



# SWF & infrastructure investment in Africa: Challenges and perspectives

## NEPAD-OECD Africa Investment Initiative

Entebbe, Uganda

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## Africa's infrastructure shortfall ...

80% of population, have only 15% of the infrastructure

### Complications:

- Geographic configuration
- Demographic structure
- Need for cross border cooperation

### Costs:

- Bottlenecks in trade and exports
- High cost of doing business
- Low competitiveness
- Resulting in failure to take advantage of basic natural wealth

### Requirements to close infrastructure gap:

- \$ 40Bn annual investments in infrastructure
- \$ 40Bn annual investments to maintain existing infrastructure



# Actual investment sources

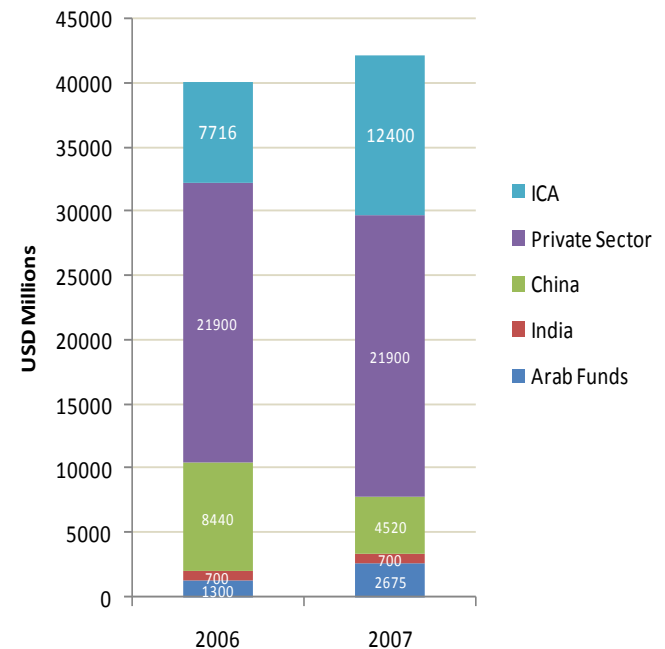
... are not sufficient to meet with African investment needs

Infrastructure investment in 2007 has reached \$42 billion, composed of:

- Multilateral and bilateral sources
- Private sources
- Emerging partners (India, China and Arab States)

African own financing capacity is limited and incapable of providing the lacking \$38 billion.

Figure 1. Minimum External Financial Support to African infrastructure in 2007



Source: Africa Country Infrastructure diagnostic, AICD



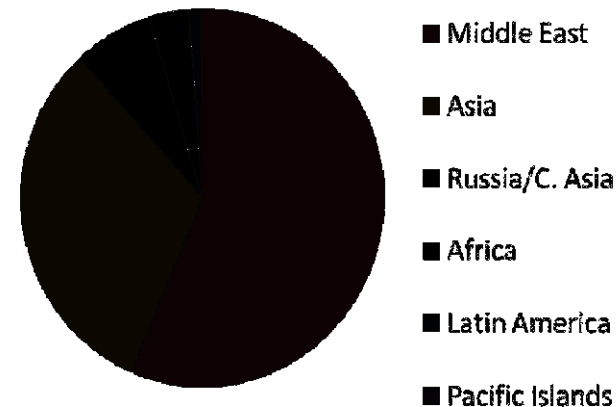
# Sovereign wealth funds could close the financing gap...

As assets are expected to be worth \$10 trillion by 2015

Sovereign Wealth Funds (SWFs)  
by origin, 2008

	Number	Total assets (USD bn)
Middle East	7	1533
Asia	9	867
OECD	10	489
Russia & Central Asia	4	177
Africa	7	109
Latin America	4	23
Pacific islands	6	1.2
<b>Total</b>	<b>47</b>	<b>3,194</b>

SWFs by asset size



Source: OECD development center

SWF strengthen their position in global investment arena

# Infrastructure investments potential (i)

From a diversification perspective...

