

AFRICAN SOVEREIGN WEALTH FUNDS: WHERE THEY WILL BE IN 2020?



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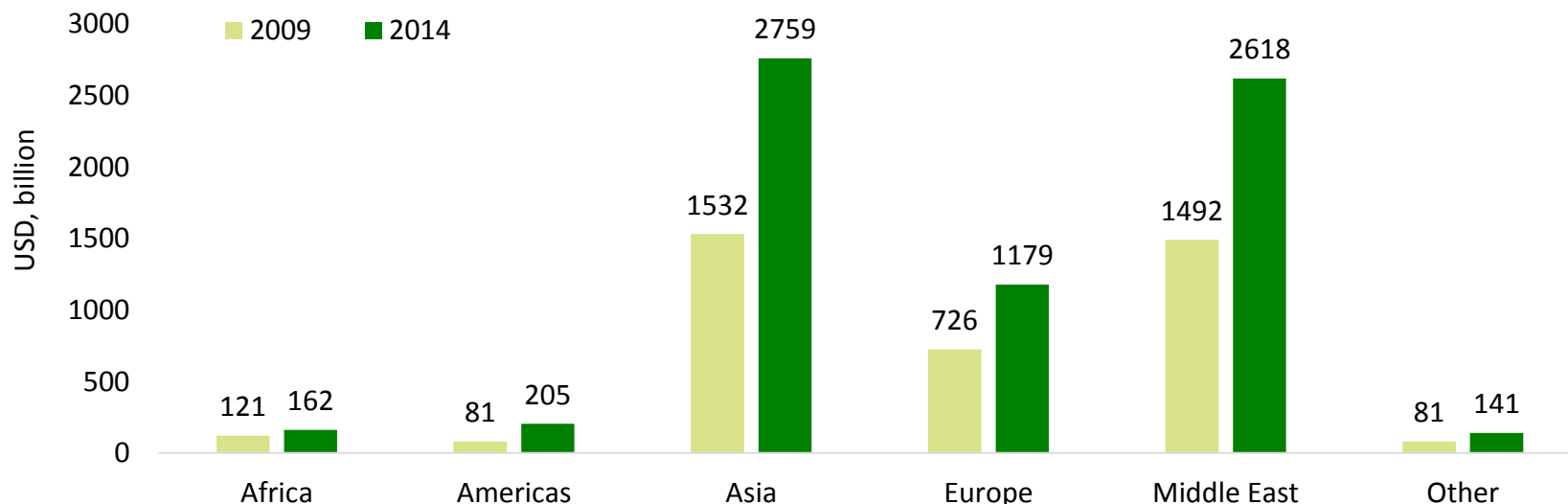
Outline of the Presentation

- Overview of the African SWFs landscape
 - ✓ Size and mandate
 - ✓ Governance and management arrangements
 - ✓ Investment strategies

- How SWFs will look like in 2020?

Overview of the African SWFs landscape

- Africa currently counts about 21 SWFs compared to 15 in 2011. AuM of these funds grew by about 34% over 2011/14:
- However, African SWFs remain relatively small

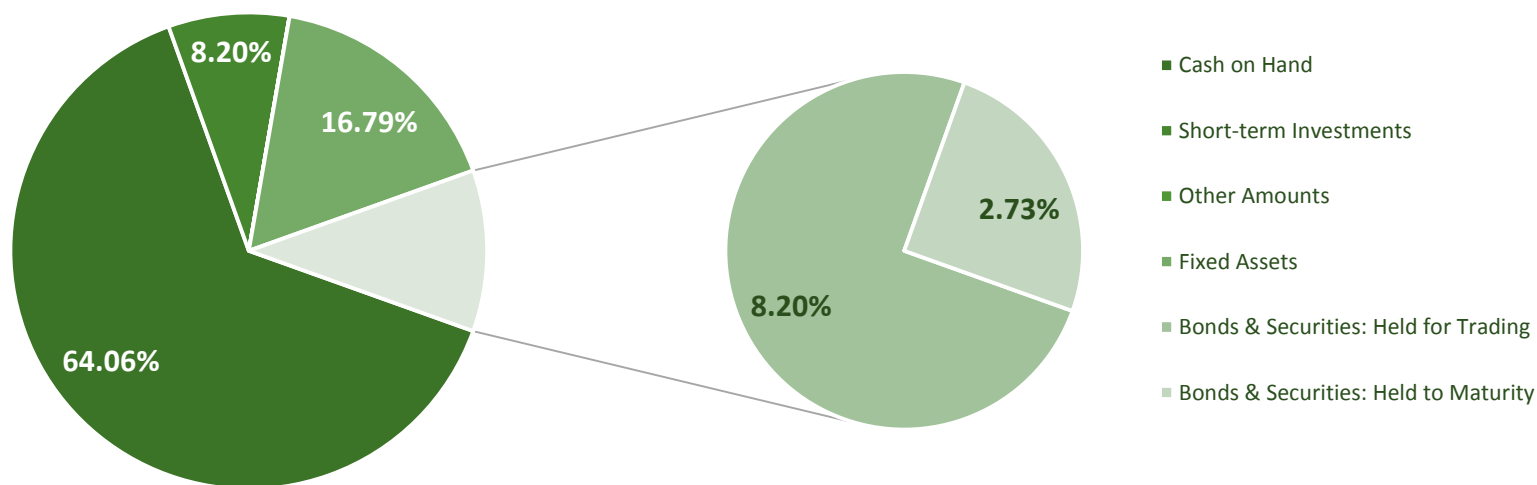


Overview of the African SWFs landscape

- Out of the 21 African SWFs, 16 are oil and gas based; 3 from diamonds, gold and other minerals; 2 are non-commodity based.
- Predominance of the stabilization mandate
- Mainly managed by In-house teams within national institutions (central banks or ministries of finance) with sometimes more than one government entity involved in the management.
- Deposit rules are included but not always available and enforced, withdrawal rules are quasi-absent.

