



Insurance and Pensions Symposium

Reforming Pensions for Resilience: Lessons, Imperatives and Opportunities for Zimbabwe

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Finance, Competitiveness & Innovation



Pension funds as catalysts



Potentially **catalytic long-term investors** in the communities in which they operate

Pension funds can be

- uniquely **patient**,
- focused on the **needs** of their stakeholders, and
- **developmental** in approach.

Pension funds can have

- a specifically **local perspective**, commitment and understanding.

The example set by pension funds can transform the entire landscape.



Pension funds as catalysts



The investment value chain as virtuous cycle and multiplier

The Investment Value Chain



Individual savers

directly or indirectly invest savings into financial markets
...and ultimately realize returns from the net cash received on their indirect or direct investments in corporations.

Institutional investors (IIs)

Asset owners

are trusted to steward the vast majority of individual savers' capital to realize the desired returns.

Includes: pension funds, insurance companies, sovereign wealth funds, endowment funds, mutual funds

Asset managers

are appointed by Asset Owners to invest capital in corporations

Includes: internal portfolio managers at asset owners, appointed external investment management firms, and hedge or other investment funds

Corporations

Corporate boards

are responsible to oversee how this capital is directed by management and to fulfill a fiduciary duty to serve the best interests of the company

Management

operate businesses for profit and to develop a sustainable competitive advantage...
... to in turn provide returns to investors



Government and regulators

create the legislated framework within which all participants interact



Observers

through their opinions, counsel and/or actions influence the main value chain participants.

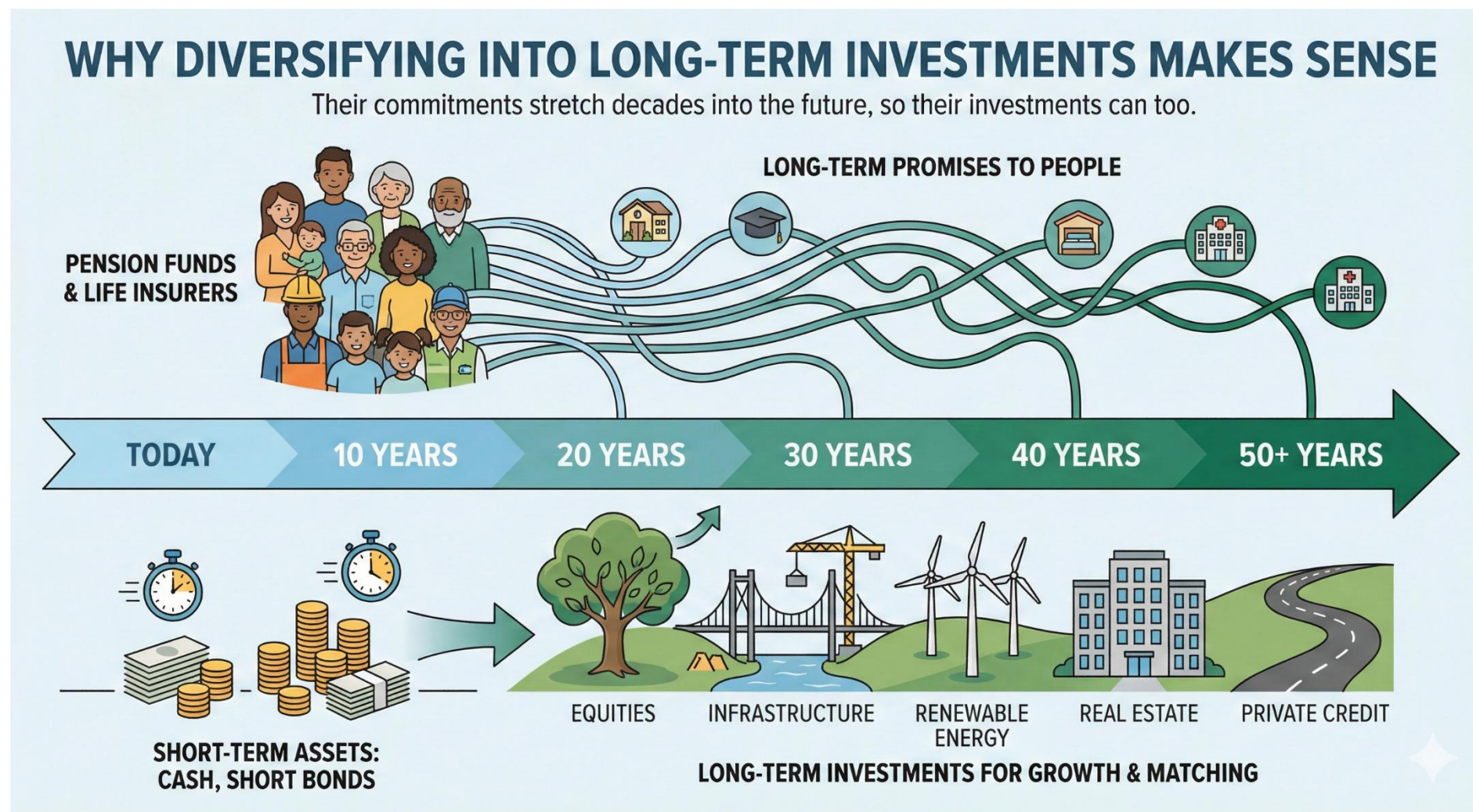
Includes: media, proxy advisory firms, investment consultants, sell-side analysts



