

# Institutional investment in infrastructure development and sustainable investment

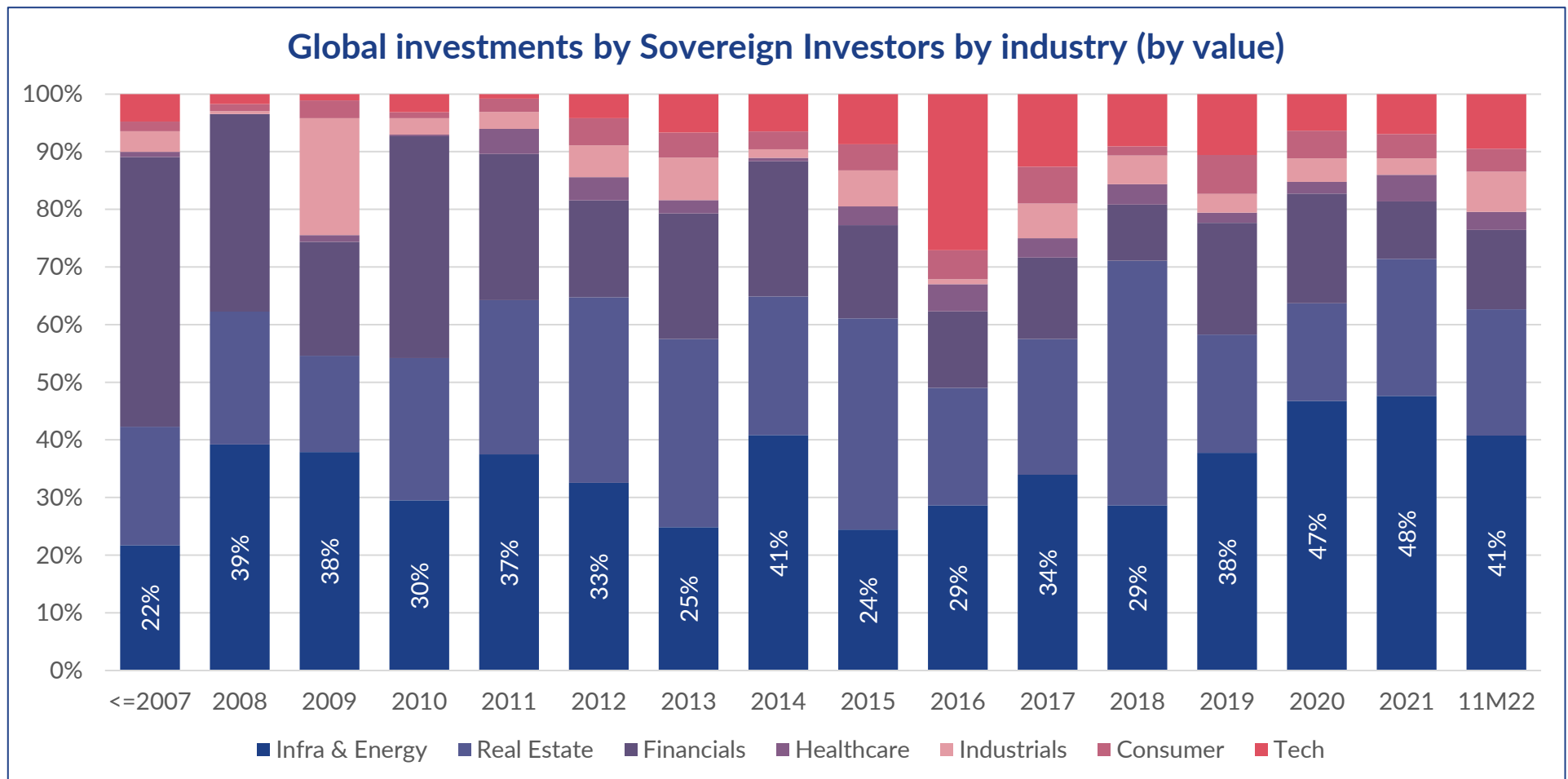
*Diego Lopez, Consultant of UNCTAD and CEO of Global SWF*

6 December 2022

Section	Page
➤ Infrastructure Investing	
➤ Match with SWFs.....	3
➤ Popular sub-sectors.....	4
➤ Fossil Fuel vs Green Investments.....	5
➤ Catalyzers: NIIF, INA.....	6
➤ African SWFs	
➤ Taxonomy.....	7
➤ SWFs by country, mission and size.....	8
➤ Heat Map.....	9
➤ GSR Scoreboard.....	10
➤ Focus on Africa	
➤ Northern vs Sub-Saharan Africa.....	11
➤ Largest Transactions.....	12
➤ Case Studies.....	13
➤ The Way Forward	
➤ Suggested Approaches and Actions.....	14

