

AFRICAN PENSION SUPERVISORS FORUM



2022 Annual Conference Report

*Theme: Resilience and Sustainability of the Pension Sector
amidst Crises – The Case of the COVID -19 Pandemic*

Held in Serena Hotel Kigali, Rwanda

July 14 – 15, 2022

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Acknowledgements

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I wish to extend special appreciation to the guest of honour **Hon. Richard Tusabe, Minister of State for the National Treasury**, our special guests **Hon. John Rwangombwa** and **Hon. Soraya Munyana Hakuziyaremye** the Governor and Deputy Governor of National Bank of Rwanda, respectively, for gracing the conference and giving keynote addresses. I must say that it was a great honor and kind of you to accept to host the APSF conference in the beautiful city of Kigali, Rwanda *“The land of a thousand hills and a million smiles”*.

Special acknowledgment also goes to all the Conference participants, particularly those from the various APSF Member Institutions present during the conference including the Financial Services Commission of Mauritius, Uganda Retirement Benefits Regulatory Authority (URBRA), National Pensions Regulatory Authority of Ghana, Financial Sector Conduct Authority of South Africa, Pensions and Insurance Authority of Zambia, National Pension Commission (PENCOM) of Nigeria, Retirement Benefits Authority of Kenya among others.

I am sincerely grateful to our partners, particularly, FSD Africa for their continued financial as well as technical support to the APSF. We also appreciate our other key partners including Access to Finance Rwanda for financing the conference, the World Bank, pinBox solutions and all the speakers for honouring our invitation to speak at the APSF 2022 Conference.

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MR. CHARLES MACHIRA

**Ag. CHIEF EXECUTIVE OFFICER, RETIREMENT BENEFITS AUTHORITY AND
INTERIM CHAIRMAN, AFRICA PENSION SUPERVISORS' FORUM.**

Acronyms

| | |
|--------|---|
| APSF | Africa Pension Supervisors' Forum |
| CEO | Chief Executive Officer |
| CMA | Capital Markets Authority |
| COP | Conference of Parties |
| DB | Defined Benefits |
| DC | Defined Contributions |
| DFI | Development Finance Institutions |
| EAPSA | East Africa Pensions Supervisors Association |
| ESG | Environmental, Social and Governance |
| FSCA | Financial Services Conduct Authority |
| FSD-A | Financial Sector Deepening Africa |
| GDP | Gross Domestic Product |
| ILO | International Labor Organization |
| IOPS | International Organization of Pension Supervisors |
| KYC | Know Your Customer |
| MDB | Multilateral Development Bank |
| MoU | Memorandum of Understanding |
| NBR | National Bank of Rwanda |
| NSE | Nairobi Securities Exchange |
| NSSF | National Social Security Fund |
| OECD | Organization for Economic Corporation and Development |
| PENCOM | National Pension Commission |
| PETAD | Pension Transitional Arrangement Directorate |
| PIA | Pensions and Insurance Authority |
| RBA | Retirement Benefits Authority |
| REITs | Real Estate Investment Trust |
| RSSB | Rwanda Social Security Board |
| SME | Small and Micro Enterprises |
| URBRA | Uganda Retirement Benefits Regulatory Authority |

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I. INTRODUCTION

The African Pension Supervisors' Forum (APSF) is a membership formed in 2019 during the inaugural conference held in Nairobi, Kenya. The Forum is still at its infancy stages and spearheaded by an interim committee appointed from among the founder member countries to oversee its institutionalization. It brings together pension regulators and supervisors from across Africa to canvass issues of common interest. The goal of APSF is to provide a platform for collaboration, co-operation and exchange of information and ideas to better supervise, regulate and grow the pension sector in Africa.

1.1 Background and Rationale

The formation of the APSF was mooted by African countries who are members of International Organization of Pension Supervisors (IOPS) during their side meetings. IOPS is a global network of pensions supervisors and focuses on setting of standards, better regulation, and supervision for the sector. The APSF, therefore, focuses more on pension issues and challenges that are pertinent or rather unique to the African continent. It allows pension supervisors to learn from one another in order to find solutions to enhance better governance and performance of the pension sector. Their different experiences and perspectives in addressing their respective challenges would be resourceful as they seek solutions for them. Such discourse for the Continent was long overdue as other regions where IOPS draws its membership already enjoyed such, as was the case with Latin American membership in IOPS.

The Forum holds annual conferences bringing together pension supervisory bodies from the continent as well as professionals and pension sector practitioners from Africa and elsewhere who are knowledgeable and experienced in the pension subject matter. So far, the Forum has held three successful conferences. The inaugural conference was held in Nairobi – Kenya on 16th and 17th September 2019 while the second conference was held virtually in September 2020 due to the advent of covid-19 that restricted travels and in person meetings. The third conference was held in Kigali – Rwanda on 14th and 15th July 2022.

1.2 Conference Objective

This conference was the third one held by the Africa Pension Supervisors Forum, bringing together pension regulators and supervisors from across Africa. The objective of the conference was to provide a platform for pension regulators and industry players to engage in policy dialogue on pension regulation and supervision, particularly during the covid-19 crisis period, as they share their experiences and ideas and picking up lessons to ensure sustainability and resilience of the sector amidst such crises for the benefit of the pension sector in in the continent.

The conference was held on the 14th and 15th of July 2022 at Serena Hotel in Kigali, Rwanda. The conference was hosted by the National Bank of Rwanda and was co-sponsored by Financial Sector Deepening Africa (FSD-A) and Access to Finance Rwanda. The facilitators for the conference comprised speakers from the World Bank, Pension Supervisory bodies from the continent, industry players and associations, professionals and pension sector practitioners knowledgeable and experienced in the pension subject matter.

