

# From Potential to Power: Pension Funds Leading Africa's Infrastructure Revolution

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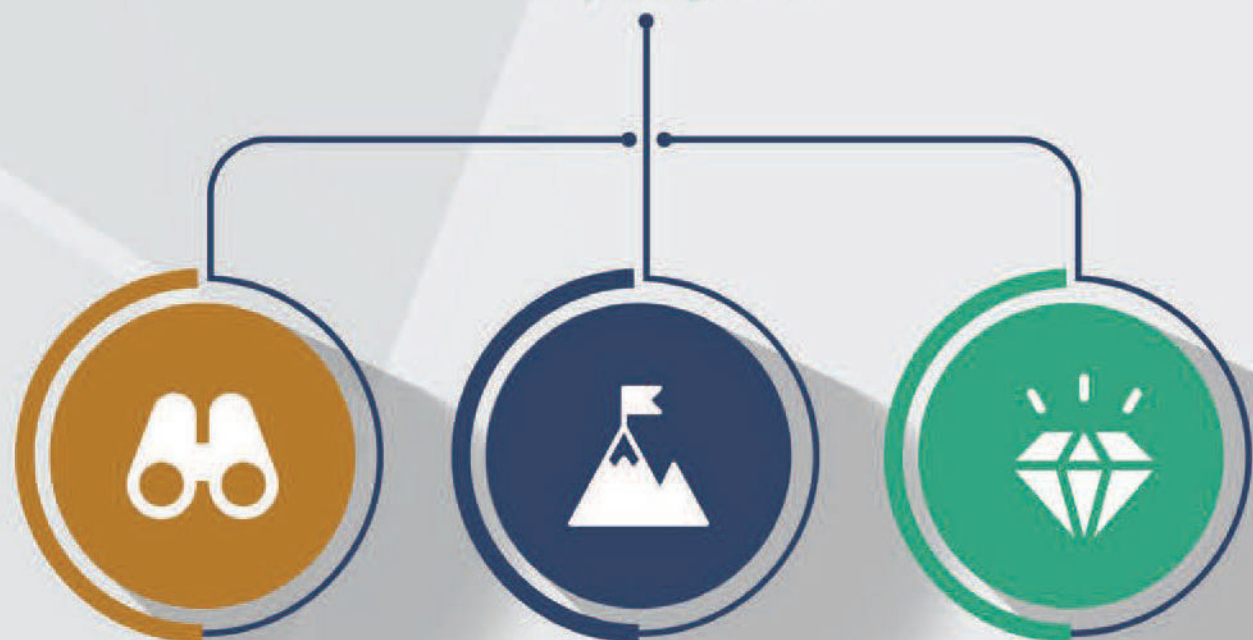
Powering National Development  
Through Smart Pension  
Investments

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Mobilizing Institutional Capital For  
Africa's Infrastructure Revolution







## Vision

"A trusted retirement benefits provider"

## Mission

"To collect contributions, optimally invest and pay benefits to scheme members and their beneficiaries sustainably through sound financial, good governance and risk management policies in pension fund administration"

## Core Values

- Responsiveness
- Independence
- Fairness
- Transparency and accountability
- Integrity
- Teamwork

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**Members contribute willingly when they trust the system. Governments support reform when the system demonstrates accountability. Markets respond positively when investment decisions are guided by sound fiduciary stewardship. Governance is what ties together the roles of the trustee, regulator, fund manager, and beneficiary into a coherent and credible pension ecosystem.**

## Message From The Chairperson

**A**t the Public Service Superannuation Fund (PSSF), we hold firmly to the belief that strong and accountable governance is the foundation upon which sustainable pension systems are built. Pensions are more than accrued benefits; they represent security, dignity, and intergenerational responsibility. For them to fulfil this purpose, they must be anchored in governance structures that promote transparency, prudence, and long-term value for members, with the Board providing vigilant oversight to ensure that member interests remain paramount.

The Pan-African Pensions Conference was conceived against this backdrop – as a platform to reflect on how governance, policy, and collaboration can shape the next chapter of retirement security on the continent. The theme, “Beyond Capital Preservation: The Future of Pensions,” invites us to think boldly about how pension funds can evolve from passive asset holders to strategic institutions that help build resilient, inclusive, and growing economies.

Across Africa, pension schemes manage assets exceeding \$700 billion, yet only a fraction of these assets are optimally deployed to stimulate national development. At the same time, coverage remains low, particularly among informal and gig economy workers. To address these realities, we must strengthen the policy and regulatory environment to allow pension schemes the space, safeguards, and strategic direction required to invest for long-term impact. This includes enabling greater participation in infrastructure, climate-responsive financing, affordable housing, and

innovation-led sectors – all while maintaining rigorous risk oversight to protect member savings.

Good governance is not merely an administrative principle – it is the engine of trust. Members contribute willingly when they trust the system. Governments support reform when the system demonstrates accountability. Markets respond positively when investment decisions are guided by sound fiduciary stewardship. Governance is what ties together the roles of the trustee, regulator, fund manager, and beneficiary into a coherent and credible pension ecosystem.

We also recognize the invaluable contributions of all stakeholders – from policymakers and industry partners to civil society and members themselves – whose engagement strengthens and sustains the system.

At PSSF, we have remained deliberate in strengthening governance, deepening transparency, and expanding capacity across all levels of administration and investment decision-making. Our progress illustrates how institutions can grow confidently when guided by clear principles, sound policy, disciplined execution, and vigilant Board oversight.

As we gather in Diani, let us reaffirm a shared commitment to governance that protects, policy that enables, and investment that transforms. The future of pensions in Africa does not lie in preserving capital alone, but in deploying it purposefully and responsibly – to secure livelihoods, build resilient economies, and safeguard the promise of retirement for generations to come.



Dr. Jonah Aiyabei, PhD.  
Chief Executive Officer  
PSSF



**Across Africa, pension systems are evolving. The shift from defined benefit to defined contribution schemes, efforts to expand coverage to informal sector workers, advances in governance and regulation, and the accelerating integration of digital technology all signal a sector in dynamic transition.**

## Message From The CEO

**A**frica stands at the threshold of a new economic moment – one shaped by demographic expansion, rapid urbanization, technological disruptions, and the shifting nature of work. As these forces reshape our societies, the question of how we secure the dignity, livelihoods, and well-being of our ageing populations has become both urgent and strategic.

It is within this context that the Public Service Superannuation Fund (PSSF) convenes the Inaugural PSSF Pan-African Pensions Conference, to be held from 26th to 28th November 2025 at Diamonds Leisure Beach & Golf Resort, Diani, Kenya.

Conceived as a continental platform for ideas, partnerships, and policy innovation, the PSSF Pan-African Pensions Conference brings together regulators, trustees, fund managers, actuaries, financial technologists, scholars, and policymakers from across Africa and beyond. Guided by the theme “Beyond Capital Preservation: The Future of Pensions,” the conference challenges us to look past traditional investment conservatism and instead embrace a broader vision for pensions as instruments of sustainable development and nation-building.

Across Africa, pension systems are evolving. The shift from defined benefit to defined contribution schemes, efforts to expand coverage to informal sector workers, advances in governance and regulation, and the accelerating integration of digital technology all signal a sector in dynamic transition. At the same time, the conversation on the catalytic role of pension capital – particularly in financing infrastructure, climate adaptation, and social transformation – has moved from the margins to the centre of policy discourse.

For the pensions sector, this moment is also shaped by the rapid advancement of artificial intelligence (AI). Pension funds are, by design, long-horizon allocators whose mandates emphasize stability, sustainability, and developmental impact. The emergence of AI expands this role in three strategic ways. In investment and risk management, AI-driven models can enhance portfolio optimization, improve scenario simulation, and detect market stress earlier, strengthening both performance and prudence. In operational efficiency and member-centric service delivery, AI systems can automate customer support, streamline claims processing, detect fraud,

and provide personalised retirement planning tools, thereby improving trust and reducing administrative overhead. Finally, through capital allocation to Africa's growing AI application ecosystem – particularly in agriculture, healthcare, public service delivery, and financial infrastructure – pension funds have a unique opportunity to catalyze productivity, stimulate innovation, and create long-term value aligned with national development goals.

The sessions at this conference are therefore not merely technical exchanges. They are the beginning of a continental dialogue: one that connects Africa's pension institutions to global best practices, while remaining deeply rooted in our local economic realities and development priorities. The objective is clear – to position African pension funds not only as protectors of retirement savings, but also as builders of nations.

This publication, produced in conjunction with the conference, is more than a record of proceedings. It is a compendium of insights, data, case studies, and reflections drawn from across Africa's evolving pension landscape. Within these pages, readers will find examples of innovation that speak to both the need and the possibility of change – from Kenya's Mbao Pension Plan and Rwanda's EjoHeza scheme, to technology-driven reforms in pension administration and the growing mobilization of pension assets for national infrastructure development.

These stories illustrate a continent in motion: learning, adapting, and reimagining what secure retirement can look like for its citizens. They also spotlight institutions, including the Public Service Superannuation Fund (PSSF), that are redefining responsible stewardship through transparency, sustainability, and strategic investment.

Yet above all, this publication issues a call – to move beyond the comfort of capital preservation toward purpose-driven investment; to build pension systems that are inclusive, resilient, future-focused, and capable of financing Africa's long-term aspirations.

As we gather in Diani, we are reminded that the future of pensions is not just about protecting resources. It is about unlocking them – for people, for progress, and for the promise of Africa.



# WHY AFRICA NEEDS A CONTINENTAL PENSION CONVERSATION

Social security systems around the world face a 'polycrisis': ageing populations, expanding informal labour markets, and rapid digital disruption at an unprecedented scale, all dramatically changing the retirement landscape.

According to the International Social Security Association's Social Security Developments and Trends – Global 2025 report, Africa continues to hold the position of the world's youngest continent, with a median age below 20. The report notes that Africa should be urgently investing in opportunities for its youthful population, cautioning that it must also start preparing for an ageing future that is inevitable.

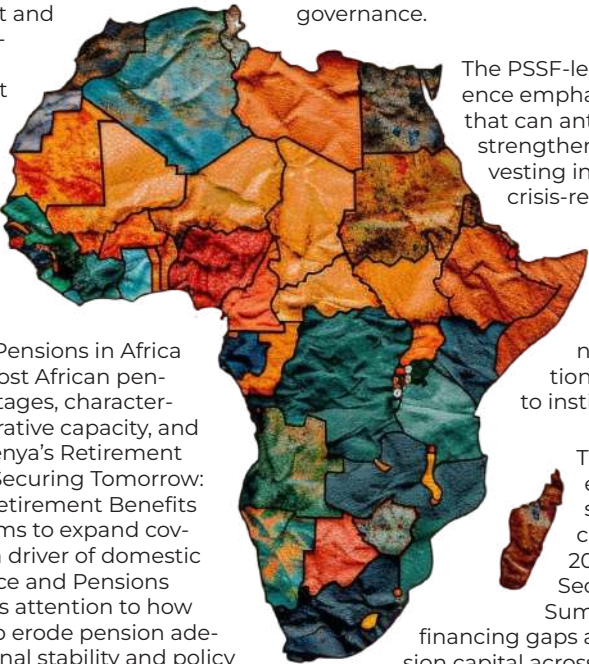
The challenge of youth unemployment and future pension adequacy requires foresight. Notably, the report shows that informality, which averages 80 per cent of the African workforce, severely undermines pension coverage and fiscal sustainability. Millions of Africans, particularly in the informal sector, fall into the "missing middle," or are excluded from both contributory and tax-financed systems.

This dual reality is echoed in other studies. The OECD Working Paper on Pensions in Africa (Stewart & Yermo) underscores that most African pension systems are still in their nascent stages, characterised by low coverage, limited administrative capacity, and fragmented regulatory frameworks. Kenya's Retirement Benefits Authority (RBA) 2024 report, Securing Tomorrow: Key Findings on the State of Kenya's Retirement Benefits Sector, highlights the urgency of reforms to expand coverage and leverage pension assets as a driver of domestic investment. In Zimbabwe, the Insurance and Pensions Commission's 2025 sector review draws attention to how macro-economic volatility continues to erode pension adequacy, emphasising the need for regional stability and policy harmonisation.

Retirement security has acquired unparalleled urgency across

the continent, with pension schemes holding not only retirees' dignity but also pushing to be among the engines of sustainable economic development and inclusive growth.

A clear rationale exists for a Pan-African pensions dialogue. There is need for collective solutions in creating investment linkages, sharing data, harmonising regulatory frameworks and innovations that expand coverage and improve scheme governance.



The PSSF-led Pan-African Pensions Conference emphasises the call for resilient systems that can anticipate and adapt to shocks by strengthening governance frameworks, investing in robust data systems, and building crisis-ready organisations able to maintain continuity of benefits under any circumstance. Through cross-country collaboration, African funds can share strategies for risk management, digital continuity, and inter-agency coordination-themes ISSA identifies as crucial to institutional resilience.

This dialogue builds on the experience and initiatives of other pension players, including the just-concluded All Africa Pensions Summit 2025 hosted by the National Social Security Fund, NSSF Uganda. The Summit flagged Africa's development financing gaps at the tune of \$1.3 trillion, with pension capital across the continent estimated at \$700 billion. The core proposals focused on the mobilisation of this pension capital as a strategic engine for infrastructure, energy, industrialisation, and affordable housing.



Ngumbo Njoroge  
Head of Corporate Communications  
PSSF

One of the most striking insights from ISSA's Global 2025 report is the persistent coverage gap: now that more than half of the world's population enjoys at least one social protection benefit, Africa lags far behind, with only 19 per cent of people accessing any form of social protection compared with over 80 per cent in Europe.

Against this backdrop, Africa's greatest challenge – and opportunity – lies in extending pension coverage to its vast informal workforce. Some new models already offer replicable blueprints, such as Kenya's Haba Haba micro-pension scheme or Rwanda's Ejo Heza long-term savings platform. The Pan-African Pensions Conference seeks to spur peer learning and cross-border replication of such innovations, informed by ISSA's global evidence on extending coverage through mobile payments, simplified registration, and flexible contributions.

In essence, the core of the Pan-African Pensions Conference is shared learning and continental solidarity. Indeed, ISSA research indicates that regions that institutionalise collaboration through multilateral social security agreements and learning platforms have greater modernisation and expansion of coverage. However, Africa still lags behind other regions, with only 18 per cent of countries participating in multilateral social security agreements.

The conference accordingly seeks to reverse this through the promotion of dialogue on portable pensions, bilateral agreements, and harmonised policy frameworks that would make it possible for African workers to retain their benefits across borders. In a continent so affected by migration, regional integration, and cross-border employment, portability allows for equity and inclusion.

As such, the PSSF Pan-African Pensions Conference is part of a larger global movement aligned with ISSA's call for "strong institutions capable of harnessing technology and human capital to extend protection to all", seeing social security not as a cost but a strategic investment in stability, productivity, and dignity.

Taking a cue from the ISSA Global 2025 report, the message is straightforward: if pension schemes are to remain relevant, then they need to change with the times. In the case of Africa, this change is collaborative, forward-looking, and uniquely African, blending traditional solidarity with modern governance and innovation.

The writer is the Head of Corporate Communications at the Public Service Superannuation Fund





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# PENSION HIGHLIGHTS ACROSS AFRICA – 2025

Across Africa, pension systems collectively manage over USD 777 billion in assets under management (AUM). Coverage remains modest — only about 8–10% of the labour force is enrolled in formal pension schemes, and fewer than 20% of retirees receive regular pension benefits. Pension funds continue to invest primarily in fixed income instruments (40%) and listed equities (27%), with smaller allocations to real estate, infrastructure, and private equity. In many countries, over 75% of pension assets remain in domestic government securities, reflecting regulatory limits and limited capital market depth.

Amid this landscape, several countries are advancing reforms to strengthen coverage, improve governance, and increase long-term sustainability of pension systems.

### I. Kenya: Expanding Coverage and Reforming the System

Kenya's pension sector continues to expand steadily, with coverage currently at 26.5% of the labour force, and the Retirement Benefits Authority (RBA) targets 34% by 2029. Assets under management have reached approximately USD 19 billion, reflecting a consistent upward trend in retirement savings. The sector has undergone significant reforms, including the transition of public-service pensions from Defined Benefit (DB) to Defined Contribution (DC) under the Public Service Superannuation Scheme (PSSS), a move aimed at enhancing sustainability and long-term adequacy of pensions. Kenya has also strengthened incentives for retirement saving through tax reforms: contributions to registered pension funds are deductible up to USD 2,770 per year, or USD 230 per month.

Innovation is a key feature of the Kenyan market, with programs like the Kenya National Entrepreneurs Savings Trust (KNEST) and micro-pension schemes such as Mbao Pension specifically targeting informal-sector workers. These initiatives aim to bridge the pension coverage gap and bring more workers into formal retirement savings arrangements, demonstrating Kenya's commitment to inclusivity in the pension landscape.

### II. Nigeria: Sustained Growth and Diversification

Nigeria's pension industry is one of Africa's fastest-growing, with assets under management reaching USD 22 billion in 2025. Over 10 million Retirement Savings Accounts (RSAs) have been registered, showing steady progress in bringing workers into the formal pension system. Regulatory reforms have strengthened the system. Mandatory Bank Verification Numbers (BVNs) for Retirement Savings Accounts (RSA) were introduced to enhance data integrity and compliance, while the National Pension Commission (PenCom) continues to encourage pension funds to diversify investments beyond government debt. Funds are gradually moving into infrastructure projects, private equity, and other higher-yielding assets, helping to support economic development while improving long-term returns for contributors.

### III. Morocco: Growth Amid Structural Imbalance

Morocco's pension system manages significant assets, with total contributions at USD 6.7 billion in 2024 and reserves of USD 32.7 billion. However, coverage gaps remain significant — approximate-

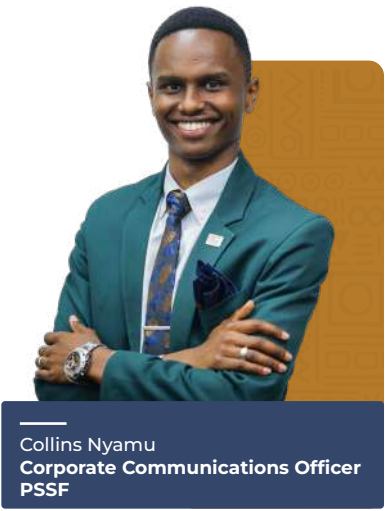
ly 6.3 million workers do not participate in any pension scheme. The main civil-service fund's reserves stood at USD 5.7 billion, highlighting structural imbalances that require ongoing policy attention. Investment portfolios for Moroccan pension funds typically comprise 54% fixed income, 34% equities, and 10% real estate, reflecting a conservative approach to risk while pursuing steady returns. The government is undertaking reforms including adjustments to retirement age, consolidation of fragmented schemes, and promoting investment diversification to strengthen both the sustainability of pensions and coverage across formal employment sectors.

