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PENSION REFORMS CONTRIBUTE TO AFRICAN DEVELOPMENT

The Organisation for Economic Cooperation and Development (OECD) and the International Organisation of Pension Supervisors (IOPS) at their annual Global Forum on Private Pensions – held on 25-26th October in Cape Town, South Africa – stressed how pension system reform can deliver adequate old-age income protection while contributing to economic development and financial stability. Particular focus was given to reforms in the African region – with developments in Malawi, Namibia, Swaziland, Kenya, Botswana, Zambia and host country South Africa all discussed.

Andrew Donaldson, Deputy Director General of the South African Treasury, who chaired the panel of African pension regulators, noted that: *“a host of pension reforms are taking place across the region – from the new individual account system just launched in Malawi to the discussion of universal pensions in Kenya and here in South Africa. What works best in an African context has so far been under researched and deserves more attention.”*

The conference first discussed how universal, basic pensions could be used effectively in Africa to provide a basic subsistence level of income to the elderly. The OECD Deputy Secretary General Rinatro Tamaki noted that: “The OECD has long defended an approach to pension provision that relies on the diversification on income sources.” The conference also discussed how policy efforts should in addition target private pensions, broadening their access and improving their security. Preliminary results from the OECD’s study on the adequacy of retirement incomes suggest that most people still rely on dwindling social security benefits and that without increasing participation in private pensions they risk retiring with lower incomes in future. Professor Nicolas Barr of the London School of Economics, who was speaking at the conference, said that: *“Drawing on UK and US experience, one can see that we are going to have to adopt more soft-compulsion initiatives, such as automatic enrolment and escalating contributions, and to ensure that people have simple, cheaply-administered savings options so that we are all saving sufficiently to fund the retirements that we expect.”*

A second focus area of the conference was how to encourage pension funds to act as long-term investors - particularly looking at their potential to invest in infrastructure projects. Recent work by the OECD highlights potential barriers to such investment (notably a lack of project opportunities and suitable financing vehicles) and encourages governments to create a more conducive investment environment for pension funds, from clearer planning of infrastructure needs and projects to issuing infrastructure bonds and launching green banks. Elias Masilela, Chief Executive of the Public Investment Commission (PIC) in South Africa, stressed that: *“Since the breakout of the financial crisis across the globe, it has become very clear that the continent can no longer rely on the developed world for*

investment capital. Africa needs to rely on its own resources. That means we need to grow domestic savings and channel these accordingly. Pension funds are critical in this regard.”

The conference was attended from over 200 delegates representing public and private sector institutions from over 50 countries.

ENDS

Notes for Journalists

The Organisation of Economic Co-ordination and Development (OECD) is an international organization that brings together the governments of countries committed to democracy and the market economy from around the world to support sustainable economic growth; boost employment; raise living standards; maintain financial stability; assist other countries' economic development; and contribute to growth in world trade. The Organisation provides a setting where governments compare policy experiences, seek answers to common problems, identify good practice and coordinate domestic and international policies.

Further information, including OECD private pension recommendations and the Working Paper Series on Finance, Insurance and Private Pensions can be found on the private pension's page of the Organisation's website www.oecd.org/daf/pensions

The International Organisation of Pension Supervisors (IOPS) is an independent international body representing those involved in the supervision of private pension arrangements. The organisation currently has over 70 members and observers representing supervisory bodies from more than 60 countries and territories worldwide - from Australia to Zambia - covering all levels of economic development and bringing together all types of pension and supervisory systems.

Further information and the guidelines and reports mentioned can be found on the Organisation's website www.iopsweb.org

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