1.3 Participation

This conference drew its participants mostly from pension regulators and supervisors from across Africa including South Africa, Nigeria, Zambia, Rwanda, South Sudan, Botswana and Uganda. The conference facilitators comprised speakers from the World Bank, pinBox solutions, Pension Supervisory bodies from the continent, professionals and pension sector practitioners knowledgeable and experienced in pensions.

II. CONFERENCE PROCEEDINGS

2.1 Official Opening Session

The session commenced with a speech from Dr. Umaru Farouk Aminu, the vice-chair of the APSF and Head of PENCOM Nigeria. He began by refreshing the minds of participants on the genesis of APSF which started with the first conference that was held in Nairobi, Kenya in September 2019 under the theme, “Unlocking Africa’s Pension Potential”. This was followed by the 2020 conference themed “Africa’s Pension Industry During and after covid-19” which was held virtually due to the advent of covid-19 which came with restrictions on movement of people.

Dr. Farouk went ahead to outline the objectives of the 2022 APSF conference which was aimed at tapping the potential of every member country. He thus invited all the participants to share ideas and exchange knowledge during the Forum. The Vice-Chair then ushered in the Central Bank Governor, National Bank of Rwanda to give his remarks.

Speech by Hon. John Rwangombwa Governor, National Bank of Rwanda

Hon. Rwangombwa began his speech by welcoming the delegates to Kigali. He then proceeded to thank the Retirement Benefits Authority (RBA) of Kenya for pioneering the APSF and encouraged other countries within the African continent, that are not yet members, to join in. The Governor honored the Late Nzomo Mutuku, former CEO of the Retirement Benefits Authority of Kenya, who he recognized as the pioneer of APSF.

The Governor alluded to the fact that it was no longer tenable to think that a bigger family guaranteed one a secure future. He challenged the delegates to acknowledge that it would be awkward for a senior citizen to be tossed among their children because none is willing to take care of them. Therefore, he reminded the delegates that saving for retirement was the best decision in today’s world.

The Governor noted that the pension sector was important in contributing to economic growth and development. However, he opined that pension coverage was still very low in sub-Saharan Africa, as only 6.3% of the working population are covered under a pension scheme in these countries, which is a complete contrast to the 97% coverage in North America. He noted that life expectancy at birth in Africa has improved to 50

years hence the need to ensure increased pension coverage to cover for the aged. He informed the delegates of the need for serious regulatory reforms targeting the informal sector. The Governor also noted the adverse effects of covid-19 and the war in Ukraine on the pension sector which requires structures to ensure resilience to shocks in the pension sector.

The Governor concluded his remarks by thanking FSD Africa and Access to Finance Rwanda who were the co-funders of the APSF 2022 Conference. He went ahead to say that “*None of us is as smart as all of us*”.

Speech by Hon. Richard Tusabe, Minister of State for the National Treasury.

Hon. Tusabe began his speech by referring to World Bank reports that have shown that Africa’s demographic dividend is being eroded by lack of savings and a majority of its workers not being covered by pension. He went ahead to inform delegates that the fiscal space is narrowing in the continent hence making it impossible to provide for Government funded social protection. Thus, there is need to discuss the missing middle and to encourage more workers to save for retirement.

Hon. Tusabe reiterated that the APSF conference was important in sharing experiences on how to design projects that speak to the realities of the African continent and touch on the effects of covid-19, the Ukraine crisis, increased poverty levels, rising cost of doing business and nationalization of the food chain.

The Minister noted that the task ahead was to ensure recovery efforts in which pension funds had a major role to play, and which calls for innovation and engagement with policy makers. He urged delegates to design what works for Africa. He mentioned that *EjoHeza* which is an innovative idea from Rwanda is a case in point of innovativeness in the pension sector. He further urged delegates to ensure they come up with mitigation measures to protect pension scheme members and build a firm base after the covid-19 crisis. There was need to employ digital solutions to the provision of financial services and for more efficient service delivery.

The Minister concluded his remarks by passing his sincere condolences to the entire African pension fraternity for the demise of Mr. Nzomo Mutuku, the late interim

Chairman of the APSF and outgoing CEO of the Retirement Benefits Authority in Kenya, who had made a lot of contribution to the retirement benefits sectors in Africa. As such, he urged every delegate to play a role when given the opportunity to serve. He urged them to *“Build back better!”*

III. CONFERENCE PRESENTATIONS AND DISCUSSIONS

Session 1: Performance of the Pension Sector Amidst Covid-19 – Globally and on the Continent (Challenges and Opportunities)

The speaker for the session was **Himashi Jain** who is a social sector specialist with the World Bank. In her presentation, she highlighted the evolution of pensions and the changes that have occurred over the period. The speaker mentioned that the first era in the evolution of pensions witnessed the rise of DB schemes and occurred in the years 1890s through to 1970. The second era saw the emergence of defined contribution schemes in the years 1980s to 2000. The third era witnessed pension reversal and expansion of non-contributory (social) pensions. The fourth and final era in the evolution of pensions has seen conversation about coverage which she noted would not be solved by mandatory contributions. Instead, she opined that there was need to focus on life-cycle investment. She also noted the increased focus on informality in employment contractual arrangements and the need for innovation/technology, with tax and financial (matching) incentives, needed to reach larger numbers in the working population. The issues of returns on scheme assets, inflation & sustainability also need to be addressed in order to rebuild depleted funds.

In addition, she observed that the continent had multiple pension schemes with different provisions, namely, public sector schemes that are mature and offer generous benefits; formal private sector that are mandated to contribute but receive inequitable or inadequate pensions; occupational pension funds that aim to boost adequacy for private sector workers; and emerging voluntary schemes for informal sector with monetary and behavioral incentives to boost coverage and compliance. This fragmented pension landscape is a common feature of developing economies and assessing performance in this context requires looking at Coverage, Adequacy, Equity, Sustainability, Coherence and Incentives.

