of their deceased. And 8% are have the background of primary school and still benefiting social security benefits.

Table No.4. 3. Occupational characteristics of the respondents analysis

Large scale farmer	2	6
Business person	5	14
Government employee	18	51
Unemployed	6	17
Total	35	100

Source: Primary data

Information provided through these occupational characteristics revealed that 51% are still working and represent the Staff workers of Social security fund of Rwanda interviewed. 17 among 35 interviewed are unemployed because they got the retirement period. 14% of the respondents are business person. These business people, after getting benefits from social security fund, they make business for small activities so that at a certain time they may generate return.

4.3 Analysis of beneficiaries affiliated in SSFR

The analysis of the beneficiaries of the SSFR was guided by a question, which is stated **"Are you a member of SSFR?"** The elicited responses from the 35 respondents interviewed are as follows: 6 direct beneficiaries interviewed said that they are registered as SSFR contributors but up to now they are receiving benefits and they could not contribute because they are in the retirement period. 3 respondents were the indirect beneficiaries, they responded that they are still in school, and they are not affiliated in the SSFR because they don't earn any income. Whereas, 18 staff of SSFR responded that they are affiliated in SSFR and some of them are waiting for retirement to be provided for pension.

The table No.4.4. Below shows the opinions from the informants

Response	Number	%
Yes	32	91.4
No	3	8.6
Total	35	100%

Source: Primary data

The above table indicates that 91.4% of respondents who are working and aware of SSFR at the same time affiliated, whereby 8.6% of respondent representing 3 are not affiliated to the SSFR because they are not working, but they are benefiting from their deceased who saved for their future.

4.4 Analyzing the importance of being insured in SSFR

The objective of this question was to analyze if the respondents know the importance of being contributors of SSFR. Opinions from respondents were that they are aware of importance of SSFR through the benefits they received in the retirement period without

working and professional hazard is compensated. SSFR help old age to retire with dignity. The question has been responded and the information is tabulated in the table below:

Table No.4.5. Awareness of Importance of SSFR

Responses	Number	%
Yes	35	100%
No	0	0%
Total	35	100%

Source: Primary Data

The above table 8 shows the research that they are aware of importance of being insured by SSFR, which represent 100% of the responded.

4.5. Analysis if benefits are paid on time

The question viewed to get information from the informant if they receive their benefits on time. The findings from the study show the different responses from the 35 respondents interviewed by the researcher, they said that they receive it on quarterly basis. They said that the trimester is not a best time to pay the benefits and suggested that a payment should be on monthly basis. For further understanding the table 9 below shows the statistics.

Table NO.4.6. Analysis on benefits to be paid on time

Responses	Number	%
Yes	0	0%
No	35	100%
Total	35	100%

Source: Primary Data

4.5 Analysis of allocation of benefits received from SSFR

The objective of the question was to get enlighten about the beneficiaries' view about the use of the allocated money from SSFR . Opinions varied according every one's needs. Indeed, with the total of 17 respondents, 14 said that they allocate usually the benefits received in Children Education, Food and Shelter, agriculture, health care and rehabilitation of their houses and this represent 82.4% of the respondents. Whereby 3 representing 17.6% of the respondents said that benefits that SSFR provides is not enough to be allocated in any business or other social responsibilities. Hence, they are allocated to food and shelter. The views of respondents are presented in the table below:

Table No.4.7. Analysis of SSFR benefits allocation

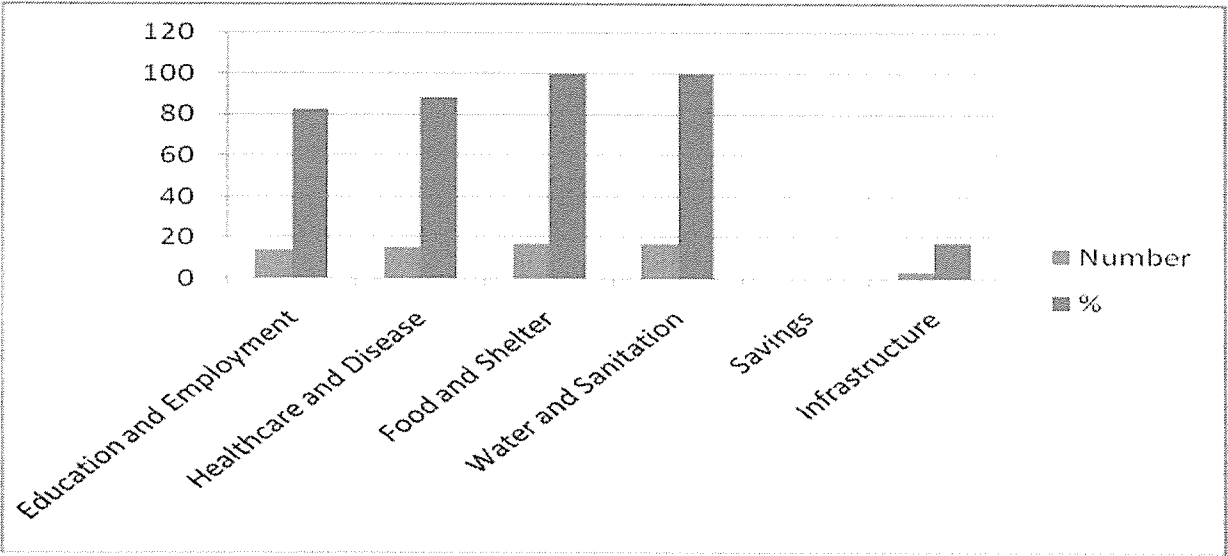
Responses	Number	%
Education and Employment	14	82.4%
Healthcare and Disease	15	88.2%
Food and Shelter	17	100%
Water and Sanitation	17	100%
Savings	0	0%
Infrastructure	3	17.6%

