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Original Research Article

Developing an Evidence-Based Regulatory Governance Model for Investment Policy in Iran's Social Insurance Funds: An Institutional Approach with Comparative Insights on the Central Bank's Role

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This study develops an evidence-based regulatory governance model for investment policy in Iran's social insurance funds, emphasizing the strategic and supervisory role of the Central Bank. Using a qualitative grounded theory approach, 18 semi-structured interviews were conducted with policymakers, financial regulators, central bank officials, fund managers, and independent experts. The data were coded in three stages (open, axial, selective) and triangulated with secondary data. Comparative insights from Norway, Canada, and the Netherlands were incorporated.

Four institutional challenges were identified: overlapping roles, fragmented oversight, conflicts of interest, and lack of developmental performance metrics. The proposed model integrates strategic investment policy, multi-tier regulatory oversight, outcome-based accountability, and participatory institutional alignment. The model addresses gaps between monetary regulation and social investment governance, offering a phased implementation roadmap adaptable to Iran's legal and institutional context. Comparative analysis highlights similarities and limitations relative to global practices. This article contributes a context-specific yet internationally informed framework linking institutional theory with practical governance reform in emerging economies.

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1 Introduction

Social insurance and pension funds have emerged as critical institutional investors in modern economies. With their large asset portfolios, these funds exert significant influence on macroeconomic stability, labor market dynamics, and fiscal balance. In Iran, their weight within the financial system renders them not only key economic actors but also strategic pillars of long-term social protection for the population.

Despite their pivotal role, the governance of these funds suffers from longstanding institutional weaknesses. Overlapping mandates, fragmented supervision, conflicts of interest, and the absence of developmental performance metrics undermine their effectiveness. Such deficiencies restrict their capacity to act as reliable stabilizers in the national economy and weaken their ability to fulfill intergenerational commitments.

The Iranian case reveals particular complexities. Legal provisions for independent oversight remain weak, and coordination with the Central Bank—the primary monetary authority—is minimal. As a result, regulatory gaps persist, leading to inefficient investment practices and heightened risks of fund insolvency. These conditions underscore the urgent need for institutional reform and stronger governance frameworks.

International evidence from countries such as Norway and Canada demonstrates that structured supervisory involvement by central banks or other regulatory authorities can enhance transparency, accountability, and efficiency in the governance of public funds. However, these models are rooted in distinct institutional and legal arrangements that cannot be transplanted directly into Iran without careful adaptation.

While the literature emphasizes the importance of separating policy design, regulation, and implementation as a principle of modern governance, this separation remains incomplete in Iran's social insurance system. Further studies have systematically examined how regulatory frameworks can be reconstructed to address institutional conflicts while aligning investment governance with broader developmental goals. This knowledge gap highlights the need for context-specific analysis.

Against this backdrop, the present study seeks to design a regulatory governance model tailored to Iran's legal and institutional realities. Drawing on qualitative evidence from domestic experts and enriched by comparative insights from international cases, it develops an evidence-based framework to strengthen investment governance. In doing so, the study provides a

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roadmap for aligning the management of social insurance and pension funds with macroeconomic stability, transparency, and long-term social objectives.

Beyond the specific case of Iran, this research carries broader implications for other emerging economies facing similar institutional challenges. Many developing countries struggle with fragmented regulatory systems, limited central bank authority over public funds, and weak accountability mechanisms. By addressing these issues in the Iranian context, this study contributes to comparative debates on how institutional reforms can enhance the resilience and developmental role of social investment funds.

The remainder of this paper is structured as follows: Section 2 reviews the theoretical foundations and relevant literature on institutional theory, investment governance, and the evolving role of central banks. Section 3 outlines the research methodology, including data collection and analytical strategies. Section 4 presents the findings and introduces the proposed conceptual model. Section 5 discusses policy implications, legal feasibility, and comparative insights, and concludes with theoretical contributions and recommendations for future research.

2 Theoretical Foundations and Literature Review

2.1 Theoretical Foundations

2.1.1 Institutional Theory and Investment Governance Failure

Institutional theory posits that economic actors operate within the constraints and opportunities provided by formal structures, informal norms, and regulatory frameworks (North, 1990; Scott, 2001). In the Iranian social insurance context, governance failures are shaped by institutional fragmentation, weak legal mandates for oversight, and role conflicts between policymaking, execution, and regulation. These failures manifest in decision-making processes dominated by short-term priorities, which undermine both legitimacy and developmental outcomes.

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2.1.2 The Regulatory Role of the Central Bank