### IV. Cameroon: Reforming for Modernization

Cameroon's pension system is still developing, with coverage estimated at 10–20% of the workforce. The Caisse Nationale de Prévoyance Sociale (CNPS), the main fund for private-sector workers, posted a USD 120 million profit in 2020, signaling operational resilience. Reforms focus on modernization and inclusion. Digital registration and payment systems are being introduced to reduce inefficiencies, and new initiatives aim to broaden coverage to informal workers. In 2025, the government initiated a feasibility study to create a National State Pension Fund, intended to consolidate public-service pensions and improve transparency. CNPS is also gradually reallocating assets toward domestic infrastructure and housing investments, demonstrating an evolving strategy to align pension funds with national development objectives.

### V. South Africa: Maturing System, New Directions

South Africa maintains the continent's most mature pension sector, with assets under management of approximately USD 400 billion in 2025. Out of this, Government Employees Pension Fund (GEPF) holds USD 132 billion. The system is predominantly private-sector driven but is complemented by significant public-sector participation via the GEPF. Policy innovation is at the forefront, with the government raising the official retirement age from 60 to 65 and introducing the "Two-Pot" retirement system, which allows partial access to savings before retirement while preserving long-term pension adequacy. Investment portfolios are well-diversified, with equities (45%), bonds (30%), and alternatives (10%), and an increasing focus on green investments and infrastructure projects aligned with ESG principles.



Collins Nyamu  
Corporate Communications Officer  
PSSF

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# PSSFS' JOURNEY: PERFORMANCE SCORE CARD, STRATEGIC IMPACT AND OUTLOOK

The Journey

The establishment of the Public Service Superannuation Fund (PSSF) in January 2021 marked a turning point in Kenya's pension history. Before then, the government operated a non-contributory “pay-as-you-go” model pension scheme that had been in existence since 1954 under CAP 189. This older system was fully funded through the Exchequer.

This arrangement placed an ever-growing strain on the national wage bill. Besides, the pension payment process was slow, member records fragmented, and the model lacked sustainability. By 2010, pension liabilities had become a fiscal risk, prompting wide-ranging public sector reforms in Kenya.

Policy Reforms

Enactment of the Public service superannuation Scheme Act 2012 that operationalized the Fund marked a major milestone in the journey to pension reform in the public sector. The scheme covered all civil servants, teachers employed by the Teachers Service Commission and disciplined services personnel comprising the National Police Service, Kenya Prisons Service and National Youth Service.

Informed by the global trends and mounting challenges related to huge wage bill, the reforms were meant to ensure sustainability, promote savings culture, and create a fund that could generate long-term economic impact.

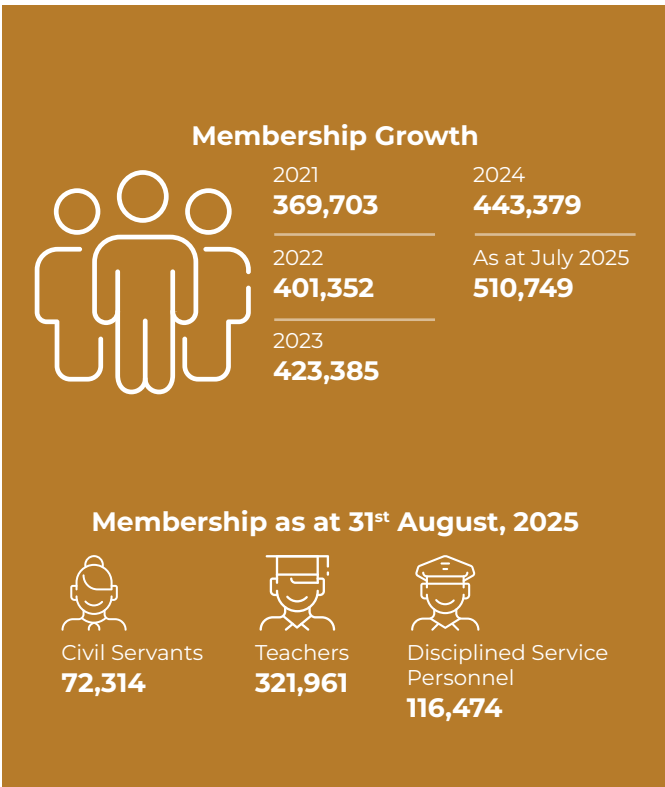
The operationalization of the Fund was driven by the greater need of establishment of an institution that would win and uphold the members' trust and confidence. This could only be achieved by putting in place structures and systems that would enhance efficiency in the management Fund. Top on agenda was appointment of the Board of Trustee – the highest decision-making organ, onboarding of the Administrators, Fund Managers, Custodians, the secretariat and registering with Kenya Revenue Authority for tax exceptions to the benefit of the scheme members.

Fund Growth and Performance

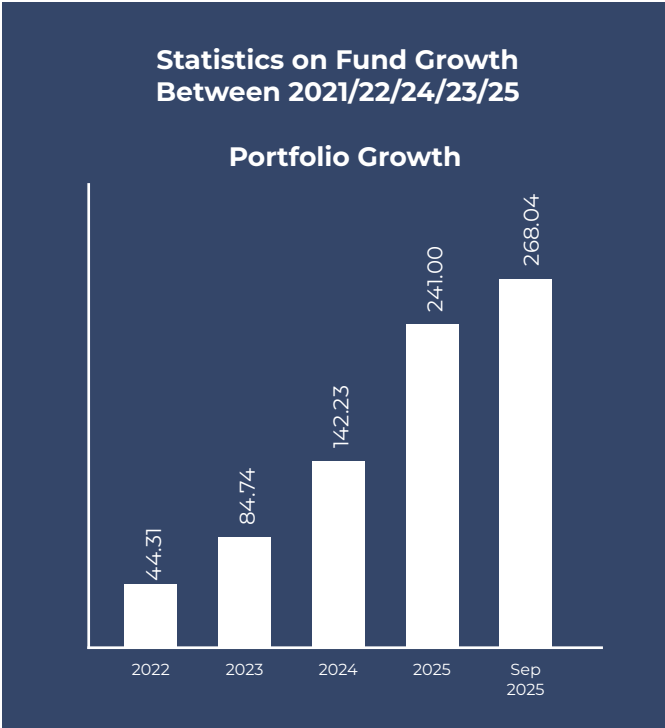
The Fund's success is embedded in its design. Simple yet transformative, the financing model of 7.5% monthly deduction of the employee's basic salary and the corresponding top-up of 15% by the employer promoted a sense of shared responsibility. Through the arrangement, the Fund has been

receiving approximately Ksh4.5 Billion as monthly remittance. Contributions notwithstanding, funds received are usually invested across various investment portfolios as guided by the Investment Policy Statement (IPS) and income earned declared annually during Annual General Meetings (AGMs). Based on interest declared, the income is distributed proportionately among members growing their pension savings upon exit from employment.

Through the model, significant growth in performance has been recorded the last four years of existence of the Fund. Statistically, between 1<sup>st</sup> January and 31<sup>st</sup> July 2024, membership of the scheme has grown from 369,703 to 510,749.

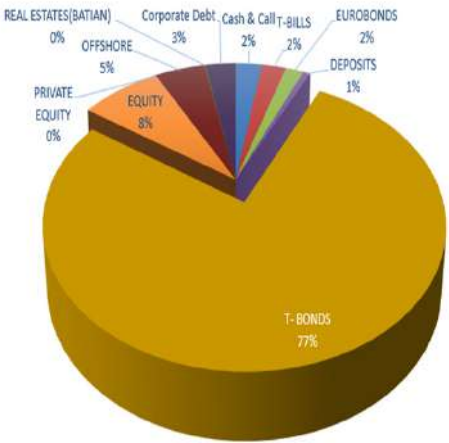


True to the Funds' strategy, monthly contributions grew from Ksh41.41 billion in January 2021 to Ksh52.26 billion in June 2025 while the asset base increased from Ksh44.31 to Ksh268.04 billion in the same period.



Similarly, the investment portfolio has since grown from one (Treasury Bill/Bonds) to nine in the same period with corresponding annual interest declared growing from 9.99% to 5.4%, to 11.9% and finally 17.68% respectively making PSSF one of the fastest-growing pension Fund in the region.

Portfolio Distribution



This growth tells a deeper story, one of trust and opportunity.

A story of the success defined by the ability to manage risks while guaranteeing stable returns to members. A story of member-centric approach in fund mobilization, investment and business transformation.

The Fund's achievements extend beyond numbers. The current governance structures, complemented by the recent review of the PSSS legal and regulatory framework, have continuously entrenched independence and the much-needed transformation. Besides, member education and engagement programs, including holding of Annual General Meetings (AGMs) have, over time, built trust as witnessed by the growing number of requests by public entities to be onboarded to the Fund - five having been onboarded in the last two years.

Strategic Impact of the Fund

Anchored on the vision of being a trusted retirement benefit provider, the Funds Strategic Plan 2023-2027 puts emphasis on growth, trust, and service excellence. The Fund's strategy centres on addressing member retirement needs, technology adoption and investments that align with the country's long-term development aspirations.

Economically, the impact of the Fund on the broader economy is visible. PSSF has been stimulating vibrancy and growth through injecting capital in the various sectors of the economy. The investment portfolios comprising treasury bills, bonds, Private equity, real estate investment trusts, fixed deposits and cash on call among others continue to drive realization on the desired goals within respective sectors.

Unlike the beneficiaries in the previous scheme, PSSF members now enjoy timely payment of benefit, portability of the benefits, real time tracking of member savings and in general, greater access to information through the various existing platforms. Besides, the scheme is anchored in law, giving members legal protection and assurance that their savings are secure and properly managed. These gains have reinforced the Fund's credibility and reaffirmed member-first philosophy.

Future Outlook

The PSSF story is one of bold reform and steady progress. Building from nothing to a dynamic, member-driven institution, the journey reflects innovation and foresight. The future of the Fund calls for agility and putting in place resilient structures flexible enough to adapt, especially in a volatile investment environment.

Leveraging technology to enhance member engagement, improving efficiency, and securing data will also be necessary. As the Fund grows in size and influence, the focus should now go beyond capital accumulation and preservation to participating in shaping the Kenya's financial future and building confidence among the beneficiaries.

Erick Nandwa is Head of Planning and Strategy at PSSF



# FROM PROFIT TO PURPOSE: NAMIBIA'S PENSION INDUSTRY LEADS AFRICA IN ESG INTEGRATION

Namibia's pension industry stands as one of the most structured and well-regulated in Africa. Guided by clear acts, rules, and regulations, it has developed into a stable system that serves both the private and public sectors. At its centre is the Government Institutions Pension Fund (GIPF), the largest and only active defined benefit (DB) fund in the country, dedicated to public sector employees.

For more than a decade, Milka Mungunda served as General Manager at the GIPF, overseeing an institution that provides a critical social and economic safety net for thousands of Namibians. Drawing from over 10 years of experience in pension, provident, and preservation funds, she has witnessed first-hand how sound governance and prudent investment management can secure dignity in retirement.

Yet, Mungunda believes the true strength of the pension system lies not just in financial performance, but in its alignment with ethical and sustainable principles. For her, Environmental, Social, and Governance (ESG) considerations are not buzzwords – they are essential tools for safeguarding members' long-term wealth.

"Pension funds are long-term investments meant to support members when they are no longer working," she explains. "ESG helps protect those savings from being eroded by investments that may harm society or the planet. It's a measure of good corporate governance and prudent stewardship."

In practice, she notes, the returns from ESG-aligned portfolios may not always be visible in the short term. But their long-run benefits are undeniable. "If a pension fund deliberately excludes tobacco or liquor companies, the gains may not be tangible in cash terms, but the social value is clear. Such funds avoid financing harm to the very communities whose futures they are meant to secure."



Beyond sustainability, Mungunda is passionate about expanding pension coverage across Africa. She points out that, unlike in Nordic countries where pension assets directly finance infrastructure and improve citizens' welfare, many African pension funds invest offshore – often to the detriment of their own economies.

"There is no sense in boasting that a pension fund is worth billions while the people it serves live without decent health-care or education," she says firmly. "Our pension assets should help build the infrastructure and social systems that improve the lives of our members. Pension capital must serve its people."

In Namibia, one of the biggest challenges lies in integrating the informal sector into formal retirement planning. Millions remain outside the pension system, cut off from long-term savings and social protection. To the credit, the Social Security Commission is taking steps to address this gap through a National Pension Fund and unemployment insurance scheme, which will extend coverage to workers in informal enterprises.

For Mungunda, these initiatives mark the beginning of a new era – one where inclusion, sustainability, and national impact define the pension industry's purpose.

"Our future depends on how we manage today's savings," she reflects. "If we invest responsibly, inclusively, and sustainably, our pension funds will not only secure retirements but also shape a better Africa for generations to come."

**“If we invest responsibly, inclusively, and sustainably, our pension funds will not only secure retirements but also shape a better Africa for generations to come.”**

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# SECURING TOMORROW: INSIDE UGANDA'S PENSION TRANSFORMATION

As Uganda's pension sector expands in scale, complexity, and strategic importance, the conversation around coverage, innovation, and long-term sustainability has never been more urgent. With assets now exceeding UGX 30 trillion and new schemes emerging to serve both formal and informal workers, the industry is undergoing a quiet but decisive transformation. At the centre of this evolution is the Uganda Retirement Benefits Regulatory Authority (URBRA), whose mandate on supervision and market conduct continues to shape the direction of retirement savings in the country.

To unpack the latest trends – from digital onboarding and micro-pension growth to youth engagement, investment patterns, and the shifting regulatory landscape – we sat down with Daisy Lynda Nabakooza, the Kampala-based Director of Supervision and Market Conduct at URBRA. In this Q&A, she offers insights into the state of the pension industry in Uganda, emerging innovations, and the reforms driving higher participation across the workforce.

*Q: How would you define the pension industry in Uganda and what is the penetration rate?*

**Nabakooza:** The pension industry in Uganda comprises 66 retirement savings schemes regulated by URBRA (as of June 2025), facilitating long-term savings for retirement through both voluntary and compulsory contributions. The 66 schemes are comprised of 3 Mandatory scheme, 47 occupational / employer-based schemes, 14 umbrella schemes and 2 individual / informal sector schemes.

As of June 2025, sector assets had grown to approximately 30 Trillion Uganda shillings, majorly attributed to increase in contributions and increase in investment income.

The penetration rate is approximately 15-18% of the working population, with approximately 3.1 to 3.4 million savers of an estimated 15 million workers, representing coverage mainly of the formal sector.

The immediate challenge facing the pensions sector is low coverage as evidenced by the low penetration rate. Nearly 85% of Uganda's workforce (most of whom are non-salaried workers) are not saving for old age.

Low coverage is partly due to the design of the retirement benefit system, which excludes informal sector workers. Informality therefore presents specific issues in retirement income provision that cannot be addressed by extending conventional retirement benefit

arrangements to these workers.

*Q: As the officer in charge of market conduct at URBRA, what trends are you seeing in the industry geared towards increasing penetration?*

**Nabakooza:** Key trends include growth in voluntary retirement savings, increased employer and employee participation in umbrella schemes, and rising assets under management.

We are also seeing a positive shift towards voluntary and micro-pension schemes, digital onboarding, and partnerships with organised groupings and existing saving platforms such as SACCO networks, FinTechs, and mobile money platforms.

There is also greater emphasis on financial literacy, transparency, and consumer protection, which are strengthening public confidence and participation in the sector.

We have also noted more innovation in products that encourage wider participation, including flexibility and ease in contribution remittance as well as access. We are seeing schemes adjust their frameworks to better accommodate the needs of the informal sector, including intermittent access and targeted benefits that meet the social needs of contributors.

Increasingly, there is a sustained focus on improving regulatory frameworks and enhancing member confidence to bring more informal sector workers into pension schemes

*Q: What is Uganda doing to interest and capture young savers?*

**Nabakooza:** Uganda is promoting innovative pension products tailored for the informal and youthful workforce – Including integrating technology such as mobile-based savings platforms, flexible contribution options, and targeted financial education campaigns. Efforts are also underway to integrate pensions into gig and digital economy ecosystems to attract younger contributors, meeting the contributors at their point of convenience.

URBRA's financial literacy strategy has also incorporated the use of platforms that are predominantly utilised by the young people and also deploys young people to conduct the literacy sessions, to have more peer-to-peer engagements.

*Q: Which asset classes form the largest share of pension fund investments in Uganda?*



**Nabakooza:** Pension funds in Uganda typically invest in a diversified portfolio comprised mainly of government securities, equities, corporate bonds, real estate, and fixed deposits.

As of June 2025, the sector investments were invested 82.4% in Government Securities, 11.2% in quoted equities, 2.7% in immovable property, 1.4% in unquoted equities, and Cash and demand deposits, fixed deposits and other investments carrying less than 1% each.

There is growing interest in alternative investments such as infrastructure and private equity, and in turn the need to revise the URBRA's prudential investment guidelines to facilitate prudence and oversight over the changing investment spectrum.

*Q: What are some of the innovations taking place in the pension industry?*

**Nabakooza:** Key innovations in the pension industry are reshaping how schemes operate and how members engage with retirement savings. One of the most notable developments is the rise of mobile sign-up and contribution platforms, alongside digital pension management applications, dashboards, and member self-service portals. These tools have significantly enhanced flexibility and ease of remitting contributions, improved transparency and accountability, and expanded pension coverage to the informal sector by fostering greater trust and confidence.

Another major area of innovation is the development and adoption of advanced supervisory technology. Regulators are increasingly using data-driven supervision and analytics to support risk and compliance management, which in turn promotes more efficient and prudent oversight across the sector.

Additionally, pension schemes are progressively embracing ESG-aligned investment frameworks. This shift reflects a growing recognition that investment decisions must incorporate sustainability considerations. Beyond focusing solely on returns, schemes are now integrating environmental, social, and governance factors into their investment strategies, accompanied by sustainability reporting to track impact.

There is also growing interest in alternative investments, with ongoing discussions on positioning pension funds as a viable source of long-term capital for private sector growth and infrastructure development. This trend is contributing to the deepening of capital markets and presents pension funds as an increasingly important alternative to dwindling foreign aid.

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# GLOBAL SOCIAL SECURITY 2025: REIMAGINING PROTECTION IN AN AGE OF TURBULENCE

In a world reeling from the aftershocks of the pandemic, climate disruptions, economic turbulence and digital upheavals, social security systems have found themselves at the epicentre of adaptation. The International Social Security Association's (ISSA) latest report — Social Security Developments and Trends: Global 2025 — is both a diagnosis of global vulnerabilities and a roadmap for reform. It offers a sweeping, data-rich picture of how nations are reimagining protection in what it aptly calls “an age of polycrisis” — a period defined by compounding shocks, shifting demographics, and rapid technological change.

### The Ageing Dilemma and the Shrinking Contributor Base

One of the most consistent threads in the report is population ageing. “Rapid population ageing, especially in high-income and upper-middle-income countries, remains among social security's most pressing concerns,” the report warns. With declining fertility rates and longer life expectancy, many countries face the dual challenge of paying for longer retirements while contending with fewer active contributors.