The speaker, in her concluding remarks, recommended that to improve pension sector performance;

- 1) There is need to put in place post-crisis compensatory mechanism

- 2) A shift to electronic payments, focus on service delivery and improvement in interoperability across data systems is required.
- 3) Support to improvements in long term care and rehabilitation services in necessary
- 4) There is need to alleviate the impact of declining financial markets performance.
- 5) Balancing payments today with tomorrow's needs is a challenge that requires both short-term and long-term solutions.

The session was capped with a panel discussion moderated by **Dr. Umar Farouk Aminu**, the Commissioner Administration, National Pension Commission (PenCom) of Nigeria and the Vice Chair- APSF. He underscored the fact 20 per cent of African countries subscribed to a 1 trillion US dollar green bond that was issued in the United States of America in the year 2020.

One of the panelists, **Mr. Olano Makhubela** mentioned that South Africa had witnessed a 1 million decline in membership to pension schemes during the covid-19 crisis period. This implied loss in levy, contributions and jobs in extreme circumstances.

On the other hand, **Mr. Martin Nsubuga** from Uganda highlighted some of the challenges witnessed in his country during the covid-19 crisis including reduction or suspension of contributions to pension schemes especially from the education and hospitality sectors. On the investment side, there was not much impact as most of the pension funds' investments are concentrated in government securities. On a positive note, Mr. Nsubuga noted that the timing of covid-19 was in the midst of an amendment to National Social Security Fund Act of Uganda which made it possible to take into account management of pension during a crisis. However, he expressed concern regarding the need to separate savings for retirement from savings for other needs.

Mr. Nsubuga also highlighted other challenges which the pension industry in Uganda witnessed as a result of covid-19 crisis such as constrained liquidity that made it difficult for pension funds to honor payment of benefits through early access and wasteful use of pension funds accessed early by members. Consequently, he emphasized the need to expand pension coverage, which remains a key issue in the continent; underscored the need to popularize savings for retirement and build sustainable and resilient pension

funds; vouched for pension funds to have separate accounts for both short-term and long-term savings by administering short-term products like saving for emergencies (rainy day) to help curb the problems of early access by members and ensure preservation of retirement benefits for the long-term.

The panelist agreed that interoperability between various systems in the pension sector was important in bringing in the informal sector into pensions arrangement. There should equally be mechanisms to save indirectly for pension. Finally, the panel discussion also touched on scheme operating expenses, which require careful examination and review without crowding out service providers.

The panel discussion elicited some reactions from the delegates who sought the views of the panelists regarding adequacy of the policies and laws regulating the pensions against the backdrop of emerging crises like covid-19. The delegates were particularly concerned about policies and laws around strict preservation. The panelists in response gave the example of the South African pensions system that has two (2) pots for members, one for saving for retirement where access is only at retirement and another for short-term savings where early access is allowed.

An example was also given of Vietnam that allowed early access in a defined benefits scheme. It was, however, noted that early access needed to be time bound with clear policy directions on what happens thereafter to replenish the funds that were accessed. In Nigeria, pensions are segregated between mandatory and additional voluntary contributions, on a 60%:40% ratio, and early access is only allowed in the latter case. In conclusion, therefore, the session resolved that the key question for determination was whether pension systems were resonating with the needs of the people and their priorities.

The first session ended with signing of a Memorandum of Understanding (MoU) between Dr. Evans Osano on behalf of Financial Sector Deepening Africa (FSD-A) and Dr. Umaru Farouk Aminu on behalf of the Africa Pension Supervisors Forum (APSF).

Session 2: The future of the pension sector in Africa

The Speaker for the Session was **Dr. Umar Farouk Aminu of the National Pension Commission (PenCom) of Nigeria**. The session looked at the future of the pension sector

in Africa and touched on three areas including transition of defined benefit schemes to defined contribution schemes, the role of private pension funds to complement public pensions, and the efficient mobilization of long-term savings to finance development projects.

Dr. Farouk highlighted in his presentation that the working population in Africa was about 100 million of which about 8 million were employed in the public sector. He expressed concern that low pension coverage remained a thorn in the flesh for the pension sector in Africa. In his presentation, Dr. Farouk mentioned that Namibia, South Africa and Kenya were some of the leading countries in pension to GDP ratio. He went ahead to highlight that most of the pension assets were invested in fixed income assets. In Nigeria pension assets have to be invested locally.

Dr. Farouk pointed out that there was a shift that had been witnessed from unfunded defined benefits schemes (which have become vulnerable to economic shocks) to funded defined contribution schemes with significant gains towards building large pool of funds, but which are largely invested in traditional investments, namely government papers and equity. He gave a case study of Nigeria's pension system, which he mentioned had a provision for two pots, the mandatory savings pot and the additional voluntary contribution pot that could be accessed early but with a tax of up to five percent if accessed before 5 years of membership.

Dr. Farouk in his presentation observed that pensions funds play two critical roles; payment of retirement benefits as and when due, and investments of the funds which impact economic growth and provides capital for development. However, in Africa as much as pension funds are growing and are also increasing their investments in infrastructure, the infrastructure deficit in the continent is still quite alarming. The Continent's infrastructure financing needs will be as much as US \$170 billion a year by 2025, with an estimated gap of around US \$100 billion a year (Data source: African Development Bank Report). Although pension funds investment in infrastructure holds better prospects for Africa, there are still several challenges which he went ahead to highlight as:

- a) Policy reversals

- b) Dearth of investible infrastructure products that meet the regulatory requirements.
- c) Highly volatile inflationary environment discourages long term investments by pension funds.
- d) Relatively high interest rate regimes, which discourage corporate bonds issuance and development of the real sector.