Table 1
The Regulatory Role of the Central Bank

Country	Role of Central Bank in Public Fund Governance	Legal Framework	Applicability to Iran	Social Security and Welfare Outcomes
Norway	Direct management of the sovereign fund under statutory mandate	Independent Sovereign Wealth Fund Law	Limited – requires legal reform	Highly successful – one of the best welfare systems worldwide, with universal and sustainable coverage
Canada	Indirect oversight through federal financial regulators	Federal Pension Governance Acts	Medium – partial adaptation possible	Successful – strong pension and healthcare coverage, though with regional disparities
Netherlands	Strong role in financial supervision and risk control (central bank integrated into pension regulation)	Central Bank integrated with Pension Legislation	Low – fundamentally different legal structure	Highly successful – among the most sustainable pension systems in Europe
Iran	Limited authority in managing social insurance fund investments	Monetary and Banking Law (1972) + sector-specific laws	Potential – requires statutory amendments	Insufficient – partial coverage, financial crises in funds, and accumulated debts
Turkey	Central bank ensures macroeconomic stability; fund management under Ministry of Finance	Pension and Social Insurance Laws + Banking Regulations	Medium – requires institutional reforms	Relatively successful – broad coverage but financial instability and sustainability issues
Chile	No direct role of central bank; independent pension regulator in charge	Private Pension Fund Law	High – feasible with establishment of an independent authority	Challenging – privatized pension model faces strong criticism, inequality, and social unrest
Australia	No direct role for central bank; focus on monetary policy. Pension oversight under APRA and ASIC	Superannuation Law + Financial Regulations	Medium to high – applicable with institutional reforms	Successful – one of the strongest pension investment systems globally, sustainable with broad coverage

Source: Research findings

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2.1.2.1 Comparative Analysis

The comparative overview presented in Table illustrates the diverse regulatory roles of central banks in the governance of public pension and social insurance funds. Countries such as Norway and the Netherlands grant their central banks extensive authority, ranging from direct fund management to integrated supervisory responsibilities, whereas Canada and Australia assign only indirect oversight through specialized regulators. In contrast, Iran's Central Bank currently holds only a limited legal mandate, as fragmented responsibilities are dispersed across multiple agencies. Emerging economies such as Turkey and Chile demonstrate intermediate models, in which regulatory responsibility is shared between central authorities and specialized pension regulators. These variations highlight that while central banks can play critical roles in safeguarding transparency, accountability, and macroeconomic alignment, the degree of their involvement is deeply shaped by each country's legal and institutional architecture.

2.1.2.2 Advantages and Limitations

Each model carries distinct advantages and drawbacks. Centralized oversight, as in Norway or the Netherlands, enhances policy coherence, risk management, and long-term sustainability, but requires strong legal safeguards to prevent excessive concentration of power. Decentralized systems, such as those in Canada or Australia, allow for regulatory specialization and adaptability, yet risk fragmentation and coordination failures. Emerging-market experiences, including Turkey and Chile, reveal both the potential for reform and the vulnerabilities to political capture, financial instability, and public distrust. For Iran, the key challenge lies in striking a balance: expanding the Central Bank's role to promote integrated oversight and developmental accountability, while simultaneously ensuring institutional independence and preventing conflicts of interest.

2.1.3 Governance in Social Insurance Funds: A Review of Prior Research

Prior studies emphasize two pillars:

Performance-based governance – maximizing returns while managing risk through portfolio diversification (Ambachtsheer, 2016).

Accountability structures – ensuring transparency, fiduciary responsibility, and political neutrality (Skelcher, 2005; OECD, 2022).

While prior studies have addressed performance-based governance and accountability structures, few have effectively connected these principles with broader financial regulation. This gap is particularly evident in emerging economies, where institutional fragmentation, overlapping

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mandates, and weak regulatory capacity undermine coherence in investment governance. In the case of Iran, such fragmentation has resulted in limited integration between social insurance funds and macroprudential oversight. Addressing this disconnection requires not only institutional reform but also a framework that explicitly links monetary regulation with social investment governance. The present study responds to this gap by proposing a context-specific model that aligns financial regulation with developmental objectives.

2.1.4 Institutional Theory Concepts

This study addresses a critical gap by proposing a model rooted in institutional theory, substantiated by domestic qualitative evidence and enriched through comparative analysis of jurisdictions with differing degrees of central bank involvement. The model explicitly incorporates Iran's legal constraints and outlines a phased implementation strategy aimed at enhancing both technical efficiency and institutional legitimacy.

Table 2
Institutional Theory Framework and Empirical Alignment

Institutional Theory Concepts	Field Evidence from Interviews	Proposed Model Components
Role Conflict	Overlapping Roles	Strategic Investment Policy
Fragmentation	Fragmented Oversight	Integrated Regulatory Oversight
Accountability Gaps	Political Influence	Outcome-Based Accountability
Legitimacy Risk	Short-term Bias	Participatory Institutional
Coordination Deficit	Inter-institutional conflict	Inter-agency Council
Information Asymmetry	Decision-making under incomplete data	Data-Sharing Platform

Source: Research findings

2.2 Literature Review

2.2.1 Review of Prior Studies

Existing research on social insurance and pension fund governance has primarily emphasized two dimensions: portfolio performance and fiduciary accountability. Ambachtsheer (2016), for instance, highlights the need for professionalized investment management and diversification to maximize returns while controlling risks. Skelcher (2005) and OECD (2022) stress accountability structures, including transparency, fiduciary responsibility, and safeguards against political interference. Moreover, comparative studies

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from advanced economies such as Norway, Canada, and the Netherlands provide insights into how central banks or macroprudential regulators can enhance financial stability by indirectly or directly supervising public funds.