In Japan, where nearly 30 per cent of the population is over 65, the government has embraced what it calls “active ageing” — policies encouraging seniors to work longer, supported by flexible pension rules and lifelong learning schemes. Similarly, France and Uruguay have raised retire-

ment ages and restructured benefit formulas to ensure fiscal sustainability, while maintaining minimum protection levels for low-income retirees.

Africa, meanwhile, still sits at the other end of the demographic spectrum, with a youth bulge and high informality. Yet the report cautions that this “demographic dividend” will only translate into advantage if countries expand formal employment and contributory coverage. The continent must therefore prepare for the future — by learning from Asia's experience of building pension systems before the ageing crisis fully sets in.



### Expanding Coverage to the “Missing Middle”

The report repeatedly highlights what it calls the “missing middle” — the millions of workers who fall outside both contributory and tax-financed schemes. “Longstanding institutional, regulatory and labour market rigidities mean that many people — including workers in informal employment, migrant populations, and those providing unpaid care — are at risk of being left behind,” ISSA notes. Across the world, countries are responding with flexible contribution schemes and hybrid models. Latin America, Uruguay and Chile have refined their multi-tier systems, blending public and private components to spread risk and ensure basic adequacy. Indonesia and the Philippines have developed simplified contribution systems for informal workers, often leveraging mobile technology to facilitate payments.

For Africa, such examples offer useful lessons. The report cites Rwanda's Ejo-Heza — the long-term savings scheme, as a fitting model of inclusive design. The scheme uses digital wallets and mobile money to allow citizens — including farmers and informal traders — to save small amounts toward old age. Similarly, Kenya's adoption of mobile-first pension platforms — exemplified by the Mbao Pension Scheme, which allows informal workers to save and contribute through mobile money — mirrors best practices from Asia, where “digital-first but not digital-only” strategies are expanding access and bringing millions into formal retirement systems.

### Digital Transformation: The New Engine of Inclusion

Digital innovation runs through the report as both a necessity and a challenge. It notes that “social security institutions are applying digital-first but not digital-only strategies that prioritize accessibility and user-centric design.” From Europe to Asia, organizations are using technology to connect with citizens in real time, improve transparency, and cut administrative costs. Portugal's “360° Vision” initiative, for example, provides a single digital window for all social protection interactions, offering what ISSA describes as an “intelligent and inclusive relationship” between citizens and the state. Belgium's MyPension portal enables people to view their entitlements

across multiple schemes — a feature that enhances trust and encourages voluntary compliance.

For Africa, where connectivity remains uneven, the lesson is not to digitize for efficiency alone but to digitize for inclusion. The report emphasizes that digital reforms must bridge, not widen, inequality: “Despite progress, vulnerable populations bear the brunt of the digital divide, highlighting the need for continued investment in people-centric service provision, mobile-based services and targeted inclusion efforts.”

Countries like Kenya, Côte d'Ivoire, and Morocco are already moving in this direction. Kenya's Customer Relationship Management System uses mobile and web tools to enhance citizen engagement. Morocco has launched an Open Lab to co-create digital solutions with stakeholders — echoing similar participatory models in Europe's social innovation hubs.

### Gender-Responsive and Care-Aware Systems

The ISSA report highlights the gendered nature of pension inequality. Women's unpaid care responsibilities, interrupted careers, and concentration in low-paid sectors translate into lower pensions. “Women are more likely than men to face precarious employment, lower earnings, and interrupted careers due to care responsibilities,” the report states, adding that the growing demand for long-term care “requires an urgent response.”

Countries in Europe have begun to address this imbalance through care credits and parental leave policies linked to pension rights. France grants pension credits for child-rearing, while Portugal and Sweden award additional accruals for time spent in caregiving. Japan's restructured survivor benefits also recognize non-linear work histories.

According to report, Africa can draw from these reforms by integrating gender-responsive provisions into national social protection floors — for instance, recognizing informal caregiving within pension accrual formulas or expanding social pensions for older women disproportionately excluded from formal work.

### Resilience as the New Currency

Perhaps the most defining message

of the 2025 report is that resilience — institutional, financial, and technological — has become the new measure of success. “Social security systems are under intense pressure to anticipate, adapt and respond to shocks,” it states, whether from climate change, pandemics, or geopolitical instability.

Europe's investment in digital governance tools and real-time risk dashboards has strengthened its adaptive capacity. In Finland, the Kela Info Tray system provides real-time data for social protection managers, while Azerbaijan's DOST Index allows evidence-based decision-making. In Asia, Singapore's Central Provident Fund Board has modernized its systems to ensure service continuity under crisis conditions, employing cloud-based infrastructure and predictive analytics.

For African countries vulnerable to climatic shocks and economic volatility, embedding similar risk management frameworks into social security systems could be transformative. The report cites the example of South Africa's quick deployment of social relief for flood victims as an emerging model of adaptive social protection.

### Financing the Future

Traditional financing models, the report warns, are under severe strain. “A combination of population ageing, economic volatility and the rise of non-standard work erode contribution revenues,” ISSA observes in the report, while fiscal space for non-contributory programmes is shrinking.

Countries are therefore rethinking pension financing, diversifying revenue sources, and seeking greater investment returns. In Europe, some pension funds have adopted green finance principles, aligning portfolios with environmental sustainability. Canada's public pension fund, for instance, has built a diversified global investment strategy that balances returns with long-term stability.

Africa's challenge lies in creating sustainable fiscal space while protecting adequacy. Strategies such as broadening the contribution base, formalizing micro and small enterprises, and promoting public-private partnerships can draw from global experience. Nigeria's multi-tier pension reforms and Botswana's sovereign fund integration provide early examples.



A Life-Course Approach

Beyond the pension lens, the report calls for a “life course approach” – protecting individuals from childhood through old age. Countries are linking pensions with child benefits, maternity protection, unemployment insurance, and care services to build seamless systems. This integrated approach not only enhances coverage but strengthens intergenerational solidarity. For instance, Canada’s Service Improvement Strategy and Australia’s Plan My Monthly Payouts initiative both align old-age benefits with broader social inclusion goals. They ensure individuals can transition smoothly through different stages of life without losing protection.

A Blueprint for Africa’s Leap

Ultimately, the report’s global snapshot serves as a mirror and a map for Africa. While the continent faces acute informality, high youth unemployment, and limited fiscal capacity, it also has the advantage of demographic youth and

technological agility. Lessons from Asia’s informal worker inclusion, Europe’s digital transformation, and Latin America’s social pension expansion offer a composite guide. Africa’s future, the report notes, lies in crafting hybrid, digitally enabled, gender-sensitive and financially sustainable social security systems. These systems must be rooted in local realities yet informed by global learning. As ISSA concludes, countries that “opt to invest and expand – even when faced with serious demographic and financial pressures – signal confidence in the continued relevance and necessity of coherent social security systems.”

In that sense, Global Social Security 2025 is more than a report — it is a manifesto for reimagining protection in an age where crises are no longer exceptions but constants. The challenge now is for nations, especially those in Africa, to turn that vision into resilient, inclusive, and future-ready social protection systems that truly leave no one behind.

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AGILE PEN: POWERING AFRICA’S DIGITAL PENSION REVOLUTION

Africa’s pension sector is undergoing a major digital shift. For many years, pension systems across the continent relied heavily on manual processes, paper-based records, and fragmented workflows that slowed service delivery and limited access—especially for informal workers who make up more than 80% of Africa’s labour force. Today, rapid digital innovation is reshaping how pensions are administered, accessed, and governed. Agile Business Solutions is proud to contribute to this evolution through Agile Pen, a modern pension administration solution built for Kenya and the broader African market.

The Changing Pension Landscape

Across the continent, governments and pension institutions are adopting technology to improve efficiency, enhance transparency, and expand inclusion. Digital identity systems, mobile money platforms, and fintech innovations are enabling millions of workers to participate in pension schemes for the first time. Countries such as Kenya, Nigeria, Ghana, and Tanzania are advancing reforms that support digital onboarding, electronic contribution submission, and automated compliance monitoring. Kenya stands out as a regional leader in pension digitization. Supported by a progressive regulatory environment under the Retirement Benefits Authority (RBA), the sector has grown significantly, with pension assets reaching about KSh 2.255 trillion by the end of 2024. As pension schemes expand in size and complexity, administrators increasingly require modern solutions that enhance governance, streamline processes, and deliver timely, reliable services. This is where Agile Pen plays a transformative role.

Introducing Agile Pen: A Modern Administration Solution

Agile Pen is a next-generation pension administration platform designed to enhance efficiency, improve service delivery, and support regulatory alignment. The system automates end-to-end pension operations—from contributions and reconciliations to benefit processing and reporting. Key features include:

- Digital life certification (proof-of-life verification)
- Automated contribution processing and real-time reconciliation
- Self-service portals for members and employers

- Mobile-ready access for instant visibility
- Electronic claims processing and workflow automation
- Secure digital document management
- Trustee dashboards and compliant reporting tools

By replacing manual tasks with automated workflows and accurate digital records, Agile Pen enables pension institutions to enhance service quality, reduce errors, and strengthen trust among members, employers, and regulators.

Technology Powering the Future of Pensions

Digital infrastructure continues to redefine pension coverage and governance across Africa. Countries are increasingly embracing digital pension services tailored to both formal and informal workers. Mobile-based micro-pensions, simplified enrollment processes, and data-driven decision-making are expanding access and improving confidence in retirement savings.

Behind these advancements are modern administration systems like Agile Pen that secure data, validate transactions, enhance engagement, and promote transparency. Several emerging technologies are accelerating this shift:

- AI and Automation enhance contribution monitoring, detect anomalies, and improve customer support through intelligent chatbots.
- Blockchain builds trust by creating secure, tamper-proof transaction records that reduce fraud.

- Advanced Analytics help administrators understand contribution patterns, predict trends, and make evidence-based policy decisions.

Agile Business Solutions continually invests in these innovations to ensure African pension schemes remain resilient, inclusive, and future-ready.

Value for Every Stakeholder

- Agile Pen creates measurable impact across the pension ecosystem:
- Administrators benefit from operational efficiency, reduced backlog, and centralized workflows.
  - Members enjoy real-time access to statements, faster processing, and greater transparency.
  - Employers gain seamless payroll integration and simplified compliance reporting.
  - Trustees obtain enhanced oversight and data-driven governance tools.
  - Regulators receive accurate, timely, standardized reports that strengthen industry compliance.

Conclusion

Africa’s pension systems are on the verge of a digital breakthrough, with immense potential to expand coverage, strengthen governance, and improve retirement outcomes for millions. Agile Pen stands at the center of this transformation, offering a modern, scalable, and secure administration platform that empowers pension institutions to deliver efficient, inclusive services. As the industry continues to evolve, Agile Business Solutions remains committed to equipping pension funds, regulators, and members with technology that inspires trust and supports long-term financial security.



# UNLOCKING AFRICA’S GROWTH: WHY A PAN-AFRICAN PRIVATE EQUITY STRATEGY MATTERS FOR PENSION FUNDS

by Joanne Yoo & Muna Abdulle

### The Shifting Landscape of African Pension Investment

Africa’s pension industry is entering a period of transformation. As assets expand and regulatory reforms create space for alternatives, pension funds are reassessing how they allocate long-term capital. The traditional focus on listed markets and fixed income is giving way to a more forward-looking approach that recognises the real economy as the foundation of sustainable performance. In Kenya, where pension assets now exceed KES 1.6 trillion and continue to grow each year, this shift carries both challenge and opportunity. The challenge lies in navigating new asset classes that demand specialised expertise. The opportunity lies in gaining access to high-growth African businesses that are building essential industries.

### Why Private Equity Matters for Long-Term Returns

Private equity is one of the most effective ways for pension funds to access real-economy growth. Although schemes are permitted to allocate up to ten percent to alternatives, most Kenyan funds remain below two percent. This gap suggests that trustees understand the value of diversification but require structured, risk-adjusted avenues to participate. DPI provides such a pathway. With nearly two decades of experience, a regulated platform, and a presence across Africa’s most dynamic economies, DPI offers transparency, discipline, and access to companies that reflect the continent’s structural transformation.

### The Case for a Pan-African Strategy

A Pan-African strategy is not simply a preference but a necessity. No single African market provides the sector breadth or scale required for long-term institutional investing. Many listed markets remain shallow or concentrated, limiting exposure and increasing volatility. A regional private equity strategy provides diversified access to Africa’s strongest growth drivers, including rising consumer demand, rapid urbanisation, digital transformation, and an expanding working-age population. For pension funds, this approach spreads risk across currencies, regulations, and economic cycles while aligning with the continent’s most resilient themes.



Joanne Yoo  
Partner, DPI



Muna Abdulle  
Senior Vice President, DPI



### Investing in the Real Economy

A Pan-African approach also provides exposure to sectors that millions of pension members rely on daily. DPI’s portfolio reflects the essential pillars of African economies, including financial services, logistics, technology-enabled solutions, manufacturing, agriculture-linked industries, pharmaceuticals, and consumer goods. These companies generate revenue in local currency, create jobs, and meet rising demand from consumers. They represent daily touchpoints of the real economy. Demographic trends deepen this opportunity. Africa’s population is expected to double by 2050, with the majority under the age of 25. Young consumers adopt technology quickly, driving growth in digital payments and online platforms. Urbanisation fuels demand for logistics, food, and infrastructure. Healthcare continues to expand as access and quality improve. Private equity is well positioned to take advantage of this growth.

Regulatory reforms across the continent demonstrate widening acceptance of alternatives. Zambia increased its private equity cap from five to fifteen percent. Nigeria now permits co-investments alongside established managers. Namibia maintains one of the world’s highest pension asset-to-GDP ratios, supported by diversified allocations that include alternatives. Kenya is part of this continental movement, with clear policy guidance showing that alternatives can enhance long-term performance and strengthen portfolio resilience.

### Bridging Africa’s Financing Gap

Private equity also fills a structural financing gap. Many strong African businesses cannot access long-term growth capital through banks or domestic capital markets. Private equity provides the capital, operational expertise, and governance improvements required for these businesses to scale. Pension funds benefit through long-term value creation that is less correlated with public markets. A regional strategy enhances risk management by allowing investment teams to allocate capital across different economies. Economic cycles vary between West, East, North, and Southern Africa. Currency movements differ, and sector growth is uneven. A multi-market strategy enables entry into markets where valuations are compelling and expansion into sectors showing resilience. This flexibility is absent in a single-country strategy.

For Kenyan trustees, several considerations are especially relevant. Pension portfolios require assets that preserve value against inflation while delivering long-term returns. Private equity in essential sectors supports this need. Pension members

also increasingly want evidence that their savings contribute to national development. Investments that create jobs, improve productivity, and expand access to services provide both financial and social value. Diversification is critical as global listed markets remain volatile. Exposure to African private companies reduces concentration in traditional asset classes and supports long-term stability.

### DPI’s Approach to Investing and Value Creation

DPI offers a platform aligned with these priorities. The firm combines local presence with institutional standards. It invests in businesses that address Africa’s core economic needs and have the potential to scale regionally. The strategy is built on disciplined risk management, strong governance, and a long-term approach to value creation. Private equity becomes more tangible when considering the types of businesses DPI supports. One example is a Pan-African agricultural and industrial inputs distributor that strengthens food systems by providing access to essential crop nutrients and specialty chemicals. In healthcare, DPI has backed a regional pharmaceuticals platform that is expanding manufacturing and improving access to affordable medicines. DPI has also invested in technology-enabled financial services companies that combine payments, credit, and digital tools into integrated ecosystems, enabling millions of individuals and small enterprises to transact and access capital. These companies represent the heart of daily economic life, reinforcing the link between private equity, long-term returns, and real-economy impact.

### Conclusion: The Time for African Private Capital Is Now

As Kenya expands pension coverage and deepens regulatory oversight, private equity will play an increasingly central role. There is room for local schemes to increase allocations while maintaining diversification and prudent controls. Doing so will unlock capital for sectors that drive productivity and create long-term value for members. Africa is entering a new economic cycle powered by demographic strength, consumption growth, and regional integration. Pension funds have an opportunity to shape this trajectory. By allocating to experienced managers with genuine Pan-African capabilities, pension funds can capture growth, manage risk, and support sustainable development. The opportunity is clear. What is required now is the conviction to allocate.


Joanne Yoo is a Partner at Development Partners International (DPI)



# AFRICA’S AI MOMENT: A STRATEGIC OPPORTUNITY FOR LONG-TERM CAPITAL

by Timothy Machi

The global artificial intelligence (AI) revolution is reshaping economic models, labour markets, and the architecture of value creation. Yet, for Africa – and for institutional investors such as pension funds – this technological shift arrives under markedly different circumstances than previous industrial transitions. Unlike the first three industrial revolutions, where Africa served primarily as a supplier of raw materials to others’ production systems, AI rewards knowledge, data, and contextual problem-solving—areas where the continent holds latent competitive strengths.



Africa’s demographic profile is a defining asset. With more than 60% of the population under 25, the continent represents the world’s most youthful and digitally adaptive labour force. Moreover, Africa’s innovation history – exemplified by the rise of mobile-first financial systems such as M-Pesa – demonstrates a proven capacity to leapfrog legacy infrastructure. These dynamics position the continent not merely to adopt AI, but to shape its application.

To understand how, it is necessary to examine where value is created in the AI economy. The lowest layer – the base compute and cloud infrastructure – is dominated by global hyper-scalers, requiring multibillion-dollar capital expenditure. Above this sits the frontier model development layer, where only a few firms possess the combination of compute, talent, and proprietary data necessary to train models at scale. However, the third layer – the application layer – is where meaningful opportunity exists for African innovators and investors. This is the layer where AI is translated into sector-specific workflows, products, and services. Here, local knowledge becomes the differentiating advantage.

Examples are already visible across the continent. In Uganda, cassava – an essential staple in many households and a significant regional trade commodity – faces recurrent crop disease challenges. In response, researchers at Makerere University developed Nuru, an offline, smartphone-based diagnostic tool capable of detecting cassava diseases and in local languages with accuracy surpassing that of trained field officers.

In Kenya, machine learning is being used to expand financial inclusion by analysing alternative data to assess creditworthiness where traditional scoring systems fail. In Tunisia, InstaDeep leveraged reinforcement learning to solve high-value logistical and biomedical challenges, eventually being acquired for over \$500 million.

These cases share a pattern: global AI capabilities combined with locally grounded datasets and contextual understanding, can generate solutions that cannot be easily replicated elsewhere.

For the pensions sector, this moment is particularly significant. Pension funds are, by design, long-horizon allocators whose investment mandates emphasize stability, sustainability, and developmental impact. Many African pension funds already play a foundational role in financing infrastructure, housing, and national development priorities. The emergence of AI expands this role into three strategic domains:

**Investment and Risk Management**  
AI-driven models can support portfolio optimization, early detection of market stress, scenario simulation, and improved liability matching – enhancing both performance and prudence.

**Operational Efficiency and Member-Centric Services**  
Natural language models can automate customer service, detect fraud, streamline claims processing, and support personalized retirement planning tools, improving member trust and reducing administrative overhead.