## Infrastructure Investing: Match with SWFs

- Infrastructure is an ideal asset class for SWFs, given the long-term horizon and the capital intensity
- The average ticket of SWFs in Infrastructure & Energy is US\$ 0.8 bn, higher than in any other industry
- The last three years have been especially popular for SWFs in Infra, with a 40%+ market share

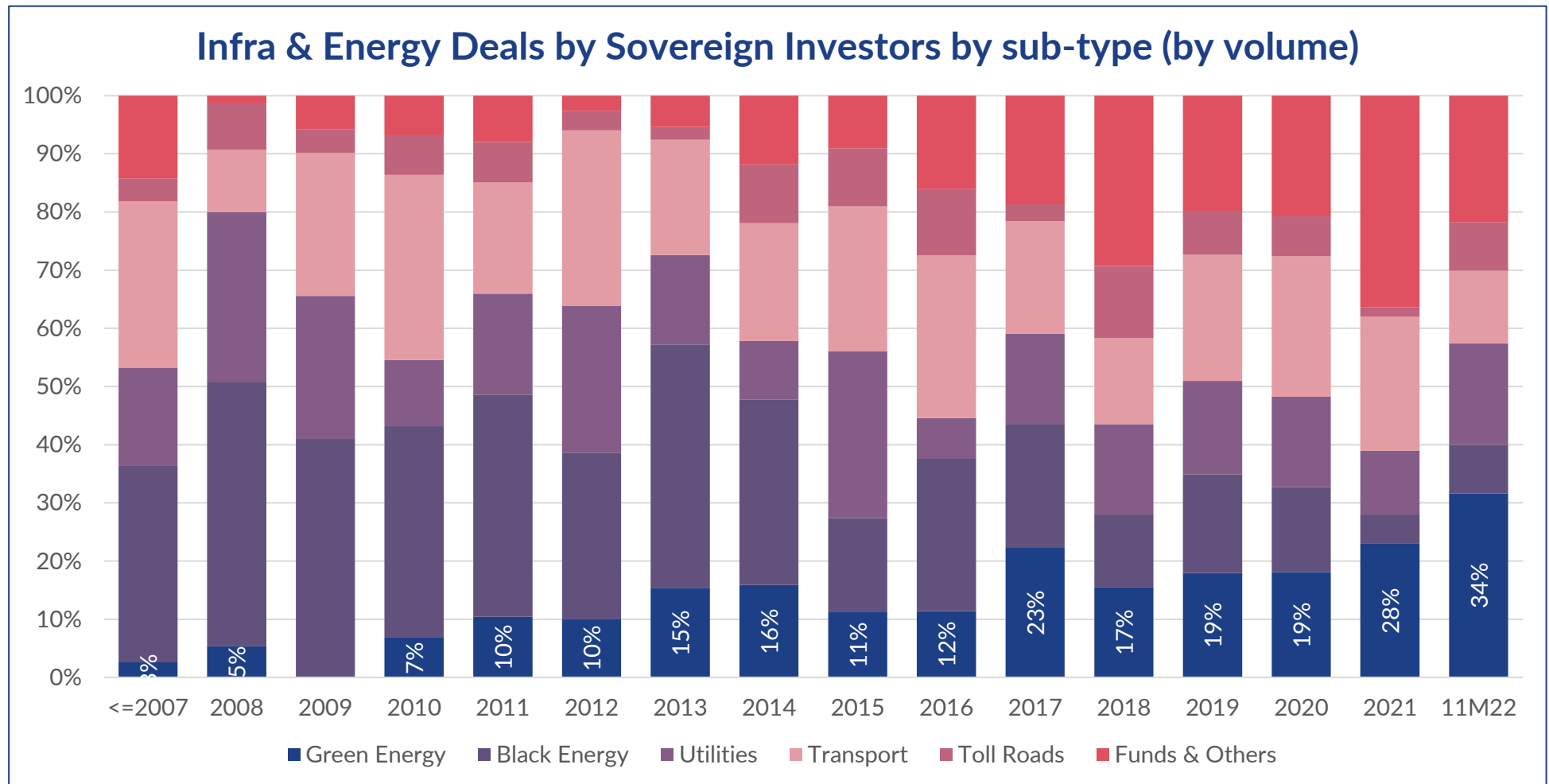


Source: Global SWF. Last updated November 2022

# Infrastructure Investing: Popular Sub-Sectors



- Energy assets (Green, Fossil Fuel, Utilities) represent the largest share of infrastructure investments
- Renewable Energy is gaining market share from O&G deals especially in the past few years
- Other popular sub-classes include Transportation and Toll-Roads, and commitments to Infra Funds