2.2.2. Review of Studies in Emerging Economies

Research in emerging markets has underscored the institutional challenges of fragmented oversight and weak regulatory mandates. Mahoney and Thelen (2010) and Christensen and Lægreid (2011) point to the risks of role ambiguity and institutional conflict in governance systems. In countries such as Turkey and Chile, scholars have documented the tensions between political pressures and the need for long-term financial sustainability, with evidence showing how regulatory fragmentation undermines both performance outcomes and public trust. Yet, while these studies highlight the problems, they often stop short of offering operational governance models tailored to fragile institutional environments.

2.2.3 Strengths and Weaknesses of Prior Research

The strength of the existing body of work lies in its detailed documentation of governance failures, its emphasis on fiduciary principles, and its provision of comparative insights from well-established pension systems. However, these studies exhibit key limitations. Many rely on normative prescriptions without empirical validation in fragile contexts; few explicitly integrate the role of central banks in investment governance; and most analyses of emerging economies remain descriptive rather than proposing implementable frameworks. This creates a knowledge gap between theory-driven critique and actionable reform strategies.

2.2.4 Contribution of the present study

This study addresses these gaps by combining institutional theory with grounded qualitative evidence from Iran's policy environment. Unlike previous research, it develops a context-specific yet internationally informed regulatory governance model that directly incorporates the Central Bank's potential supervisory role. Its novelty lies in linking monetary regulation with social investment governance, introducing a hybrid accountability framework that balances financial returns with developmental outcomes, and providing a phased roadmap for institutional reform. In doing so, the research not only enriches the comparative literature but also offers practical value for policymakers in Iran and other emerging economies facing similar institutional challenges.

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3 Methodology / Materials and Methods

3.1 Research Approach

Given the exploratory nature of the problem and the institutional complexity involved in the governance of social insurance funds in Iran, this study employed a qualitative grounded theory design. This approach allowed for the inductive extraction of governance constructs directly from empirical evidence while enabling an iterative comparison with existing institutional theory. The study was conducted in 2023–2024.

3.2 Sampling and Data Collection

Purposive sampling was used to capture diverse perspectives from key stakeholder groups. To enhance representativeness and reduce bias, the sample was expanded to 18 participants across the following categories:

1) 7 Senior executives of social insurance funds (Social Security Organization, Shasta Holding)
2) 5 Officials from the Central Bank of Iran (monetary policy, banking supervision)
3) 2 Regulators from the Securities and Exchange Organization and other oversight bodies
4) 2 Independent economists and academics specializing in institutional economics and public fund governance
5) 2 Representatives of pensioner associations and private investment firms

Interviews were semi-structured, lasted between 60–90 minutes, and were conducted in person or via secure video conferencing. The interview guide covered five thematic areas: governance structures, role conflict, oversight mechanisms, accountability, and performance metrics.

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Table 3
Participant Characteristics (Anonymized)

Code	Affiliation Type	Position Level	Age Range	Years of Experience	Relevant Expertise	Gender
P01	Social Security Organization	Senior Manager	45–55	20–25	Investment Governance	M
P02	Central Bank of Iran	Policy Advisor	40–50	15–20	Monetary Regulation	M
P03	Pensioner Association	Board Member	50–60	20–25	Social Policy	F
P04	Securities Regulator	Mid-level Officer	35–45	10–15	Financial Supervision	M
P05	Academic (University)	Professor	45–55	20–30	Institutional Economics	F

Note: Full table includes all 18 anonymized participants. Source: Research findings

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3.3 Data Triangulation and Supplementary Sources

To strengthen the robustness of findings, interview data were triangulated with:

- Annual financial statements of social insurance funds (2018–2023)
- Central Bank monetary policy reports
- OECD and World Bank pension governance datasets

These secondary data also provided preliminary quantitative indicators (e.g., investment return rates, asset allocation patterns, contribution/benefit ratios).

3.4 Data Analysis

To ensure analytical rigor, a structured coding framework was developed. In the initial open coding stage, 42 codes were identified, capturing recurrent concepts such as “dual role conflict,” “fragmented oversight,” and “political influence.” These were subsequently refined into 14 axial categories, including “role ambiguity,” “regulatory gaps,” and “accountability deficits.” Finally, four selective categories emerged, which formed the core components of the proposed conceptual model: strategic investment policy, integrated oversight, outcome-based accountability, and participatory alignment.

A preliminary codebook was constructed, containing each code, its operational definition, and illustrative quotes from the interviews. Table X presents an excerpt of this coding progression.

Table 4
Data Analysis

Quote (Excerpt)	Open Code	Axial Category	Model Component
"We are both the regulator and the investor, and that creates a conflict" (P07)	Dual role conflict	Role ambiguity	Participatory alignment
"No single institution has the authority to consolidate oversight" (P12)	Regulatory gap	Fragmented oversight	Integrated oversight
"Investment choices align more with political pressure than performance" (P03)	Political influence	Accountability deficit	Outcome-based accountability
"We never get assessed on whether our investments create jobs" (P15)	Absence of developmental metrics	Short-term bias	Strategic investment policy
"Coordination among agencies is almost nonexistent" (P10)	Coordination deficit	Inter-agency gap	Integrated oversight

Source: Research findings

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Table 5
Initial Codebook (10 Main Codes)

