2022 AFRICAN SOVEREIGN WEALTH FUNDS INDEX

A Story of Progress

A Report By Konfidants
Strategy | Transactions | Advisory

THE AFROCHAMPIONS INITIATIVE

About Konfidants

Konfidants is an international research and advisory firm supporting companies, international organizations, and governments to achieve impact across the African region and other global regions. Our multi-disciplinary practice areas include: Research & Analytics, Strategy & Project Development, Transaction & Investment Advisory, Implementation & Project Management, Evaluation & Program Audits and Multi-country Partnerships Management. Our diverse teams of analysts, consultants and scholars work in all sectors and industries across multiple geographies.

The African Sovereign Wealth Funds Index is a part of Konfidants' broader body of advisory work to Governments, SWFs and State-owned Investment Entities, Development Banks, Private Investors, Multilateral Financial Institutions and Asset Managers; and covering the areas of sovereign investment strategy, state-owned special purpose vehicles, public-private partnership financing structures, project structuring and pipeline development, Investor Relations, Fundraising and Co-investor Engagements, Fund restructuring, SWF Policy Design, establishment of new SWFs, Fund performance benchmarking, ESG and Energy Transition strategy management for Hydrocardon SWFs.

Acknowledgements: Research Team and Partners

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LIST OF ABBREVIATION

AfCFTA	African Continental Free Trade Area
AFD	French Development Agency
ARFREXIMBANK	African Export-Import Bank
AGDF	Agaciro Development Fund
AUM	Assets Under Management
EIH	Ethiopian Investment Holdings
ESX	Ethiopian Securities Exchange
ESG	Environmental, Social, and Governance
FGIS	Fonds Gabonais d’Investissements Stratégiques
FNRH	Fonds National De Revenus Des Hydrocarbures
FONSIS	Fonds Souverain D’investissements Stratégiques
FRGF	Fonds De Réserves Pour Générations Futures
FSCV	Fundo Soberano De Cabo Verde
FSD	Fonds Souverain De Djibouti
FSDEA	Fundo Soberano De Angola
G&T	Governance and Transparency
GHIH	Great Horn Investment Holding
GIIF	Ghana Infrastructure Investment Fund
GPF	Ghana Petroleum Fund
IFSWF	International Forum of Sovereign Wealth Fund
LIA	Libya Investment Authority
MOU	Memorandum of Understanding
NSIA	Nigeria Sovereign Investment Authority
OPN	National Pharmaceutical Office
PIDF	Presidential Infrastructure Development Fund
RRF	Revenue Regulation Fund
REA	Rural Electrification Agency
SIFs	Strategic Investment Fund(s)
S of F	Source of Funding
SWFs	Sovereign Wealth Fund(s)
TSFE	The Sovereign Fund of Egypt
UPF	Uganda Petroleum Fund
VAT	Value Added Tax

EXECUTIVE SUMMARY: A STORY OF PROGRESS

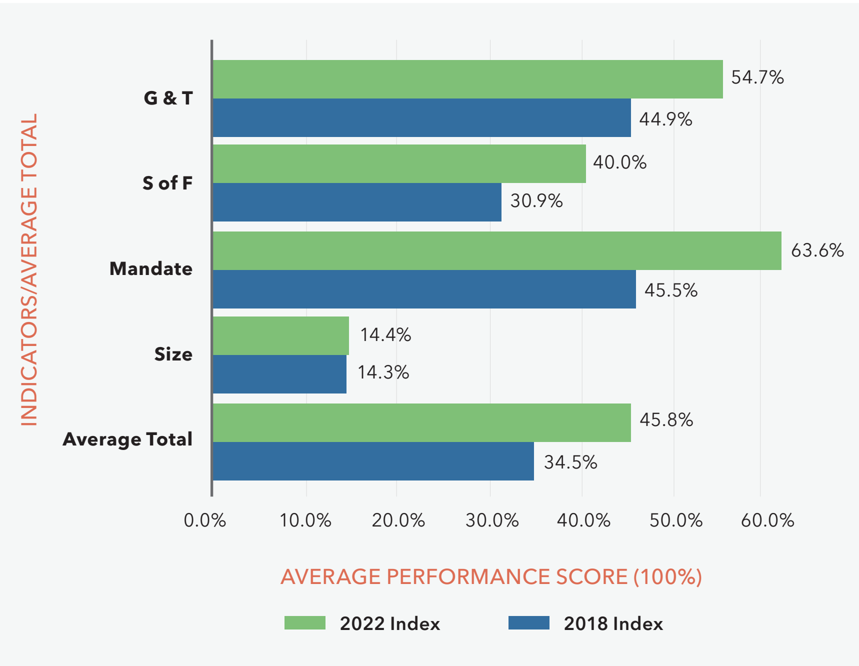
We are pleased to introduce the 2022 edition of the African SWFs Index. This is the second edition since the seminal publication in 2018. For the 2018 Index the overarching question was: "How relevant are African SWFs, as currently structured, to their countries' development financing needs?" This edition builds on the previous theme; to explore how the mechanisms and features of the influence of these funds upon national economic development has evolved.