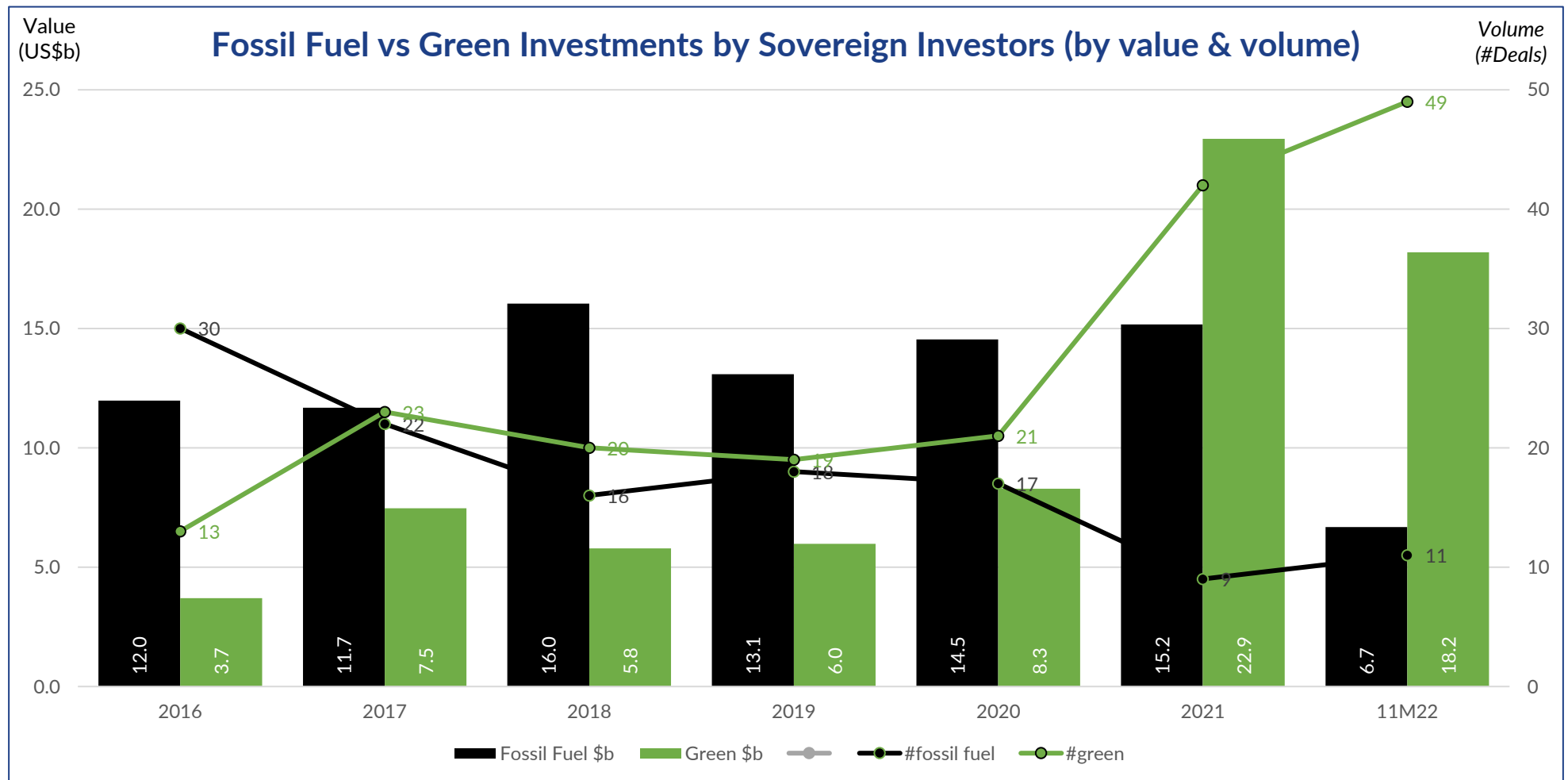


Source: Global SWF. Last updated November 2022

# Infrastructure Investing: Fossil Fuel vs Green Investments

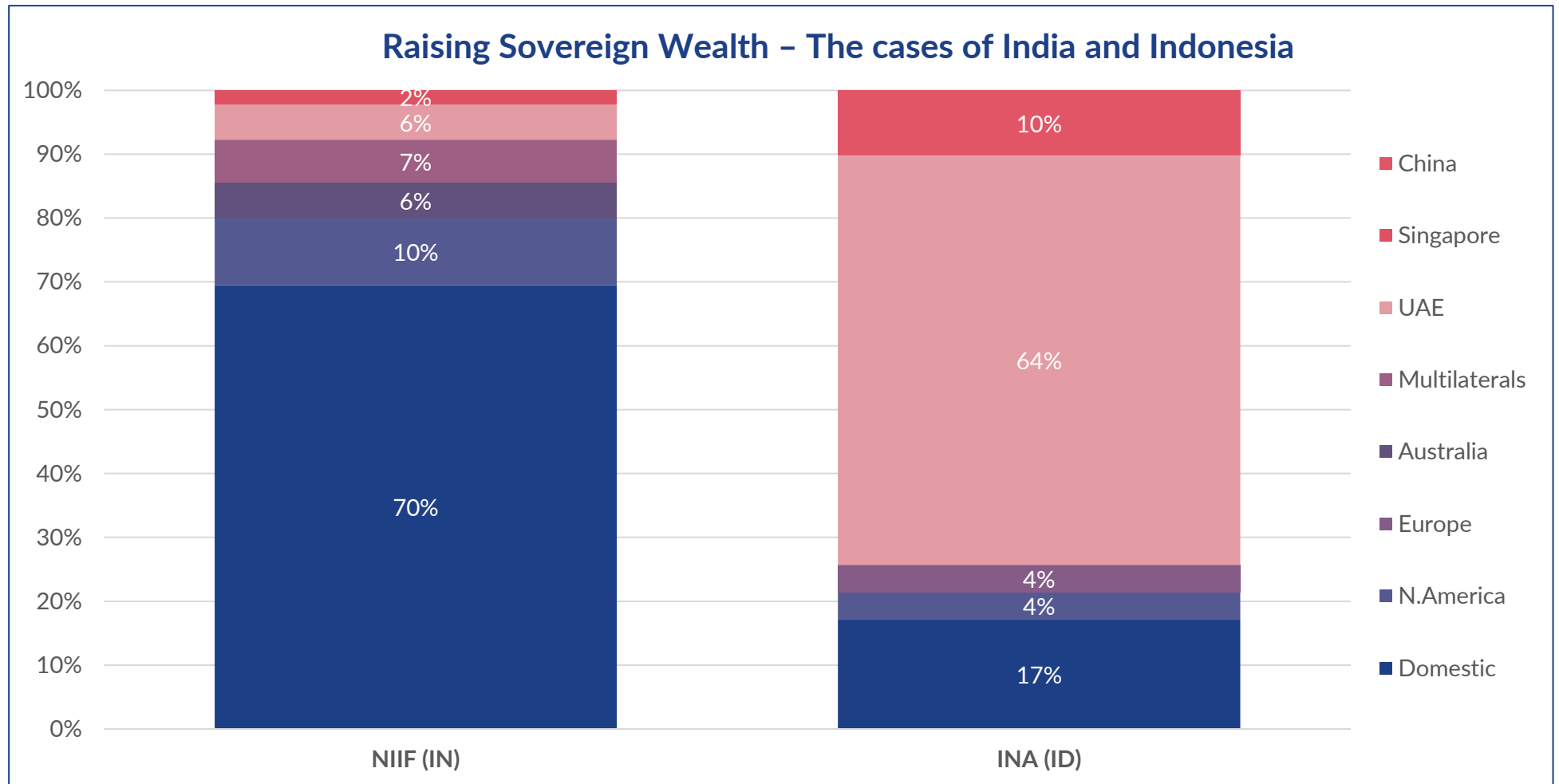


- Investments in Oil & Gas have decreased over time, due to diversification, returns and decarbonization
- Renewable energy is much more available now thanks to large decarbonization funds
- These have included Blackrock, Brookfield, TPG and other dedicated asset managers



Source: Global SWF. Last updated November 2022

- A new breed of catalyzers, or SWFs without the wealth has been quite popular in the past decade
- This model resonated well with India and Indonesia, given their significant infrastructure financing gap
- Foreign investors include Canadian Pension Funds, Gulf & Asian SWFs and Australian Superannuations



Source: Global SWF. Last updated November 2022

- The African continent is vast in size, diversity, and wealth. Every government and economy are different
- Today, there are 52 Sovereign Investors in Africa that manage US\$ 409 billion in public funds

### African State-Owned Investors
























	Africa		Others		Total	
	#funds	AuM \$b	#funds	AuM \$b	#funds	AuM \$b
SWFs	36	131	136	11,094	172	11,225
PPFs	16	278	265	21,618	281	21,895
<b>SOIs</b>	<b>52</b>	<b>409</b>	<b>401</b>	<b>32,712</b>	<b>453</b>	<b>33,120</b>

Source: Global SWF. Last updated November 2022

- ❑ **Stabilization or “rainy-day” funds** that act as buffer mechanisms, benefitting from fiscal surpluses in good years and covering fiscal deficits in times of uncertainty and market shocks, and that are sometimes embedded in the country’s central bank, e.g., Botswana’s Pula Fund;
- ❑ **Savings or future generations funds** that have no explicit obligations and are designed to ensure the transfer of wealth in the long term, e.g., the Libyan Investment Authority (LIA); and
- ❑ **Strategic or development funds** that combine a financial goal with an economic mission, contributing to the development of the domestic economy and/or catalyzing foreign capital, e.g., the Gabon’s FGIS, which supports domestic SMEs, infrastructure, and social sectors.