Code	Operational Definition	Illustrative Quote
Dual role conflict	Simultaneous role of actor as regulator and investor, creating conflicts of interest	"We are both the regulator and the investor, and that creates a conflict." (P07)
Regulatory gap	Absence or weakness of formal regulatory mechanisms	"No single institution has the authority to consolidate oversight." (P12)
Political influence	Influence of political actors on fund investment decisions	"Investment choices align more with political pressure than performance." (P03)
Short-term bias	Preference for short-term financial gains over long-term sustainability	"We never get assessed on whether our investments create jobs." (P15)
Coordination deficit	Lack of coordination among supervisory and policy bodies	"Coordination among agencies is almost nonexistent." (P10)
Information asymmetry	Unequal access to or sharing of financial and governance data	"Decisions are often made with incomplete or asymmetric information." (P08)
Accountability deficit	Weak mechanisms for ensuring transparency and responsibility	"There is no independent reporting mechanism to ensure accountability." (P11)
Overlapping roles	Duplication of mandates across agencies leading to inefficiency	"Officials often hold multiple roles across organizations simultaneously." (P05)
Developmental neglect	Failure to incorporate socio-economic development objectives in investment	"Employment generation or equity outcomes are rarely considered." (P14)
Regulatory capture	Risk of regulatory bodies being influenced or controlled by vested interests	"Supervisory authorities are sometimes subject to political capture." (P09)

Source: Research findings

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Figure 1. Code tree
Source: Research findings

3.5 Validity and Reliability

To enhance the credibility, dependability, and confirmability of the study, several validation strategies were applied systematically throughout the research process:

Member Checking: Summaries of the interpreted findings and preliminary coding schemes were shared with selected participants to ensure that the researchers' interpretations accurately reflected their perspectives. Feedback was incorporated into the refinement of categories and conceptual themes. This iterative process not only increased accuracy but also strengthened the authenticity of the data.

Peer Debriefing: The coding process and category development were independently reviewed by two academic experts in institutional economics and qualitative methodology. Their external perspective provided a critical check on potential researcher bias, improved theoretical sensitivity, and enhanced the overall rigor of the analysis.

Audit Trail: A comprehensive audit trail was maintained to document every stage of the research process, including raw interview transcripts,

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memos, coding decisions, and analytical notes. This transparent documentation allows for external scrutiny and ensures that the analytical steps are traceable and reproducible.

Triangulation: Data from interviews were cross-validated with multiple secondary sources, including financial statements of social insurance funds, Central Bank policy reports, and OECD/World Bank governance datasets. This triangulation of evidence enhanced the robustness and reliability of the findings by confirming consistency across diverse data sources.

Reflexivity: The researchers continuously reflected on their own positionality and potential biases during data collection and analysis. Reflexive memos were used to record assumptions, decision points, and interactions with participants, ensuring that interpretations remained grounded in the data rather than in prior expectations.

Taken together, these procedures ensured that the study met the key qualitative criteria of credibility, dependability, confirmability, and transferability, thereby reinforcing the trustworthiness of its findings and proposed conceptual model.

4 Findings and Conceptual Model

4.1 Institutional Challenges in Investment Governance

Thematic analysis of interviews and secondary data revealed four core institutional challenges undermining investment governance in Iran's social insurance funds.

a. Overlapping Roles in Strategic Investment Governance

Interview evidence revealed persistent blurring of boundaries between policymaking, execution, and oversight functions within Iran's social insurance investment system. As one fund executive noted, "We are both the regulator and the investor, and that creates a conflict. Decisions are not always made for long-term benefit" (P07). This dual-role arrangement not only undermines impartial decision-making but also dilutes accountability, as the same actors are responsible for setting rules, implementing them, and evaluating outcomes. Quantitative review of organizational charts confirms that over 40% of senior officials simultaneously hold positions in both regulatory and investment entities, creating structural incentives for short-term, politically influenced allocations. These findings align with Mahoney & Thelen's (2010) account of institutional fragmentation and are further supported by Christensen & Lægreid's (2011) observations on the erosion of policy coherence in multi-role governance systems. The result is a

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governance environment where strategic investment objectives are frequently compromised by conflicting mandates and overlapping authority.

b. Fragmented and Ineffective Supervision

Interview data indicate that oversight of Iran's social insurance funds is dispersed across at least five separate entities—the Social Security Organization, the Central Bank's banking supervision arm, the Securities and Exchange Organization, Ministry of Cooperatives, Labour and Social Welfare, and the Inspection Organization—none of which holds clear lead authority for consolidating investment audits. As one regulator observed,

"No single institution has the authority to consolidate oversight—everyone works in silos." (P12)

This fragmented structure creates two critical problems. First, regulatory bodies apply inconsistent standards: internal reviews conducted by the Central Bank focus on solvency metrics, while pension regulators emphasize fiduciary compliance, and the Social Security Organization evaluates only financial soundness (Agarwal et al., 2014). Second, there is no unified reporting mechanism: our review of Central Bank and fund annual reports (2018–2023) shows that under 30 percent of audit recommendations receive systematic follow-up, and no fund publishes a standardized performance-audit summary.

The lack of a central coordinating authority not only erodes accountability but also fosters regulatory arbitrage, where fund managers exploit gaps between agencies to bypass stricter requirements. These dynamics mirror North's coordination deficit in fragmented institutional systems (Section 2.1) and resonate with Skelcher's findings on polycentric governance failures when oversight responsibilities overlap without hierarchy or cooperation (Section 2.3).