Source: Primary Data

The above table illustrated shows that the majority of beneficiaries allocate the Fund in Food and shelter, water and sanitation covered 100%. Whereas, Education and employment come after satisfying their basic needs and represent 82.4%. 17.6% of the respondent rehabilitates their houses because they are gaining more money from

benefits. It is apparently seen that psychological needs are the ones satisfied as demonstrated by Keynes theory of income illustrated " ($Y= C+I+S-T$). Since, the revenue from SSFR only satisfies consumption; thus, these allocations do not align with the economic trends. It is worth to note that standards of living are difficult to measure, but indicators of social and economic development do exist. One of the crudest measures is Gross Domestic Product (GDP) per capital, determined by the value of all goods and services produced within a region over a given time of period, averaged per person. Respondent answers are presented below in the graph:

Graph 4.1. Trends on how benefits are allocated



Source: Primary Data

The above analysis aimed to find an answer to the first research question as stated "Are the Benefits paid to old age and survivors in the period of retirement contributed to the well being of the ensured" Therefore, after, a thorough analysis as presented in the tables above, it was found out that, those affiliated do get their benefits at a stated date of retirement. However, these benefits are very little and can only sustain psychological needs such as food, shelter etc. Apart from being little; they are also given at a later date

on a quarterly basis. Thus, the SSFR policy does not comply with their client's whims and today's economic trends.

4.6 Investigation of the benefits paid to the retirees at the time of retirement

Due to the information provided by the respondent, it is seen that the benefits received by the pensioners and survivors, has the role on their well being and to their welfare in particular and therefore, role on the social Development of RWANDA.

The response on this question was Yes and represent 100% of the respondents as indicated in the table below:

Table No.4.8. Analysis of the role of SSF toward the social development of RWANDA

Responses	Number	%
Yes	35	100%
No	0	0%
Total	35	100%

Source: Primary Data

Table No.4.9: Benefits payment trend

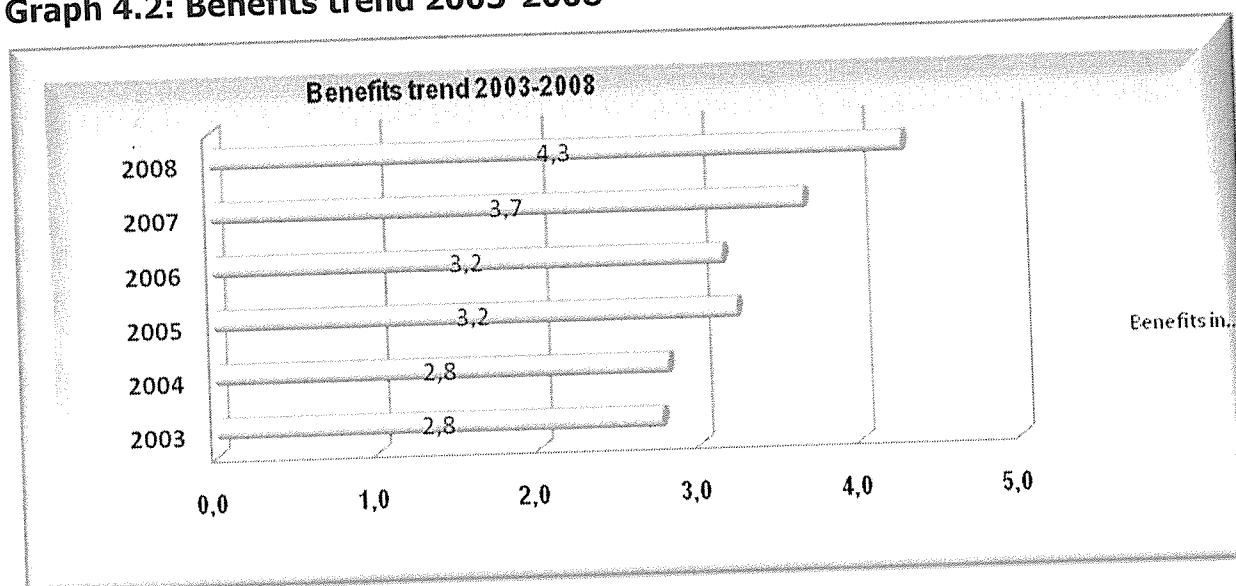
Year	Pension	Occupational risks	Total	Growth rate
2003	2, 595, 107,863	170, 574,443	2, 765, 682,306	-
2004	2, 786, 263,481	179, 958,252	2, 966, 221,733	7.3%
2005	3, 199, 802,990	194, 075,862	3, 393, 878,852	14.4%
2006	3, 068, 606,003	190, 728,520	3, 259, 334,523	-4.0%
2007	3, 525, 524,113	215, 999,138	3, 741, 523,251	14.8%
2008	4, 078, 071,636	232, 863,081	4, 310, 934,717	15.2%

Source: SSFR, Annual report, 2003-2008

According to the existing social security law, the Fund offers two types of benefits, pension and occupational risks. These benefits can be further sub-grouped into old age, invalidity, survivorship, work injury and occupational diseases as shown in the tables and graphs below.