## African SWFs: SWFs by country, mission and size

### African Sovereign Wealth Funds by Country, Mission, and Size

Country	SWF/s	Stabilization	Savings	Strategic	AuM (\$b)	AuM/GDP
 Angola	FSDEA	✓	✓	✓	2.8	0.0x
 Botswana	Pula Fund	✓			4.2	0.2x
 Cape Verde	FSGIP	✓			0.1	0.1x
 Chad	FSIST			✓	0.0	0.0x
 Congo (Republic of)	FSRB, FRGF	✓	✓		0.1	0.0x
 Djibouti	FSD			✓	0.2	0.0x
 Egypt	TSFE			✓	2.0	0.0x
 Equatorial Guinea	FSRB, FRGF	✓	✓	✓	0.2	0.0x
 Ethiopia	EIH			✓	38.5	0.3x
 Gabon	FSRB, FRGF, FGIS	✓	✓	✓	1.9	0.1x
 Ghana	GPF, GIIF, MIIF	✓	✓	✓	2.2	0.0x
 Libya	LIA		✓	✓	68.4	1.7x
 Mauritania	FNRH	✓			0.1	0.0x
 Mauritius	MIC			✓	1.0	0.1x
 Morocco	Ithmar			✓	1.8	0.0x
 Namibia	MDF, WF	✓		✓	0.0	0.0x
 Nigeria	NSIA, ECA, Bayelsa	✓	✓	✓	3.6	0.0x
 Rwanda	Agaciro			✓	0.2	0.0x
 Sao Tome & Principe	NOA		✓		0.0	0.0x
 Senegal	FONSIS			✓	0.1	0.0x
 South Sudan	ORSF	✓			0.2	0.0x
 Tunisia	CDC TN			✓	3.4	0.1x
 Zimbabwe	Zim SWF		✓		0.0	0.0x
<b>Total</b>		<b>11</b>	<b>9</b>	<b>16</b>	<b>131.0</b>	<b>0.1x</b>



# African SWFs: Heat Map

## Established, Exhausted and Planned SWFs in Africa

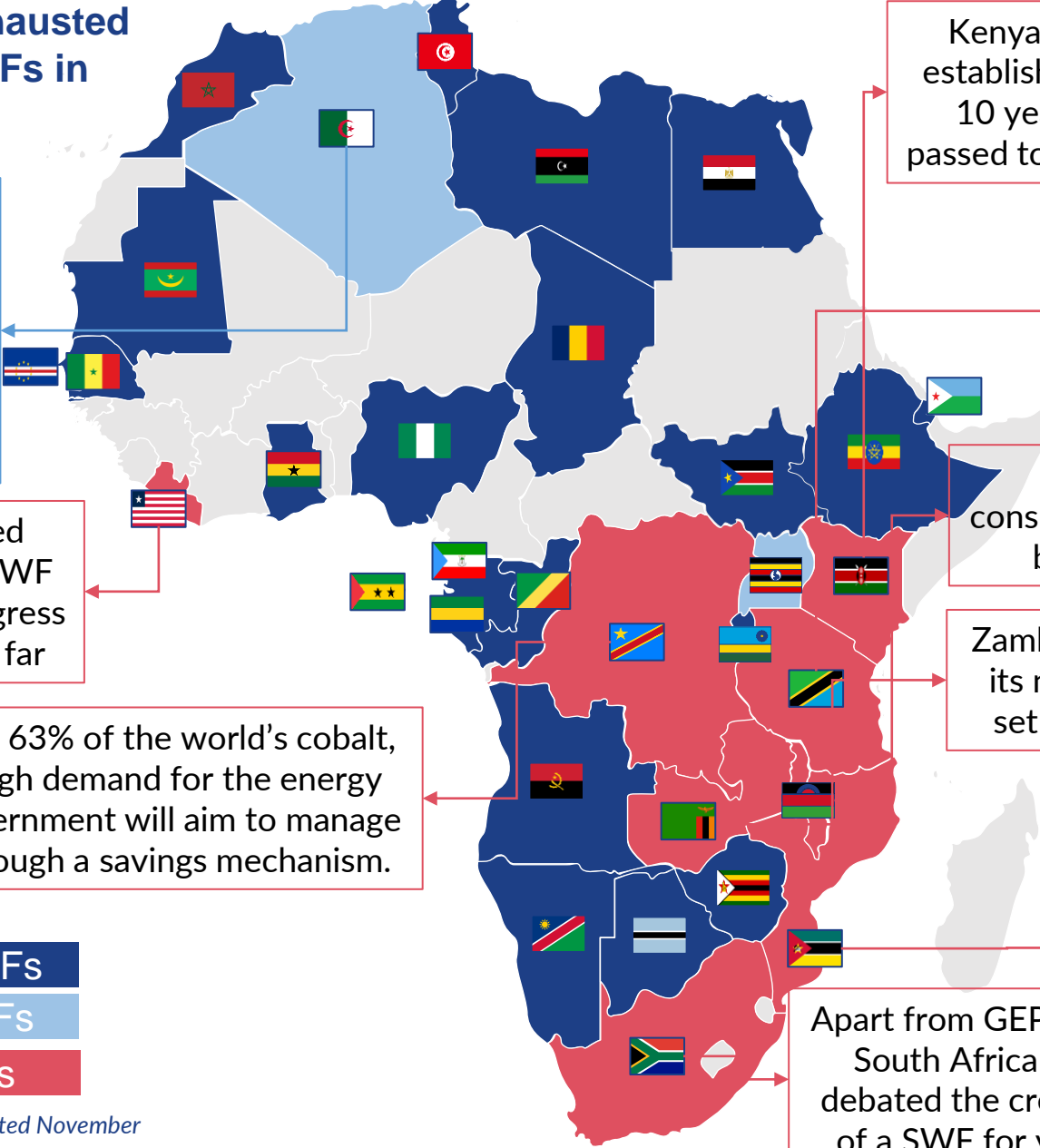
Algeria's RRF was once the continent's largest SWF but was rapidly depleted. It may be revived in 2022-23