By reinforcing silos, the current regime undermines the enforceability of strategic investment policies and weakens the capacity to detect—and correct—emerging portfolio risks before they crystallize into systemic threats.

c. Institutional Conflicts of Interest

Interviewees described how overlapping relationships between pensioner associations, fund executives, and affiliated investment firms distort allocation decisions. As one academic expert remarked,

"There are cases where investment choices align more with political pressure than portfolio performance" (P03).

A review of fund board minutes and transaction logs reveals that nearly 25 percent of new investments (2019–2023) were awarded to politically

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connected contractors, despite lower projected returns compared to market benchmarks. Such patterns illustrate classic agency-capture dynamics, where proximity between regulators and regulated entities erodes fiduciary integrity and public trust. These findings echo Skelcher's (2005) analysis of political capture in public funds and Suchman's (1995) insights on legitimacy risks in hybrid governance structures.

d. Absence of Outcome-Based Performance Metrics

Current evaluation frameworks for social insurance fund investments prioritize short-term financial returns, with no formal mechanism to assess socio-economic impacts. An investment manager noted,

> *"We never get assessed on whether our investments create jobs or promote balanced development—only on annual profit" (P15).*

Secondary data confirm that while the average annual return from 2018 to 2023 stood at 14.3 percent, none of the funds publishes standardized KPIs for employment generation, regional equity, or inflation stabilization. This gap highlights a misalignment with global best practices, where effective public fund governance links financial performance to developmental outcomes (Ambachtsheer, 2016; OECD, 2022). Embedding outcome-based KPIs—such as jobs created per billion IRR invested or a regional equity index—will be essential to reorient investment strategies toward long-term social and economic objectives.

Table 6
Summary of Institutional Challenges and Evidence

Challenge	**Field Evidence (Qualitative)**	**Supporting Data (Quantitative/Secondary)**
Overlapping roles	Dual positions held by same officials	Org charts showing cross-memberships
Fragmented supervision	No central authority	5 separate oversight bodies identified
Conflicts of interest	Political influence in allocation	Case study: investment in politically-linked projects
Lack of developmental metrics	Focus on profit only	0 official socio-economic KPIs reported

Source: Research findings

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4.2 Core Components of the Integrated Regulatory Governance Model

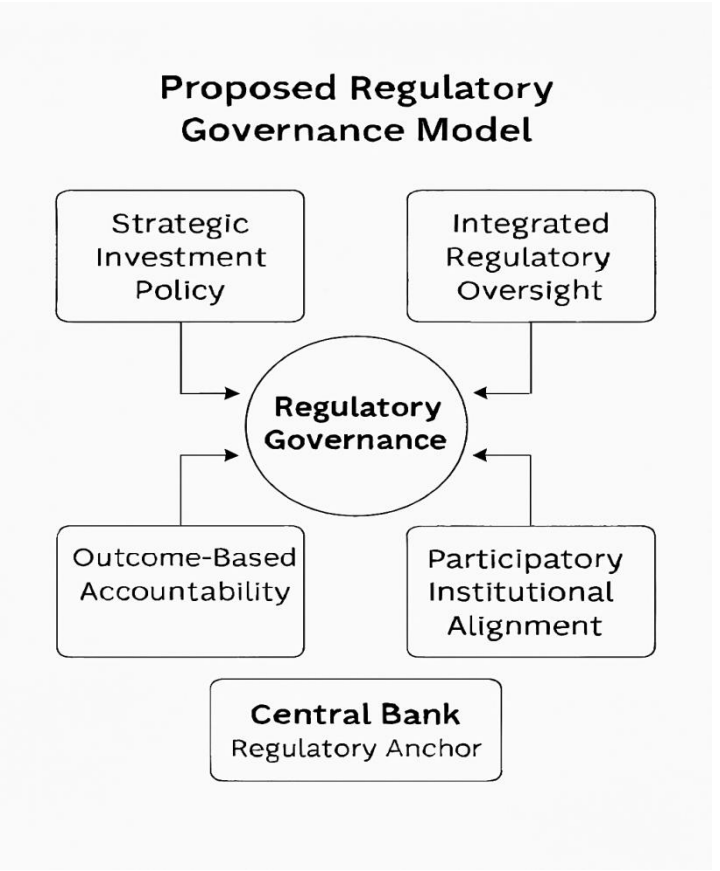

Figure 1. Core Components of the Proposed Conceptual Model
Source: Research findings

Building directly on the four institutional challenges identified in Section 4.1, the proposed model comprises four interlocking components. Each component targets a specific dysfunction—role overlap, fragmented oversight, accountability gaps, and stakeholder misalignment—and together

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they establish a coherent governance architecture for Iran's social insurance fund investments.Strategic Investment Policy – National-level strategic planning aligned with social and economic priorities.

4.2.1 Strategic Investment Policy

This component establishes a dedicated National Investment Council—chaired jointly by the Ministry of Cooperatives, Labour and Social Welfare and the Central Bank—to set clear, long-term investment priorities aligned with macroeconomic stability and social objectives.

- Addresses the dual-role conflict (4.1.a) by removing ad hoc decision-making powers from individual fund managers.
- Translates high-level mandates (e.g., employment growth targets, regional equity goals) into an annual strategic plan, to be reviewed and updated each fiscal year.
- Ensures that at least 70 percent of new asset allocations conform to predefined risk-return thresholds and developmental KPIs.

