



**NATIONAL PENSION COMMISSION**

## **Pencom DG, Chinelo Anohu-Amazu's Welcome Address at the 2015 World Pension Summit**

The Director General of National Pension Commission (PenCom), Chinelo Anohu-Amazu spoke at the opening session of the 2015 World Pension Summit (Africa Special) at the Transcorp Hilton Abuja, on Monday. The following is full text of Anohu-Amazu's address:

**“It gives me great pleasure to welcome you to the Second Edition of the World Pension Summit ‘Africa Special’ being hosted in Abuja, Nigeria. In acknowledgment of the increasing significance of Pension Funds in engendering true development, this Summit, is designed to stir up practical and enduring strategies for pension fund regulation on the Continent.**

**Very Distinguished Guests, I would like to appreciate the unrelenting efforts of various stakeholders who have, in spite of their otherwise tight schedules, joined us in Abuja to share experiences and chart a future for the pension industry in Africa.**

**The theme of this year's Summit, “Building Sustainable Pension Systems in Africa”, is reflective of the emerging consensus on the Continent on the necessity of institutionalizing a pension system that is robust enough to tackle the plethora of developmental challenges that plague Africa in the 21<sup>st</sup> Century. It is also in line with the multilateral paradigm shift of promoting Sustainable Development Goals within the Institutional framework of the United Nations 2030 Agenda for Sustainable Development .**

**Delegates will thus deliberate, over the next two days, on the most appropriate strategies for leveraging pension funds in the Continent to expedite the execution of critical infrastructure projects. Infrastructure development undoubtedly remains a key enabler of sustainable development in Africa and the current rapid increase in the size of pension funds available in**

the Continent provides a rare opportunity for multi-sectoral collaboration in bridging Africa's infrastructure deficit.

By Focusing on the long-term sustainability of Pension Systems in Africa, this Summit shall, *inter alia*, facilitate the setting out of economic pre-conditions and initiatives that are needed for longer-term growth as well as to foster poverty eradication.

Africa has experienced a reasonably rapid growth of over 5% since the turn of the Century. But this followed what could be described as a "lost quarter century" during which per capita income in the year 2000 was still below its level 25 years earlier. Along with the economic meltdown of the former Soviet Union and Eastern Europe in the transition to market economy, this perhaps ranks amongst the biggest economic disasters in history since the records of national accounts began.

Whilst contemporary discourse has focused on the lessons of success centering on the experiences of South-East Asia, relatively little attention has been paid to insights to be gleaned from the analysis of economic failures and successes in Africa. We will, hopefully, in the course of this Summit, focus on why Africa had to go through such a prolonged period of economic decline during its lost quarter century. What are the lessons for policy formulation, especially for sustaining and accelerating Africa's economic renaissance?

In answering these questions the vast majority of Political Economists have focused on institutional issues, especially governance. However, Nigeria's Pension Reform trajectory for example, highlights the limitations of ad hoc and over generalized institutional explanations that confuse cause and effect as well as ends and means. It is obvious that where States have failed or are at war there is little that economics has to offer as solutions.

The Nigerian Pension Reform narrative can be situated within the context of Africa's economic resurgence after the lost quarter of a century. Indeed, from operating the old Defined Benefits System that had well over 2 Trillion Naira (circa USD 10 Billion) in deficit at the dusk of the last century, the new Contributory Pension Scheme (CPS) that was kick started in 2004 now has over 5 Trillion (circa USD 27 Billion) in just over 10 years of operation.

A key feature of the CPS is the institutionalization of risk-based regulation as a means of engendering the long-term sustainability of the Pension Industry. Sustainability on this score encapsulates the troika of social, environmental, and economic dimensions of development. Regulatory strategies would thus encompass a painstaking consideration of risks as well as the rewards that lie behind endogenous opportunities. The impact of poor corporate

governance practices on shareholder value, exacerbated by the recent global financial crisis, for instance, has raised issues such as transparency, risk management and business ethics, amongst others, to the front burner of the regulatory agenda.

Then again, issues of unemployment, diseases, poverty, climate change, and inequality are also pressing needs for Regulators to consider in mapping their regulatory landscape. This novel approach to regulatory oversight – Sustainable Regulation – is one that overtly acknowledges the importance to institutional regulators of environmental, social and governance (“ESG”) factors and the long-term stability of financial markets, especially the Pension Industry. It recognizes that creation of long-lasting return on pension assets is essentially dependent on transparent, predictable and well governed environmental and economic systems; systems that are underpinned by clearly defined prudential regulatory guidelines.

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***The National Pension Commission continuously strives to remain at the cutting-edge in mainstreaming sustainability strategy and practice in the discharge of her statutory remit. In furtherance of our commitment to promoting industry-wide sustainability, we are collaborating with Europe’s leading Sustainability Research Centre – The Sustainable Business Initiative at the Business School, The University of Edinburgh, United Kingdom to among other things, develop a set of ‘Sustainable Pension Principles’ that would set out a minimum standard for entrenching a truly sustainable retirement pension system in the country.***

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Unsurprisingly, pension fund managers all over the Globe are changing mandates to reflect considerations of sustainable investment and consequently the growth of ESG mandates in overall investment strategy is on the rise. Nonetheless, many regulators still require further education on how they should quantify performance and assess the extent to which ESG mandates are delivered upon.

Sustainable Regulation precepts thus constrain stakeholders in pension fund administration to critically assess the full spectrum of investment and regulatory risks, opportunities and challenges, so as to adequately allocate capital in a mode that is aligned with the short, medium and long term interests of their clients, beneficiaries and the larger society.

As a Regulator, the National Pension Commission continuously strives to remain at the cutting-edge in mainstreaming sustainability strategy and practice in the discharge of her statutory remit. In furtherance of our commitment to promoting industry-wide sustainability, we are collaborating with Europe's leading Sustainability Research Centre – The Sustainable Business Initiative at the Business School, The University of Edinburgh, United Kingdom to among other things, develop a set of 'Sustainable Pension Principles' that would set out a minimum standard for entrenching a truly sustainable retirement pension system in the country.

In a similar vein, we have, in our quest to entrench sustainability introduced to this year's Summit the concept of the Africa Pension Award (APA). The Award seeks to, among other things, identify excellence, highlight sustainable achievements and engender the home-grown development of the African pension industry. It also seeks to create an opportunity for African countries to share experiences on best practices in the development of their respective pension industries, while fostering positive local and global perceptions.

Given the very diverse mix of delegates at this Summit I am confident that we have enough expertise to proffer & evolve a framework for the development of sustainable Pension Systems in Africa.

Once again, I thank you all for being here and I hereby declare this Summit open.”