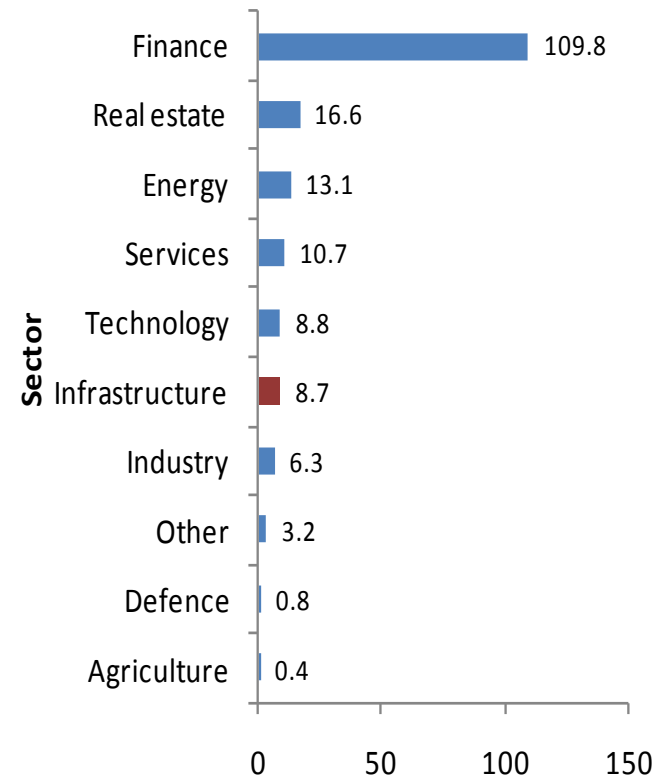
## Sovereign wealth funds:

- Freedom in asset choice
- Need to diversify their resource allocation
- Longer term investment horizon
- Higher return perspective

## Infrastructure investment:

- Considered relatively safe investment
- Considered a counter-cyclical tool for governments

Sovereign Wealth Funds Investments by Sector: 1995-2008

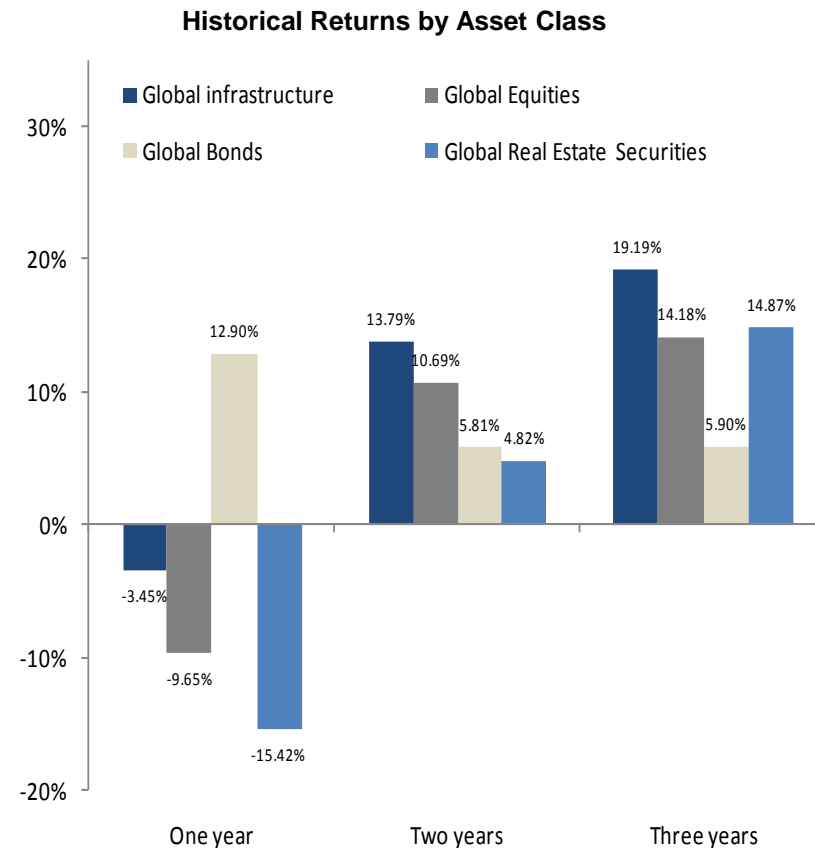


Source: Deutsche Bank

# Infrastructure investments potential (ii)

From an investment perspective ...

- Potentially high historical returns
- Low correlation with other asset classes
- Revenues are implicitly linked to inflation
- Cash flows are reasonably stable
- Infrastructure projects involve monopolistic or quasi-monopolistic activities



Source: Brookfield Redding/ Dow Jones.



# Modalities of SWF partnerships in infrastructural projects

## Some examples

### Concessional loans

- China EXIM Bank

### Equity-development fund

- China-Africa Development Fund

### Partnership with financial entity

- Abu Dhabi and UBS

### Direct investment in infrastructure project

- Libyan Investment authority

### Regional network

- Arab Fund for Economic and Social Development



# Project selection driven by commercial interest

## Lessons from the private sector ...

### Financial viability

- Predictability attracts SWF investment

### Demand risk and capital investment

- Participation can be encouraged where demand risk is mainly controlled by government

### Environmental and other physical risk

- Especially relevant for large Greenfield projects

### Interest rate risk

- Public-private partnerships are often highly leveraged

### Funding and foreign currency risk

- Limited availability of long-term currency finance may form an important obstacle





Title?