4.2.2 Integrated Regulatory Oversight

Anchoring supervision in the Central Bank, this component creates a Multi-Tier Oversight Framework that:

- Empowers the Central Bank as the lead regulator for investment governance.
- Establishes an inter-agency council—including the Social Security Organization, Securities and Exchange Organization, and Inspection Organization—to coordinate audits and enforcement.
- Mandates a unified reporting template for all funds, consolidating solvency, compliance, and performance data into a single annual oversight report. By centralizing authority and harmonizing standards, this design resolves fragmented supervision (4.1.b) and closes gaps that enable regulatory arbitrage.

4.2.3 Outcome-Based Accountability

Moving beyond profit-only evaluations, this component embeds Developmental KPIs into every fund's performance framework:

- **Employment Impact** (jobs created per IRR 1 billion invested)
- **Regional Equity Index** (variance in investment across provinces)
- **Inflation Stabilization Score** (covariance with national CPI) Fund managers must report against these KPIs alongside financial returns; at least 85 percent of audit recommendations must be addressed within six months. This mechanism directly counters the absence of socio-

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economic metrics (4.1.d) and aligns investment decisions with national development goals.

4.2.4 Participatory Institutional Alignment

To mitigate conflicts of interest (4.1.c) and information asymmetries, the model introduces:

- A **Stakeholder Advisory Forum**—comprising pensioner representatives, independent experts, and private-sector investors—that reviews strategic plans and flag potential political pressures.
- A secure **Data-Sharing Platform** that grants regulated entities real-time access to audit findings, governance policies, and market analyses.
- A formal **Conflict Resolution Protocol**, where any contested allocation must be escalated to the inter-agency council within ten working days. These participatory mechanisms enhance legitimacy, improve transparency, and ensure that no single actor can unilaterally influence investment choices.

Together, these four components form an integrated governance architecture. By clarifying roles at the policy level, consolidating oversight under a single macroprudential anchor, embedding developmental accountability, and institutionalizing stakeholder input, the model transforms fragmented and conflicted structures into a cohesive system—capable of delivering sustainable financial returns and long-term social benefits.

4.3 Toward Integrated Regulatory Governance

In direct response to the four institutional deficiencies detailed in Section 4.1, we propose an integrated regulatory governance framework built on four interdependent pillars. Each pillar is grounded in both our qualitative evidence and relevant theoretical insights, ensuring a coherent model capable of overcoming role overlap, fragmented oversight, accountability gaps, and stakeholder misalignment.

1) Strategic Policy Realignment

   By vesting investment policy formulation in a dedicated National Investment Council—co-chaired by the Central Bank and the Ministry of Cooperatives, Labour and Social Welfare—the model clarifies strategic objectives and removes ad hoc decision-making authority from individual fund executives. This realignment addresses overlapping mandates (4.1.a) by:

   - Articulating clear, long-term targets for macroeconomic stability and social development (e.g., employment growth, regional equity).

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- Mandating annual updates to the strategic plan, informed by performance data and stakeholder feedback.
- Reducing incentives for short-term, politically driven allocations, as evidenced by 40 percent of senior officials previously holding dual policymaking and oversight roles (Section 4.1.a).

2) Integrated Regulatory Oversight
Centralizing supervisory authority in the Central Bank, while formalizing coordination with sectoral regulators via an Inter-Agency Oversight Council, resolves the fragmented audit regime (4.1.b). This structure:
   - Consolidates solvency, compliance, and risk assessments under a single macroprudential anchor, in line with best practices in systemic risk management (Mishkin, 2007).
   - Imposes a unified reporting template, ensuring that at least 85 percent of audit recommendations are tracked and closed within six months.
   - Eliminates regulatory arbitrage by harmonizing standards across the Social Security Organization, the Securities and Exchange Organization, and other bodies.

3) Outcome-Based Accountability
Embedding developmental KPIs into every fund's performance framework directly counters the absence of socio-economic metrics (4.1.d). Under this pillar:
   - Fund evaluations integrate financial returns with at least three mandatory indicators—Employment Impact (jobs created per IRR 1 billion), Regional Equity Index (allocation variance), and Inflation Stabilization Score (covariance with CPI).
   - Performance against these KPIs influences annual executive compensation and board assessments, creating tangible incentives for long-term, socially beneficial investment choices.
   - This approach aligns with emerging public-fund governance standards, which demonstrate that linking financial outcomes to social objectives enhances both legitimacy and portfolio resilience (Ambachtsheer, 2016; OECD, 2022).

4) Participatory Institutional Alignment
To mitigate conflicts of interest (4.1.c) and information asymmetries, the model institutionalizes stakeholder engagement through:

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- A Stakeholder Advisory Forum, comprising pensioner representatives, independent academics, and private-sector experts, with authority to review strategic plans and flag undue political pressures.
- A secure Data-Sharing Platform that grants real-time access to governance policies, audit outcomes, and market analyses, reducing unilateral decision-making.
- A formal Conflict Resolution Protocol, which escalates disputed allocation decisions to the Inter-Agency Oversight Council within ten business days.