Liberia announced plans to launch a SWF in 2014 but no progress has been made so far

The DRC produces 63% of the world's cobalt, which will be in high demand for the energy transition. The government will aim to manage such surpluses through a savings mechanism.

- Established SWFs
- Exhausted SWFs
- Planned SWFs

Source: Global SWF. Last updated November 2022



Kenya has been debating the establishment of a SWF for over 10 years. A bill was recently passed to structure it in 3 missions

Tanzania has an active PPF and would like to set up a SWF for the revenues from natural gas

Malawi has engaged consultants to think about the best SWF mechanism

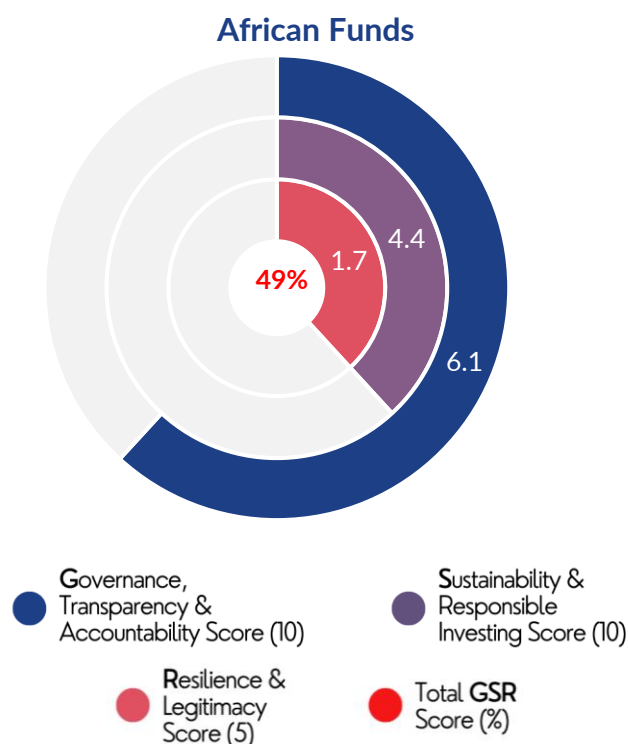
Zambia would like to emulate its neighbor Zimbabwe and set up a small savings fund

Mozambique found Africa's largest natural gas reserves but civil unrest has prevented the set up of a SWF yet

Apart from GEPF-PIC, South Africa has debated the creation of a SWF for years

## African SWFs: GSR Scoreboard

- The GSR Scoreboard highlights some of the challenges faced by African Sovereign Investors
- There is significant progress from 2021 and 2020, but scores are still behind those in the “West”
- Best scores in 2022 can be found in Nigeria’s NSIA (84%), Angola’s FSDEA and South Africa’s PIC (80%)

