

Global Forum on Pensions



Challenges and Opportunities

Presentation Contents

- PAFMA.
- East Africa Pension Over-view.
- Key Challenges faced and mitigations.
- The future – opportunities.
- Innovation – KNEST.

Who is PAFMA ?

- Recently formed Pan African Fund Managers Association
- Intended to be the umbrella forum for Country / Regional Fund Mangers Associations
- Founder Membership by :-
 - Pension Operators Association of Nigeria (PENOP)
 - Fund Managers Association of Kenya (FMA).
 - Botswana Investment Professionals Society (BIPS).
 - Ghana Securities Industry Association. (GSIA).
 - Investment Management of Uganda. (WAEMU).
- FSD Africa, sponsor and provide formation and institutional set up.
- Expecting increased membership.

East Africa Pension Landscape

- Pension coverage still low and inadequate though growing in some countries
 - Kenya
 - Uganda
 - Tanzania
- Assets under management whilst growing are predominantly in Govt Securities
 - Kenya Kshs 1.7tr , USD 112bn
 - Uganda Ugx 21.5tr USD 6bn
 - Tanzania: Two funds , NSSF (private sector) and PSSSF (public sector)

East Africa Pension Landscape

- Leakages present in some countries
 - Kenya – access to mortgage
 - Uganda – NSSF , mid term access
- Untapped youthful and growing population
 - Kenya , 54m souls , 37% < 14
 - Uganda , 47m souls , 44% < 14
 - Tanzania, 65m souls ,43% < 14

Key Challenges Faced

- Bond Valuations challenge , especially in rising interest rate environment like in Kenya with mark to market valuation methods .
- Short term nature and composition of Trustee Board (member elected , term limits)
- Compliance , Compliance , Compliance
- Public Procurement & Disposal rules.
- New and emerging legislation, IHRM, Employment Act , Data Protection, ESG , local authorities licenses , Tax , Health and safety, Unclaimed assets
- Race to the bottom on fees – capacity , returns and technology suffers
- Performance comparisons – Do we really compare apples with apples ?
- Taxation challenges – Full exemption.

Opportunities

- Mandatory pensions – NSSF Act Kenya which passed in May 2023 and multiplied contributions in statutory pension with Pillar 2 opting out possible. If fully implemented in four years the minimum contribution to Pillar 1 will be up 40 times to \$57.
- Funded Public Sector Pension scheme.
- Innovation using technology – mobile phone
- Member choice – not one size fits all
- Save as you go

KNEST – Hustler Fund - Innovation example

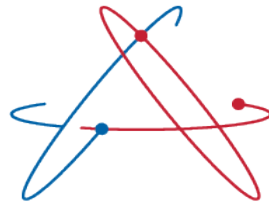
- Set up by the Government with World Bank support
- A digital financial inclusion initiative designed to improve financial access to responsible finance for personal, micro and medium sized enterprises (MSSE)
- Kenya National Entrepreneurs Savings Trust.
- Lends to the low income business people , micro amounts (\$10 to \$50) amounts increase with repayment history
- For every \$ lent
 - 5% is withheld and is credited to borrower's accounts for
 - 30% for short term savings
 - 70% for long term savings (Pension)
- Approx Kshs 32bn (\$214m) lent with Kshs 1.6bn (\$ 106m in the borrowers' accounts for saving and pension)
- Teething challenges of funding, repayment and investment, but opportunities are numerous

Thank you

African Quote on Pension

“ Even the best dancer must retire sometime”

Lamy Elarj



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