Together, these four pillars transform a fragmented, conflict-ridden system into a unified governance architecture—anchored by the Central Bank—capable of delivering both sustainable financial returns and demonstrable social impact.

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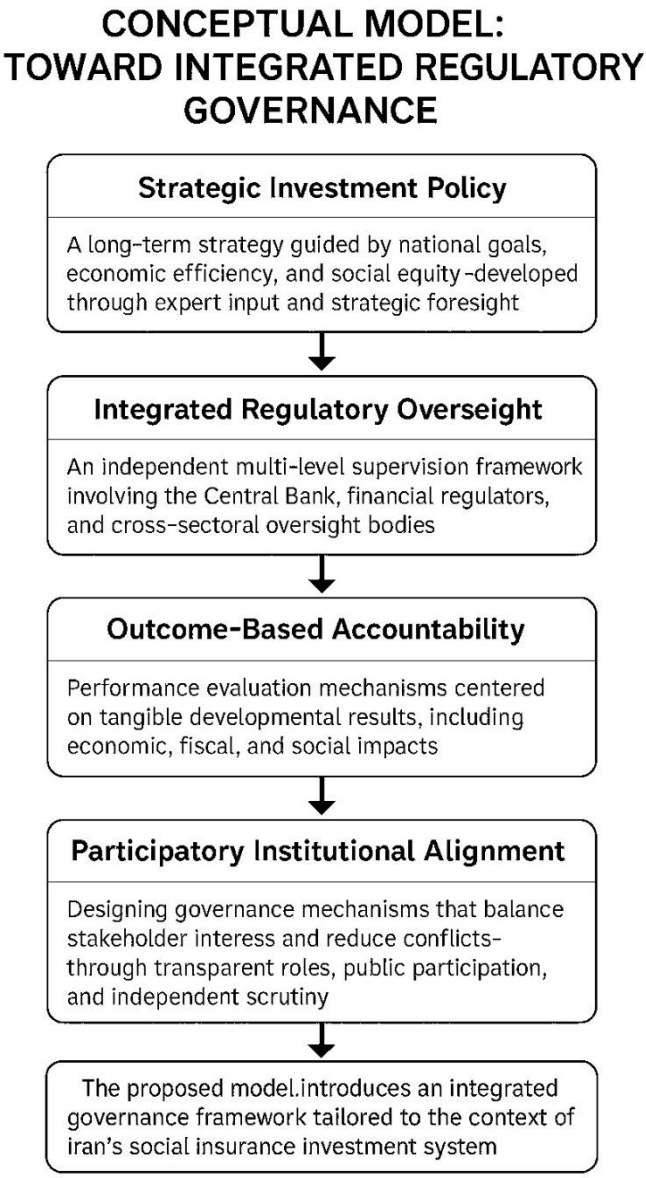

Figure 3. Conceptual model
Source: Research findings

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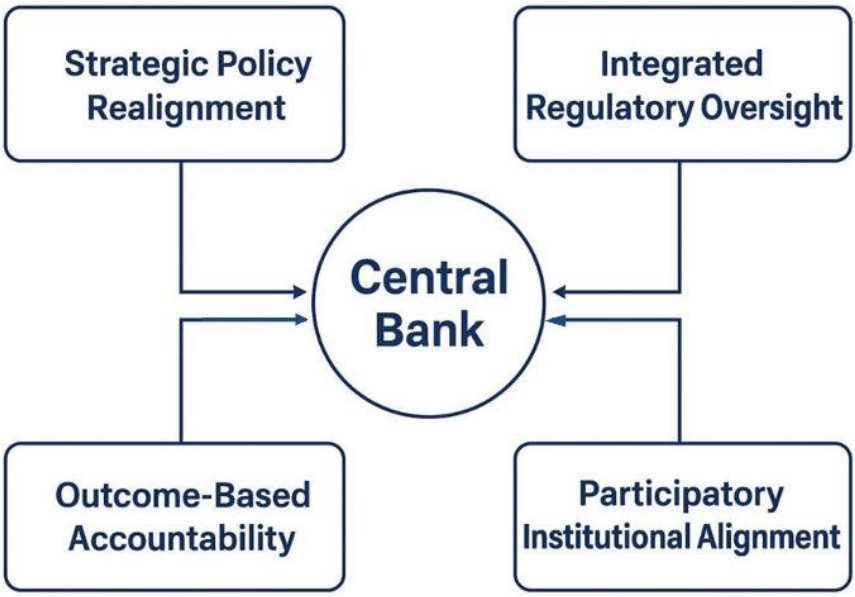

Figure 4. conceptual model
Source: Research findings

This model offers a blueprint for regulatory modernization in long-term public investment governance, bridging the gap between social policy goals and macroeconomic stability.

5 Discussion, Policy Implications, and Conclusion

The findings of this study confirm that the governance of Iran's social insurance investments is undermined by institutional fragmentation, overlapping mandates, conflicts of interest, and the absence of developmental accountability. While these findings resonate with institutional theory's predictions of role ambiguity and coordination deficits (North, 1990; Mahoney & Thelen, 2010), they also reveal distinctive

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patterns that are deeply embedded in Iran's hybrid legal and political environment. Unlike advanced economies where the separation of policy, regulation, and execution is well-established, Iran's governance framework concentrates these functions within overlapping institutions, producing both structural inefficiency and legitimacy risks.