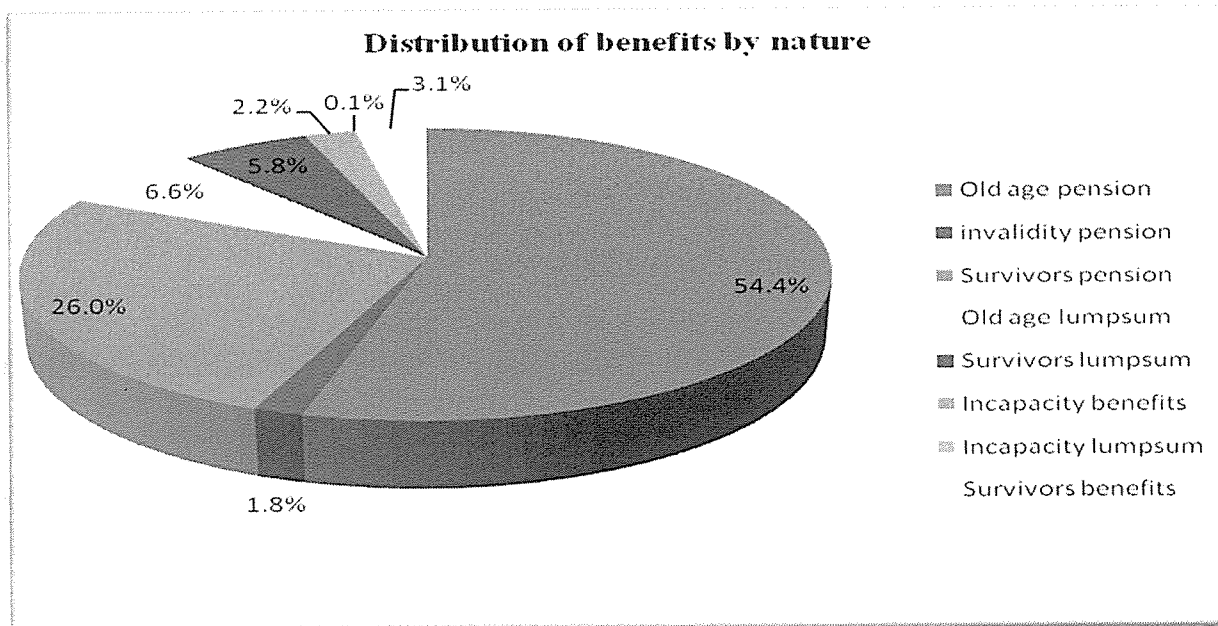
In 2008, the Fund spent Rwf **4.3** billion as benefits received by **23,725** and **1,624** beneficiaries for pension and occupational risks respectively. Since the year 2003, benefits have been increasing at an average growth rate of 9.5%. As highlighted in previous annual reports, the processing of benefits has always been constrained by huge declaration records that have not been computerized. One of the major initiatives made during the year, is the computerization of all declarations missing in the database. Over **6.7** million declarations were entered into the system. The different types of benefits and amounts paid are shown in tables and graphs that follow.

Graph 4.2: Benefits trend 2003-2008



Source: SSFR, Annual report, 2003-2008

Graph 4.3: Trends of benefits



Source: SSFR, Annual report, 2003-2008

4.7. To find out how the contributions funds are invested towards the Socio-Economic Development of Rwanda

The Board and Management have a legal and fiduciary obligation to act in the best financial interest of the Fund's beneficiaries and to exercise the highest standard of care. This must override all other considerations. Members' contributions and Investment earnings are the most important funding source for the Fund. Therefore, investment policies and strategies are vital to all of the Fund's stakeholders. Investment policy establishes eligible investments, asset class weights and the amount of discretion given to management. These factors are the principal determinants of risk and return. As such, investment policy plays a crucial role in determining the extent to which benefit obligations can be offset by the Fund's investment earnings. On a long-term basis, a low risk investment policy for the Fund will earn low rates of return. On the other hand, a high-risk policy would be expected to provide a higher rate of return but may lead to unacceptable levels of return volatility. It is therefore critical that the investment policy establishes a balance between the Fund's risk tolerance and return

objectives. The goal of this investment policy statement is to establish guidelines, which ensure that the Fund is managed within a return on investment at a high level.

4.7.1 Investment vehicles at SSFR

NSSF Management is to manage the Fund using a multi-product platform, which uses both internal staff as well as a multi-manager structure of external fund managers. The selection and monitoring of external managers is the responsibility of NSSF Management. The Board expects that, in aggregate, the use of these different products will return approximately 200 basis points (2%) per annum above inflation. These descriptions will be reviewed on a regular basis and updated when necessary but not later than three years.

4.7.2. Permissible investments

In the case of all fixed income securities, a credit rating is to be assigned and the 182-day T-bill rate is to be used as the benchmark for 182-day instruments, 364-day T-bill for one year instruments, while for instruments more than one year, the coupon rate or current Yield to Maturity (YTM) will be used as bench mark for the return on the instruments.

After analyzing how the contributions funds are invested towards the Socio-Economic Development of Rwanda, the researcher discovered that The asset classes of permissible investments are defined as follows:

Money Market: All debt securities under one year with at least an investment grade credit rating or offered by an institution that meets National Bank of Rwanda minimum capital requirements.

Debt Securities: All bonds, debentures, notes and other debt instruments over one year in term secured by a guarantee or charge on the assets of the issuer. The debt issues may be either public offerings or private placements restricted to institutional investors.

Commercial Mortgages: First mortgages in major Rwanda urban areas on income producing Properties

Public Equities: All securities of publicly traded companies.

Real Estate: Investments in income producing properties located in major Rwandan cities or municipalities that are expected to produce an attractive return over a long-term period.

4.7.3. Permission

The fund may enter into securities lending agreements provided that:

- i) the loans are secured by cash, readily marketable securities or securities that are convertible immediately into the security lent (the "collateral") having a market value which is appropriate relative to the market value of the loan based on prevailing market conditions (normal lending practices of each local market),
- ii) the level of collateral is maintained daily, and
- iii) Under no circumstance would securities be lent without agreeable collateral.
- iv) It has a substantial shareholding in the company with substantial Board representation in case of a shareholder loan and such a loan shall be at appropriate value
- v) No single loan be it shareholder loan or normal market loan shall exceed more than USD 10 million.

4.7.4. Controls

Where the fund engages the custodian to implement the securities lending program, management will satisfy itself that:

- i) the custodian indemnities to the fund are appropriate,
- ii) Reporting is timely and accurate'
- iii) The lending practices are sound and sufficient security is provided for the loans, and

iv)Where cash collateral is invested, the investments, either on a pooled or segregated basis is made on a sound basis reflecting the desired level of risk (SSFR, investment Policy guide, 2003)

4.7.5. SSFR investment restrictions

The investments of the Fund must be in compliance and recognized as qualified investments under the legislative provisions as shall be amended from time to time.