Unlike most international SWF rankings – which are primarily based on size (AUM) of funds and/or a ranking of transparency/governance indicators, we have built this index to be different; by focusing on a much broader set of 'developmental indicators' that are especially relevant to the emerging African context. The main indicators are the same as the 2018 Index: Governance and Transparency (G&T), Investment Mandate, Size of Fund, and Diversity of Sources of Funding (S of F). However, by way of an upgrade, there are more sub-indicators in the 2022 edition than the maiden version.

Encouraging Progress Across all Indicators

We are glad to report that the 2022 African SWFs Index reveals an optimistic story; it is a story of progress. As shown in the chart below, there has been an overall improvement in the performance of African SWFs on virtually all the indicators since the index was first published in 2018.

Average Indicator Performance Score



The 2022 Index: How they ranked		
1st	NSIA	Nigeria
2nd	FSDEA	Angola
3rd	GIIF	Ghana
4th	FONSIS	Senegal
5th	Pula Fund	Botswana
6th	Ithmar	Morocco
7th	Agaciro	Rwanda
8th	GPF	Ghana
9th	TSFE	Egypt
10th	FGIS	Gabon
11th	UPF	Uganda
12th	FSD	Djibouti
13th	FNRH	Mauritania
14th	FSCV	Cape Verde
15th	FRGF	Eq. Guinea

Source: Konfidants, 2022

- The overall average performance of African SWFs across all Indicators has improved by 11.3% since the last Index was published in 2018.

- Performance on virtually all the individual main indicators has improved; with the Investment Mandate indicator showing the biggest improvement in performance by 18.1%.

- Majority (53%) of the Funds ranked, score 50% or more on the Governance and Transparency indicator. This is a significant improvement over the 2018 Index where a majority (60%) of SWFs scored less than 50% on this indicator.

- There is a decisive shift in the percentage of SWFs investing in their domestic economies as opposed to concentrating their portfolio in rich markets. 73% of SWFs in the 2022 Index invest locally compared to 58% in the 2018 Index.

- African SWFs are also increasingly diversifying their sources of funding beyond just commodities. 46% of the Funds now have more than one source of funding, compared to only 25% in the 2018 Index. At least 3 commodity-based funds have diversified their source of funding and the overall percentage of purely commodity-based SWFs have shrunk by 25%.

- When the maiden Index was published in 2018, there were barely any notable pan-African collaborations among African SWFs. Today the story is different. At least 5 Funds have a pan-African investment mandate. African SWFs are beginning to collaborate along multiple frontiers – an exciting trend that will prove pivotal in the era of the AfCFTA.

- As expected, this story of progress is not uniform for all Funds. Some SWFs have retrogressed since the last Index – as readers will see in the report. Most notably, the two largest SWFs in the 2018 rankings – Algeria and Libya – are not ranked in this edition. Libya's SWF is currently inactive as its assets have been frozen under UN regulations, while there is now virtually no publicly accessible information to enable a ranking of Algeria's SWF.

Teething Challenges

- Despite the progress recorded, there are still major weaknesses and shortfalls as we highlight throughout this report.

- African SWFs are still too small in size on average. The least improved indicator is the 'Fund Size' indicator. Five of the 12 Funds ranked in 2018 saw their asset under management (AUM) shrink in size. Presently 9 of the 15 funds have AUM less than $1 billion, and the average ratio of fund size to GDP is less than 5%. In real terms, there has been a retrogression in the combined AUM of African

SWFs as a whole. Even though the number of SWFs has increased, their overall AUM has shrunk from $159 billion in 2014 to $95 billion at end of 2021. Excluding Libya's frozen assets dramatically diminishes the combined AUM to $28.6 billion. If Libya's assets were unfrozen, Libya alone would control about 70% of the continent's combined SWF AUM.

- While overall Governance and Transparency indicator has improved, financial disclosure has seen very little improvement. Only 7 (47%) of the 15 Funds published their financial statements within the last 3 years, a marginal improvement over 2018 Index when 5 Funds published their financial statements.