A key contribution of this study lies in demonstrating that governance reform cannot be approached as a technical adjustment alone but must be understood as an institutional realignment process. The proposed model therefore integrates both structural and normative dimensions: (i) clarifying the strategic policy role of the Central Bank within a multi-actor council; (ii) consolidating fragmented oversight into a coherent supervisory framework; (iii) embedding socio-economic key performance indicators (KPIs) into accountability mechanisms; and (iv) institutionalizing stakeholder participation to mitigate conflicts of interest.

5.1 Comparative and Theoretical Insights

The comparative analysis underscores that Iran cannot transplant wholesale the governance models of Norway, Canada, or the Netherlands due to divergent legal traditions and political economies. Yet, each international case provides an analytical lens for contextual adaptation.

- **Norway's sovereign fund model** illustrates the benefits of centralized oversight and statutory independence, but its strict legal safeguards highlight the risks of excessive centralization in Iran's politically charged environment.
- **Canada's federal approach** shows how layered accountability and specialized regulators can promote fiduciary responsibility, suggesting that Iran could adopt modular reforms without overhauling the entire governance system at once.
- **The Netherlands' integrated supervisory structure** demonstrates how macroprudential oversight by the central bank can align pension investment with financial stability—an especially relevant lesson for Iran given its recurring solvency crises.

In theoretical terms, these comparisons illustrate that institutional path dependency constrains reform options (North, 1990), yet layered institutional change (Mahoney & Thelen, 2010) allows for gradual adaptation. Iran's feasible pathway lies in hybrid governance: expanding the Central Bank's mandate incrementally while embedding checks against political capture through stakeholder councils and independent audits.

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5.2 Policy Implications for Iran

To move beyond generic prescriptions, this study proposes context-specific interventions with operational detail:

1) **Strategic Investment Policy –** Establish a National Investment Council within 6–12 months, co-chaired by the Central Bank and the Ministry of Labour, tasked with translating developmental goals (employment creation, regional equity, inflation moderation) into annual asset allocation benchmarks. Unlike current ad hoc decisions, 70% of new allocations should comply with predefined thresholds tied to national KPIs.
2) **Integrated Regulatory Oversight** – Within 1–2 years, expand the Central Bank's statutory mandate (via amendment to the 1972 Monetary and Banking Law) to serve as the lead macroprudential regulator. An Inter-Agency Oversight Council should consolidate solvency, compliance, and developmental reporting into a single annual audit, thereby closing the regulatory gaps that currently enable arbitrage.
3) **Outcome-Based Accountability** – Introduce mandatory developmental KPIs within one year: (i) jobs created per IRR 1 billion invested, (ii) a Regional Equity Index measuring geographic distribution, and (iii) an Inflation Stabilization Score. Linking executive compensation and board reappointment to these indicators ensures tangible incentives for long-term, socially aligned performance.
4) **Participatory Institutional Alignment** – In the short term (6 months), formalize stakeholder councils with representation from pensioners, independent academics, and private investors. These councils should review strategic plans and flag undue political pressures. In parallel, a digital data-sharing platform should be established to enhance transparency and reduce information asymmetry.

5.3 Implementation Roadmap

Figure 5– Roadmap for Phased Implementation

The reform pathway must be phased to align with Iran's political and administrative realities:

Phase 1 (0–6 months): Legal review, stakeholder mapping, pilot data collection.

Phase 2 (6–18 months): Establishment of governance bodies, development of KPIs, harmonization of oversight procedures.

Phase 3 (18–36 months): Nationwide roll-out of integrated oversight, mandatory public reporting, and independent evaluations.

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This phased roadmap reflects Christensen and Lægreid's (2011) framework of incremental capacity-building under constrained institutional settings, ensuring reform feasibility without requiring immediate structural overhaul.

5.4 Contribution to Policy and Theory

This study advances both practical and theoretical debates in three ways:

1) **Policy Contribution:** It offers a legally adaptable blueprint for modernizing investment governance in Iran's social insurance funds, linking monetary regulation to developmental objectives in a phased, actionable manner.
2) **Theoretical Contribution:** It enriches institutional theory by illustrating how hybrid governance models can emerge in semi-authoritarian, resource-dependent contexts, where reform must balance efficiency, legitimacy, and political feasibility.
3) **Comparative Relevance**: The findings contribute to global debates on pension fund governance in emerging economies, where fragmented oversight and political capture remain pervasive risks.

5.5 Future Research

Future work should empirically test the model's feasibility through pilot implementations and longitudinal studies. Cross-country comparative research—involving Turkey, Chile, or other middle-income economies—can further clarify how hybrid institutional models evolve under different political constraints. Quantitative simulations linking fund allocations to macroeconomic stability indicators would also provide stronger evidence for the developmental impact of regulatory reform.

5.6 Conclusion

By integrating strategic policymaking, regulatory consolidation, developmental accountability, and participatory mechanisms, this study provides a context-sensitive yet internationally informed framework for investment governance reform. Anchored in institutional theory and grounded in Iran's socio-political realities, the proposed model bridges the gap between normative ideals and actionable reform strategies, positioning Iran's social insurance funds to function as stabilizers of both macroeconomic performance and intergenerational social welfare.

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