4.7.6 Holding limits

The following limits are placed on the Fund's holdings:

- Total Fund Limit on Single Equity Issue:** Management will manage the Fund such that, on either an actual or policy basis, the total value of a single equity issue will not exceed 50% of the total value of an asset class (e.g. no single equity issued to exceed 50% of the Fund's Rwanda Equity holdings). Should such a situation arise, the Fund is required to reduce its holding to within the required limits within a period of 2 years.
- **Fixed Income Securities:** Except for Government of Rwanda securities, investments in a single issuer that is not 100% guaranteed shall not exceed 20% of the total value of the fixed income holdings. Other than government guaranteed securities, investment in a single fixed income security shall not exceed more than USD 5 million.
- **Public Common Shares:** The Fund shall hold no more than 50% of the outstanding voting shares of a company. Should such a situation arise, the Fund is required to reduce its holding to within the required limits within a period of two years.
- **Private Equity/Joint Ventures:** The Fund shall hold no more than 30% of the outstanding voting shares of a private company or joint venture. Should such a situation arise, the Fund is required to reduce its holding to within the required limits within a period of 2 years. Exceptions are given for social impact investments where the limit should not exceed 40% and the Fund is required to reduce its holding to no more than 35% within 2

years. Investments other than in the priority areas given below shall not exceed the percentage shareholding and should not be more than US\$ 5 million. For the priority areas, the investment in a given sector should not be more than 15% of the entire portfolio. Priority Private Equity/Joint Venture Areas Sector:

- 1 Mortgage (Primary and Secondary)
- 2 Housing Development and related products
- 3 Industrial Development
- 4 Electricity
- 5 Water
- 6 Education
- 7 Tourism

-Structured Investments, Foreign equity: Investment in a pooled fund that invests through the use of structured investments reflecting the total return performance of the major global equity markets is limited to 10% of the Fund's total market value. These investments shall not, in combination with the fund's foreign holdings, exceed the policy range for foreign holdings that will not exceed 15%.

-Cash and Short-term Deposits: These should be government guaranteed or in Banks that meet the National Bank of Rwanda minimum capital requirements.

- **The Total short-term deposits** held by a bank will depend on the management's assessment of the bank's financial stability (going concern issues) in the system. Here management could look at the Capital Adequacy, Asset quality, Management, Reputation, Earnings, liquidity among others if the bank is not affiliated to an internationally or globally rated bank.

- **For internationally affiliated banks** the total deposit holds should not exceed more than 2 times its share capital.

- **Bonds:** These must be tradable in the country to create an exit mechanism for the Fund or in case of restricted institutional investor offering, the company must be of sound caliber or the

bonds must be guaranteed at time of purchase. Investment in a single Bond issue should not exceed more than US\$ 5 million or equivalent

- **Underwriting commitments:** The Fund does realize the role it has to play in developing capital markets in the country; however it should also reduce its exposure. Therefore in case of underwriting, the limit for a share issue should be such that if the firm is to buy the shares, its holding will not exceed the limit of 40% in company or US\$ 5 million whichever is lower. The

Underwriting of corporate bonds or related securities shall not exceed US\$ 7 million or the percentage holding limits of such a security, the lowest of the guidelines shall always prevail.

Optimizing returns on investments is one of the key goals of the Fund and is the main focus of the current investment policy. The major guideline underscored in the existing policy is the preservation of the real value of members' savings without exposing the funds to excessive risk. As shown in the table 3 below, the new investments rolled in 2008 include; purchase of former USA embassy building, purchase of BCR corporate bond, construction of 18 floors building in the city center. It is in 2008 when the Fund crossed the Border to tap offshore investment opportunities. The Fund made equity investments in SAFARICOM, a Kenyan telecommunications company and RWANDA Foreign investment company. The value of shares in these companies is Rwf **10.9** bn. Owing to these new investments made, the investment portfolio increased from Frw **113** bn in 2007 to Frw **128** bn in 2008-an increase of **30%**. The Fund's portfolio structure as of 31st December 2008 is shown in table 3 below.

Table No4.10: Investment portfolio 2008

DESCRIPTION	2008	2007
Real Estate Kacyiru	263 520 000	263 520 000
UCT Building	570 893 600	565 610 000
Kacyiru Ex Appartement	5 185 221 624	5 185 221 624
Land For Development	14 144 784 793	4 373 440 628
Former USA embassy build	918 607 400	0
On-going Estates Projects	11 431 655 534	0
Mortgage Loans	3 733 131 026	4 618 759 174
Equity	17 434 551 585	15 029 582 398
Foreign Investment	10 903 419 565	0
Fixed deposits	2 000 000 000	12 424 720 300
Corporate loan (BRD)	2 709 431 374	3 638 345 196
Corporate Bond (BCR)	350 000 000	0
Treasury Bonds	58 203 306 491	64 801 306 491
Government Bond	267 062 500	0
Government debt	0	2 104 562 962
Total	128 115 585 492	113 005 068 773

Source: SSFR, Annual report, 2003-2008

In order to have a visible in the economy, SSFR uses the savings collected to attract other investors, hence initiating very big projects with huge economic potential that SSFR alone could not undertake. This is the main strategy SSFR uses to fundamentally contribute to economic growth and development.

Table No.4.10b SSFR shareholding as at 31st May 2009

Company	Company's Equity	N° of Shares	SSFR Shares	Value of SSFR shares	% of SSFR Holding
SONARWA	4,551,428,571	50,000	8,125	739,607,143	16.25%
B.K	5,005,000,000	45,500	15,313	1,648,683,000	33.66%
B.H.R	6,431,866,976	64,319	22,512	2,251,153,442	35%
B.R.D	7,000,021,000	7,000,021	1,552,628	1,552,628,000	22.18%
RWANDATEL	2,420,000,000	242,000	48,400	484,000,000	20%
A G L	1,250,000,000	1,250,000	500,000	500,000,000	40%
R E I C	1,120,000,000	4,000	700	196,000,000	17.5%
R I G s.a	13,850,000,000	13,850	2,400	2,400,000,000	17.33%
ULTIMATE Concept	12,000,000,000	5,000	2,000	4,800,000,000	40%
HOSTELS 2020 sarl	3,000,000,000	300,000	120,000	1,200,000,000	40%
R.F.TZ	11,000,000,000	1,100,000	164,748	1,647,480,000	15%
KIGALI TILES CO	50,000,000	50,000	15,000	15,000,000	30%
R.F.I. CO.	8,900,000,000			6,675,000,000	75%
SAFARICOM				4,228,419,565	
RWANDA DISTILLERY	7,458,400,000	7,458	1,492	33,376,742	20%
TOTAL				28,371,347,892	

The total value of SSFR shareholding as at 31st May 2009 is Frw 28.4 bn. The details are shown in table 16 below.