Dr. Farouk concluded his presentation by outlining the future outlook of the pension sector in Africa that entailed development of new alternative investment asset classes, increased investment in infrastructure funds and bonds, strengthening of investment regulation, introduction of Pan-African offshore investments and intensified consultation amongst APSF member countries. Thus, as we all seek to develop our individual, country-specific pension systems, we must also recognize that we operate in a larger ecosystem, and we must seek to contribute to the development of the African Pension System, in particular, and the African economy, in general. He also mentioned that Nigeria had a pension protection fund to provide a safety net for members, an arrangement that other supervisors can emulate.

Session 3: Green and Sustainable Finance

The session speaker was **Dorothy Maseke, the Group Head of Risk and Compliance at ICEA Lion Group**. The session revolved on green and sustainable finance with a key focus on Environmental, Social and Governance (ESG) inclusion in the policy conversations and pension investment decisions. She underpinned FSD Africa's catalytic role in promoting green financing. She went ahead to highlight the transitional risks in the move towards net zero. As such, she opined the urgent need for incorporation of ESG considerations into pension funds' investments which she insisted was inevitable. Where ESG was initially intended for ethical purposes, this has now evolved into risk and sustainability investment options.

The speaker reiterated that Africa as a continent was presented with an opportunity to pick up the funding from global partners availed to them in terms of green investment. As such, she insisted that countries that undertake offshore investments of pension funds must also be provided with an option of investing in sustainable offshore sustainable investment. The speaker concluded her remarks by calling on member countries of APSF

to come up with some actionable resolutions that can be presented to the next Conference of Parties (COP) on climate change.

Session 4: Pension Inclusion: Increasing Access and Usage of Pensions Across the African Continent - Rwanda Case Study

The Speaker for this session was **Dr. Regis Hitimana, Deputy Director General in Charge of Benefits, Rwanda Social Security Board (RSSB)**. His presentation focused on pension inclusion in terms of access and usage giving a case study of Rwanda. The speaker highlighted that some of the key success factors for increased access and usage of pension in Rwanda included trust between the government and citizens, government incentives and return on investments, leveraging information technology systems, institutionalization of a performance management system in government and existence of a robust informal socio-economic structures in Rwanda.

The presentation by the speaker of the session was followed by a panel discussion that delved deeper into the topic. One of the panelists highlighted the important role that the Government of Rwanda played in the establishment of *EjoHeza* which entailed majorly members being encouraged to take ownership and driving power in the project. The Scheme had 902,327 members to-date who join from the age of 16 years, but younger persons could use their parents' identity documents to join it. The Scheme is voluntary with matching from the Government within means tested limitations. It offers bundled benefits like free group life cover and funeral benefits.

The Government brought together all the relevant stakeholders including the private sector, industry players and development partners for the success of the scheme. The success was equally realized because of a strong legal and regulatory framework that was put in place by the Government. The panelist advised that it was important to have a well-designed scheme structure. This helped propel *EjoHeza* to success. In addition, the success realized in the roll-out and implementation of *EjoHeza* was also because it was more customer centric, using peer educators and ease of access to information, hence the buy in from the users. In conclusion, delegates were asked to reflect on whether Africa could afford to stand and do nothing about increasing access to pension.

Session 5: The role of Effective Governance, Transparency and Disclosure Frameworks in Enhancing the Viability of the Pension Sector.

The Speaker for this session was **Niyonizeye D. Dilme, Ag. Director, Insurance & Pension Supervision National Bank of Rwanda**. It focused on the role of effective governance, transparency, and disclosure frameworks in enhancing the viability of the pension sector. The speaker adopted the definition of governance, in relation to the pension sector, as a framework or structure by which a scheme is controlled and operates, and the mechanisms by which various sector players are held to account. The framework includes both internal mechanisms (Risk based internal controls, Policies and Committees of the Board) and external mechanisms (Disclosure and Reporting, Transparency and disclosures requirements and External audit requirements).

The speaker noted that schemes are governed by Boards of Trustees that focus on structure, processes and controls. The governing body may rely on the support of sub-committees, delegating functions to internal staff and external service providers. It may be required by the regulator to seek expertise from professionals to carry out certain functions, e.g., fund management, administration, custodial, actuarial, services, audit, and legal services, among others.

He identified potential areas of governance failure as: unclear definition of functions, roles and responsibilities of members of governing body; lack of mutual trust within the Board and between Board and its delegated agents (service providers); Lack of succession planning, poor information management and inadequate risk management practices; and lack or imbalance of skills/competencies of members of the board. The Board, nonetheless, has a fiduciary role of protecting the interests of members over and above their own. Mr. Dilme finalized by appreciating the fact that even though governance issues were important, they tend to come second to prudential issues as the latter, related to scheme funds and integrity of scheme assets, are seen as more pressing day to day activities.

The presentation was followed by panel discussions on why good governance is very important for a pension scheme to achieve its objectives; what governance structures work in the various countries represented at the Forum and improvements that can be made. Participants further discussed why transparency and disclosures are important aspects for

members of the scheme, as well as other pension scheme stakeholders, to have confidence in the scheme. There were heated discussions on the minimum information which should be disclosed to members with most participants agreeing that trustees should be as transparent with scheme information as possible to build trust among scheme members.

Session 6: Private Credit Markets in Africa

The speaker for this session was **Anthony Mwithiga – CEO, Old Mutual Investment Group, East Africa**. His presentation was centered around the views espoused by Martin Weber on private debt in Africa. He underscored the need for pension regulators to make provisions for private debt in their investment guidelines. He noted that private debt was sophisticated and there was thus a need to simplify it to help trustees understand it better. Trustees should also be encouraged to seek expert advice where needed. Training of trustees on new asset classes would further enhance their confidence in decision making on such investments. The speaker also highlighted the concern on the risk associated with private debt. He concluded his presentation by mentioning that there were low investment levels in private debt by institutional investors like pension funds, a concern which called for more awareness creation.

