

# Commonwealth Governance Handbook

## 2014/15

**Democracy, development and public administration**

Commissioned and researched by Andrew Robertson

Country profiles edited by Jade Fell and Kate Bystrova

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## Commonwealth Governance Handbook 2014/15

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# Foreword

## Commonwealth Secretary-General Kamallesh Sharma

Deepening democracy, raising standards of governance and promoting excellence in public service are prominent among the many ways in which Commonwealth member states work together to add global value. By offering mutual support and encouragement, the expectations that our members collectively set for themselves are progressively lifted, with cultures of responsiveness and transparency being woven ever more deeply into our societies, and into the institutions that serve them.

Broadening participation by citizens in decisions that affect their lives and livelihoods is a primary Commonwealth concern, and motivates the technical assistance we provide to uphold electoral processes that are free, fair and credible. The Commonwealth Electoral Network and the Commonwealth Junior Election Professionals Initiative are each instrumental in opening up new opportunities for professional development and exchange between electoral commission officials in our member states.

Equitable access to justice and confidence in the rule of law are fundamental to creating inclusive and open societies. Through the Commonwealth, valuable practical assistance is provided that helps towards the smooth running of courts in member states. This includes information and document management upgrades, improved systems for legal aid and witness protection, and strategies to eradicate inefficiencies and abuses of judicial processes.

Impartial delivery of public services is a significant factor in building social and economic resilience, and towards providing an environment in which all are able to reach their potential. Member states benefit from the guidance and mutual support available through intergovernmental Commonwealth channels and other networks, including the Commonwealth Association for Public Administration and Management, on aspects such as human resource management and institutional governance.

Commonwealth collaboration continues to accelerate change and to advance progress by sharing understanding of how obstacles can be overcome and new opportunities opened up. Within the rich diversity of Commonwealth experience, in the area of governance especially, immense benefit is derived by learning about what has been proved to work well and can be adapted to other settings so that the gains are multiplied. This publication provides many examples of the impact of good practice, and offers valuable wisdom and insights drawn from successes within the Commonwealth to be shared across the Commonwealth.





## National Pension Commission

### TEN YEARS OF THE CONTRIBUTORY PENSION SCHEME IN NIGERIA

**This year, the Nigerian pension industry will celebrate a decade of its establishment, which started with the enactment of the Pension Reform Act 2004 in June 2004.**

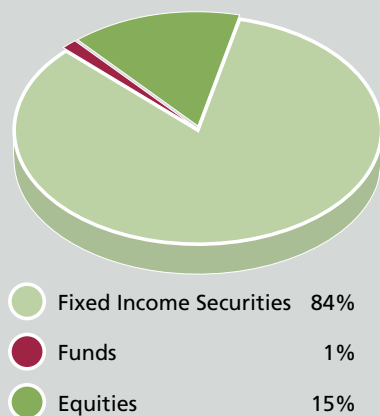
Since its establishment, the industry has witnessed significant growth in the number of members and the size of assets under management. The number of registered members increased to 6.02 million, as at the end of the first quarter of 2014, from 1.7 million as at 31 December 2006. Similarly, assets under management increased from ₦254.46 billion (US\$1.57 billion) at the end of the fourth quarter of 2006 to ₦4,207.63 billion (US\$25.85 billion) as at the end of March, 2014.

#### History

The Commission entrenched sound corporate governance in the administration of the Contributory Pension Scheme and in the investment of pension assets. Robust infrastructure has been implemented to ensure online real time reporting of the activities of the operators. In addition, the industry witnessed recapitalisation of the Pension Fund Administrators, which led to consolidation through mergers and acquisition. The Commission has continued to take an active role in building the required capacity in the industry for the effective implementation of pension reforms.

As provided in the Pension Reform Act 2004 (PRA 2004), a structure has been established to ensure effective administration of the Defined Benefits Scheme. These steps provided a platform for the Commission to improve on the quality of service provided to its customers and ensure that retirement benefits are paid as and when due.

**Figure 1: Pension Fund Investment Portfolio as at March 2014**



#### Economic contribution

The importance of pension funds in the Nigerian growth process is not only reflected in its continuous increase as a proportion of GDP but also in its contributions to Gross National Savings. As a proportion of GDP, pension assets successively moved from 1.43% in 2006 to 9.57% in 2013.

Although most of the pension assets were fixed income securities ranging from bonds, treasury bills, corporate debts and money market instruments, the industry witnessed significant changes in the portfolio mix due to the prevailing dictates of the Nigerian financial market. Alternative investment assets such as supranational bonds and private equity funds were allowed over the years as the industry matured and operators built capacity and confidence. In addition, diversification was promoted through infrastructure bonds and funds.

#### Future aims

The recent signing into Law of the Pension Reform Act 2014 by the President will promote further growth of the industry through provisions mandating enterprises with at least three employees to implement the Contributory Pension Scheme. Special focus will be given to investments in infrastructure projects and real estate. In addition, exceptional attention will be given to the informal sector, which though unwieldy, has the potential to increase the number of registered members manifold and facilitate the financial inclusion efforts of Government on this important segment of the Nigerian economy. The Commission is working on a corporate strategy plan that would effectively drive these processes.

#### Conclusion

The Contributory Pension Scheme has become an important component of the Nigerian financial system. It allows for the effective management of uncertainty and risk through risk pooling and risk sharing. This has facilitated the development of financial products like supranational bonds and private equity funds targeted at maximising the use of pension assets for the development of the Nigerian economy.

*A public institution created to regulate, supervise and ensure effective administration of pension matters in Nigeria*