**Capital Allocation to Africa’s Emerging AI Application Ecosystem**  
By directing patient capital toward high-potential application-layer ventures – particularly in agriculture, healthcare, public service delivery, and financial infrastructure – pension funds can catalyze economic productivity and create long-term value aligned with national development goals. However, capturing this opportunity requires deliberate positioning. First, data must be treated as strategic infrastructure. Africa’s linguistic diversity, agricultural knowledge systems, and public-sector datasets are undervalued assets. Structured appropriately – through data trusts, public-private partner-

ships, and sovereign data governance frameworks – they can form the foundation of valuable AI applications.

Second, Africa can adopt hybrid cloud-edge architectures, enabling AI systems to function reliably in environments with inconsistent connectivity. This reduces dependency on foreign infrastructure while ensuring that solutions remain locally resilient.


Third, pension funds, policymakers, and national research institutions must collaborate to develop AI literacy and workforce transition strategies. The future competitiveness of the continent’s labour markets will depend not only on automation avoidance, but on enabling workers to use AI tools productively.

The critical insight is that Africa is not late to the AI revolution; it is entering at precisely the moment when the rules of value creation are shifting. The question for the pension sector is not whether AI will reshape its operating environment, but whether funds will act as passive observers or strategic shapers of this transition.

For institutions tasked with delivering intergenerational security, the alignment is clear. AI represents not just a technological shift, but an economic transformation that rewards long-term, purpose-driven capital.

Africa’s AI moment is here. The stakeholders who move now will define not only the continent’s competitive position, but its economic narrative for decades to come.

(Insights adapted – with permission - from Differential Capital’s ongoing work on application-layer AI.)



FACTSHEET

The Public Service Superannuation Scheme is a defined contribution pension scheme that covers Civil Servants, Teachers employed by TSC and Disciplined Services personnel. As at 30th June 2025, the scheme’s membership was 510,961 with a fund value of KES 242.87 billion.

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|            |             |             |             |              |
|------------|-------------|-------------|-------------|--------------|
| 330,318    | 368,795     | 416,449     | 443,639     | 510,961      |
| 1-Jan 2021 | 30-Jun 2022 | 30-Jun 2023 | 30-Jun 2024 | 30-June 2025 |

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MEMBER CATEGORIES

|                     |       |
|---------------------|-------|
| Civil Servants      | 14.2% |
| Disciplined Service | 22.8% |
| Teachers            | 63%   |



# POLICY REFORMS FOR BUILDING RESILIENT AND INCLUSIVE PENSION SYSTEMS IN AFRICA

Retirement benefits schemes have as their foremost role the protection of persons who have retired from active service from the risk of old age poverty. Towards this end, pensions systems are expected to integrate appropriate and categorical mechanisms targeted towards alleviating poverty and combatting disparities. While there is presently no one-size-fits-all model to shape pensions systems across the African region and the globe, what is common amongst most jurisdictions is the commitment to develop national systems that are available, adequate, affordable and accessible based on the context and priorities of individual nations. Across Africa, pension systems are being tested by challenges including shifting demographics, informal employment, and economic volatility. This calls for policy reforms that will redefine the future of retirement security across the African continent. This article features some of the areas that pension policy reforms may focus on.

### Review of Legislative and Regulatory Frameworks

The right to social security is a fundamental human right recognized in diverse international and domestic legal instruments. Notably, the Universal Declaration of Human Rights and the International Covenant on Economic, Social and Cultural Rights recognize this right as being crucial for the promotion of social and economic development and, more importantly, guaranteeing a life of dignity at every stage for every human being. These instruments place upon States the obligation to respect, protect and fulfil the right to social security. A critical reform in this regard revolves around the guarantee of the right to social security in domestic legal systems. Fortunately for Kenya, this right is entrenched in the Constitution (Articles 43(e) and 57), which has laid a firm foundation for the formulation, review, and implementation of national legislation - including the Retirement Benefits Act, the PSSS Act and the NSSF Act- and development of policy frameworks, notably the National Retirement Benefits Policy. Despite fiscal challenges and austerity measures that are put in place from time

to time, the constitutional guarantee puts an obligation on the state to prioritize the realization of the right to social security. The entrenchment of this right in the Constitution and embedding it in various legal frameworks has been instrumental in providing a basis for assertion of the right and enforcement through the available dispute resolution platforms.

Other recent notable legal reforms that have been realized in the Kenyan retirement benefits system in Kenya include the shift from defined benefit to defined contribution model, tax exemptions on retirement income, restriction of early withdrawals to protect pensions savings for retirement, and enhancement of governance and efficiency to ensure timely payment of benefits. Going forward, it is important that the legal and regulatory framework is continually reviewed to measure the progress of implementation, facilitate corrective measures, mitigate undesirable effects and, ultimately, bolster the retirement benefits system.



### Inclusivity and Support for Work Transitions

The 2030 Sustainable Development Goals (Target 1.3) recognizes that inclusive growth, social justice and social cohesion can best be achieved by strengthening the capacities of individuals and supporting them to navigate life and work transitions. There is need for deliberate policy frameworks and initiatives geared towards providing pension plans and products that meet the unique characteristics of informal-sector workers. A notable lapse in most pension schemes across Africa has been the exclusion of this category of the citizenry from pension coverage. An example of reform can be drawn from Nigeria which has implemented a Micro Pension Plan designed for self-employed individuals and entities with less than three employees. The informal sector in Nigeria is segmented into three broad categories: low-income earners, high income earners and SMEs. Each of these categories is targeted with appropriate pension products and sensitization programmes that meet their unique requirements.

Nigeria is also working towards developing user-friendly mobile apps to facilitate the registration of low-income employees. The increase in the number of Nigeria's informal-sector employees having retirement accounts can be attributed to legislative reforms and aggressive onboarding. The Kenyan and Ghanaian pension sectors have been making strides towards extending pension coverage to the large informal sector, although the progress towards entrenching these and related programmes have been slow. South Africa, despite its well-developed pension ecosystem and regulatory framework, does not as yet provide cover for this category.

Another concern for pension and social security policy is about preventing the fall of elderly into traps of poverty. Countries, such as Kenya, have initiatives like the 'Inua Jamii Cash Transfer Programme', a non-contributory grant that pays a small monthly stipend to the poor and elderly. South Africa provides an older-persons grant to citizens aged over 60 for women and 65 for men. While these grants are a safety net for cushioning against poverty, they are currently limited and might not be able to effectively replace the actual retirement income. Enhancement mechanisms may need to be explored.

A key policy support particularly for those in the informal sector entails financial literacy and support for work transitions. Education and sensitization about the benefits of pension savings and provision of incentives to enable them to voluntarily save for retirement would be a critical initiative to direct efforts towards. A key policy support particularly for those in the informal sector entails financial literacy and support for work transitions. Education and sensitization about the benefits of pension savings and provision of incentives to enable them to voluntarily save for retirement would be a critical initiative to direct efforts towards.

Facilitating portability, or seamless transfer of retirement benefits between schemes and across borders, will allow workers to carry their retirement savings whenever they are transitioning in the labour market, guaranteeing them financial security, flexibility, and control.

### Innovative investments

For a while, African-focused funds have been domiciled outside the continent. This has had the implication of increasing the costs of management and disengaging them from the very communities that ought to be served by the investments through job creation, inclusive business opportunities and general contribution to economic growth. The time has come for African jurisdictions to position themselves as strategic and reliable platforms for both local and global capital mobilization. African pension schemes have the opportunity to explore new investment strategies, build resilient portfolios, provide innovative and diverse capital and investment vehicles that can support growth, align with global best practices and, ultimately, protect and grow the long-term retirement savings of their members.

The focus should, however, not be solely on maximizing long-term risk-adjusted returns, but creating impact to the communities amongst which the investments are made. Through local and regional partnerships and collaborations, pension funds can support climate-change, agribusiness, entrepreneurship and ESG initiatives, develop and upgrade infrastructure including roads, schools, hospitals, water and sanitation, energy, ports, airport terminals and digital infrastructure across the continent. They can also collaboratively address regulatory barriers that limit the deployment of assets to innovative portfolios

### Digital integration

Fintech has provided pension schemes in various jurisdictions with a robust technological platform that supports the provision of member services necessary for effective and efficient registration, collection of contributions, benefits payment and provision of financial advisory services. Kenya and Rwanda, for instance, use mobile money and national ID platforms to enroll informal workers into saving schemes. There is, however, need to advance digital transformation through the adoption of emerging technologies such as Artificial Intelligence (AI) and Big Data Analytics to advance smarter and member-centric service delivery. Such digital systems will assist to improve not only operational efficiency across the networks but also strengthen evidence-based policy and decision making.

### Author's Note

Despite persistent challenges in the pensions industry, the need for holistic and innovative policy interventions and reforms that promote inclusivity, portability, and long-term fund viability cannot be gainsaid. Governments have a delicate balance to strike between fiscal sustainability and social protection. Ultimately, a robust foundation has to be laid for a future where every person can look forward to dignity and financial security in old age.

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# FROM POTENTIAL TO POWER: PENSION FUNDS LEADING AFRICA'S INFRASTRUCTURE REVOLUTION

**F**oreign Direct Investment (FDI) is tightening globally, and Africa – home to the world's fastest-growing population – faces an urgent need to rethink how it finances its development. For decades, the continent leaned heavily on bilateral and multilateral partners, whose financing often came with restrictive conditions. But a quiet shift is underway, driven by African institutional investors who are redefining the future of infrastructure development.

A recent technical White Paper by the Africa-Europe Foundation and AUDA-NEPAD, *The Missing Connection: Unlocking Sustainable Infrastructure Financing in Africa (2025)*, highlights a severe and persistent gap in infrastructure financing. Africa needs between \$130–\$170 billion annually, yet only around \$80 billion is currently available. This shortfall continues to impede progress in essential sectors such as transport, energy, telecommunications and water systems.

While geopolitical competition – particularly between traditional Western partners and emerging lenders like China – shapes the development landscape, African governments and private institutions are increasingly recognising that sustainable progress requires stronger domestic resource mobilisation. The emerging consensus is clear: Africa must look inward.

## Africa's Untapped Institutional Capital

Research by the Africa Finance Corporation (AFC) reveals that Africa holds more than \$1.1 trillion in institutional capital from pension funds, sovereign wealth funds, insurance companies and development banks. Pension funds alone managed over \$500 billion in 2020, a figure expected to rise to \$7.3 trillion by 2050 if current demographic and economic trends persist.



South Africa dominates the landscape, accounting for roughly 70% of pension assets – over \$315 billion. Yet, despite the long-term nature of pension liabilities, only 2.7% of African pension assets are invested in infrastructure.

This mismatch presents one of the continent's most important opportunities.

## Why Pension Funds Fit Infrastructure

Infrastructure projects – roads, power plants, transmission lines, water systems and digital networks – share a natural alignment with pension fund portfolios: both require long-term capital and yield long-term, inflation-adjusted returns. Countries such as South Africa and Kenya have already begun adjusting regulatory frameworks to reflect this fit. South Africa's GEPIF, through the Public Investment Corporation (PIC), has deployed capital to renewable energy, affordable housing and social infrastructure. Kenya's Retirement Benefits Authority (RBA) now allows up to 10% of assets to flow into alternative investments, enabling pension schemes to participate in energy and road development. These reforms demonstrate that with the right governance structures, infrastructure can become a credible, return-generating asset class for pensions – not a speculative gamble.

## An African-Led Model: The Africa50 Example

A leading champion of pension-driven infrastructure financing is Africa50, an investment platform established in 2016 by African states, the AfDB and two central banks. Founding CEO Alain Ebobissé argues that mobilizing domestic capital will fundamentally reshape Africa's development trajectory. His view is supported by precedent from Asia and the Middle East, where domestic institutional investors anchor major infrastructure projects. Africa50's accomplishments show what is possible. Its portfolio includes landmark projects such as the Malicounda power plant (Senegal), Scatec solar installations (Egypt) and the Nachtigal hydropower plant (Cameroon). In 2023, the Africa50 Infrastructure Acceleration Fund reached its first close at \$222.5 million, backed by 16 African institutional investors, including pension funds and sovereign wealth funds – an important proof of concept for home-grown development financing.

Ebobissé argues that allocating even 5–10% of African pension assets to infrastructure would unlock \$100–\$200 billion for development, reducing dependence on volatile foreign capital.

## Regulatory and Structural Hurdles

Despite growing interest, several systemic barriers limit pension fund participation.

## Regulatory constraints

Many African countries maintain a conservative cap – often around 5% – on “alternative investments.” For example, in Nigeria, pension fund allocations to private equity are limited to 5% of assets, according to a study by African Private Equity and Venture Capital Association. The National Pension Commission's Revised Regulation on Investment of Pension Fund Assets in Nigeria also applies 5% per-issuer limits in certain categories. Although recent reporting suggests these caps may soon be reviewed, they remain a binding constraint for now. In Southern Africa, similar patterns emerge: a report by Africa Pension Supervisors Association shows that pension funds across the region typically allocate only 1–5% of their assets to private equity or private debt, underscoring how regulatory conservatism continues to restrict meaningful diversification into infrastructure and other long-term assets.

Such thresholds were largely modelled

on Western regulatory systems where pension coverage, per capita income and capital markets are more mature. With less than 10% pension penetration in most African countries, a replication of Western rules often restricts rather than protects African funds.

## Liquidity and risk considerations

Trustees often prioritise liquidity and capital preservation, naturally favouring government securities and bank deposits. Infrastructure projects, by contrast, require patient capital and structured risk-mitigation, such as guarantees, blended finance and inflation-indexed returns.



**..allocating even 5–10% of African pension assets to infrastructure would unlock \$100–\$200 billion for development, reducing dependence on volatile foreign capital.”**



## Institutional capacity gaps

While pension funds employ skilled actuaries and investment managers, infrastructure finance demands additional capabilities – project appraisal, engineering risk assessment and long-horizon modelling. Institutions such as Africa50, AfDB, IFC and the Trade Development Bank are increasingly partnering with pension funds to close this skills gap through training, PPP forums and co-investment platforms.

## Financial instrument limitations

Infrastructure bonds, partial credit guarantees, risk-sharing facilities and liquidity windows remain underdeveloped across African capital markets. Without these tools, many projects remain too risky or illiquid for pension fund participation.

## Currency volatility

Historically, dollar-denominated bor-

rowing has exposed African economies to exchange-rate shocks. Local-currency guarantees and localized investment vehicles are essential to protect pension funds from depreciation risk.

## Charting a New Path Forward

Evidence shows that when local capital leads, foreign investment follows. Early domestic investment strengthens project credibility, lowers political risk and increases negotiating power with external financiers. This dynamic is central to Africa's evolving development finance strategy. To unlock pension capital at scale, Africa-Europe Foundation and AUDA-NEPAD recommend that Africa initiates regulatory reforms that allow higher allocations to infrastructure and other long-term assets.

At the same time, the continent needs deeper capital markets supported by innovative instruments such as infrastructure bonds, partial credit guarantees, and risk-sharing facilities. According to the African Development Bank (AfDB) and the OECD's Africa Infrastructure Outlook, these tools make large projects more investable and help pension funds balance return and risk.

Investment experts have also called for stronger capacity in project evaluation and risk management is also essential. Pension schemes must develop the technical expertise to assess infrastructure opportunities, working closely with institutions such as the African Development Bank (AfDB) and the International Finance Corporation (IFC).

Equally important are robust governance frameworks to protect members' savings. Clear policies, transparent oversight, and strong fiduciary controls are consistent with guidance from the International Organisation of Pension Supervisors (IOPS), which stresses that sound governance is critical as funds expand into new asset classes.

Finally, Africa will need strategic partnerships between pension funds, development finance institutions (DFIs), and infrastructure platforms. Experts such as Alain Ebobissé of Africa50 advocate for such co-investment models, arguing that shared risk analysis and collaborative project development can mobilize pension capital at the scale required to close the continent's infrastructure financing gap.



# HOW PENSION FUNDS ARE DRIVING AFRICA'S INFRASTRUCTURE AND DEVELOPMENT PRIORITIES



Patrick Kariuki  
CEO, GenAfrica

**A**cross Africa, a quiet revolution is underway. Pension funds which were once traditionally seen as conservative custodians of retirement savings are emerging as powerful drivers of national development. Africa's infrastructure financing gap, which is estimated at over \$170 billion annually cannot be closed through external financing alone. The good news is that it doesn't need to be. African pension funds hold sufficient capital to finance a substantial portion of the continent's infrastructure needs while delivering competitive returns to members.

With over \$1.1 trillion in untapped institutional capital sitting in African pension funds, insurance companies, and sovereign wealth funds, the continent possesses opportunity to self-finance development priorities. Projects across the continent, including housing in Tanzania and Namibia, renewable energy in South Africa, and various projects under the public private partnership model in Kenya, illustrate how institutional capital is being strategically deployed to build the infrastructure that underpins economic growth and improves millions of lives.

### South Africa: A Continental Pioneer

South Africa's Public Investment Corporation (PIC) stands as Africa's largest asset manager and a powerful example of how pension capital can catalyze transformative development. Managing \$142 billion in assets, the lion's share of South Africa's \$242 billion pension industry on behalf of the Government Employees Pension Fund (GEPF), the PIC has systematically invested in projects that reshape the nation's economic landscape. The PIC's investment footprint spans critical sectors. Through its involvement in toll road concessions, the institution has helped finance key transport corridors that connect econom-



ic hubs and facilitate regional trade. The organization has backed South Africa's Renewable Energy Independent Power Producer Procurement Program (REIPPPP) which has added renewable energy capacity to the national grid as well as jobs predominantly in underserved communities.

To advance housing, in 2016 the PIC invested \$730 million into SA Home Loans (SAHL) to facilitate housing financing for government employees and the public. The funding was split into affordable housing end-user financing, financing qualifying home loan applicants and funding affordable housing developers.

The PIC's Isibaya Fund, which was established specifically for developmental investments focuses on private equity and large-scale infrastructure projects that generate both financial returns and social impact. This approach exemplifies the dual mandate for modern African pension funds to deliver competitive returns to members while contributing to national development goals.

### Nigeria: Unlocking Institutional Capital

Nigeria's pension industry with assets amounting \$15 billion represents one of Africa's largest pools of long-term institutional capital. Although regulations allow up to 10% allocation to infrastructure, Nigerian pension funds invest only 1.3%, revealing a substantial underinvestment that represents both a challenge and an opportunity. The Stanbic IBTC Infrastructure Fund has emerged as a trailblazer, mobilizing \$194 million into infrastructure projects and launching a \$240 million growth fund in 2025. Through partnerships facilitated by USAID and Chapel Hill Denham, Nigerian pension funds closed five infrastructure transactions worth over \$488 million in just 26 months, including \$63 million for renewable energy projects.

InfraCredit, Nigeria's infrastructure credit enhancement company, has been instrumental in unlocking pension capital by providing local currency guarantees that enhance credit quality of infrastructure bonds. The organization supported Transport Services Limited's issuance of Nigeria's first 10-year infrastructure bond in the transportation sector and enabled Lagos Free Zone Company to access the long tenor financing of up to 20 years in Nigerian corporate bond markets.