Pension funds as catalysts



Pension funds are patient investors because they make long-term promises





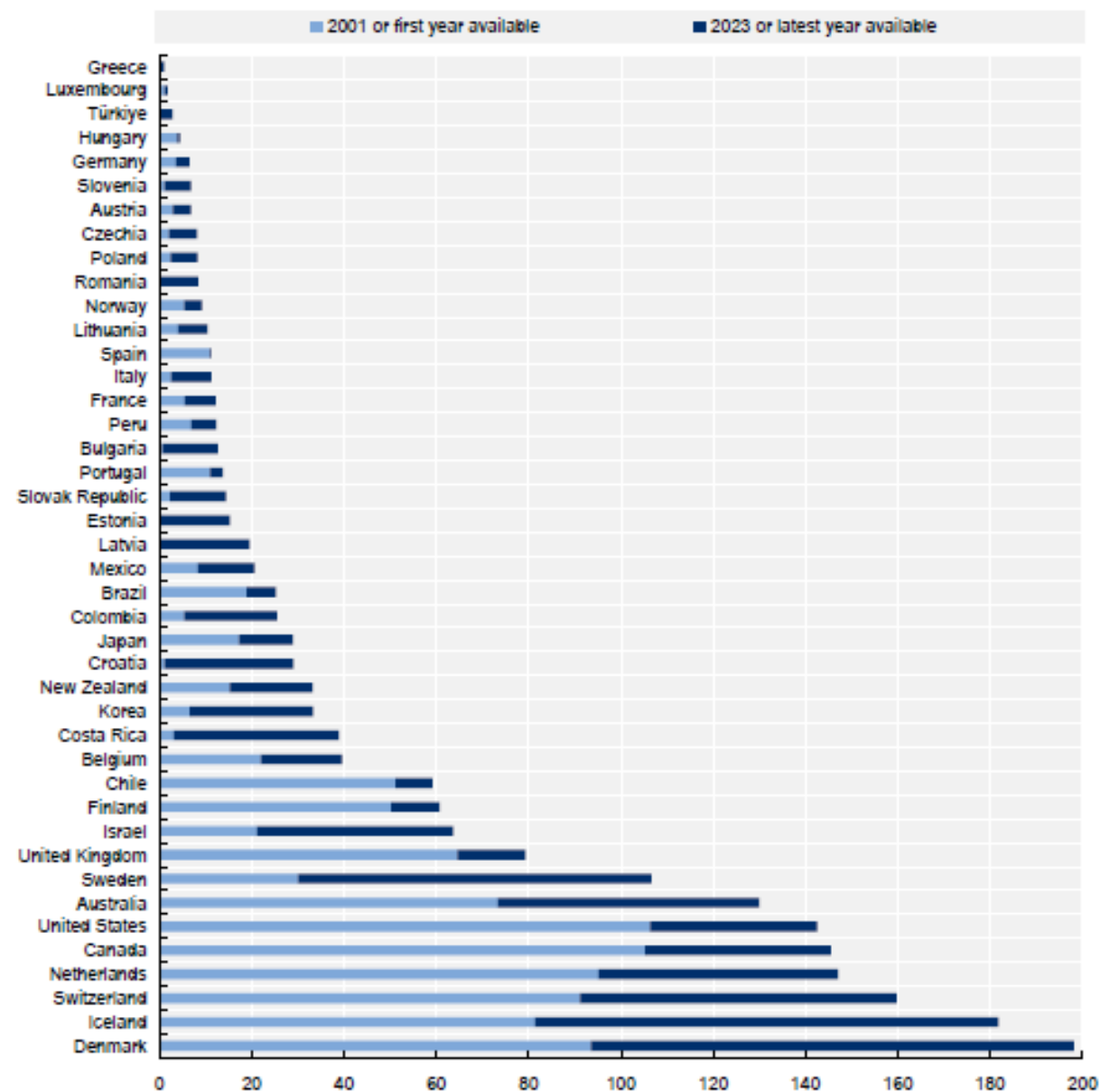
Pension funds as catalysts



Pension funds in many instances are large market players

Figure 1.1. Assets earmarked for retirement in selected jurisdictions

As a percentage of GDP



Source: IOPS (2017) Macro and Micro-dimensions of supervision of large pension funds



Local funding for local development



Funding from developed markets to emerging market economies is typically unreliable when needed most

Local-currency debt funding helps to address the risk of destabilizing currency mismatches

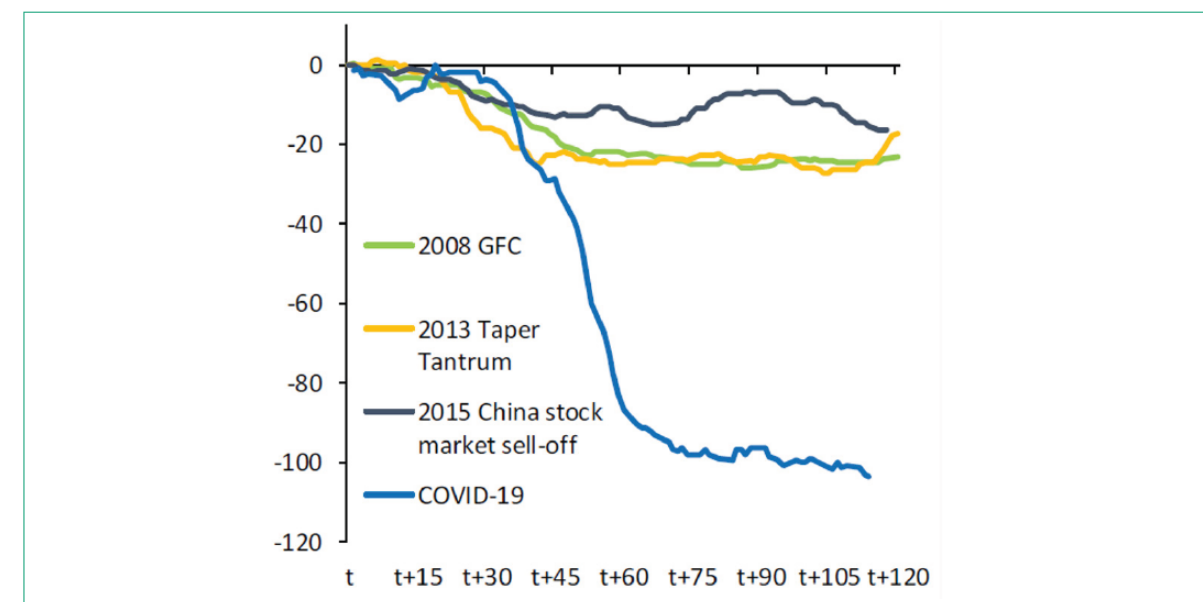
Emerging market pension funds have \$2T in assets and are strong sources of funding

Often better knowledge of local context and risks

Their long-term perspective and tolerance for illiquidity makes them ideal sources of funding

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Figure 1: Portfolio Flows to EMEs (2008-2023) (US\$ billion)



Source: OECD (2020:3), citing in turn Jonathan Fortun, Daily capital flows tracker. ©2020 Institute of International Finance, Inc. All rights reserved

Note: Cumulative non-resident portfolio flows to Emerging Market Economies since event start date (t for Global Finance Crisis=9/8/2008; for Taper Tantrum=5/17/2013; for China sell-off=7/26/2015; for COVID=1/21/2020)