2.7.1 Investment income

As pointed, the fund strives to preserve the real value of savings and this can only be achieved by putting in place measures to improve returns on investments and ensure that they are higher than inflation rate. In 2008, net returns on investment amounted to Rwf **7** bn. If the principal debt repayment is considered, the incomes generated from investments totals to Rwf **17** bn. The rate of return on investments in 2008 was **6.5%**. Table 4 below shows the investment income realised from the different investment classes.

Because investment earnings are the Fund's most important funding source for its day to day operations, the Board has set an Investment policy solely in the interests of Fund stakeholders to ensure the Fund assets are managed roleively and efficiently in order to provide promised benefits for the Fund's beneficiaries. The Board believes that the projected pension benefits can best be met by having the proper long-term asset mix, including proper diversification as well as prudent management of risks. The Board's expectations for the Fund will be expressed in the "real rate of return". The real rate of return is the actual rate of return adjusted for the roles of inflation. The real rate of return provides the best measure of the growth in assets relative to Fund liabilities. A real rate of return of 2% will be used. The Board has adopted the following long-term fixed income/non fixed income asset mix policy:

- Fixed Income 50%
- Non Fixed Income 50%

The Board has developed this asset mix policy with a long-term view given its current funding status. A range of plus or minus 5% around the fixed income/Non Fixed Income split is judged to be reasonable and is not expected to prejudice the long-term policy mix. Management and the Board (through its Investment committee) have the discretion to

make decisions respecting the Fund's strategic positioning within these ranges. Management will notify the Board should the fixed income/non fixed income ranges be exceeded and develop a rebalancing strategy for the Board to **Investment Department 8 November 2006** consider. To diversify risk and enhance expected returns, the Fund's fixed income and non fixed income investments will be allocated among the following major asset classes and maintained within the corresponding ranges as a percentage of the Fund's market value.

Table No.4.11: Investment Income

Asset type	Principal debt repay	Expenses	Net returns from investments
Treasury Bonds	6 598 000 000	0	4 477 747 988
Local Equity	0	0	861 478 754
Foreign equity	0	0	0
Government bonds	0	0	9 363 879
Government Debt	2 104 562 962	0	99 577 541
Corporate Loan	761 078 947	0	274 695 318
Mortgage Loan(BRD)	576 760 041	40 487 661	285 692 374
Corporate Loan(BCR)	0	0	1 570 000
Bank Term Deposits	0	0	387 115 288
Real Estate	0	232 547 093	631 574 055
Total	10 040 401 950	273 034 754	7 042 995 197

Source: SSFR, Annual report, 2003-2008

4.8 Real Estate projects

As indicated in the business plan for 2008, real estate projects, over 60% of the investment budget is for real estate projects. The implementation progress of these projects as of 31st December 2008 is shown in table 5 below.

Table No.4.12: SSFR's investment in Real Estate in Rfw

DESCRIPTION	Value as of 31/05/09	Estimated Cost (B)
Real Estate projects	6 938 242 624	
Kacyiru estate	263 520 000	
UCT Building	570 893 600	
Kacyiru Executive Apartment	5 185 221 624	
Former USA Embassy	918 607 400	
On-going Estates Projects	13 048 774 136	52 269 515 134
Insurance Plaza	5 200 241 411	14 700 000 000
District Branches	7 110 869 515	12 103 515 134
Shopping Mall	237 663 210	14 000 000 000
Gacuriro project (234 houses) phase2	500 000 000	11 466 000 000
TOTAL	19 987 016 760	52 269 515 134

Source: SSFR, Annual Report 2005-2009

4.9. Investigation impact the SSFR has on Individuals

The respondent agreed on 100% that SSFR has the impact individual by providing to the retired benefits on the retirement period. Apart the benefits paid to pensioners, SSFR participate in different event towards the individual well being. SSFR participating in the social assistance of the vulnerable group in different ways and calamities. On the social corporate responsibilities, 100% of the respondent said that they got much kind of assistance, such as books for schools of their Children, house construction of vulnerable group, hospital assistance in purchasing machines, and other assistance. The table below

shows social Corporate Responsibility that SSFR has done to contribute to the well being of the population. Also SSFR provide mortgage for commercial agencies and individual and facilitate them to pay in installment. This facilitation has the impact on the welfare of the population.

Table No.4.13. Analysis of what SSFR contribute to the social Development of RWANDA

Responses	Number	%
Benefits	35	100%
Social Corporate Responsibilities	35	100%
Commercial Mortgage	35	100%
Total	35	100%

Source: Secondary Data

Table 4.14. SSFR Social Corporate Responsibilities

Amount spent (Frw)	Purpose
41.000.000	To Purchase a diagnostic machine for Kibagabaga Hospital
18 800 000	To Construct houses for the poor and disabled through Seventh day Adventist Church
18 000 000	To construct houses for Rwandan refugees from Tanzania through Kayonza district in Eastern Province
19 579 625	Assistance to different groups of individuals, institutions and projects

Source: SSFR, Annual Report, 2008

The Social security Fund of RWANDA SSFR has donated 5,591 books to different schools in RWANDA. The books worth an estimated value of 100mFRW were given to UMUTARA POLYTECHNIC, ECOLE SAINT JOSEPH KICUKIRO, SOS RWANDA, and APAPEC-IREBERO. It is also part of the SSFR's corporate social responsibility plan that will see the Fund move. According to officials from SSFR, the intention was to support schools and students acquire the rather, expensive books otherwise not within the reach of most schools. SSFR has so far made a contribution of 75mFRW to different social interventions, such as the returnees from Tanzania and the flood victims in NYABIHU district.