By March 2025, pension fund infrastructure investments had grown 54.1% year-on-year to \$168 million, with infrastructure funds delivering 32% returns compared to 22% for overall pension portfolios. The ARM-Harith Infrastructure Fund has attracted pension capital for climate-resilient energy and digital infrastructure, targeting creation of jobs while demonstrating the viability of pension-backed development finance.

### Tanzania: Infrastructure as Social Security

Tanzania's National Social Security Fund (NSSF) has pioneered a model where social infrastructure investment forms a core part of asset allocation strategy. With a mandate requiring the fund to invest 75% of its annual sources, NSSF has strategically deployed capital into projects that directly benefit contributors and the broader economy.

A flagship project in NSSF's infrastructure portfolio is the Nyerere Bridge, a 680-meter cable suspension bridge connecting Dar es Salaam to Kigamboni district. NSSF financed 60% of the project, with the government contributing the remaining 40%. Opened in 2016, the bridge has dramatically improved connectivity, reduced commuting times, and opened up new areas for economic development.

NSSF's investment philosophy extends beyond transport infrastructure. The fund has allocated capital to industrial enterprises including textile mills and bottling companies, agricultural projects enhancing food security, and commercial properties that generate steady rental income. This diversification strategy ensures that retirement savings grow while simultaneously building productive economic capacity.

### Kenya: Innovative Financing for Growth

Kenya's pension sector has emerged as a creative force in infrastructure financing, developing innovative structures that mobilize domestic capital for development priorities. With pension assets reaching Ksh2.25 trillion (\$17.4 billion) by 2024, Kenyan funds are increasingly looking beyond traditional government securities toward investments that generate higher returns while supporting economic transformation. The Kenya Power Pension Fund has strategically invested in the energy sector, including participation in thermal power plants that support national generation capacity. These investments align perfectly with the fund's expertise as its members work in the energy sector thereby contributing to energy security and economic development.

The NSSF's partnership with China Road and Bridge Corporation to bid for the Rironi-Mau Summit highway project represents a bold deployment of pension capital. The consortium plans to develop the approximately 175-kilometer highway that forms part of the Northern Corridor linking Kenya to Uganda and East African markets. This Public-Private Partnership model allows the fund to earn inflation-protected returns from toll revenues while delivering critical transport infrastructure that reduces trade costs and improves road safety.

The Kenyan capital markets recently financed the construction of the Talanta Sports City Stadium that is currently on going. Kenya raised Ksh44.79 billion (\$347 million) through an Infrastructure Asset-Backed Security (IABS), the first of its kind in the country created to fund the 60,000-seat stadium ahead of the 2027 Africa Cup of Nations. The bond, offering a competitive internal rate of return over 15 years, attracted full subscription from institutional investors including pension funds. This structure demonstrates how pension capital can be mobilized without adding to sovereign debt, using future cash flows from designated public funds as security.

The broader Kenyan pension sector has embraced private equity as a development tool used to catalyze positive economic multiplier across various sectors. Private equity investments have channeled capital to businesses across fintech, agribusiness, logistics, health-care, and education sectors. These investments support business expansion, job creation, and sector development while offering pension funds attractive risk-adjusted returns.

Africa's \$170 billion annual infrastructure financing gap cannot be met through foreign aid or debt alone. The continent already possesses the resources to close much of that gap through its own pension funds. With the right policies, regulations, and structures in place, pension funds can evolve from passive holders of government securities into active financiers of roads, energy systems, housing and industries that will define Africa's economic trajectory for decades to come.

*Mr. Kariuki is the Chief Executive Officer of GenAfrica Asset Managers*





# POWERING NATIONAL DEVELOPMENT THROUGH SMART PENSION INVESTMENTS



Davis Ongiro  
CEO, Octagon Africa

**D**iversifying pension investments to transform retirement wealth into nation-building capital is essential for driving sustainable economic progress. For decades, Kenyan pension schemes have anchored their investments in government securities, drawn by the safety and predictability they offer. This approach has provided steady returns, but it has also created a deep structural concentration that limits growth and innovation.



In 2024, Kenya's retirement schemes collectively managed KES 2.23 trillion in assets, according to statistics from the Retirement Benefits Authority (RBA). Of this, 48.5 per cent was invested in government securities, 20 per cent in Guaranteed Funds, and 10 per cent in immovable property. These government securities generated 58.8 per cent of pension earnings that year; proof of their reliability, yet also a reflection of how little diversification exists within the system.

Such heavy concentration on one asset class may feel safe, but it carries long-term risks. When almost half of all pension wealth is tied to government securities, funds become highly sensitive to interest rate movements and liquidity constraints.

This overreliance also prevents the industry from tapping into high-potential sectors that not only deliver attractive returns but also create jobs and support national development such as infrastructure, housing and renewable energy, among others.

The world is shifting, and pension funds must shift with it. Global economic volatility, inflationary pressures, and geopolitical uncertainty have revealed the limitations of traditional investment models. Today, security lies not in staying conservative, but in spreading risk intelligently and investing in assets that are resilient, sustainable, and future-facing. Pension funds, therefore, need to move from preservation to participation; from being cautious observers of economic growth to becoming active drivers of it.

Kenya, just like the rest of Africa, has a larger proportion of youthful population, expanding middle class, and enormous infrastructure needs, offers a fertile landscape for long-term and impact-oriented investment. Yet, much of the continent's domestic capital remains untapped, held in safe but stagnant instruments.



Pension funds must evolve from passive investors into nation builders, balancing returns with responsibility.

Kenya's pension sector has witnessed impressive growth over the past decade. Total assets have increased from KES 789 billion in 2014 to KES 2.23 trillion in 2024; nearly tripling in value.

Defined Contribution (DC) schemes dominate the market, expanding from KES 1.29 trillion in 2021 to KES 1.95 trillion in 2024. The sheer size of the sector now rivals the national budget, highlighting its untapped potential as a driver of economic and social transformation.

Pension funds can no longer exist solely to pay out benefits; they must also contribute to building the societies in which those members will retire. This is where the integration of Environmental, Social, and Governance (ESG) principles becomes critical.

Incorporating ESG considerations into investment strategies ensures that funds generate long-term value while mitigating systemic risks such as climate change, social inequality, and governance failures. In essence, ESG-aligned investing safeguards both the fund's financial health and the stability of the communities it serves.

A sustainable pension ecosystem will depend on strong governance, technological advancement and inclusive participation.

Kenya's Vision 2030 and the United Nations Sustainable Development Goals (SDGs) offer a blueprint for how pension capital can be deployed for shared prosperity. Investing in renewable energy projects, for example, not only yields competitive returns but also supports Kenya's transition to a low-carbon economy. Affordable housing initiatives help address urbanization challenges while creating employment. Digital infrastructure enhances connectivity and productivity across industries. In each of these areas, pension funds have both the means and the mandate to make a measurable difference.

Across Africa, several countries have demonstrated what is possible when pension systems embrace sustainability and innovation. Botswana's Public Officers Pension Fund (BPOPF), often cited as one of the continent's most successful models,

now manages assets exceeding USD 8 billion, equivalent to over 40 per cent of Botswana's GDP.

The fund's success lies in its strong governance, independence and diversified strategy that balances local investments with offshore exposure. Over 60 per cent of its assets are managed by local firms, supporting capacity building within the domestic market. Meanwhile, its regulatory framework has progressively evolved to encourage ESG integration and protect member value.

These examples prove that sustainability is not a constraint but a catalyst for growth. Climate change, poor governance, and social instability all pose long-term threats to fund performance if left unaddressed.

Sustainability also enhances trust. When pension funds disclose their social and environmental impact transparently, they strengthen member confidence and attract responsible capital. Structured ESG reporting aligns local funds with global best practices, positioning them as credible, forward-looking players in the global investment landscape.

At a practical level, sustainability means knowing where to invest, who to partner with, and how to measure impact. Asset managers must go beyond compliance checklists and engage their portfolios with purpose; ensuring that every investment contributes positively to society while meeting financial objectives.

Pension funds that do this effectively will not only outperform in the long run but also play a defining role in shaping the future of Africa's economies.

In truth, pension funds are patient capital; uniquely suited for long-term ventures like infrastructure, renewable energy, and affordable housing. Investing in these areas can deliver consistent returns for members while directly contributing to job creation, industrial growth and social inclusion.

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# FINANCING THE FUTURE: HOW PENSION FUNDS CAN POWER KENYA'S NATIONAL TRANSFORMATION



The traditional narrative around pension funds has been one of cautious preservation, safeguarding retirement savings through conservative investments while maintaining strict fiduciary discipline. Yet, as Kenya enters the final stretch of Vision 2030 and grapples with constrained public finances, a provocative question arises, what if pension funds are not merely custodians of future security but architects of present prosperity?

Kenya's pension industry manages over Ksh2.5 trillion in assets, while counties and the national government continue to face significant infrastructure financing gaps. This paradox, capital seeking returns and infrastructure seeking funding, presents an extraordinary opportunity to rethink how domestic savings can serve national development without compromising security or returns.

The infrastructure financing challenge is not about scarcity of capital but about misalignment of instruments. Governments need roads, ports, buildings, and facilities today, but operate within annual budget cycles. Commercial banks offer short-term loans with rates that strain fiscal capacity. International lenders come with long approval timelines and conditionalities. Meanwhile, pension funds, with investment horizons of 20

to 40 years, remain largely on the sidelines, investing primarily in government securities that sometimes deliver negative real returns after adjustment for inflation.

The solution is straightforward. Long-term pension capital should be aligned with projects that have predictable cash flows and tangible social impact. It is not about taking greater risks but designing smarter instruments that balance liquidity, compliance, and return while driving development outcomes. Infrastructure assets offer exactly what pension funds need, steady cash flows, inflation hedging, real asset backing, and returns that can exceed traditional securities.



The Homa Bay County Headquarter

This vision is already taking shape through practical case studies using innovative financing models. The Homa Bay County Headquarters was financed through a structured public-private partnership anchored by pension fund investment, demonstrating that local infrastructure can be delivered sustainably through domestic financing. Rather than waiting to accumulate capital over years or taking expensive commercial loans, the county commissioned construction immediately and pays progressively through ring-fenced revenue streams aligned with constitutional budgeting processes.



The Talanta Sports City Stadium

Similarly, the Talanta Sports City Stadium introduced Kenya's first Infrastructure Asset-Backed Security, securitizing future Sports Fund receivables and mobilizing capital from pension funds and institutional investors. Valued at Ksh44.79 billion, the instrument was listed on the Nairobi Securities Exchange, deepening the capital markets and creating a new asset class that merges national impact with sound financial returns.

Beyond conventional structures, Kenya's inaugural Shari-ah-compliant Sukuk bond demonstrated how ethical finance can expand the investor base. Structured as a 15-year lease-based instrument with an internal rate of return of approxi-

mately 11.13 percent, the Ksh3 billion Sukuk financed over 3,000 institutional housing units for the Kenya Defence Forces. It attracted capital from investors previously unable to participate in conventional bonds while addressing a critical welfare gap.

The LAPTRUST IMARA Income Real Estate Investment Trust, valued at Ksh6.9 billion and listed on the NSE, illustrates how pension funds can unlock value from mature property portfolios. By converting illiquid real estate into tradable securities, the REIT releases capital for new investments while maintaining income streams, optimizing balance sheets to serve both liquidity and return objectives.

These models prove that Kenya already has the resources to fund its own development; if we can bridge the gap between investor needs and project design. When properly structured, infrastructure becomes not just a public good but a viable investment that strengthens both the economy and members' retirement security.

For the sector to fully realize this potential, several enablers are essential. Regulatory frameworks must continue evolving to accommodate innovative structures while maintaining prudential standards. Capacity building across schemes is key to ensuring that trustees and managers can assess complex transactions. Many mid-sized funds lack in-house expertise for project finance or legal structuring, creating dependency on external advisors. Industry-wide training programs and knowledge-sharing platforms could democratize access to infrastructure investment.

Standardized templates for recurring infrastructure projects, including county buildings, markets, and health facilities, would dramatically lower transaction costs and accelerate deployment. Government-backed guarantees or first-loss structures for specific project categories could help de-risk participation and attract wider investment. Creating a visible, bankable project pipeline with standardized documentation would allow pension funds to plan strategic allocations more effectively.

Ultimately, the transformation requires a collective mindset shift. Pension trustees and fund managers must see themselves not only as custodians of savings but as development financiers with unique advantages. County and national government leaders must view innovative financing not as privatization or relinquishing control, but as intelligent collaboration that accelerates development timelines while preserving fiscal flexibility. Regulators must continue balancing member protection with the need for higher, more sustainable returns in a changing economic landscape.

The future of Kenya's development may well be written not in foreign loan agreements or budget speeches, but in the innovative structures that transform pension capital into engines of national transformation. The question is no longer whether pension funds can drive development but whether we have the collective will to reimagine what they can become.

The author is the Group Managing Director & CEO, CPF Group.



# THREE FACTORS IMPACTING PENSION FUNDS' GROWTH

by Abel Kabiru

**K**enya's pension industry, which contributes about **13% to the nation's GDP**, remains one of the most developed in the region. This performance compares favorably with its East African neighbors – **Rwanda (12.67%), Uganda (12.2%), and Tanzania (8.13%)**. As the region's largest economy, with a nominal GDP of \$131.67 billion, Kenya's pension system plays a central role in financial stability and long-term savings.

Yet, despite this strength, pension penetration stands at only 26%, far below countries such as South Africa, where coverage exceeds 66%. A country's social wealth is reflected in the well-being of its elderly and vulnerable citizens. Across much of Sub-Saharan Africa, however, the aged often face hardship – either because workers fail to save early for retirement or because schemes, particularly Defined Benefit (DB) ones, have been mismanaged, yielding minimal returns and struggling to meet obligations.

A new study by the Retirement Benefits Authority (RBA) titled "The Determinants of Pension Growth in Kenya (2025)" identifies three key macroeconomic factors that shape the growth and performance of pension funds: interest rates, inflation, and exchange rates. The findings mirror patterns observed across many developing economies and provide valuable insight into how Kenya's pension sector can strengthen its resilience and growth trajectory.

### 1. Interest Rates – The Cost of Money

Rising interest rates, though beneficial for savers in the short term, tend to reduce the value of existing fixed-income investments held by pension funds. This is because as new securities enter the market offering higher returns, the older ones lose value. High interest rates also raise borrowing costs for firms, potentially slowing economic activity and investment returns. Pension funds, therefore, must balance between short-term gains and long-term stability by maintaining diversified portfolios that can withstand rate volatility.

### 2. Inflation – The Silent Erosion of Value

Inflation has an even more pronounced

impact. The study found that periods of high inflation significantly reduce the real value of pension savings. As the cost of living rises, the purchasing power of retirees' benefits diminishes, leaving many financially exposed. Inflation also pushes up interest rates, compounding the negative effect. To cushion against this, pension funds must invest in assets that yield returns above the inflation rate and consider inflation-indexed instruments to preserve members' long-term value.

### 3. Exchange Rates – A Cushion Through Diversification

Exchange rate fluctuations also play a critical role – but in a different way. The study revealed that exchange rate movements can positively influence pension fund growth, particularly for funds with offshore investments. When the Kenyan shilling weakens against major currencies such as the dollar, the value of foreign-denominated assets increases once converted back into shillings. This creates a natural hedge against local economic shocks. Pension schemes that diversify part of their portfolios into offshore markets therefore stand to benefit from currency movements, as well as from broader global investment opportunities. When pension fund managers understand these three forces and how they interact, they can make more accurate projections and prudent provisions, ensuring not only the financial security of retirees but also contributing to the broader economic stability of the nation.

### Policy and Strategy Implications

The RBA report underscores the importance of forward-looking strategies in navigating these macro-economic variables. It recommends that pension schemes and regulators:

**Boost Contributions:** Develop policies that encourage higher contribution rates through incentives such as tax benefits or matching contributions from employers and government.

**Diversify Investments:** Spread portfolios across asset classes and geographies to maximize returns and cushion against localized risks.

**Explore Offshore Opportunities:** Encourage prudent offshore investments that can hedge against local currency depreciation while observing risk and regulatory compliance.

**Inflation-Proof Benefits:** Adjust benefits and strategies to counter the effects of inflation through instruments like inflation-linked bonds or real assets.

**Adopt Adaptive Investment Strategies:** Continuously monitor interest rate trends and adjust investment strategies accordingly, supported by strong risk management and real-time market intelligence.

### Behind the Findings

The RBA based its conclusions on quarterly data collected between 2016 and 2023, analyzed through advanced statistical models such as Regression and Vector Autoregression (VAR). This approach allowed researchers to isolate how each of the three macroeconomic factors influences pension fund performance over time, offering empirical grounding for policy and investment decisions.

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# MOBILIZING INSTITUTIONAL CAPITAL FOR AFRICA'S INFRASTRUCTURE REVOLUTION



### Africa's Infrastructure Challenge

About 600 million people lack access to electricity<sup>1</sup>, 400 million lack safe drinking water<sup>2</sup>, and poor infrastructure reduces Africa's GDP by 5%<sup>3</sup> – a combination that highlights the imperative for a bold infrastructure revolution. The infrastructure financing gap in Africa through 2030 is significant, with over \$400 billion required annually for essential infrastructure needs, including climate resilience, adaptation, and mitigation efforts<sup>4</sup>. While African governments face budget limitations, international DFIs have traditionally led private and infrastructure investment on the continent. However, funding from traditional partner countries has dropped by 63%, from \$7.6 billion to \$4 billion between 2022 and 2024.<sup>5</sup> Africa's infrastructure progress therefore hugely depends on attracting long-term capital from domestic institutions. The

<sup>1</sup> UN Sustainable Development Group.

<sup>2</sup> UN Office for Project Services.

<sup>3</sup> AfDB.

<sup>4</sup> AfDB "African Economic Outlook 2024".

<sup>5</sup> Private Capital Funding in Africa (AVCA).

<sup>6</sup> AfDB; Mo Ibrahim Foundation; BrightAfrica "Africa's pension fund assets".

<sup>7</sup> MSCI (2022); EDHECinfra (2022a); S&P (2022).



Opuiyo Oforiokuma  
Senior Partner, Africa50

promising news is that African Institutions are prepared to invest when the right conditions and financial instruments are in place.

### Available Local Funding

AfDB estimates that African pension funds, sovereign wealth funds, insurance companies, and collective savings managed over \$2.5 trillion in assets in 2024. In 2022, pension funds alone held \$206 billion, mainly in South Africa (58%), Nigeria (16%), and Kenya (6%)<sup>6</sup>. Most pension fund assets are invested in government bonds and equities, while under 5% go to alternatives like infrastructure or private equity. Allocating more to Africa-focused alternative assets could help catalyse new investment in transport, energy, digital and other infrastructure that supports long-term development.