Overview of the African SWFs landscape

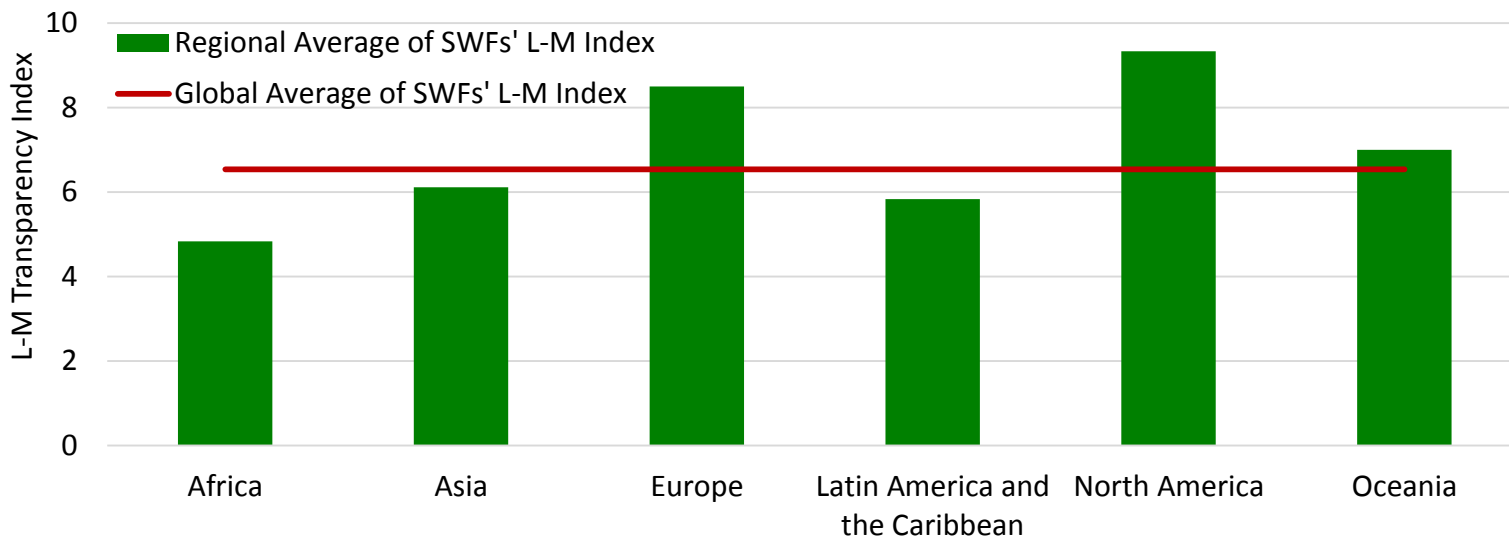
- Available information suggests that most African SWFs have prudent investment strategies with an emphasis on liquidity, reflecting mainly their stabilization mandates.



Source: Balance Sheet Composition of the *Fundo Soberano de Angola* (2013)

Overview of the African SWFs landscape

- African SWFs underperform their peers in developed regions but also those in other developing regions.



Source: Authors' calculation using data from the SWF Institute

Outlook of African SWFs



- **Reduced inflows (-)**

- ✓ Lower oil prices:
- ✓ In 2015, IMF estimates revenue losses to reach USD 10 billion for Libya (about 20% of GDP) and USD 20 billion for Algeria (about 10% of GDP).
- ✓ In Nigeria, foreign reserves fell by over 15% from USD 40.7 billion to USD 34.5 billion between September 2014 and January 2015.
- ✓ **Reduced oil production**
- ✓ (Libya): 1.48 million bpd (barrel per day) in 2012 to 363,000 bpd in January 2015.

Outlook of African SWFs

- **Reduced outflows/improved efficiency (+)**
 - ✓ Fiscal consolidation: decreasing revenues and aid
 - ✓ Increasing move to development oriented investment vehicles with autonomous structures and dedicated teams
 - ✓ More recourse to external fund managers (partly)
 - ✓ Governance reforms and more transparency (EITI)
 - ✓ More streamlined structures (LIA)
- **More investment in domestic economies/Infra**
 - ✓ Greater focus on inclusive growth
 - ✓ New initiatives: Africa 50, Nigeria Infrastructure Fund

Transparency Status of Selected SWFs

SWF Name	Country	Santiago Principles Signatory		L-M Transparency Index Rating	
		2010	2014	2010	2014
Government Pension Fund Global	Norway	Yes	Yes	10	10
Nigeria Sovereign Investment Authority	Nigeria	No	Yes	1	9
Fundo Soberano de Angola	Angola	No	Yes	NA	8
Pula Fund	Botswana	Yes	Yes	3	6
Libyan Investment Authority	Libya	Yes	Yes	2	4
Fonds de Régulation des Recettes	Algeria	No	No	1	1
Fonds National des Revenus des Hydrocarbures	Mauritania	No	No	1	1

THANK YOU!



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Overview of the African SWFs landscape

Geographical and Sector Distribution of Selected Investments Made by the Libyan Investment Authority