The respondent agreed 100% that by investing in Real Estate project, SSFR create jobs for many people and increase the economic Growth of the Country. From the economic theory, investment goes with employment creation, increase in aggregate demand, increase in production hence economic growth. SSFR investments as already highlighted above are in two forms, direct and indirect investments. The jobs created by direct investments are mainly those from real estates. Jobs from indirect investments are those created as a result of shareholding in companies in table 14 below.

Table No.4.15. SSFR's projects Job creation

Investment type	Jobs created
Direct investment	2,123
Indirect investment	245
Total job created	2,368

Source: SSFR, Annual Report, 2008

A part job creation, SSFR contributed to the Government revenue. From what has been presented above, it is clear that SSFR contributes to government revenue through tax payments. The fund invests in some taxable businesses like fixed deposits in banks and pays tax. The contractors in various real estate projects pay VAT on receipts from

services rendered. The companies where SSFR holds shares pay different types of taxes like VAT, TPR and profit tax. The table 15 below shows the details of taxes paid.

Table 4.16: SSFR contribution in fiscal collections in Rfw

Contribution in tax	Amount in Frw	
	2007	2008
Direct contribution	531 209 273	844 189 689
Indirect contribution	1 377 992 989	2 438 297 898
TOTAL	1 909 202 262	3 282 487 587

Source: Secondary Data

Table 16: SSFR shareholding as at 31st May 2009

Company	Company's Equity	N° of Shares	SSFR Shares	Value of SSFR shares	% of SSFR Holding
SONARWA	4,551,428,571	50,000	8,125	739,607,143	16.25%
B.K	5,005,000,000	45,500	15,313	1,648,683,000	33.66%
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B.R.D	7,000,021,000	7,000,021	1,552,628	1,552,628,000	22.18%
RWANDATEL	2,420,000,000	242,000	48,400	484,000,000	20%
A G L	1,250,000,000	1,250,000	500,000	500,000,000	40%
R E I C	1,120,000,000	4,000	700	196,000,000	17.5%
R I G s.a	13,850,000,000	13,850	2,400	2,400,000,000	17.33%
ULTIMATE Concept	12,000,000,000	5,000	2,000	4,800,000,000	40%
HOSTELS 2020 sarl	3,000,000,000	300,000	120,000	1,200,000,000	40%
R.F.TZ	11,000,000,000	1,100,000	164,748	1,647,480,000	15%
KIGALI TILES CO	50,000,000	50,000	15,000	15,000,000	30%
R.F.I. CO.	8,900,000,000			6,675,000,000	75%
SAFARICOM				4,228,419,565	
RWANDA DISTILLERY	7,458,400,000	7,458	1,492	33,376,742	20%
TOTAL				28,371,347,892	

Source: SSFR, Annual report, 2008

The participation of SSFR in these companies indirectly contributes to economic growth through taxes, employment and aggregate demand.

In line with the second research question which says "Do the SSFR through the benefits paid and its investments contribute to the socio-economic development of RWANDA?" The finding shows that SSFR has contributed tremendously to the development of the country in all dimensions.

4.9. Analysis of the organic law which is applicable for pension of 2003 modifying the law of 1974 convenient to pensioners.

The 17 respondent said that the law is outdated and must be modified; there are some articles in the law that is not alien with today's living conditions and economic trends. For example, pension must be given in advance in order to maintain the sustainability of the old age. The model of benefit calculations are not reflecting on the savings approach and the contributions must produce interests at the end of a certain period.

Indeed, this responds to the third research question as stated "Is the current law governing the social security of RWANDA needs some improvement in order to contribute to the well being of the old age and survivors in their retirement period?"

The findings shows that , the current law is not favourable to the pensioners and therefore does not give provision for getting their benefits in early time which would enable them to go for businesses when still energetic. Secondly, the allocated funds are dumped and do not generate interests

CHAPTER FIVE

FINDINGS, CONCLUSION AND RECOMMENDATION

5.1. FINDINGS

The study findings were discussed in accordance with the objectives and research questions of the study. This research therefore intended to demonstrate the role of SSF scheme in enhancing socio-economic development in Rwanda.

Based on the information presented above, the Social Security Fund of RWANDA has immensely played roles to the positive trends in socio-economic performance of Rwanda. However, the role of social security in economic development depends on how the system is designed and investment planning and regulation.

By using different methods and techniques to verify the roles played by the SSFR in enhancing social economic Development of Rwanda, the researchers realized that due to the fact that SSFR benefits trends in increasing in positive way, SSFR pays the retirees at the time of retirement. The researcher find also that SSFR before investing has the guide to follow that that, money invested should give a high return on investment. SSFR invest in different dimensions like commercial mortgage, security bonds, Real Estate and Land Management.

5.2. CONCLUSION

Apart the benefits received by the pensioners, enhancing the socio-economic development of the Country, SSFR participate in different social responsibilities and contribute to the welfare of the population. The contributed amount in social responsibilities of the SSFR is 96m Rfw. From Real estate projects SSFR created job in several dimension and the researcher discover that 2.368 have created to unemployed.