### Infrastructure: An Attractive Investment Opportunity

Pension fund asset allocation differs by country: Kenya invests over 90% in government securities, Zambia about 70% in local government bonds, and Nigeria around 50% in bonds with equity exposure rising (~30%). By contrast, global peers allocate 20-30% of their portfolios to alternative assets, including infrastructure and private credit, to stabilize performance and hedge inflation. But in all cases, priorities are Safety, Liquidity, and Regulation. Pension funds, whether defined contribution or defined benefit schemes, must reliably fund retiree entitlements, thus requiring long-term management of assets aligned with risk and future liabilities. Performance metrics should be chosen carefully – for example, hyperinflation can erode returns and threaten pension sustainability. Nigeria uses a multi-funds approach for capital allocation, matching asset risk and liquidity with plan holders' retirement timelines. Near-retirees' savings are kept in highly liquid, low-risk assets like cash deposits and government bonds. Those retiring in the medium term (e.g., 5-10 years) can invest in less liquid, low- to medium-risk options such as infrastructure or private equity funds. Long-term savers like new graduates may hold less liquid, medium- to high-risk assets, similar to medium-term retirees.

Pension funds should consider infrastructure as a viable investment option since its features match their institutional needs. The long-term nature of infrastructure assets aligns well with pension fund horizons and their extended liabilities. Index-linked tariffs help protect returns from inflation and currency swings by allowing the costs to be passed on to infrastructure users. Additionally, features like captive demand, long-term contracts, minimum offtake agreements, and risk mitigation tools create bond-like income profiles. Strong regulatory frameworks also help balance the interests of both users and investors, often guaranteeing investors a

regulated return on their infrastructure investments.

Over a 10-year period, unlisted infrastructure equities and debt in emerging markets have offered attractive risk-adjusted returns relative to listed infrastructure equities<sup>7</sup>. DFIs can also further reduce investment risk on infrastructure funds and projects by offering first-loss capital or guarantees, encouraging pension fund involvement. By investing in infrastructure, African pension funds can boost returns while supporting the development of key productive assets for their members.

### The Importance of Regulatory Enablers

Africa's policymakers should keep improving the enabling environment, while pension regulators can align investment rules, support cross-border investment, and build trustee capacity. Implementing ESG / Climate frameworks and consistent reporting standards may also attract international pension fund investment to Africa. Regulation is no longer a major barrier to infrastructure investment on the continent. For example, Zambia raised its private equity limit for pension funds from 5% to 15% in 2021, while Kenya has permitted up to 10% each for infrastructure and private equity investments since 2024. South Africa has developed effective frameworks for pension fund infrastructure investment that are now being adopted across West Africa.

### From Domestic Savings to Bankable Projects

To effectively mobilize capital for African infrastructure, investment vehicles must be structured with greater transparency and aligned with institutional investors' requirements regarding liquidity, governance, and risk management. Organizations such as Africa50 – a pan-African infrastructure asset manager capitalized with equity from AfDB, 34 African countries, two African central banks, and South Africa's Public Investment Corporation (PIC) – exemplify commitment to

bridging the gap between institutional capital and bankable projects. Africa50 aims to help accelerate Africa's socio-economic development by increasingly leveraging African capital. Operating both as a project developer and investor specializing in the identification, de-risking, and financing of high-quality infrastructure opportunities throughout the continent, Africa50 has over the past nine years catalyzed more than \$4.4 billion in third-party investments alongside its \$1.1 billion in shareholder commitments. This has resulted in an investment portfolio valued at approximately \$8 billion, comprising 25 projects across 28 countries and spanning sectors such as energy, transport, digital infrastructure, education, and healthcare.

Africa50 is also mobilizing institutional capital through vehicles like the Africa50 Infrastructure Acceleration Fund, a 12-year private equity fund dedicated to transformative infrastructure across Africa. The fund has attracted over 22 investors – 20 African and 2 international – and raised \$275M from pension funds, insurers, and sovereign wealth funds, amongst others, with more to come. This demonstrates the ability of African-led initiatives to raise significant long-term capital and reshape infrastructure financing on the continent.

Africa50's ecosystem also includes the Alliance for Green Infrastructure in Africa (AGIA), which has raised about \$120 million for early-stage project preparation of climate-resilient infrastructure projects, and an Asset Recycling Program that enables governments to unlock capital for new infrastructure investment by concessioning existing public assets, such as the Senegambia Bridge in Gambia. These efforts increase risk-managed investment options for institutional investors pursuing stable, long-term, sustainable returns.

*By Opuiyo Oforiokuma, Senior Partner, Africa50 Infrastructure Acceleration Fund*





# FROM HUSTLE TO SECURITY: INSIDE AFRICA’S GROWING MICRO-PENSION REVOLUTION

by Timothy Machi

In much of Africa, retirement is not a gentle winding down after years of service. For many, it is a continuation of the daily hustle. Market traders keep their stalls open into their late 70s. Motorcycle taxi riders continue ferrying passengers long after their bodies tire. Domestic workers, artisans and small-scale farmers rarely stop working entirely. Even career civil servants are finding retirement a pipe dream – with surveys showing many returning to post-retirement jobs, small businesses or subsistence farming just to get by.

The issue is not unwillingness to slow down; it is the absence of a financial cushion that makes rest possible. In Kenya, for instance, retirees rank among the poorest globally, with pension benefits estimated at only about 15% of average wages, according to the 2023 Allianz Global Pension Report.

Across Africa, the core challenge is not just the inadequacy of benefits, but the very structure of the system itself: most African workers are outside formal retirement savings arrangements, meaning the promise of a pension is absent long before the question of adequacy even arises.

The International Labour Organization estimates that over 80 per cent of Africa’s workforce operates in the informal economy, earning incomes outside of formal payroll structures. Meanwhile, the World Social Protection Report 2021/22 notes that only around 13.4 per cent of the labour force in Africa is covered by a contributory pension scheme, and just 17.4 per cent of the population has access to any form of social protection benefit. This leaves the overwhelming majority of Africans working for their entire lives without the safety of a structured retirement plan.

Traditional pension systems in most African countries were designed for salaried employees in the public sector and formal corporate enterprises. These systems assume stable monthly wages, employer payroll deductions, HR systems, and predictable employment histories – assumptions that do not apply to

the continent’s economic reality.

A World Bank regional analysis published in July 2019 observed that “extending pension coverage to informal workers cannot simply be a matter of applying existing contributory models; new designs must reflect the irregular incomes, liquidity needs and absence of employer anchors in the informal economy.”

In response to this recognition, new approaches are emerging that rethink how pensions are offered, collected, and sustained.

One of the earliest and most influential experiments came from Kenya in 2011 with the launch of the Mbao Pension Plan. The idea was straightforward but revolutionary: allow informal workers to save as little as KES 20 per day using mobile money platforms such as M-PESA. The low minimum contribution signalled something profound – retirement saving did not need to be the preserve of those with large disposable incomes. The ability to contribute daily or weekly, rather than monthly, fit the rhythms of informal earnings. Mbao tapped directly into Kenya’s vibrant digital financial system and showed that technology could substitute for the payroll deduction machinery that informal work lacks. Yet even with its success in demonstrating uptake, the Kenyan experience also highlighted persistent challenges: many savers only made irregular contributions, account balances were often meagre; the two factors that necessitated constant financial education and pension literacy.



Rwanda approached the challenge from a different angle. In 2018, it introduced Ejo Heza, a national long-term saving scheme designed to be inclusive from the start. Unlike Kenya’s fully voluntary, privately administered model, Ejo Heza was anchored in national policy and linked directly to Rwanda’s national ID system. By December 2022, official reports indicated that the scheme had registered approximately 2.4 million active savers, the vast majority drawn from informal occupations.

A crucial part of its appeal is simplicity: individuals can sign up using their national ID, contribute through mobile money, and track balances digitally. The government also provides matching contributions for low-income savers, signalling a public commitment to shared responsibility for old-age security. Ejo Heza demonstrates how state leadership, integrated digital identity systems, and incentives can rapidly expand pension inclusion – though like Kenya, Rwanda still faces the challenge of encouraging higher and more consistent contributions to ensure meaningful retirement income.

Nigeria’s journey adds yet another dimension to the evolving landscape. The country’s Micro Pension Plan, launched in 2019 under the broader Pension Reform Act, seeks to open formal pension schemes to self-employed and informal workers using the same regulatory and investment frameworks that already govern formal-sector pensions. This choice of continuity, rather than creating a separate scheme, reflects a long-term vision: pensions are portable assets that should follow individuals across jobs, sectors, and even employment types.

However, early uptake has been slower than expected. Economists point to a combination of low awareness, limited trust due to past pension scandals, and the pressure on households to prioritize immediate needs over long-term savings. Even

so, Nigeria’s legal and institutional architecture is now widely regarded as a reference model for countries seeking a unified pension framework that accommodates both formal and informal income earners.

Ghana offers an important social lesson in this space. Instead of relying predominantly on digital or centralized enrolment strategies, several of Ghana’s pension initiatives engage co-operatives, trade unions and market associations to serve as trusted intermediaries. For many informal workers, especially women traders and artisanal groups, these community-based networks are more trusted than banks or state agencies. Ghana’s experience suggests that retirement savings is not only a financial design problem, but also a matter of social organization and trust. A pension scheme is not merely a product; it is a promise.

Across Kenya, Rwanda, Nigeria, Ghana and beyond, a new understanding is emerging. To include informal workers meaningfully, pensions must be flexible, portable and digital. Contributions must be allowed to mirror and reflect income cycles. Benefits must be designed to support long-term security while acknowledging short-term liquidity needs. And public-private partnerships must align incentives, technology and outreach to reach scale.

Africa’s micro-pension innovations do not simply expand retirement savings. They redefine who is seen as a worker deserving of dignity in old age. The street vendor, the motor-bike rider, the mason and the market woman are no longer outside the pension conversation; they are at its centre. Africa is building retirement security for the economy it has, not the one it once imagined.



# HOW SOUTH AFRICA CHANGED ITS RETIREMENT RULES TO HELP BOOST COUNTRY SAVINGS

A study of 160 countries, spanning 60 years of economic history, establishes that there is no country that has been able to transition from “poor to prosperous” without a high savings rate. And that households - in other words you and me - are one of the most important contributors to a country's overall level of savings rate.

Yet, South Africa's household savings rate is among the lowest in the world at only 0.5%. This is far below that of many emerging market peers like Brazil, Chile, or India where households save between 5% and 9% of gross domestic product.

Around the world, household savings don't stay “under the mattress” but generally are channeled via banks and other financial institutions to serve as one of the main domestic sources of funding of capital investment. This means that ultimately your and my savings become the funder of harbours, highways, and hospitals which, in turn, are the major driver of long-term economic growth, job creation, and rising incomes.

The two-component retirement system which has been put place in South Africa – or colloquially the “two pot system” – aims to make a contribution to repairing the country's weak state of saving. The changes have important implications for people planning for retirement.

The new system, implemented last year applies to both private and state pensions, including the country's largest fund, the Government Employees Pension Fund (GEPF).

The new system introduces two components to an individual's retirement savings:

- the retirement or preservation “pot”
- the savings “pot”.

This makes a dramatic change to the current system, which allows individuals to withdraw all their compulsory pension savings when they leave a job. The temptation to withdraw all the savings when changing employment will be removed by

the new regulations, guaranteeing better retirement outcomes in the long run.

### How it will work

The retirement or preservation component makes up two-thirds of contributions. Here, two-thirds of what individuals save towards retirement, via a fund (not their own private savings) must go into this first pot. This component is designed to preserve a portion of the retirement fund for retirement purposes. Under the new regulations, this portion of a person's retirement savings must be retained in this “pot”. Withdrawals are not allowed until retirement age. This is intended to ensure that individuals will have sufficient funds to support themselves in retirement and, in turn, will give the South African economy a more stable and growing pool of savings to fund economic growth, and employment.

The savings component, comprising one third of contributions, allows the early withdrawal of some of a person's retirement fund before retirement age. This gives flexibility in meeting unexpected financial needs. A minimum of R2,000 (US\$110) can be withdrawn, and there is no maximum limit (subject to the size of this pot), although only one withdrawal may be made per year. Withdrawals from this second pot will be taxed at the member's marginal tax rate (the rate applied to your last rand of income) and will likely incur additional administration fees.

There is no doubt that South Africa is a country of immense disparity between those who are financially stable and those who are financially fragile. For those facing financial hardship the need to access funds set aside for retirement can be very real.



With a Gini coefficient of 63.0, South Africa's income distribution ranks as the most unequal in the world. In part, this is a reason why the proposals have been made to give individuals the opportunity to access a portion of their retirement funds in the case of dire need.

This makes some sense given the financial fragility of households, but it comes at a potential cost of compromising household's long-term savings, and it also will be of no impact to the employed who do not belong to retirement schemes or the unemployed.

However, the tragedy is that those who need to get hold of their funds ahead of time are exactly the people who should not. They will need every cent of their retirement savings to provide for themselves in their retirement years. It is estimated that fewer than one-in-ten South Africans have sufficient funds to maintain their standard of living when they retire. So, what does the two-component system mean for retirees and investors ahead of retirement?

### Pros and cons

Under the new system, the retirement component can never be touched or spent until you retire. This is a huge advantage over the current system in which, if a person leaves his or her employment, they can take the full amount in cash and spend it. This has resulted in less than 10% of people being financially able to retire. In future, more and more people will have at least two-thirds of their retirement assets preserved. This will benefit individuals by ensuring a permanent savings pool, and it will also be good for the country as, over time, this growing pool will place less reliance on the state.

About 3.9 million people in South Africa receive the monthly Older Persons Grant, also known as the Old Age Grant, currently at R2,080 per person per month. Researchers have found that, in most cases, this amount is not sufficient to meet the needs of elderly people in South Africa.

National Treasury could also see the

benefit of higher tax revenue: whatever is withdrawn from the savings component will be taxed at the member's marginal rate.

Despite these positives, I would like to sound two notes of caution:

- The impact on an individual's future wealth by removing the power of compounding (the accumulative effect of earning interest on investments over time); and
- The propensity of South Africans to favour consumption over investment.

The purpose of a retirement system is to look after your future self. By giving people access to retirement assets early or along the way, you are permanently removing their capacity to look after their future selves.

Then there's the impact on South Africa, which is a savings-starved country. Most people retire with insufficient assets – in effect they face “bankruptcy in retirement”. There will be a huge temptation to dip into this pool of capital. Worse, a key reason South Africans find themselves in this situation is that they have a bias towards consumption.

I fear that a disproportionate amount of the money that comes out of the retirement savings system will be pointed towards consumption rather than looking after the balance sheet.

### Alternatives

The new system could have been better structured. A number of other models show how. In Singapore, it is compulsory for all Singaporean and permanent resident workers earning a monthly wage of at least SG\$50 (equivalent to roughly R650, or about US\$40) to contribute to the Central Provident Fund, which is a defined contribution scheme. Under this scheme, the employee and the employer contribute a set amount of money regularly into the employee's individual account, and the amount the employee receives at retirement depends on the investment performance of those contributions over time - but, importantly, the full amount accrues to the employee.

Under the Singaporean scheme, employers are required to approximately

match employees' contributions to the fund.

This discipline ensures that individuals build up a substantial retirement fund. While the Central Provident Fund encourages long-term savings for retirement, it also offers flexibility in withdrawals for certain purposes only, such as housing, healthcare and education. It provides a safety net for unexpected expenses, but not for wanton consumption.

The Chilean pension system, introduced in 1981, has been widely regarded as a successful model that involved shifting from a pay-as-you-go system to individual retirement accounts. It has significantly increased national savings and provided better financial stability for retirees.

Under this system, workers have to contribute a percentage of their income to individual retirement accounts managed by private pension funds known as Administradoras de Fondos de Pensiones.

Despite its success in many areas, the system has faced criticism for not adequately addressing income inequality and for the low pensions received by some contributors. Also, there have been concerns about high administrative fees charged by the pension funds, and disparities in retirement outcomes. Still, Chile's pensioners are materially better off today than they were at the beginning of the 1980s.

### What next?

Countries as diverse as India (10.8%) and Chile (9.7%) have achieved savings rates that challenge the supposition that households in low-income countries cannot save. In fact, experiences across a number of countries make a nonsense of this belief. Auto enrolment (compulsory savings) is expected to be the “next big thing” to happen in the retirement industry, which would have enormous benefits for individuals, the retirement sector, and the country.

*Courtesy: The Conversation. Adrian Saville is Professor of Economics, Finance & Strategy at the Gordon Institute of Business Science, University of Pretoria*



# LESSONS FROM ZANZIBAR'S UNIVERSAL OLD-AGE PENSION

**K**ombo Mohamed, then aged 72, was the first person in Zanzibar to receive the new old-age pension introduced in April 2016. “My whole family has benefited,” he says, “I can pay my daughter’s school fees and transport to school and our diet has improved as we eat more fruit and vegetables.”

The value of the pension is modest at only Tsh20,000 per month, or just under \$10. The age threshold for eligibility is high at 70 years. Nonetheless, over the past year Zanzibar’s new pension has brought some material comfort and dignity to elderly men and women on this island territory off the east African coast.

Zanzibar’s pension program is a pioneer in East Africa. It is universal, meaning that it is paid to every older man and woman. There is no “means test” – a test of income or wealth – or requirement of past contributions. It is funded fully through the budget of the government of Zanzibar, without any direct funding by foreign aid donors.

Most of the countries in Africa with universal or near-universal pension programs are middle-income countries like Mauritius, South Africa, Botswana and Namibia. Their pension programs cover all elderly men and women, except for the rich (in the South African case). The cost ranges between 0.3 and 2.2 percent of GDP, depending on the generosity of benefits.

Governments in poorer African countries (including Tanzania) have been reluctant to introduce similar programs, usually cit-

ing concerns over “affordability” – meaning that pensions are not a priority. Care for the elderly is left to kin, who more and more often fail to provide.

The case of Zanzibar shows that, given certain political conditions, even low-income countries in Africa can introduce and pay for a universal pension program.

**Responsibility, not dependency**

Zanzibar is a semi-autonomous part of the United Republic of Tanzania. It comprises an archipelago of islands with a total population of about 1.3 million people, almost all Muslim. Poverty remains widespread. Social change has rendered older people especially vulnerable, with very few people able and willing to support older relatives. The “revolutionary” government of Zanzibar has long professed to be pro-poor. Since colonial times, the state administered a system of poor relief, making minimal payments or allowances, called posho, to the most destitute people. The government’s preference, however, was to rely on Muslim religious charity called zakat. In the past few years, a World Bank-driven program began to operate a conditional cash transfer program for poor families with children. But this did not cover older people, many of whom were compelled to continue working despite infirmity.



Jeremy Seekings



As across much of Africa, pensions – and other forms of social protection – were put on the policy agenda in Zanzibar by international agencies. In 2009, HelpAge International, a non-government global network, combined with Zanzibar’s Department of Social Welfare to produce a report on the needs of older people in Zanzibar.

HelpAge had recently become enthusiastic advocates of old-age pensions. The report on Zanzibar recommended a universal pension of the equivalent of about \$9 per month, from the age of 60. The report costed this at 0.85 percent of GDP. Zanzibar’s president endorsed the general proposal when he spoke at the report’s launch.