Private Debt can provide a means of channeling these assets to play a critical role in funding Africa's financing gap (~USD 52-92 Billion annually). Africa's Private Debt market has historically been dominated by Development Financial Institutions (DFIs) and Multilateral Development Banks (MDBs). However, there is potential for increased participation in private debt by domestic institutional investors, including pension funds, given their desire for higher yields. Introduction of credit enhancement facilities in the focus markets and specifically tailored to institutional investors can encourage them to invest in Private Debt. In addition, capacity building across key stakeholders, namely, regulators, fund managers, trustees, service providers, etc., can also overcome the capacity constraints that have impeded growth of institutional investor participation in Private Debt.

Session 7: Digitization in the pension sector; Emerging Technologies, Cybersecurity, Business Continuity, Outsourcing

The session was anchored by **Gautam Bhardwaj, Social Entrepreneur, Digital micro-Pension Inclusion, Ashok Fellow & co-founder of pinBox Solutions, Singapore**. He

presented on digitization in the pension sector where he underscored the huge potential for retirement savings that existed in the informal sector. E-platforms are used to identify and track member activities. Use of digitization eases Know Your Customer (KYC) requirements, information access and decision making. He recognized that the building blocks for mass-scale pension and insurance inclusion already exist in most developing countries, including Africa. For example, there exists an enabling legal and regulatory framework; a broad-based digital ID and payments adoption; well-regulated pension funds and insurers; mass-scale mobile and smartphone penetration; millions of young workers who can save; and community networks for financial literacy. Despite the existence of this ecosystem, there is no easy and simple way for most people to save for old age or manage lifecycle risks.

Mr. Bhardwaj, however, emphasized that the clamor for digitization equally required to be matched with the caution on cyber security risks. Consequently, he informed the delegates that IOPS was working with other partners to develop a cyber security framework for the pension sector. The speaker concluded his presentation by emphasizing that technology was the backbone to mass scale adoption of Micro-pensions.

Session 8: Pension Adequacy and Security – Challenges/Disruptions and Opportunities

This session's Speaker was **Cosma Senyonga, Manager Prudential Supervision Uganda Retirement Benefits Regulatory Authority (URBRA)**. His presentation focused on pension adequacy and security using a case study of Uganda. He began his presentation by painting a picture of the income replacement rate simulations for African countries for national and civil service schemes. He went ahead to point out the case of Uganda that has a replacement rate of less than 40 percent with most African countries being way below the 70 percent benchmark provided by ILO. The speaker proceeded to highlight that the pension asset base for Uganda was USD 5.5 billion of which 80 percent is owned by 219,164 members.

The presenter touched on the demographic and socioeconomic trends in Africa. He pointed out that 5.6% of the population in Africa was aged 60 years and above in the year 2020. This ratio has been growing over the years. Some of the peculiar

observations under the demographic trend include rising life expectancy at retirement, which is approximated at 17 years, lower age at retirement leading to reduced years of savings for retirement and increased cost of health care in retirement. Likewise, the common factors noted from socio-economic trends included nominal wages and labor market dynamics, and old-age dependency on government and the society. The presenter equally highlighted some of the challenges bedeviling the African pension sector ranging from economic factors such as macroeconomic shocks, challenges with the legal framework, governance and management of the pension sector.

The speaker also highlighted some of the opportunities available for the pension sector in Africa including the demographic dividend, robust regulatory & supervisory frameworks, innovation, i.e., leveraging on technology through Fintech, Suptech and RegTech: demand and supply side donor support, i.e., Access to FSD Africa, IMF, World bank, Toronto Centre, etc., and established regional and international financial sector association such as APSF, IOPS, EAPSA, OECD, etc.

In conclusion, the speaker provided a way forward to policy makers on one hand in terms of incentivizing contributors through tax incentives and matching contributions, and on the other penalties for early withdrawals and non-remittance of contribution. He urged participants to support annuitization in order to have funds available to retirees for longer. He equally proposed a way forward to supervisors regarding prudent regulation, innovation to spur development in the sector and continuous capacity building on retirement planning.

Session 9: Pension Funds investments in Africa: Investment in Alternative Assets Classes Including Infrastructure and Integrating Environmental, Social and Governance Considerations on the Sustainability of Pension Funds

The Speaker for this session was **Sundeep Raichura, Group CEO, ZAMARA Group**. His presentation focused on pension funds investment in Africa with specific focus on alternative investment of pension funds in infrastructure and integrating ESG considerations into pension funds investment decisions. He commenced his presentation by appreciating that despite Africa being regarded as a dark continent, it harbors great potential including;

- Sustainable growth rates in growing number of countries and stable macroeconomic environments
- Technology as a catalyst for rapid change (growth in mobile phone networks and mobile money transfers)
- 60% of the world's uncultivated arable land
- Common trade areas and Africa Continental Free Trade Area
- Growth of stock markets and financial services sector
- Infrastructure developments (roads, ports, power)
- Long-term growth by social & demographic trends, and
- Long term growth prospects which look promising

Sundeep went further to explain that there was minimal intra-Africa trade by presenting statistics that indicated that only 15 percent of Africa trade was intra-Africa, whereas 50 percent of Asia trade was intra-Asia while 70 percent of European trade in intra-Europe.

The speaker also touched on lurking potential in infrastructure investment in Africa highlighting the role of pension funds on the same by highlighting a case study of Kenya Pension Funds Investment Consortium (KEPFIC). KEPFIC is a membership body formed in September 2018 to pool assets of member pension funds and invest in sustainable and long-term infrastructure and alternative assets in the region, including core infrastructure, social infrastructure, and affordable housing. He stated that the consortium had a membership of 24 pension funds with a total asset base of USD4.3bn.