Local funding for local development

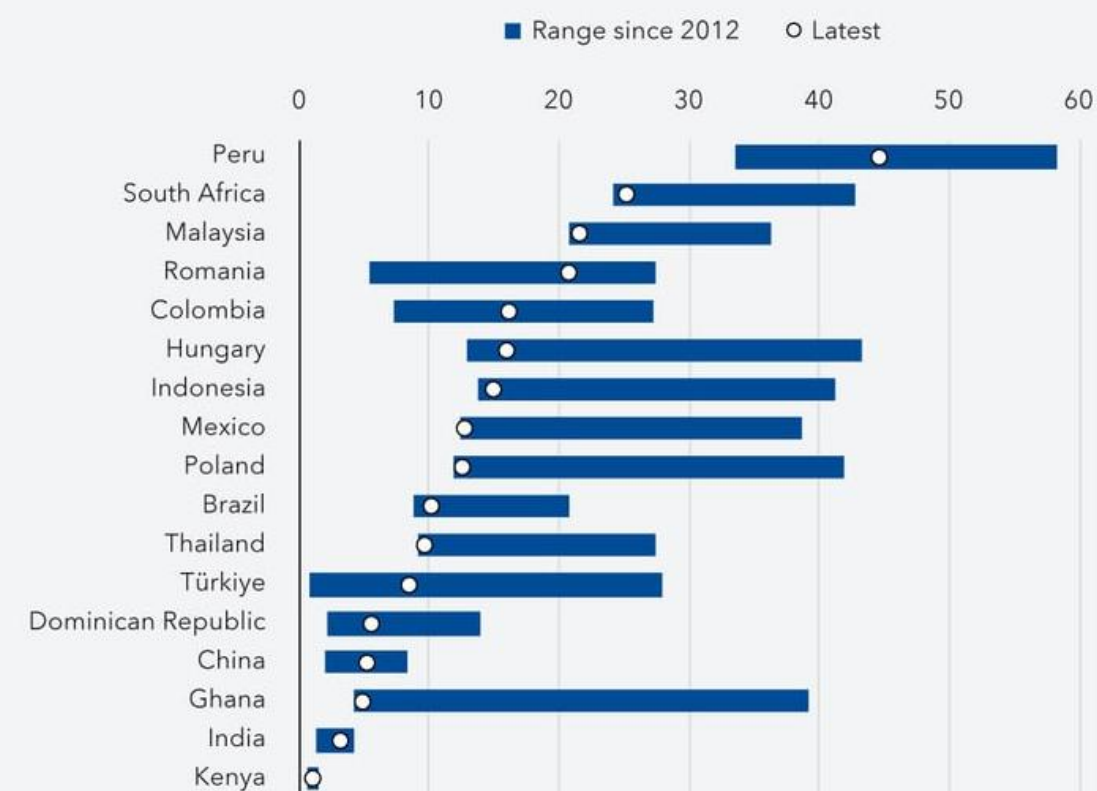


Recent IMF analysis indicates that many EM economies have held up well despite much turbulence due to improved policies.

However, as part of this analysis it is clear that foreign holdings of local currency debt are (in general) at the low end of the range experienced since 2012.

Foreign investors exit local currency debt

Nonresident share of local currency debt, percent



Source: IMF (2025) *Good Policies (and Good Luck) Helped Emerging Economies Better Resist Shocks*

Sources: National sources; IMF staff calculations.





Local funding for local development



Canadian Pension Funds started with largely government bond portfolios

They drove significant progress in the 80s and 90s, resulting in:

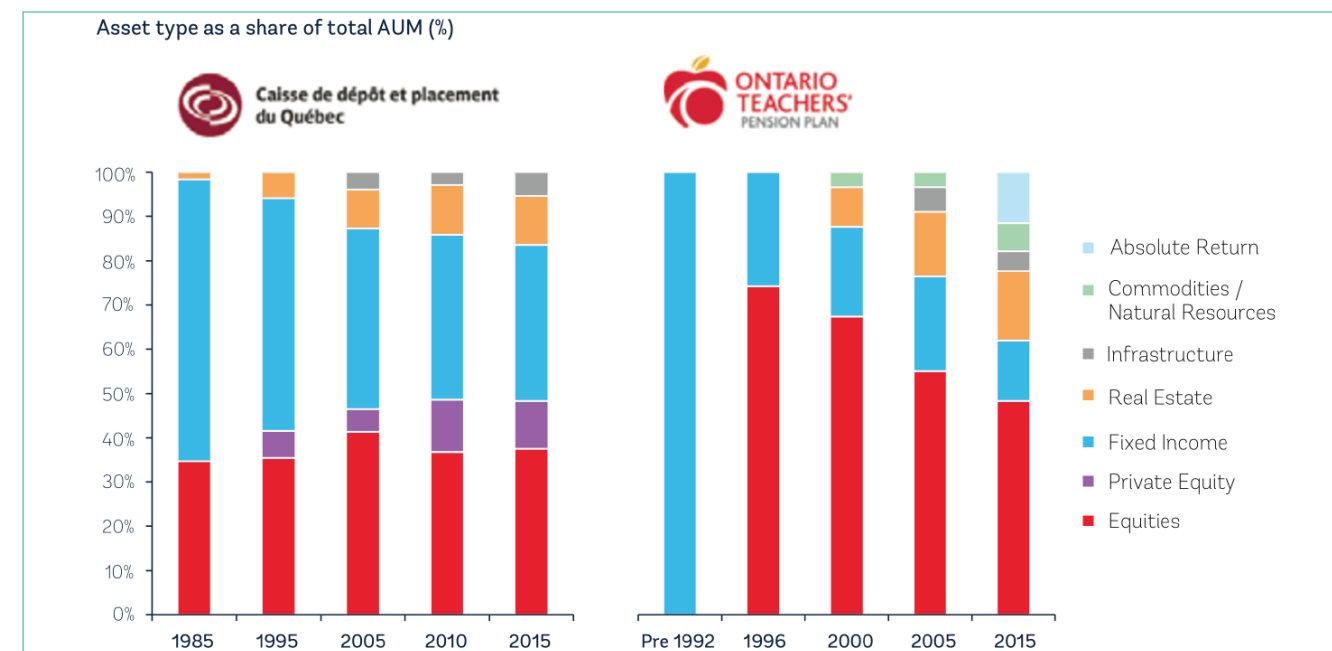
- diversification of investment
- ongoing evaluation and improvement of the governance model
- innovation in infrastructure investment

Other large funds have followed this example.

Note the importance of sound sequencing of reforms

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Figure 4: Increasing Diversification of Canadian Pension Fund Asset Mix



Source: World Bank (2017), page 53.



Local funding for local development



Malaysian Employees Provident Fund:

- Assets \$211bn, 60% of GDP
- Traditional investment objective currently under expansion
- Illustrates both sides of the capital market development symbiosis
- Supported by strong governance and operational excellence
- Good returns delivered
- Increased commitment to sustainable investment and ESG objectives

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Table 1: Asset Allocation, end-2018 (or nearest available date)

	India EPF	Indonesia JHT	Malaysia EPF
Year of establishment	1952	1992	1951
Assets relative to GDP	2%	3%	56%
Coverage relative to employment	9%	12%	50%
Asset allocation			
Government debt	79%	63%	28%
Non-government debt	8%	0%	22%
Deposits	9%	9%	6%
Equities	4%	27%	39%
Property, infrastructure and other investments	0%	1%	5%
Memo: foreign investment	0%	0%	27%

Source: Jackson and Inglis (2021), pages 2, 7 and 15.

Note: Assets relative to GDP in India are for March 2018. The asset allocation data for India and Indonesia are for the end of 2017. The government debt figure for Indonesia includes non-government debt.



Local funding for local development



South African GEPF:

- Assets \$131bn, one third of national GDP
- Classical investment objectives, but with explicit focus on sustainable development
- This includes local social and job-creation objectives
- Multi-layered governance approach exists, but not perfect

Namibian GIPF:

- Clear industry leadership, assets at 60% of GDP
- Special focus on small business growth
- Earlier effort foundered on inadequate skill, capacity and governance
- More recent developments are driven by minimum regulatory requirements
- Sound investment in local development, though lessons continue to be learned



Determinants of success



Determinants of success



The question is not: “pension funds or capital markets, demand or supply?”
Development can be symbiotic, with sufficient support at all levels

WPS-241
POLICY RESEARCH WORKING PAPER 2414

Pension Reform and Capital Market Development
“Feasibility” and “Impact” Preconditions

Dimitri Vittas

Private pension fund neither necessary nor sufficient for capital development. But if subject to conduct regulations, adopt policies, and operate pluralistic structure have a large impact on market modernization or a critical mass.

The World Bank
Development Research Group
Finance
August 2000

No. 0020

Social Protection Discussion Paper Series

Contractual Savings or Stock Market Development: Which Leads?