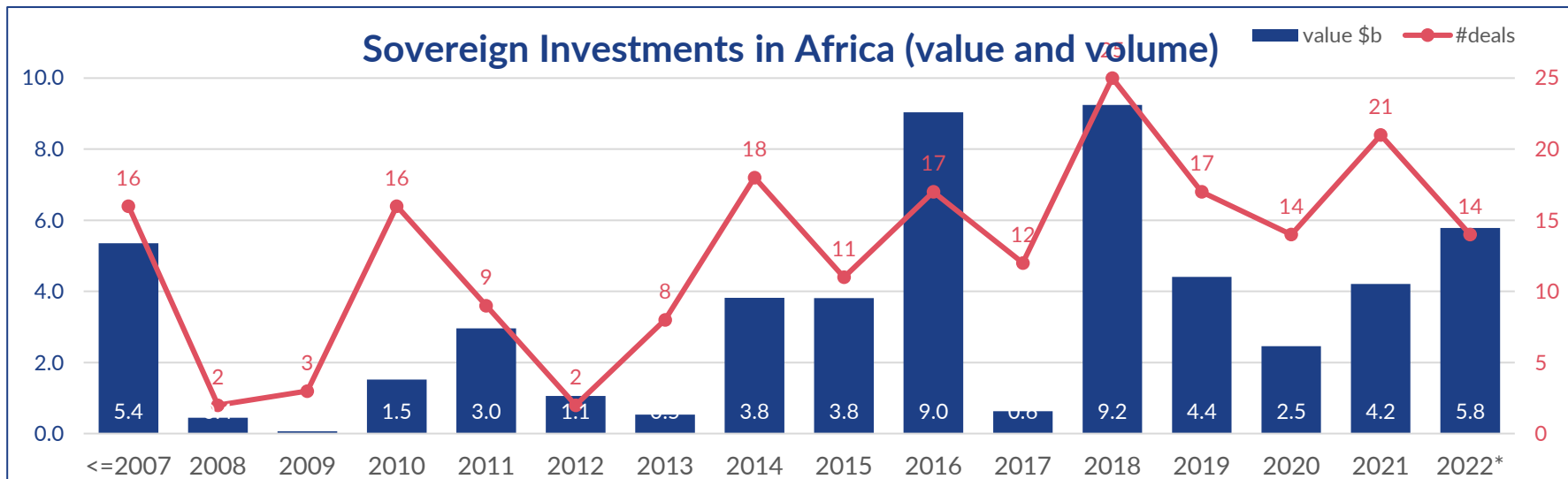


Fund	Country	Type	GSR Scoreboard 2022					2021	2020
			G (10)	S (10)	R (5)	GSR (25)	GSR (%)	GSR (%)	GSR (%)
NSIA	Nigeria	SWF	10	6	5	21	84%	80%	80%
FSDEA	Angola	SWF	10	5	5	20	80%	40%	24%
PIC	South Africa	PPF	7	9	4	20	80%	80%	76%
CDG	Morocco	PPF	6	9	1	16	64%	n.a.	n.a.
LIA	Libya	SWF	7	5	3	15	60%	52%	4%
CDC TN	Tunisia	SWF	8	6	1	15	60%	n.a.	n.a.
Agaciro	Rwanda	SWF	9	4	2	15	60%	52%	56%
FONSIS	Senegal	SWF	6	7	1	14	56%	32%	48%
FGIS	Gabon	SWF	7	5	0	12	48%	16%	24%
GHF+GSF	Ghana	SWF	7	0	3	10	40%	40%	n.a.
Ithmar	Morocco	SWF	5	4	0	9	36%	24%	20%
TSFE	Egypt	SWF	3	4	1	8	32%	24%	20%
FSD	Djibouti	SWF	3	4	0	7	28%	24%	n.a.
Pula Fund	Botswana	SWF	4	0	1	5	20%	32%	40%
FSGIP	Cape Verde	SWF	2	2	0	4	16%	n.a.	n.a.
EIH	Ethiopia	SWF	3	0	0	3	12%	n.a.	n.a.
			<b>6.1</b>	<b>4.4</b>	<b>1.7</b>	<b>12.1</b>	<b>49%</b>	<b>41%</b>	<b>39%</b>

Source: GSR Scoreboard 2022. Last updated June 2022

## Focus on Africa: Northern vs Sub-Saharan Africa

- We can observe different patterns when it comes to Northern and Sub-Saharan Africa
- In Northern Africa, a lot of the inbound capital comes from Gulf investors pursuing “discreet power”
- In Sub-Saharan Africa, several deals come from African funds investing in their own economies



### Investments by origin of funds in North vs Sub-Saharan Africa

Type	N. Africa		SS Africa		Total	
	#deals	value \$b	#deals	value \$b	#deals	value \$b
Domestic	18	4.8	86	12.8	104	17.6
Regional	5	0.4	10	0.7	15	1.1
Foreign	41	23.9	45	12.7	86	36.7
<b>Total</b>	<b>64</b>	<b>29.1</b>	<b>141</b>	<b>26.3</b>	<b>205</b>	<b>55.4</b>