5.3. RECOMMENDATIONS

1. SSFR should revise the current law governing benefits and thereby calculates benefits with interests instead of dumping the money in the coffers which is not for the benefit of the contributor
2. To contribute to the national development, SSFR should design project that aligns with the middle income earners;
3. SSFR should give advance to pensioners in order to start project at their energetic time.
4. Government should reinforce measures for total adhesion to pension schemes for all workers in formal sector, for self employed and for workers in informal sector in organized groups: mandatory adhesion to the First Pillar (defined benefit scheme), and Second Pillar (Provident Fund) for all workers in formal sector; mandatory adhesion with choice between Provident Fund and any legally authorized Private pension Scheme for Self-Employed and workers in organized groups;
5. Government should reinforce measures for total adhesion for Occupational Hazards; Maternity leave and Sickness leave for all workers in formal sector;
6. The Government shall merge SSFR and RAMA (eventually MMI and the Mutuelle de Santé) under one national umbrella body: the RWANDA Social Security Board (RSSB)

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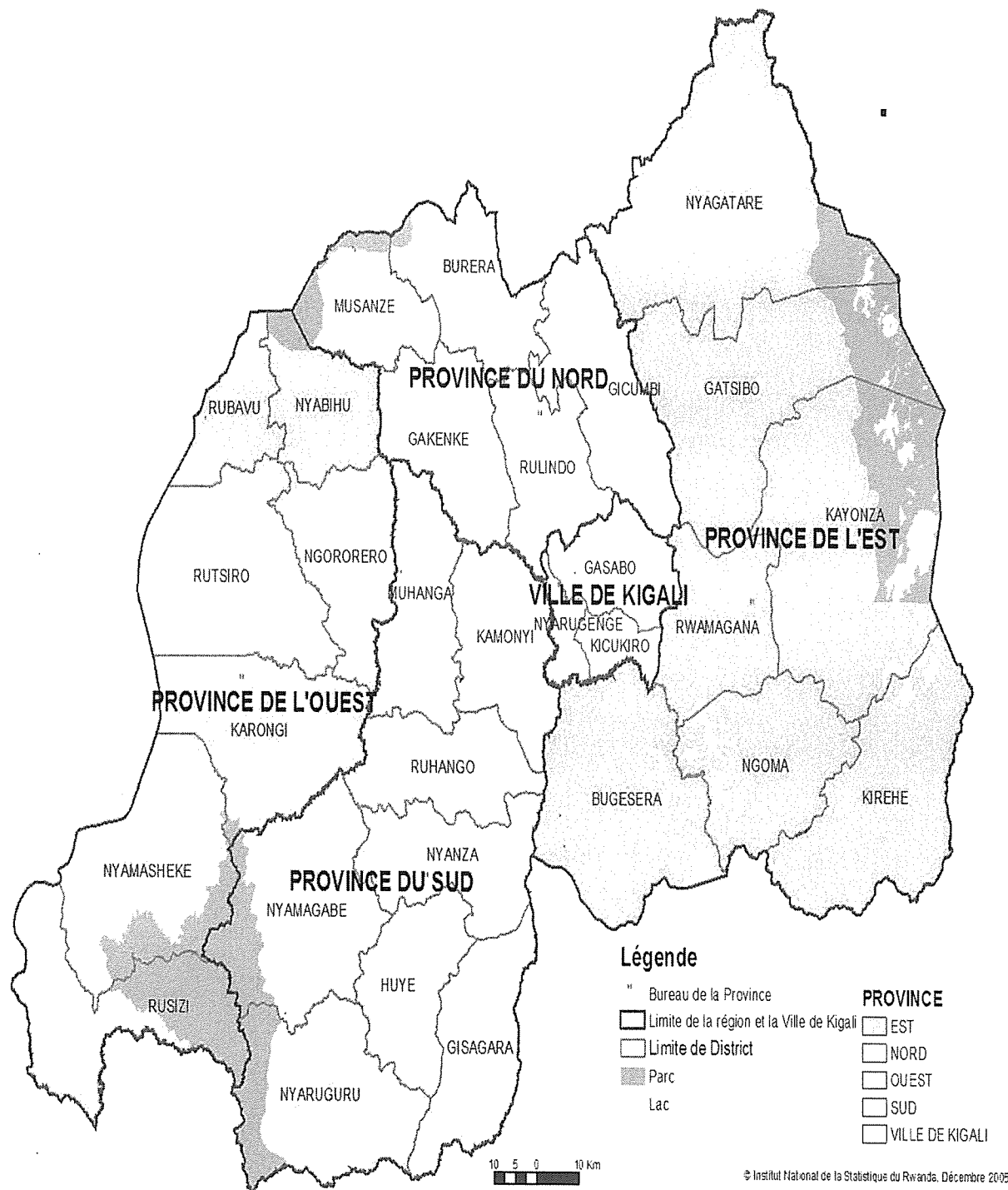
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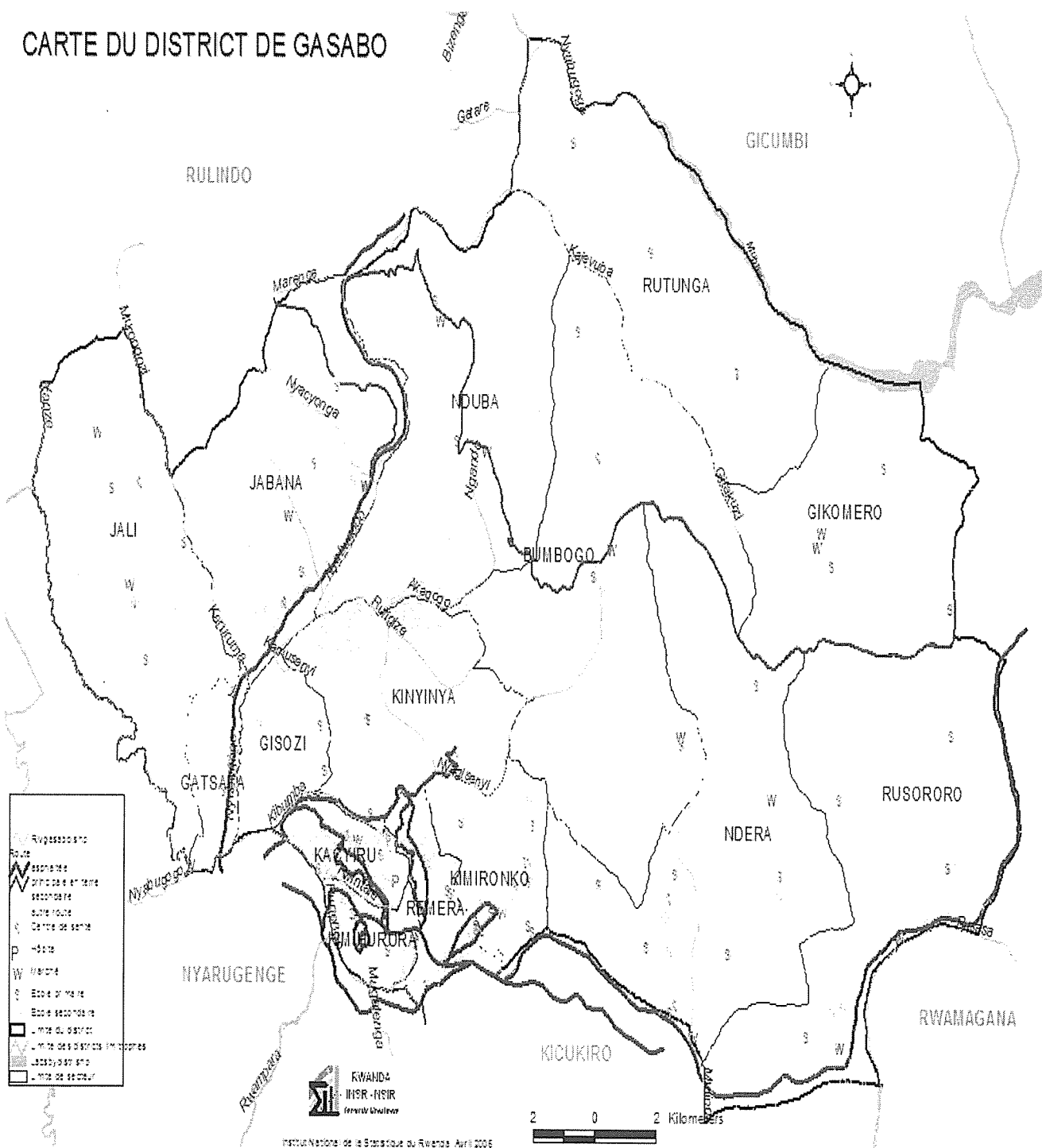
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Appendix 1: MAP OF RWANDA