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POLICY RESEARCH WORKING PAPER 4890

Enabling Conditions for Second Pillar of Pension Systems

*Heinz Rudolph
Roberto Rocha*

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The World Bank
Financial Systems Department
Policy Development Division
April 2009

INTERNATIONAL MONETARY FUND

Pension Reform and Stock Market Development

Shujaat Khan, Bo Li, and Yunhui Zhao

WP/25/49

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Determinants of success

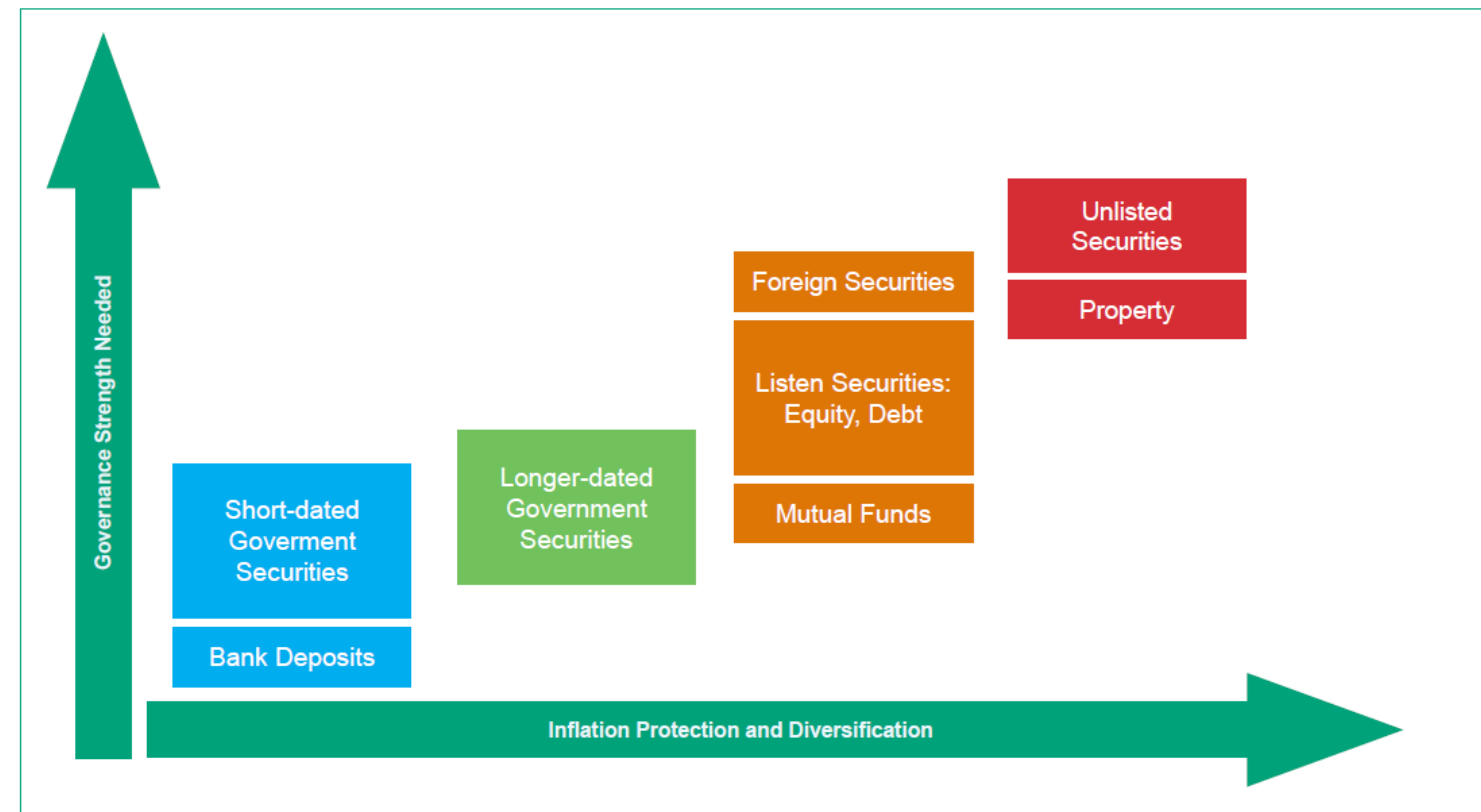


The key determinants of success include:

- good governance,
- clear objectives,
- transparent language,
- involved stakeholders,
- clear measurement,
- effective markets, and
- wise sequencing.



