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.
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

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

- Central Africa: 14%
- East Africa: 14%
- North Africa: 9%
- Southern Africa: 8%
- West Africa: 14%
- Outside Africa: 34%

- Restaurants, hotels, motels: 21%
- Real estate: 18%
- Infrastructure: 15%
- Manufacturing: 14%
- Agriculture: 9%
- Services: 15%
- Petroleum and natural gas: 18%
- Precious metals, nonmetallic, and industrial metal mining: 30%
- Other sectors: 5%
- 3% each in different sectors.