Location-organisation?  
Location-organization?

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## Annex 1 (i)

### Sovereign Funds and Infrastructure projects - 2008

Country	Institution	Secondary Institution	Beneficiary	Name of venture	Sector	Amount
Abu Dhabi	The Abu Dhabi Investment Company (ADIC)	UBS Global Asset Management	MENA	ADIC-UBS Infrastructure Fund	Equity, energy related to infrastructure	500 million USD
Abu Dhabi	The Abu Dhabi Investment Company (ADIC)	UBS Global Asset Management	Jordan	Aqaba Port Redevelopment	Port	
Abu Dhabi	The Abu Dhabi Investment Company (ADIC)	UBS Global Asset Management	Saudi Arabia	Independent Power and Water Plant	Energy/water	100 million USD
Abu Dhabi	The Abu Dhabi Investment Company (ADIC)	UBS Global Asset Management	Barhein	Sewage Treatment Plant		400-500 million USD
Abu Dhabi	The Abu Dhabi Investment Company (ADIC)	UBS Global Asset Management	Egypt	School project		500-700 million USD
United States	Alaska Permanent Fund Corp	Goldman Sachs Institutional Infrastructure Partners II				500 USD million
United States	Alaska Permanent Fund Corp	Alinda Capital Partners Infrastructure Fund II				250 USD million
United States	Alaska Permanent Fund Corp	Pathway Capital Management				400 USD million
Lybia	Libya Oil Holding Company		Democratic Republic of Congo		Oil infrastructure (e	300 USD million
Abu Dhabi	International Petroleum Investment Company	Abu Dhabi			Oil and gas production	Part of 14 billion fund for infrastructure
Abu Dhabi	UBG Berhad (UBGB.KL: Quote, Profile, Research, Stock Buzz) and Abu Dhabi investment agency Mubadala Development Co	Malaysia			Construction in Nusajaya	600 USD million
Abu Dhabi	MMC Corp - Dubai World	Malaysia			Maritime and property pact Stocks, infrastructure	4.7 USD billion
China	China Development Bank					1 trillion USD

## Annex 1 (ii)

### Sovereign Funds and Infrastructure projects - 2008

Country	Institution	Secondary Institution	Beneficiary	Name of venture	Sector	Amount
Various (gulf states)	Gulf Co-operation Council (GCC)					800 USD million
Lybia	Lybian Arab African Investment Company		Gambia		Hotel, industry	
Lybia	Lybian Arab African Investment Company	The Libyan Foreign Investment Company	Mali		Hotel,	
Lybia	Lybian Arab African Investment Company	Societe Nigerienne des Telecommunications (SONITEL)	Niger		Telecoms	
Lybia	Lybian Arab African Investment Company		Chad		Industry, hotel, real estate	
Lybia	Lybian Arab African Investment Company	Societe pour l'Investissement et Commerce (SALIC)	Burkina Faso		Construction	
Lybia	Lybian Arab African Investment Company	Societe Arabe Libyo-Guineenne Pour Le Development Agricole Et Agro-Industriel (SALGUIDIA)	Guinea		Food industry	
Lybia	Lybian Arab African Investment Company	Societe Agricole Togolaise Arabe Libyenne (SATAL)	Togo		Food industry	
Lybia	Lybian Arab African Investment Company	The Libyan Foreign Investment Company	Liberia		Industry	
Lybia	Lybian Arab African Investment Company	Libyan Arab Holding Company (GLAHCO)	Ghana		Hotel, tourism, agriculture	
Lybia	Lybian Arab African Investment Company	Companie Centrafricaine de Mines (COCAMINES)	Central African Republic		Hotel	
Lybia	Lybian Arab African Investment Company	Ethio-Libyan Joint Agricultural Company (ELACO)	Ethiopia		Mineral water, food	
Lybia	Lybian Arab African Investment Company	Lake Victoria Hotel Co. LTD.	Uganda		Hotel	
Lybia	Lybian Arab African Investment Company	Libyan Foreign Investment Company	Zambia		Residential	
Lybia	Lybian Arab African Investment Company	Ensemble Hotel Holdings	South Africa		Hotel	
Lybia	Lybian Arab African Investment Company	Societe Mixte Libyo-Malgache (LIMA-HOLDING)	Madagascar		Real estate, tourism	
Lybia	Lybian Arab African Investment Company	Societe Congolaise Arab Libyenne du Bois (SOCALIB)	Congo		Wood	
Lybia	Lybian Arab African Investment Company	Libyan Foreign Investment Company	Gabon		Wood	