

A review of recent infrastructure investment in Latin America and the role of private pension funds¹²

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Abstract

Latin America is enjoying a period of extensive growth. If this trend is to continue into the coming years, the key insufficiencies that could limit total factor productivity will have to be dealt with in order to prevent bottlenecks. One of these insufficiencies is the infrastructure gap. The sources of finance required for infrastructure projects could include a more intensive use of the major resources accumulated by private pension funds. These funds have already been participating in a number of ways in financing projects of this kind through a variety of financial vehicles. Giving more scope to this source of finance means ensuring an appropriate framework, which includes: making substantial changes in the process of socioeconomic cost-benefit analysis; transparent, effective and efficient auctions; a more effective bureaucracy; laws and regulatory processes that ensure appropriate management of the risks of the project at all its stages; and regulation that adapts to the pension funds' investment regime, which has a strict fiduciary role in favor of the savings of the pension savers who will receive pensions in their old age. This is the only way of ensuring a virtuous circle between infrastructure investment by pension funds and economic growth, which will lead to greater benefits for the country involved.

Keywords: Infraestructure, Private Pensions, Pension Funds.

JEL: O180, J320, G230.

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