The speaker equally touched on the rising need for pension funds to integrate ESG for sustainable Investment where he gave compelling reasons for the agitation. He pointed out some studies that have been done on the subject and highlighted some of the challenges noted.

He concluded by pointing out some considerations for policy makers and pension regulators as regards infrastructure investment and integrating ESG consideration. He noted that Africa was ripe for taking a different approach to pension funds investments including:

- Considering innovative approaches to investing in infrastructure and other alternatives.
- Considering innovative approaches to ESG.

- Serving as anchor investor(s) to attract foreign capital for infrastructure and ESG related investments.
- Tap into funding earmarked for Africa.

Likewise, regarding integrating ESG considerations, he noted that implementing ESG frameworks and introducing infrastructure as an alternative asset class for pension funds in Africa was going to take time, patience and skill, investment in capacity building, regulatory nudge and push, and merit, in regional and Africa wide approaches. He pointed out that South Africa has simple guidelines on ESG investments that delegates can borrow from. However, investment in ESG should not sacrifice the returns required by pension schemes.

IV. CLOSING REMARKS & WAY FORWARD

The closing remarks were given by **Hon. Soraya Munyana Hakuziyaremye**, the Deputy Governor National Bank of Rwanda. She appreciated the high level and quality discussions witnessed throughout the two-day APSF 2022Conference. The Deputy Governor appreciated the organizing team for the conference and the financiers FSD-A and Access to Finance Rwanda. She noted that the pension sector in Africa continued to be resilient despite the various shocks in the economies of the countries of the continent. This, she admitted, was because of inclusion, effectiveness, governance digitization and effective internal controls that happens within the pension sector.

She recommended that, going forward, there was a need to increase coverage in the informal sector for its workers in the sector to have a dignified life in old age. **Hon. Soraya** concluded her remarks by lauding the APSF for enabling close collaboration among the its member countries and thanked all the delegates for the active participation during the conference.

Way forward

The way forward from the conference is based on the resolutions arising from the deliberations during various conference sessions and the meeting of the Interim Executive Committee at the close of the conference.

Some of the key lessons and recommendations arising from the conference deliberations include.

- **Segmentation of pensions savings accounts to enhance benefits preservation:** early access to pension benefits was highlighted as a major concern across Africa. Consequently, it was recommended that pension funds can have different pots/accounts for members to contribute to, one that serves shorter-term financial needs and can be used to address various risks members face without interfering with the long-term port where retirement savings are put to finance descent livelihoods in retirement. Equally, the conference recommends that early access to the savings must be time-bound with directions as to what happens thereafter with their replenishment.

- **Extending pensions coverage to the informal sector:** It is also important for the informal sector workers to be enrolled into pension schemes heavily relying on innovation and technology given the numbers and the need for easy access to information at their fingertips. This sector is best incentivized by matching the members' contributions and possibly tax incentives for the more sophisticated workers in the sector.
- **Contribution of the pension sector to Africa's economic growth:** the conference noted that even though the pension sector had a specific mandate to develop country specific pension systems, it operates within a wider economic ecosystem. As such, the pension sector, while contributing to the development of Africa's pension system is also contributing to the extension of economies on the continent as it is a key source of long-term capital for infrastructure and other developments.
- **Sustainable investment of pensions funds:** responsible investment by pension funds was discussed extensively during the conference with specific focus on integration of ESG principles in pension funds' investments. The conference noted that Africa is well placed to take advantage of green financing and other ESG investment programmes. As such, it was recommended that the conversation on sustainable investment should be taken a step further and, possibly, actionable resolutions be developed for presentation at the next COP. Further, the conference noted that there was need for the Forum to issue guidelines on nature related financial disclosures by pension schemes.
- **Leveraging on micro-pensions to enhance pension coverage:** Africa is exploring innovative ways of increasing access to pensions. The lessons from *EjoHeza* micro-pension scheme in Rwanda, supported by the Government, is one such successful case worth learning from. Increasingly, several countries in Africa are bringing together all relevant stakeholders, i.e., private sector, industry players, development partners, to roll out products to the working population not covered by pension schemes. They find that being more customer centric while providing simplicity and ease of access helps grow pension enrolment amongst informal sector workers.

- **Scheme Governance:** the conference recommended that Boards of Trustees need to embrace good governance tenets, both internal and external, and be transparent with scheme information in order to cultivate trust among scheme members to enhance scheme governance.
- **Alternative Investments:** the conference noted that pension funds' investments are leaning more towards fixed income assets and government securities despite existence of alternative asset classes like private debt and infrastructure. The conference thus noted the urgent need for credit enhancement facilities and capacity building for key stakeholders, e.g., Trustees, fund managers amongst others to overcome capacity constraints particularly on investing in private debt as an alternative asset class. Also, pension supervisors were urged to consider inclusion of private debt in the investment guideline for pensions funds. Regarding infrastructure as an alternative investment, the conference noted that this would take time, patience, skill, investment capacity building, regulatory nudge and push.
- **Digitization and pensions access:** the conference noted that Digitization of financial services including pensions was critical in enhancing growth and development of the sector. However, there was need for caution on the risks that come with digitization, especially, cyber security risks. The conference recommended that pension supervisors explore cyber security frameworks for their pension sectors, a possible source being IOPS.

The meeting of the Interim Committee immediately after the conclusion of the APSF 2022 Annual Conference resolved that;

- The Secretariat for the Africa Pension Supervisor Forum be domiciled in the Retirement Benefits Authority (RBA) of Kenya in honor of the founding interim Chairman, the late **Mr. Nzomo Mutuku, MBS.**
- The Interim Executive Committee and the Secretariat to network with other pension regulators in other countries in Africa who are not yet members of APSF to encourage them to join and enjoy the benefits presented by the Forum.
- The Interim Executive Committee and the Secretariat to draft an organizational and legal framework for the APSF to provide guidance in collaboration with

partners and ensure registration of the APSF under relevant laws of the host jurisdiction.