The Zanzibari state did not yet have any capacity to implement the proposal. It began work on a social protection policy, established a social protection unit, and sent officials to related specialist courses. In 2013 a group of government officials and politicians toured Mauritius, which has had a universal old-age pension for decades.

The study tour to Mauritius had a huge effect. As one participant put it: “Seeing is believing. We saw the enthusiasm of their leaders. They showed us how the system works. The way they told us about their experiences, we were motivated.”

When the draft Social Protection Policy was presented to the Cabinet

in early 2014, however, some ministers expressed concern over the cost of a universal pension in light of tight budget constraints. President Ali Mohamed Shein referred the proposal to an inter-departmental team. The team quickly agreed that pensions should be universal and benefits should be set at about \$10 per month, but could not agree on the age threshold.

Eventually it recommended an age threshold of 65, which would cost 0.7% of GDP. But it added that, if resources did not permit this, the threshold should be 70, which would cost only 0.5 percent of GDP. In March 2015 the President and Cabinet agreed to introduce pensions, but with the high age threshold. After a further year of preparations, the first pensions were paid out in April 2016.

The context in Zanzibar was favorable to the introduction of a pension in several respects. Firstly, there was a clear need for financial assistance for older people. This is especially given the decline of agriculture and fishing, and the erosion of kinship obligations.

Secondly, Zanzibar had traditions of both public responsibility and religious charity for the poor, through posho and zakat. These traditions made it easier for advocates of pensions to represent their proposals as improvements of existing policies. The dominant discourse in Zanzibar was one of responsibility, not of dependency.

The political situation also facilitated the reform. In the 2010 presidential election, the incumbent party’s candidate Shein defeated the opposition candidate very narrowly. Following his election, Shein proceeded to bring the opposition into a Government of National Unity, which resulted in more constructive political debate and policymaking. The backdrop of close-fought elections probably also inclined Shein to be sympathetic to popular reform.

**Making a big difference**

Zanzibar’s case indicates that low-income countries can choose to introduce reforms such as old-age pensions. But its experience suggests also that successful reform requires a careful process of coalition-building beyond the Ministry for Social Welfare. This includes a willingness to deliberate and compromise with those parts of the government that are anxious about the cost. External actors, such as HelpAge in this case, can play important support roles. But it is crucial that local officials and politicians own the initiative. Reports from Zanzibar indicate that the pensions have made a big difference in the lives of elderly men and women. They have allowed them not only to purchase basic necessities but also to invest in the education of their children or grandchildren, and in income-generating activities.

*Courtesy: The Conversation*

*Jeremy Seekings is Professor of Political Studies and Sociology*



# ONLY 9% OF SUB-SAHARAN AFRICAN WORKERS SAVE FOR OLD AGE

by Owen Nyang’oro

Less than 10% of the workers in sub-Saharan Africa save for old age, the lowest rate for any region in the world. That implies most of the breadwinners today won’t be able to afford basic items after retirement. A pension plan is meant to commit employers to make regular savings so that employees will continue to earn after retirement.

**What’s the state of sub-Saharan Africa’s pension savings?**  
In a recent study of retirement savings in sub-Saharan Africa (other than the francophone countries), we established that the continent’s pension funds are diverse in architecture, coverage and performance. But they mostly lag behind in reforms compared to other regions. Pension savings are also low compared to other regions. Only 19.8% of people above statutory retirement age receive a pension in sub-Saharan Africa, and just 8.9% of the labour force is covered by pension schemes. This is much lower than the global average where 77.5% of people above statutory age and 53.7% of workers have pension coverage. Pension schemes in sub-Saharan African countries are characterised by low contributions due to low earnings, high informality, high financial illiteracy levels and lack of proper information about the benefits of adequate contributions for future pension withdrawals.

Market data shows that South Africa, with pension fund assets

valued at about US\$330.3 billion in 2019, is the continent’s top performer in absolute terms. Nigeria, which had assets worth US\$32.6 billion, Kenya with US\$13.7 billion and Namibia with US\$13.3 billion were the other top pension savers in 2021.

Countries with low pension savings at the end of 2021 included Mozambique with US\$224 million, Zambia (US\$745 million) and Angola (US\$861 million).

But in proportion to the size of the economy, the best performers in 2019 included Namibia (95.4%), South Africa (82.6%) and Botswana (51.9%). Angola, Mozambique, Zambia, Nigeria and Ghana trailed with pension assets below 10% of their gross domestic product.

Generally, Africa’s pension assets are very small compared to the 2021 retirement funds of say, the United States (US\$40.0 trillion) or the United Kingdom (US\$3.8 trillion).



**What’s peculiar about Africa’s population?**

The majority of the population is young and fertility rates are high. The old-age dependency ratio (the number of elderly people for every economically active person) is low compared to other regions, averaging 5.5 in 2022, and the ageing population is small but increasing. The annual population growth rate in sub-Saharan Africa was 2.5% in 2022, which is more than three times the global annual average of 0.8%.

With much younger populations and relatively high population growth rates, the number of dependents in sub-Saharan African countries is increasing at a slightly faster rate, and over time the numbers of elderly people needing social support will also rise. It is projected that the number of elderly persons in the region will grow at annual rates above 3% between 2022 and 2050.

The concern is that only one in five people of pensionable age receives an old-age pension compared to over three in four people globally.

High levels of unemployment and the large size of the informal sector – which accounts for over 89.2% of the labour work force – mean that the elderly will continue to face income challenges. Households are also becoming smaller and changing from multi-generational (made up of grandparents, parents, children and grandchildren) which offer social support to the elderly, to skipped-generation (where grandparents live with grandchildren in the absence of parents) or one-generation (where the elderly live by themselves).

**What are the benefits of a good pension system?**

The primary goal of pension savings is to provide income and livelihood in old age. However, pension savings can also be mobilised to finance productive activities and improve living standards. The continent’s annual infrastructure funding gap (the difference between resources required and what’s available) is estimated at between US\$68 billion and US\$108 billion. Resources to meet the infrastructure gap could be mobilised from pension funds. This requires good governance and removal of any regulatory obstacles. Pension funds can also support development of capital markets and improve ease of trade in the capital market through their investment activities.

Pension funds can also reduce public borrowing, and improve efficiency of the labour market by creating incentives for formalisation of businesses.

**How should countries improve pension savings?**

African governments can boost pension savings in four ways:

- Increase pension participation and coverage by including the unemployed and those in the informal sector. This could be achieved through a targeted universal pension scheme and greater financial literacy. The countries should have a mix of universal schemes and schemes with payroll deductions and employer contributions.
- Bundling pensions with other products. Bundling pensions with other products such as life insurance cover, and even matching contributions to encourage greater participation and long-term savings in pension funds. Favourable tax considerations can also enhance the growth of contributions and assets of pension funds.
- Use of technology. Leverage innovations in digital technology to increase pension savings. The region accounts for 53% of active mobile money accounts in 2021. Use of digital technology could increase coverage, especially in the informal sector. It can make enrolment and contribution to pension funds easier.
- Review regulatory frameworks of the pension sector to open it up to the unserved population. There is also a need to streamline management of pensions and minimise costs of administration, especially for private pensions. This will allow pension funds to extend investments to other assets, including foreign ones, to improve returns.

Sub-Saharan African countries are likely to gain from a well-developed pension system that provides adequate income to the elderly. This will in turn reduce the need for social protection, provide financing for infrastructure development, and support the development of capital markets.

All this calls for deliberate reforms to facilitate growth of pension savings. Countries should prioritize pensions within their development plans, address informality in the labour market and take advantage of technological advancements and the youthful population.

A well-developed pension system will improve the region’s financial stability through reduced budgetary strain as funds become available for development. It could also open up capital markets and improve the labor market, thus leading to growth.

Owen Nyang’oro is a financial economist based at the University of Nairobi



# ADAPTING PENSION FUND STRATEGIES FOR MILLENNIALS AND GEN Z

Africa's population is projected to reach 1.55 billion by 2025 and 1.73 billion by 2030, with annual growth rates of 2.29% and 2.19% respectively. If this trend continues, the continent's population could hit 2.46 billion by 2050.

Globally, Millennials (born 1980–1994) account for 21% of the population, while Gen Z (born 1995–2009) makes up 23%. In Africa, the picture is even more youthful. Gen Z and Gen Alpha collectively dominate the demographic landscape, shaping the continent's social and economic trajectory. Within Africa, Eastern Africa leads with 500.7 million people, followed by Western Africa (456.3 million), Northern Africa (272.1 million), and Southern Africa (73.1 million).

These trends underscore a youthful, urbanizing, and rapidly evolving continent. The complexities of these demographics, together with other reform imperatives, invite stakeholders to rethink pension designs in ways that embrace both inclusion and diversity in what we can confidently describe as a 4D world – one defined by Digitalisation, Diversity, Decentralisation, and Dynamism. These forces are



FA George Oyuga  
Director of Retirement Solutions  
Kuza Asset Management Limited

increasingly evident as we engage with Millennials and Gen Z in the evolving world of work and finance.

### Changing Workforce Dynamics

The challenges posed by these new generations cannot be overstated. We must now cater to informal sector workers, gig economy participants, and non-traditional employment spaces, as traditional employment patterns – once the foundation of pension design – continue to decline. However, in doing so, we must not compromise the core policy promises that underpin pension adequacy. Over the years, I have observed a progressive dilution of the adequacy promise as schemes shifted from Defined Benefit (DB) to Defined Contribution (DC) arrangements. While inclusivity and flexibility are important, we must guard against weakening the very principles that ensure income security in retirement.

### Increasing Life Expectancy

The re-modeling of pension outcomes around affordability and sustainability has come at a cost. Many DC schemes have adopted lower funding bases, leading to declining Income Replacement Ratios (IRR) – in some cases falling below the 40% threshold recommended by the International Labour Organization (ILO). This downward trend should not be normalised in the name of dynamism. As people live longer, longevity risk is becoming more pronounced, exposing more retirees to old-age poverty. To counter this, we must tame our appetite for lump-sum withdrawals and early access to pension savings while improving funding adequacy.

Encouraging a strong saving culture among young people will be critical. Leveraging digital platforms and fintech innovations can play a central role in engaging Millennials and Gen Z, offering them flexible, real-time, and transparent saving solutions.

### Technological Advancements

The wave of technological disruption has not spared the pension sector. The younger, tech-savvy workforce is compelling the industry to rethink pension design. Shifting career patterns and the rise of the gig economy demand a move away from rigid monthly contribution structures. Instead, pension schemes must evolve to support micro-contributions – allowing remittances on a daily or hourly basis in line with fluctuating earnings. This flexibility is essential to building trust and participation among the new workforce. Developing digital micro-channels for remittance and engagement will help bridge the gap between today's working realities and tomorrow's retirement needs.

### The Three-Tier Test

In addressing these emerging realities, all reforms must pass the Three-Tier Test – assessing proposals across the Funding Policy Framework, the Investment Policy Framework, and the Benefit-Payout Policy Framework. These three pillars are inter-dependent and must always be addressed together. Even as aligning investment opportunities with pension liabilities becomes increasingly complex, every reform must maintain a corresponding funding framework to safeguard adequacy. Ignoring any of these pillars would not only undermine sustainability but also weaken the entire concept of retirement security.

### Conclusion

As the pension landscape undergoes profound transformation driven by demographic shifts, economic volatility, technological change, and evolving work patterns, the call to adapt is both urgent and strategic. The inaugural PSSF Pan-African Pensions Conference comes at an opportune moment – a time for multi-stakeholder dialogue on innovative strategies that can strengthen pension sustainability, member inclusion, and sector transformation. The future of pensions, especially for Millennials and Gen Z, lies beyond capital preservation – in crafting adaptive, inclusive, and forward-looking systems that reflect the realities of a digital and dynamic world.

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# FROM DEFINED BENEFIT TO DEFINED CONTRIBUTION: LESSONS FROM AFRICA'S PENSION TRANSITION

Africa is living longer — and that's the good news. But could it also be a curse? Our Defined Benefit (DB) promises are gasping for air, crushed under a heavy financial load. With life expectancy rising sharply since 2000, retirement has become a 20–25-year journey that legacy systems can't sustain.

I've seen retirees hawking groundnuts in Nairobi and beyond. Worse still, many return to menial jobs after decades of service – just to afford food or medicine. That's not dignity; that's the old promise collapsing. The DB model vowed, "Work today, we'll pay forever," but it became a train wreck. Defined Contribution (DC) is the brake: save today, own tomorrow. This shift is Africa's jailbreak from fiscal suicide.

DC delivers where DB has broken

DB Schemes run on a pay-as-you-go system where today's revenues feeds yesterday's retirees. This setup has created a funding crisis: a shrinking workforce now supports longer-living retirees, turning unpaid promises into phantom billions. The struggle to finance DB schemes drains critical sectors such as education, healthcare, and infrastructure budgets, while retirees queue endlessly for delayed pensions. DC flips the script. Every coin is invested, compounded, and owned by the member. Risk and control are aligned. DB locks out the informal majority – hawkers, boda riders, farmers. DC says, "You are the future." A Lagos trader saves via USSD; a mama mboga in Kenya tops up on M-Pesa. Inclusion is by design, and the future, assured.

The DC Golden Rules

The shift to DC schemes is measured by five parameters: Adequacy (returns must outpace inflation), Affordability (manageable contributions), Sustainability (fully funded and future-looking), Robustness (diversified investments to withstand shocks), and Governance Ease (simple administration). DC schemes tick every box, emerging as a transparent and enduring alternative to the burdensome DB model.



Douglas Asanyo  
Senior Marketing and Customer  
Experience Officer PSSF



**How the Trailblazers made the Switch**  
The shift to DC systems has been implemented across various African nations, with each adopting a unique approach to balance mandatory enrolment, public and private sector needs, and informal sector inclusion. Here is how four trailblazers made the switch:

**Kenya: Iron Fist, Velvet Glove**  
Kenya acknowledged the challenge of sustainability of the DB model. In 2010, the Government directed all public sector schemes to convert to DC, and stopped registration of new DB schemes. Enacted in 2012, the Public Service Superannuation Scheme Act marked a major reform, establishing a Defined Contribution (DC) plan for public servants including teachers, civil servants, and disciplined forces. After years of delay, it finally launched on January 1, 2021.

The Retirement Benefits Authority (RBA), created under the Retirement Benefits Act No. 3 of 1997, regulates, supervises, and promotes the retirement benefits sector – safeguarding members' interests and fostering a culture of long-term saving. The National Retirement Benefits Policy 2023 now seeks to expand DC coverage to the private and informal sectors.

**Nigeria: Surgical Strike**  
Public pensions once ate up a huge share of the federal budget, with DB debts ballooning out of control. The Pension Reform Act changed everything – a total ban on new DB schemes. In the formal sector, contributions stand at 18% – 10% employer, 8% employee. Private pension fund administrators run retirement savings accounts. From nothing, the system has grown to trillions in assets – the largest in Sub-Saharan Africa. Most formal workers are now under DC. The regulator enforces

strict compliance, heavily fining administrators for delays. Governance has been strengthened through biometric IDs and real-time dashboards. Tech plus tough rules equals trust.

**Ghana: Hybrid Hustle**  
The National Pensions Act builds a Three Tier System. Tier 1 keeps a slim state DB with capped payouts. Tier 2 mandates private DC, fully funded, locked till retirement. Tier 3 is voluntary. Old promises stay. Tier 2 grows strong. The system brings many traders into the game, saving small amounts weekly via mobile. Tier 1 shakes, Tier 2 stays untouchable. Blend old and new to protect the future.

**South Africa: Leak Proof Vault**  
DB is long gone for most, but the real fight is keeping DC savings intact. Over 75 percent of workers used to cash out their pots at job changes, arriving at retirement with almost nothing. The Two Pot-System, rolled out from September 1, 2024, changed that: two thirds of contributions lock straight into a retirement pot, untouchable until you retire, while one third goes to a savings pot for emergencies with one withdrawal per year. While some dip into savings for tough times, the system forces discipline – ending the "cash out and regret later" cycle. Freedom needs rules, and South Africa is proving it works. Lessons from the Trailblazers: Your Path to DC

- 1. Stop new DB plans and enforce mandatory DC savings for all workers.
- 2. Motivate informal sector to save.
- 3. Enforce savings preservation until retirement.

- 4. Mandate local investment of pension funds to directly fuel domestic economic growth and infrastructure.
- 5. Digitize and simplify governance entirely, making saving, access and tracking transparent and phone-fast.

**The Future is Defined Contribution**  
Automatic enrolment is now a cornerstone of modern retirement planning, boosting coverage and securing financial futures. This approach shifts reliance from state provisions to a blend of mandatory occupational DC schemes, and government-supported individual pension plans saving avenues. This ensures workers across formal and informal sectors all have a pathway to a secure retirement.

Picture a future where a mama mboga checks her phone and sees her savings growing. A boda rider retires to a small plot he bought with his own fund and the Governments/employers stop bleeding billions on old debts, and that freed cash builds roads, powers factories, and funds start-ups. Young and old will see retirement as wealth, not worry.

Make a bold move today and own your future. The failure of DB isn't just a funding crisis; it's a moral collapse that robs citizens of their dignity in old age. DC is the only path to both fiscal freedom for the state and true retirement dignity for the people.

The old promise is dead. The new one is alive, African, and waiting.



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# AFRICA’S PENSION REVOLUTION STARTS WITH THE YOUNG MIDDLE CLASS

by Abel Kabiru

**A**cross Africa, the idea of “retirement” remains elusive. For many, particularly the self-employed, retirement is not a milestone but a gradual slowing down when “the body refuses.” Only those in formal public service – teachers, soldiers, police officers – truly retire in the conventional sense. The rest simply keep working.

Among African men, a typical retirement plan has long revolved around owning a small farm, a few rental units, and educated children who can offer support when needed. This informal safety net has worked for generations. Yet as social structures evolve and intergenerational dependence weakens, such arrangements are increasingly fragile. Without structured retirement planning, old-age poverty is never far away.

Still, low pension uptake does not necessarily imply widespread destitution. Many have designed or stumbled into alternative income systems for old age. The real issue is the persistent apathy toward formalized retirement planning among the continent’s most financially capable group: the young middle class.

Africa’s middle class, estimated by the African Development Bank at 313 million people, continues to grow, driven by education, entrepreneurship, and a digital economy that rewards innovation over seniority. Yet pension coverage remains below 20 per cent of the working population, according to the International Labour Organization (ILO). This disconnect – between rising incomes and stagnant pension uptake – represents the industry’s biggest paradox and opportunity.

The problem is not ignorance. Ask a middle-income Nairobi professional about pensions, and they likely know what one is. Yet many would rather insure their cars than their future. They will pay for medical cover, invest in land or cryptocurrency, but hesitate to contribute to a pension scheme. Why? Because the products are rigid, uninspiring, and designed for yesterday’s worker – one with a steady salary and predictable deductions.

The young, self-employed, and SME professionals are the industry’s low-hanging fruit. They have disposable income, understand investment, and operate in a digital ecosystem. What they need are pension products that speak their language – flexible, tech-driven, and investment-oriented.