Source: Global SWF. Last updated November 2022

## Focus on Africa: Largest Transactions

- The largest domestic transactions occur in real assets (RE + Infra) of the largest economies: Nigeria, Egypt, S. Africa

Largest domestic (in-country) investments					
Fund	Asset	Country	Sector	Date	Value \$b
PIC	Eskom Holdings	S. Africa	Utilities	Feb-18	6.4
TSFE	Egyptian Electricity Holding Co	Egypt	Utilities	Dec-19	2.0
PIC	V&A Waterfront	S. Africa	RE	Feb-11	0.8
PIC	Pareto Ltd, Mowana Pty	S. Africa	RE	Jul-01	0.8
NSIA	Ammonia & Phosphate Plant	Nigeria	Energy	Mar-21	0.7

- The regional deals are usually smaller and led by the largest funds: South Africa's PIC, Libya's LIA, Ethiopia's EIH

Largest regional (African) investments					
Fund	Asset	Country	Sector	Date	Value \$b
EIH	Damerjog Liquid Bulk Port	Djibouti	Transport	Oct-22	0.3
PIC	African Export-Import Bank (Afreximbank)	Egypt	Financials	Aug-17	0.1
LIA	Oriental Petrochem Co (OPC)	Egypt	O&G	Jun-10	0.1
LIA	RwandaTel SA via LAP	Rwanda	Telecom	Oct-07	0.1
LIA	SOTEL Tchad (via LAP)	Chad	Telecom	Nov-10	0.1

- Lastly, most foreign investors come from the Middle East (Abu Dhabi, Dubai, Oman, Qatar). Of the Top 10 deals, only one was done by CAD Fund (the largest Chinese investment in Africa) and most of them are in Infrastructure & Energy.

Largest foreign (non-African) investments					
Fund	Asset	Country	Sector	Date	Value \$b
OIA	Bagamoyo port project	Tanzania	Transport	Oct-15	3.3
ADQ	Red Sea Port	Sudan	Transport	Jun-22	2.0
ADIA	EFG Hermes	Egypt	Financials	May-07	1.5
ADQ	Commercial International Bank	Egypt	Financials	Mar-22	1.0
ADQ	Lulu Hypermarkets Egypt	Egypt	Retail	Oct-20	1.0
Mubadala	Nour North Sinai Offshore Concession	Egypt	O&G	Nov-18	1.0
CADF	Husab Mine (JV CNNC)	Namibia	Mining	Feb-12	1.0
Mubadala	SKH – Power generation company	Algeria	Utilities	Feb-07	0.9
DP World	Imperial Logistics	S. Africa	Transport	Jul-21	0.9
QIA	Bugesera Airport Kigali	Rwanda	Transport	Dec-19	0.8

Source: Global SWF. Last updated November 2022

### Northern Africa (Egypt) vs Sub-Saharan Africa (CAD Fund)

- Ithmar set up with the WBG in 2016 the first pan-African fund dedicated to green investments, GGIF
- Egypt is of key interest for Gulf funds, which have pursued discreet power: US\$ 7 bn since 2018
- CAD Fund adopted a regional approach with US\$ 10 bn and 5 Rep Offices across Sub-Saharan Africa

### Inbound vs Outbound: Bilateralism in the Horn

- Djibouti formed FSD in 2020 and Ethiopia set EIH in 2022 – both strategic, domestic funds
- However, the funds enhanced bilateral relationships and there is intent of pursuing co-investments

### Strategic Assets: Bagamoyo Port

- US\$ 10 bn port development given to Chinese operator (CMPorts) and Gulf financier (OIA) in 2013
- Construction delayed for 10 years due to disagreements on terms between Tanzania and China

### FDI in motion: Qatar and Rwanda

- QIA-owned Qatar Airways acquired 49% of existing airline and 60% of new airport
- QIA co-invested US\$ 250 mn with RSSB into a Pan-African VC fund managed from Kigali

### Multi-mission (Nigeria) and Sustainability (QIA, Enel)

- Multi-mission funds have proven to be resilient and successful at catalyzing capital
- Sustainability can be a trigger for large, regional deals from foreign investors

- Interest in Africa by Sovereign Investors has been increasing, but there is so much more potential
- Strategic funds in other regions (Europe, Asia) have proven to be an effective way of promoting FDI
- Alliances are always positive but action must be taken at country level supported by local government
  
- The historical depletion and mismanagement of public funds is not a good external image
- The establishment of well governed African SWFs will be key to inspire trust in foreign investors
- Governance, Sustainability and Resilience are a journey – and SWFs must continue to improve
  
- Most countries in Africa are well suited for infrastructure-focused funds
- Examples of NIF in Nigeria, or GIIF in Ghana could be replicated in several other countries
- The establishment of such vehicles must be accompanied by international experts and bodies