Abstract

This research study has various objectives. First, to highlight the importance of investment in infrastructure on economic growth. Second, to underscore the need for a competitive and transparent process to implement these investments, which must be aimed at efficiency and obtaining a proper balance between private and social benefits. Third, to identify the potential of pension funds as a flow of resources that can be channeled toward the development of infrastructure. And finally, to quantify the impact that the destination of these funds could have on the long-term growth projections of a country. To this end, we conducted an experiment to calculate per capita GDP growth in Latin America if the share of pension fund portfolios in assets related with direct infrastructure investment was increased. For this, we compared an inertial scenario (taking into account the current diversification of portfolios), versus one in which these were increased toward a higher level, in accordance with the regulatory framework of each country. These scenarios are incorporated in an expanded neoclassical growth model, in which GDP depends on the accumulation of traditional factors, plus the introduction of the infrastructure capital stock, which depends in part on the contributions of pension funds. The results of the model show substantial improvements in infrastructure investment and per capita GDP in Peru and Chile by more than 3% by 2050, and by 1.1% in the case of Mexico, and 2.16% in Colombia. The results of this study gives new light to the double importance that pension fund investment in infrastructure might have, generating a complementary relation between the objectives of the pension industry in providing workers with a profitable portfolio with limited risks, and at the same time generating an important contribution to growth in the country, which in the end would result in a greater development of pension funds, in brief, a virtuous circle that is necessary to strengthen.