Regulators and pension funds across Africa must rethink their value proposition. The 25- to 40-year-old demographic is not motivated by distant security but by immediate return on investment (ROI). They want to see their money grow, not just accumulate. Pension schemes should therefore position themselves not merely as retirement vehicles but as hybrid investment platforms with competitive returns and flexible

access options.

For instance, allowing contributors to pause and resume payments – mirroring the irregular income cycles of consultants and entrepreneurs – would align pension behaviour with modern work realities. Likewise, self-service digital onboarding, mobile payments, and transparent performance dashboards could dramatically expand membership among the tech-savvy urban middle class.

The ongoing shift from Defined Benefit (DB) to Defined Contribution (DC) schemes already gives individuals more control over how much and how often they save. Pension funds should build on this flexibility by offering tiered contribution plans and ROI-linked incentives that make retirement saving feel like wealth creation, not obligation.

Equally, regulators must allow pension funds more latitude in diversifying investments – within prudent limits – to deliver returns that rival other asset classes. When returns are competitive, the product sells itself.

While policymakers continue to deliberate on micro-pension schemes for low-income earners, the real growth frontier lies with the urban middle class – doctors, creatives, freelancers, small business owners, and digital entrepreneurs. They are financially literate, aspirational, and increasingly detached from traditional safety nets.

To reach them, the pension industry must rebrand itself: from a slow, bureaucratic system of delayed gratification to a dynamic, tech-enabled investment ecosystem that rewards consistency, flexibility, and growth.



Africa’s youthful population – 65 per cent under 35 – is both the continent’s greatest asset and its future vulnerability. If the industry fails to capture their trust and participation today, the continent risks an aging generation of disillusioned, unsupported elders tomorrow.

For the pension industry, the opportunity is clear: speak the language of ROI, design for flexibility, leverage technology, and target the middle class now. They are the low-hanging fruits – ripe, reachable, and ready.

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# STRENGTHENING ZAMBIA'S PRIVATE PENSION SECTOR: PROGRESS, REFORMS AND OPPORTUNITIES FOR INCLUSIVE GROWTH

Zambia's private pension industry has evolved into a critical pillar of the nation's financial system, supporting retirement security, long-term capital formation and economic development.

Over the past two decades, the industry has witnessed steady growth in assets, improved governance and stronger regulatory oversight under the Pensions and Insurance Authority (PIA). While progress has been notable, challenges remain particularly inadequate legal frameworks, informal sector exclusion and underfunded private pension schemes. Macro-economic volatility and climate-related risks also present investment challenges, while demands for early withdrawals threaten retirement adequacy.

Still, reforms are underway to address these challenges including strengthening the legal and regulatory framework, promoting

### Overview of Zambia's Pension Landscape

#### a) The Three-Pillar Pension System

The Zambia's pension landscape is built on a three-pillar system designed to provide comprehensive retirement security. The first pillar is the mandatory national pension scheme administered by the National Pension Scheme Authority (NAPSA). The second pillar consists of two public schemes established by Act of parliament; the Public Service Pension Fund (PSPF) and the Local Authorities Superannuation Fund (LASF), as well as voluntary occupational private pension

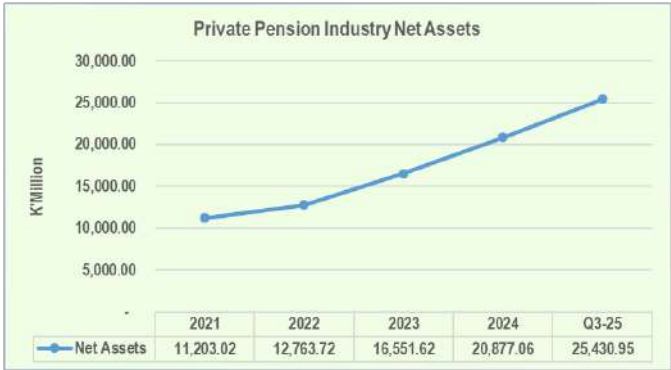
schemes regulated by the PIA. The public pension schemes are defined benefit (DB) schemes, while there is a blend of DBs and Defined Contributions (DC) schemes among the voluntary occupational private pension schemes. The third pillar comprises personal pension plans offered by long-term insurance companies in the market, allowing individuals to save voluntarily for retirement. Together, these pillars promote social security, financial inclusion and long-term savings mobilization.



#### b) Industry Structure, Size and Growth

The Zambian pension industry remains on a growth trajectory. The total pension assets were estimated at K121.97 billion (about US\$5.36 billion), equivalent to 17 percent of GDP as at 31st December 2024. This makes the pension sector one of the largest domestic institutional investors and a critical source of long-term finance for Zambia's economic development. Public pension schemes accounted for K101.05 billion (US\$4.44 billion) or 83 percent of total assets, while private pension schemes held K20.87 billion (US\$917 million) or 17 percent. As of September 2025, the net assets for the private pension industry was K 25.43 billion (US\$ 1.12 billion).

Private pension industry Net Assets (2021 – September 2025)



As of September 2025, there were 246 registered private pension schemes, eight (8) licensed fund administrators and nine (9) fund managers with a total membership of 166,423. There is currently no licensed custodian in the Zambian pension industry due to failure to meet shareholder requirements.

#### Key Reforms Strengthening the Pension System

##### a) Enhancing Sustainability

Over the past two years, the Zambian Government has signaled a renewed commitment to undertake reforms in the pension industry. In this regard, PIA has been spearheading the pension reforms aimed at repealing and replacing the current Pension Scheme Regulation Act of 1996.

The proposed reforms provides for the regulation and supervision of occupational and non-occupational schemes, supervision of public pension schemes, development of the industry, regulation of service providers and intermediaries and establishment of a Pension Protection Fund.

It is envisioned that the proposed reforms will strengthen oversight of all pension schemes, extend coverage to self-employed and informal sector workers and establish a clear framework for the supervision of public schemes. The reforms will also enhance financial stability and provide a safety net for members through the Pension Protection Fund.

It should be mentioned that PIA has adopted a risk-based supervision (RBS) approach to proactively identify and mitigate operational and financial risks in the private pension industry. This strategy ensures that regulated entities in the pension industry remain financially sound and well managed thereby reinforcing the resilience and credibility of the industry.

#### b) Expanding pension coverage and Financial Inclusion

PIA is one of the implementing agency of the current Zambia's National Financial Inclusion Strategy II (NFIS II) (2024-2028), which seeks to provide accessible, affordable and sustainable financial products and services to all segments of the population. Through this role, the Authority is working to ensure that pension products are part of Zambia's broader financial-inclusion agenda, enabling every working citizen to plan for retirement security.

According to the Finscope survey reports (2015 and 2020), pension uptake increased from 3.8 percent in 2015 to 8.2 percent in 2020, reflecting growing awareness and access to pension products and services. However, significant gaps remain. Membership to occupational pension schemes is limited to formal employment under the current legal framework.

The 2023 Annual Labour Force Survey reported that informal employment accounts for 75.6 percent of Zambia's total labour force, leaving only 24.4 percent in formal employment. This means that the majority of workers are excluded from occupational pension coverage.

To address this challenge, the NFIS II and the current PIA Strategic Plan (2022-2026) have provided for the development of micro-pension regulations, aimed at creating an enabling environment for the design and supervision of non-occupational pension products tailored to informal sector workers and self-employed workers. This forms part of the reforms currently being undertaken in the pension industry.

##### c) Strengthening Governance and Transparency

PIA enforces fit-and-proper standards for trustees, fund administrators and fund managers to ensure professionalism and accountability in the private pension industry. Additionally, PIA has issued Corporate Governance Guidelines that set out minimum standards and principles for effective governance in the pension industry.

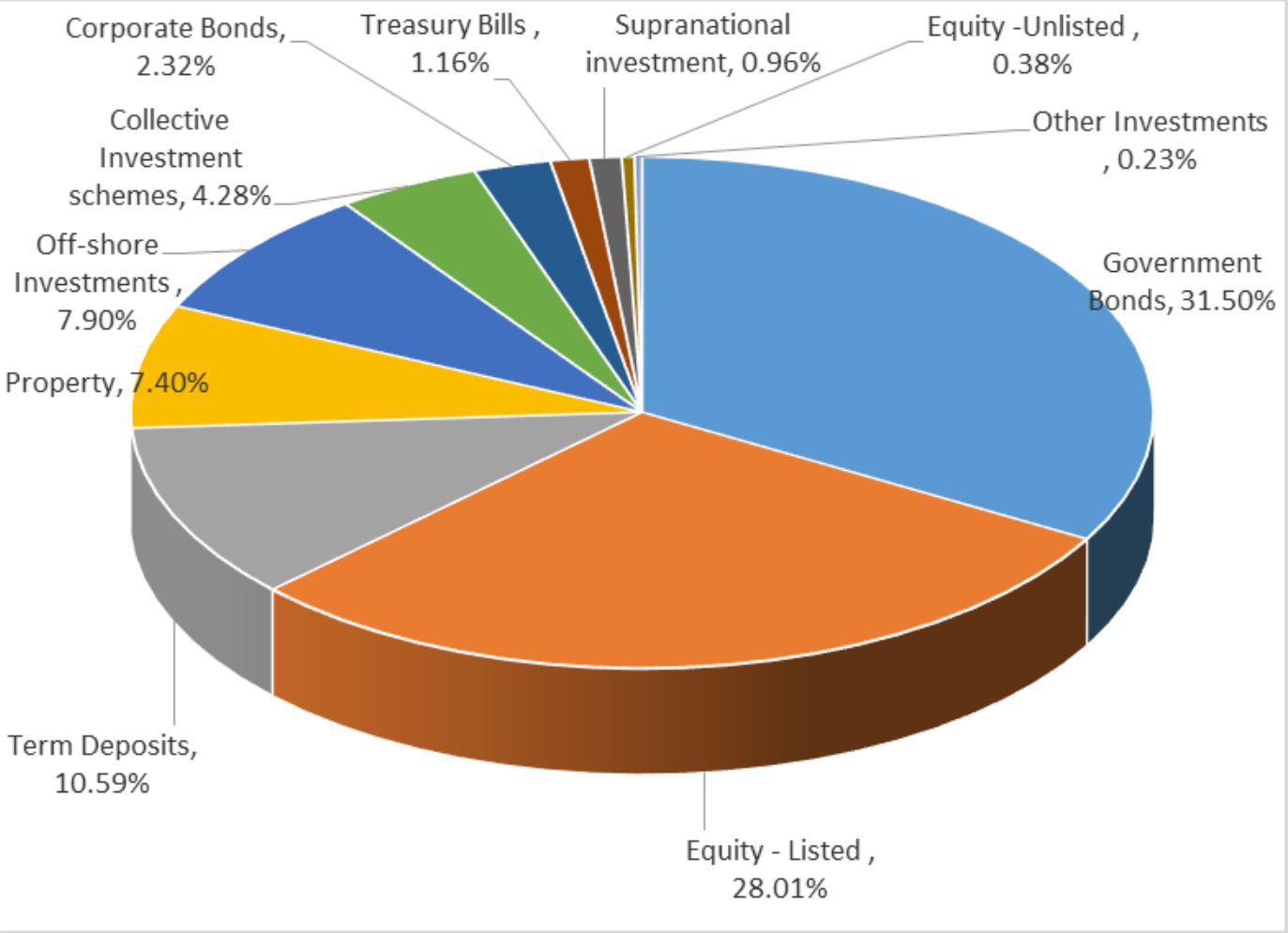
These guidelines aim to establish and maintain best practices in corporate governance, promote high standards of conduct and fiduciary diligence, provide clear criteria for performance evaluation and equip trustees to better perform their functions. By setting uniform benchmarks for governance, these guidelines strengthen transparency and accountability across the pension industry.

In 2023, the Authority developed and launched the Trustees Training Curriculum, aimed at building the capacity of pension trustees in the effective management and oversight of pension schemes. Subsequently, PIA partnered with the Zambia College of Pensions and Insurance Trust (ZCPIT) to deliver a Certificate of Competence for Trustees of Pension Schemes, based on this curriculum. The training is mandatory for all trustees of private pension schemes and serves to strengthen governance and improve decision-making across the industry.

##### Investment diversification and national development

The Pension Scheme (Investment Guidelines) Regulation, issued through Statutory Instrument (SI) No. 50 of 2021, has been instrumental in creating a conducive investment environment for private pension schemes. The Guidelines ensure portfolio diversification, encourage capital market participation, promote infrastructure and alternative investments, strengthen risk management and governance, and uphold transparency in investment operations.





Building on this conducive environment, pension funds have been able to diversify their portfolios and increase participation in both debt and equity markets, directly contributing to the deepening of Zambia's capital markets and long term national development. The asset mix for private pension schemes as at 30th September 2025 were as depicted in the graph below.

It should be mentioned that PIA is currently drafting Guidelines on the Integration of Environmental, Social and Governance (ESG) Factors for Pension Schemes. These guidelines are aimed at outlining key considerations for integrating ESG factors into investment decisions and risk management, as well as encouraging participation in green and sustainable investments. This initiative underscores Zambia's growing commitment to responsible investment and aligns the private pension industry with the country's green growth and sustainable finance agenda.

**Technology and scheme member services**  
Financial technology (FinTech) offers immense opportunities to enhance efficiency, improve transparency and increase accessibility for pension members.

In this regard, the Authority has been undertaking industry

capacity-building workshops aimed at promoting the use of FinTech solutions in the private pension space to improve service delivery, enhance operational efficiency, and strengthen member protection. This is consistent with Pillar II of the current PIA Strategic Plan (2022-2026) whose strategic objectives includes promoting Fintech solutions to improve effectiveness and inclusion. These initiatives are equipping the industry to embrace innovation in the pension industry while maintaining sound governance and risk management practices.

**Conclusion**  
Zambia's pension landscape is undergoing a transformative shift toward sustainability, inclusion and resilience. The ongoing pension reforms will enhance supervision, expand coverage and enhance protection of scheme members.

Through continued reforms, strong governance frameworks, strengthening ESG integration, FinTech adoption and the development of micro-pension regulations, Zambia is building a pension system that guarantees dignified retirements and supports inclusive, climate resilient economic growth.

*The author is Deputy Registrar at the Pensions and Insurance Authority of Zambia*



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# KENYA'S SHIFT TOWARD SOPHISTICATED, PURPOSE-DRIVEN INVESTING



Tanvir Mohsin Ali  
CEO, Investcent Investment Bank

**K**enya's investment environment is entering a decisive phase. As the financial sector matures, regulatory standards tighten, and markets become more interconnected, institutional investors, especially pension funds, are being held to a much higher standard. They are expected to deliver stable, risk-adjusted returns while operating in a space defined by volatility, closer oversight, and shifting macroeconomic pressures.

For pension funds, this responsibility is even more pronounced. They carry long-term liabilities on behalf of millions of Kenyans, and the room for error has narrowed. The era of traditional, uniform investment approaches is behind us. Today's portfolios must be dynamic, data-informed, and carefully aligned to each institution's liability profile, governance model, and risk capacity.



## The End of Generic Portfolio Construction

The long-standing reliance on off-the-shelf model portfolios is no longer sustainable. Kenya's markets have evolved rapidly. Interest-rate cycles move sharply, credit markets have grown deeper but more complex, liquidity is inconsistent, and many of the most compelling opportunities now sit within private channels.

To thrive in this new environment, institutions must embrace a higher level of precision. This includes asset-allocation models designed around liability duration, constant market and credit surveillance, active management of liquidity and concentration risks, and rebalancing strategies guided by forward-looking scenarios. Customisation has shifted from a value-add to an absolute necessity.

## Integrated Risk Management Is Now Essential

The risk landscape has become multidimensional. Market shocks, credit deterioration, cyber threats, operational lapses, and geopolitical volatility all carry the potential to weaken performance. Siloed controls are no longer enough. Leading global and African asset managers have already ad-

opted enterprise-wide risk frameworks that integrate market, credit, operational, liquidity, and strategic risk, supported by automated analytics, scenario modelling, and real-time governance dashboards. Kenyan pension funds increasingly expect the same level of sophistication. The ability to identify, quantify, mitigate, and monitor risk across the entire organisation is now a true differentiator.

## Unlocking Value Through Private-Market Opportunities

Public markets remain central, but sustainable outperformance is increasingly being driven by disciplined participation in private-market credit and alternative fixed-income instruments. These avenues offer higher, inflation-resilient yields backed by stronger governance, clear security structures, and predictable cash flows.

However, private markets reward capability, not chance. They demand solid origination, deep due diligence, strong structuring, rigorous contracts, continuous monitoring, and active governance. Without these, private investments introduce more risk than return. But with the right partner, they become a long-term engine of value creation.



## ESG Has Become a Financial Imperative

ESG integration has moved well beyond branding. It is now embedded in regulatory expectations and increasingly linked to asset resilience, credit strength, and long-term performance. Markets are consistently rewarding businesses with sound governance, environmental resilience, and sustainable operating models. For institutional investors, particularly pension funds, ESG is not just responsible investing, it is smart investing.

## Why Investcent Investment Bank Stands Apart

In this shifting landscape, Investcent Investment Bank brings a combination of capabilities that is rare in the Kenyan market. It offers an integrated investment, advisory, asset-management, and brokerage platform built on disciplined risk management and strong transaction governance.

### What sets Investcent apart?

- **Enterprise-Wide Risk Architecture** Investcent applies a comprehensive risk framework that captures market, credit, operational, and liquidity exposures in real time, and aligns with global best practice.
- **Deep Structuring and Private-Market Expertise** The bank has built a strong track record in sourcing and structuring high-quality alternative fixed-income opportunities, backed by strong security enhancements, and clear governance.
- **Customised, Liability-Driven Investment Design** Every portfolio is crafted around the institution's liability structure, liquidity needs, and governance parameters. Nothing is generic or recycled.
- **Integrated ESG Analytics** ESG screening and analysis are embedded into research, due diligence, portfolio

construction, and monitoring, to ensure each investment performs financially and sustainably.

- **Consistent Performance Across Market Cycles** The bank has repeatedly demonstrated its ability to protect capital and deliver reliable returns in both stable and turbulent conditions, driven by strong internal processes and deep market insight

## The Future Belongs to Strategic Partnerships

Kenya's institutional investment landscape is shifting toward a future where outcomes depend on partnership quality rather than products alone. Institutions need advisors who bring structure, capability, and stewardship, not passive intermediaries.

The key question is no longer whether superior risk-adjusted returns are attainable. It is whether pension funds can achieve them sustainably without a partner equipped with integrated risk management, customised portfolio design, and the ability to unlock quality private-market opportunities.

Investcent Investment Bank is built for this moment. Its approach is grounded in clarity, discipline, and purpose, ensuring that institutional investors grow not only their assets, but their long-term stability and generational confidence.

For institutions seeking to secure the future, Investcent stands ready to provide the leadership and partnership needed to navigate the next decade of Kenya's investment evolution.

*The writer of this article is the Chief Executive Officer at Investcent Investment Bank.*





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