- The processes and procedures on the running of the African Pension Supervisors Forum be determined.
- Technical training for pension regulators' employees on the relevant aspects of supervisory roles such as actuarial modelling, fintech, pension data protection, Pan-African investment interventions amongst others be organized and implemented.
- Member countries to identify country specific projects for implementation and peer review.
- The APSF sets up a committee to develop continental guidelines on sustainable investment particularly on Environmental Social and Governance issues,
- The APSF consolidates recommendations made at the end of each Conference and share with members.
- The APSF creates a database to facilitate research and sharing of information amongst member countries and other interested stakeholders.
- A country Peer review process be established to take stock of agreed projects such as improvements to scheme governance frameworks.

V. ANNEXES

Annex 1: Africa Pension Supervisors Conference 2020 Program

| TIME | PROGRAM | SPEAKER/FACILITATOR |
|---|--|--|
| DAY 1 –THURSDAY, 14 th JULY 2022 | | |
| 07:00am -08:30 am | COVID -19 Testing at venue & Registration at the Hotel | |
| 08:30am -09:00 am | Breakfast | |
| 09:00 am - 09:10 am | Climate setting/Introductions: Interim Chair - APSF | <i>Conference Moderator: Bob Allan KAREMERA</i> Mr. Charles Machira, Ag. CEO, RBA– Kenya & Interim Chair, APSF. |
| 09:10 am - 09:20 am | Official Opening of the Conference - Guest of Honor Speech | Governor National Bank of Rwanda |
| 09:20 am - 09:35 am | Session 1: Performance of the pension sector amidst covid-19 – globally and on the continent (Challenges and Opportunities). | <i>Speaker: Himanshi Jain, Social Sector Specialist, World Bank</i> |
| 09:35 am - 10:05 am | Panel discussion: | <i>Olano Makhubela, Divisional Executive, Retirement Funds Supervision, Financial Sector Conduct Authority (FSCA) – South Africa</i> |
| 10:05 am – 10:20 am | Q&A/Comments /Discussion | <i>Martin Anthony Nsubuga, CEO, Uganda Retirement Benefits Regulatory Authority (URBRA), Uganda</i> <i>Himanshi Jain, Social Sector Specialist, World Bank</i> <i>Moderator: Dr. Umar Farouk Aminu - Commissioner Administration, National Pension Commission (PenCom) & Vice Chair- APSF, Nigeria</i> |
| 10:20 – 10:40 am | Signing Memorandum of Understanding (MoU) | Charles Machira – Ag. CEO, RBA – Kenya & Chair of APSF. Mark Napier – CEO, Financial Sector Deepening (FSD) Africa |
| 10:40 am – 11:10 am | TEA/COFFEE BREAK | |

| TIME | PROGRAM | SPEAKER/FACILITATOR |
|---------------------|--|--|
| 11:10 am – 11:25 am | Session 2: The future of the pension sector in Africa: - Transition of defined benefit scheme to defined contribution schemes, - Role of private pension funds to complement public pensions - And efficient mobilization of long-term savings to finance development projects. | Speaker: <i>Dr. Umar Farouk Aminu</i> National Pension Commission (PenCom) – Nigeria |
| 11:25 am – 11:55 am | Panel discussion: | <i>Oguche Agudah, CEO, Pension Funds Operators Association of Nigeria (PENOP)</i> |
| 11:55 am – 12:10 am | Q&A/Comments/Discussion | <i>Soraya M. HAKUZIYAREMYE, Deputy Governor – National Bank of Rwanda</i> <i>Dr. Umar Farouk Aminu - Commissioner Administration, National Pension Commission (PenCom) & Vice Chair- APSF, Nigeria</i> <i>Moderator: Dr. Shem Ouma Chief Manager Research & Strategy – RBA Kenya</i> |
| 12:10 am – 12:25 am | Session 3: Green and Sustainable Finance | <i>Speaker: Dorothy Maseke - Group Head of Risk and Compliance (ICEA Lion Group)</i> |
| 12:25 am – 12:55 am | Panel discussion : | <i>Evans Osano - FSDA Director, Capital Markets (FSD Africa)</i> |
| 12:55 am – 01:15 pm | Q&A/Comments/Discussion | <i>Umaru Farouk Aminu - Head, Research & Strategy Management (PENCOM)</i> <i>Moderator: Agnes Uwanyigilira – Chief Programs Officer, Access to Finance Rwanda</i> |
| 01:15 pm – 02:15 pm | LUNCH | |
| 02:15 pm – 02:30 pm | Session 4: Pension inclusion: Increasing access and usage of pensions across the African continent - Rwanda Case Study | Speaker: <i>DR Regis Hitimana, Deputy Director General in Charge of Benefits, Rwanda Social Security Board (RSSB)</i> |
| 02:30 pm – 03:00 pm | Panel discussion : | <i>Eric RWIGAMBA – Director General of the Financial Sector</i> |