Figure 3: Investment Vehicle Choices depend on Governance capacity



Source: Guven and others (2021), p. 73.

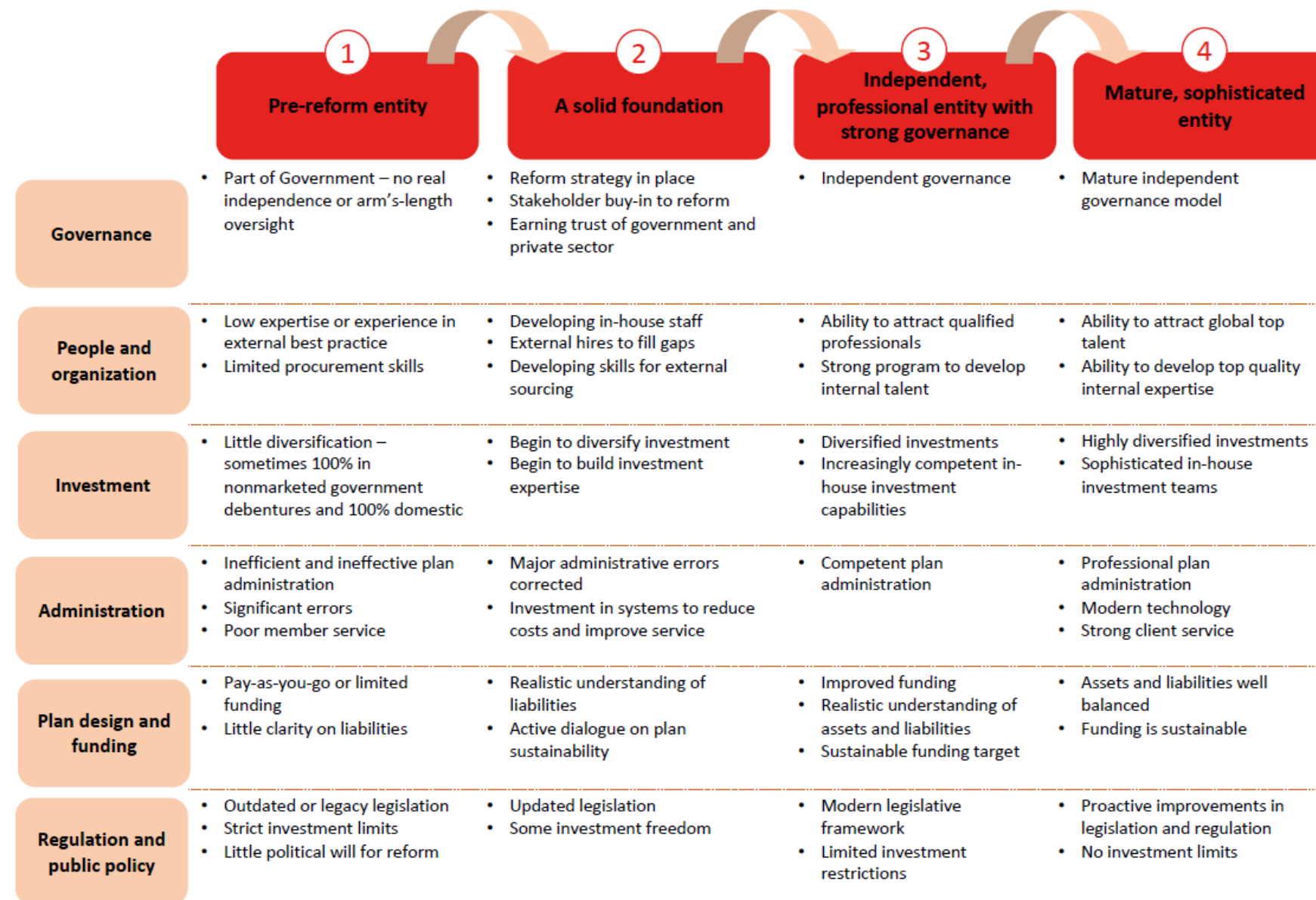


Determinants of success



Good governance supports improving infrastructure and deepening capacity, signs of wise sequencing and incremental development

World Bank (2017), The Evolution of the Canadian Pension Model: Practical Lessons for Building World-class Pension Organizations, in cooperation with Common Wealth



Thank You



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