Appendix 2: MAP OF GASABO DISTRICT

CARTE DU DISTRICT DE GASABO



APPENDIX 3: QUESTIONNAIRE FOR THE TOPIC OF STUDY

This questionnaire refers to collect data on Social Security Fund and the Socio-economic Development of RWANDA. It is going to be filled by the Direct Pensions Benefits and Indirect Pension Survivors Beneficiaries with the Directors, Staff of the SSFR.

Dear respondent,

This questionnaire seeks your views on the topic **ROLE OF SOCIAL SECURITY FUND SCHEME IN ENHANCING THE SOCIO-ECONOMIC DEVELOPMENT IN RWANDA.**

Please put a tick mark (V) reflecting your response where the question requires you to explain, please write in the space provided for this purpose.

To ensure the validity and reliability of data, you are kindly requested to answer the questions as truthfully as possible and according to your independent opinion. You may or may not disclose your name. I ensure you that your answers to the questions will be treated with strict confidence.

SECTION A. Social characteristics of the respondents.

1	Age	18-27	<input type="checkbox"/>
		28-37	<input type="checkbox"/>
		38-47	<input type="checkbox"/>
		48-57	<input type="checkbox"/>
		58+	<input type="checkbox"/>
2	Sex	Male	<input type="checkbox"/>
		Female	<input type="checkbox"/>
3	Marital status	Single	<input type="checkbox"/>



	Married	<input type="checkbox"/>
	Separated	<input type="checkbox"/>
	Divorced	<input type="checkbox"/>
4	Level of education	
	No formal education	<input type="checkbox"/>
	Primary	<input type="checkbox"/>
	Secondary	<input type="checkbox"/>
	Diploma	<input type="checkbox"/>
	Degree	<input type="checkbox"/>
	Post graduate	<input type="checkbox"/>
5	Occupation	
	Small scale farmer	<input type="checkbox"/>
	Large scale farmer	<input type="checkbox"/>
	Business person	<input type="checkbox"/>
	Government employee	<input type="checkbox"/>
	Unemployed	<input type="checkbox"/>

SECTION B. QUESTIONNAIRE ADRESSED TO THE SSFR BENEFICIARIES AND STAFF

(To investigate the benefits paid to the retirees at the time of retirement or death)

1. Are you a member of SSFR?

Yes ☐ No ☐

2. Do you know the importance of being insured in SSFR?

Yes ☐ No ☐

3. Are you getting any benefit from the SSFR

Yes ☐ No ☐

4.What kind of benefit do you receive on the following:

- a. Pension ☐
- b. Allocation ☐
- c. Disease's pension ☐
- d. Disease's Allocation ☐
- e. Occupation hazard ☐

5. Do you receive the benefits on time?

Yes ☐ No ☐

6. Do you think that SSFR has the role on the socio-economic development of insured?

Yes ☐ No ☐

(To find out how the contributor's funds are invested towards socio-economic development of the country)

1.The role of the SSF Scheme in enhancing the Social Economic Development in Rwanda is due to the Following factors:

- a. Benefits ☐
- b. Investment ☐
- c. Employment ☐
- d. Education ☐
- e. Health ☐
- f. Infrastructure ☐
- g. Agriculture and livestock ☐
- h. job creation ☐
- i. Tax Payment ☐

2. The SSFR, invest the excess in the following in enhancing the socio-economic development:

Savings mobilization and Investment	<input type="checkbox"/>
Land Purchase	<input type="checkbox"/>
Shareholding	<input type="checkbox"/>
Mortgage Real Este project	<input type="checkbox"/>

3. Is there any instruction that SSFR put into consideration before investing?

Yes ☐

No ☐

If yes can you describe them.....

1. A part from the benefits that SSFR provide to the pensioners

Yes ☐

No ☐

4. Please indicate the social responsibilities you have been give in the following:

1. Books

2. houses construction

3. other socio-assistance

3. Do you find some articles in the organic that could be modernized so, that pensioners could get well being.

Yes ☐

No ☐

3. If yes, could you enumerate some of articles that could be modified in order to contribute to the well being of beneficiaries.....

THANK YOU VERY MUCH FOR YOUR COOPERATION.

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