

Seminar of the International Federation of Pension Administrators (FIAP):

Former director of the Central Bank of Bolivia warns of consequences of nationalization of pension funds

- ***Among the concerns surrounding the transfer of funds to a state fund manager is what happened in Argentina in 2008, where workers' savings were used to finance public spending in that country.***

As part of the process of nationalizing the management of the individually funded accounts of pension funds being carried out in Bolivia, with the transfer of almost US\$24 billion in workers' savings to the Public Social Security Manager, the International Federation of Pension Fund Administrators (FIAP) organized a webinar to analyze the consequences of this policy in the country.

On the occasion, the former director of the Central Bank of Bolivia and academic of the Catholic University in the Province of Santa Cruz, Walter Morales Carrasco, explained the main risks of this measure.

Guillermo Arthur, FIAP Chairman, on the other hand, recalled the case of Argentina, where pension funds were used to cover the country's fiscal deficits in 2008. "With the exception of Mexico, none of the pension reforms we have seen in the region have been aimed at improving pensions, but have rather been driven by ideological leanings, and in some cases by government requirements of new funds in the face of fiscal deficits," he said.

In the same vein, the former director of the Central Bank of Bolivia pointed out that the country's fiscal deficit is 7%, so that "nationalized pension funds could probably be used for other purposes; hopefully not, but it is a potential risk."

The expert added that the consequences of the nationalization of pension fund management include conflicts of interest, considering that management and oversight are in the hands of the government, doubts about the optimization and sustainability of these changes, and the political risk of workers' savings being used for other purposes.

Regarding the fund withdrawals from the AFPs that were authorized in some countries, such as Chile and Peru, following the pandemic, Morales said that "a Pandora's box has been opened and people have not been properly informed that although they are their funds, they are for retirement."

To review Walter Carrasco's full webinar talk, you can download his presentation [here](#) (only the Spanish version available).

You can also watch the webinar again on the FIAP YouTube Channel, [here](#) (only in Spanish).