| TIME | PROGRAM | SPEAKER/FACILITATOR |
|--|---|--|
| 03:00 pm– 03:15 pm | Q&A/Comments/Discussions | <p><i>Development Ministry of Finance, Planning and Economic Development MINECOFIN</i></p> <p>Parul Seth Khanna, Co-Founder and Director, pinBox Solutions, Singapore</p> <p>Jean Bosco IYACU – CEO, Access to Finance Rwanda</p> <p>DR Regis Hitimana, Deputy Director General in Charge of Benefits, Rwanda Social Security Board (RSSB)</p> <p><i>Moderator: Agnes Uwanyiligira, Chief Programs Officer, Access to Finance Rwanda</i></p> |
| 03:15 pm – 03:30 pm | Session 5: The role of effective governance, transparency and disclosure frameworks in enhancing the viability of the pension sector. | <i>Speaker: NIYONIZEYE D. Dilme, Ag. Director, Insurance & Pension Supervision NBR, Rwanda.</i> |
| 03:30pm – 04:00 pm | Panel discussion : | <i>Fred Nyayeika – Pension Expert Liaison Financial Services Ltd Rwanda</i> |
| 04:00 pm – 04:15 pm | Q&A, Comments | <p><i>Eric Quartey – CEO Axis Pensions Ltd Rwanda</i></p> <p><i>Niyonizeye D. Dilme - NIYONIZEYE D. Dilme, Director, Insurance & Pension Supervision NBR.</i></p> <p><i>Moderator: Anne Mugo, Chief Manager Market Conduct, RBA - Kenya</i></p> |
| 04:15 pm– 05:00pm | COCKTAIL | <i>Conference Moderator: Bob Allan KAREMERA</i> |
| DAY 2 – FRIDAY, 15 th JULY 2022 | | |
| 08:30 am – 08:35 am | Opening remarks | <i>Conference Moderator: Bob Allan KAREMERA</i> |
| 08:35 am - 08:50 am | Session 6: Private Credit Markets in Africa | <i>Speaker: Evans Osano – Director, Capital Markets (FSD Africa)</i> |
| 08:50 am -09:20 am | Panel discussion: | |

| TIME | PROGRAM | SPEAKER/FACILITATOR |
|---------------------|--|---|
| 09:20 am -09:35 am | Q&A, Comments | <p><i>Anthony Mwithiga</i> – CEO, Old Mutual Investment Group, East Africa</p> <p><i>Nadia Coulibally</i> – Head of Research, AVCA</p> <p><i>Joseph Mate</i> – British International Investments Lions</p> <p><i>Moderator: Martin Weber</i> - Head Global Partners (Lion's Head)</p> |
| 09: 35 am -09:50 am | TEA/COFFEE BREAK | |
| 09:50 am – 10:05am | Topic 7: Digitization in the pension sector (Emerging technologies, Cybersecurity, Business Continuity, Outsourcing) | <p><i>Speaker: Gautam Bhardwaj</i>, Social Entrepreneur, Digital microPension Inclusion, Ashok Fellow & co-founder of pinBox Solutions, Singapore</p> |
| 10:05 am– 10:35 am | Panel discussion: | <p>Regis RUGEMANSHURO – CEO Rwanda Social Security Board (RSSB)</p> <p><i>Mr. Dhanesswurnath Thakoor</i> – CEO, Financial Services Commission (FSC), Mauritius</p> |
| 10:35 am– 10:50am | Q&A, Comments | <p><i>Gautam Bhardwaj</i>, Social Entrepreneur, Digital microPension Inclusion, Ashok Fellow & co-founder of pinBox Solutions, Singapore</p> <p><i>Moderator: Parul Seth Khanna</i> Director pinBox Solutions Pte. Ltd</p> |
| 10:50am – 11:05 am | Topic 8: Pension adequacy and security – challenges/disruptions and opportunities. | <p><i>Speaker: Martin Anthony Nsubuga</i>, CEO, Uganda Retirement Benefits Regulatory Authority (URBRA).</p> |
| 11:05am – 11:35 am | Panel discussion: | <p><i>Ms. Carine Umotoni</i>, CEO, BK Capital Ltd.</p> <p><i>Sundeep RAICHURA</i> – Group CEO, ZAMARA Group.</p> |
| 11:35 am – 11:50 am | Q&A, Comments | <p><i>Anthony Nsubuga</i>, CEO, Uganda Retirement Benefits Regulatory Authority (URBRA), Uganda</p> <p><i>Moderator: Ms. Mainza Masole</i>,</p> |

| TIME | PROGRAM | SPEAKER/FACILITATOR |
|---------------------|---|--|
| | | Prudential Supervision Manager, Pensions & Insurance Authority (PIA) – Zambia |
| 11:50 am -12:05 am | Topic 9: Pension funds investments in Africa: Investment in alternative assets classes including infrastructure and integrating environmental, social and Governance considerations on the sustainability of pension funds. | <i>Speaker: Sundeep RAICHURA – Group CEO, ZAMARA Group.</i> |
| 12:05 am -12:35 am | Panel discussion: | <i>Ms. Mainza Masole, Prudential Supervision Manager, Pensions & Insurance Authority (PIA) – Zambia</i> |
| 12:35 am - 12:50 am | Q&A, Comments | <i>Olano Makhubela, Divisional Executive, Retirement Funds Supervision, Financial Sector Conduct Authority (FSCA) – South Africa</i> <i>Sundeep RAICHURA – Group CEO, ZAMARA Group.</i> <i>Moderator: Gatera Jonathan CEO Rwanda National Investment Trust (RNIT) Ltd.</i> |
| 12:50 am – 01:10 pm | Announcements and Closing Remarks and Way Forward – Deputy Governor National Bank of Rwanda | <i>MC</i> <i>SORAYA – Deputy Governor</i> |
| 01:10 pm – 02:10 pm | LUNCH | |
| 02:10 pm - 03:00 pm | Plenary session for the Interim committee | <i>Interim committee members of the APSF – chair Mr. Charles Machira – Ag. CEO, RBA - Kenya</i> |
| 03:00 pm – 06:00pm | KIGALI TOUR | <i>Customer care and event management</i> <i>Insurance and Pension Supervision</i> |
| 06:00pm – 08:00pm | DINNER | <i>Conference Moderator: Bob Allan KAREMERA</i> <i>Speaker: Deputy Governor /Governor</i> |

Annex 2: Africa Pension Supervisors Conference Attendance List

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