Country-by-Country Analysis and Recommendations

The report provides country-by-country assessments of Fund Strengths and Weaknesses and makes country specific recommendations for areas of improvement worth considering. It also makes generic recommendations of which the following are especially crucial.

- African SWFs should focus on what we call "the five aggressive priorities": A focus on (a) aggressive external fundraising and (b) attracting relevant co-investors (local and foreign) which will in turn require Funds to (c) invest in building a rich pool of bankable investment-ready projects, (d) hiring the best professionals and maintaining high governance and management standards and (e) best-in class performance benchmarking and public accountability.

- There is a need to improve performance on financial disclosure. SWFs that are not comfortable with publishing full financial reports should at least publish partial highlights of financial reports.

- Innovative interventions are needed to grow bigger Fund sizes that can match the ambitions of African SWFs. Governments should set bolder Fund Size growth targets over a five-to-ten-year horizon and work consistently towards achieving these targets. We recommend that all countries with SWFs should aim to achieve a minimum Fund size to GDP ratio of 10% by 2030.

- African SWFs also need to improve their ESG profile to enhance investor relations and attract more investment – especially hydrocarbon-linked SWFs. The ESG sub-indicator of the Index reveals that at present only 35% of African SWFs show evidence of ESG considerations in their operations and investment activities.

Our Predictions

The report makes the following key predictions, which are elaborated in Chapter 7:

- The number of SWFs in the continent is about to grow exponentially. We predict that about 70% of African states will set up SWFs by 2030. There could be 30 SWFs in Africa as early as 2024.
- East Africa will produce the highest number of new SWFs by early 2023.
- AfCFTA will accelerate pan-African collaborations among SWFs.
- The Energy Transition will trigger a sudden surge in the Fund Size of Africa's hydrocarbon-linked SWFs by 2030. Countries, in a bid to avoid having hydrocarbon deposits as stranded assets, will accelerate the extraction of these resources and make huge deposits in their SWFs.
- The original motivation for setting up SWFs will permanently shift from Stabilization and Savings goals to Strategic Investment goals. The percentage of Stabilization Funds in Africa will drop; and the typical Savings Fund – as we know it – will go "extinct" as they change form and function to respond to domestic investment needs.
- Current global inflationary and interest rate headwinds will slow down prospects for African SWFs eager to raise funds on capital and private markets.
- The issue of Talent and Professional Management of African SWFs will become one of the hot topics over the next 5 years – as their influence grows and policy preference shifts from low-risk passive Stabilization and Savings Funds towards risk-taking Strategic Investment Funds. This theme and other unexplored areas will be taken up in the next edition of the Index.

Progress is not inevitable – there will be blunders by fund managers and policymakers alike as they climb the SWF learning curve – but we are hopeful that the next edition of the Index will reveal an even more improved trajectory for the continent's SWFs.

01
INTRODUCTION

We are pleased to introduce the 2022 edition of the African SWFs Index. This is the second edition since the maiden publication in 2018. The objective of the index is to provide an analytical framework to benchmark and rank all African SWFs based on their relevance to national development and capacity to drive the degree of industrialization, economic diversification, and infrastructure investment that their domestic economies and the continent of Africa needs.

As we have always made clear, the African SWFs Index is designed to be a different kind of SWF index. Unlike most international SWF Rankings – which are primarily based on the size (AUM) of funds and/or a ranking of transparency/governance indicators, we have built this index to focus essentially on providing an assessment of the potential of African SWFs to impact their countries and Africa's transformation.

That is to say, the Konfidants African SWFs Index provides a comprehensive and robust framework for monitoring, measuring, and conducting an in-depth analysis of the relevance and performance of African SWFs along a much wider set of indicators than any known SWF index in existence globally. More importantly, this index is designed as an advocacy tool to drive the advancement of domestic economies and the continent at large, influencing the choice of indicators and the general approach to data gathering and analysis.

For the 2018 Index, the overarching question was "How relevant are African SWFs, as currently structured, to their countries' development financing needs?" In this edition, we explore how the mechanisms and features of the influence of these funds upon national economic development have evolved.

At no point in the history of African countries have these themes been more important than now, considering the advent of the African Continental Free Trade Agreement (AfCFTA) and the recent Covid-19 socio-economic disruptions. Consequently, African countries require various innovative financing instruments like SWFs to build more resilience and diversification. While we do not suggest that SWFs are a panacea to the economic challenges in Africa, we strongly believe that they have a potentially significant role to play in the domestic market and the continent's quest for economic transformation.

The African SWFs Index Project is built around the following seven broad indicators:

- Governance and Transparency
- Size of Fund
- Investment Mandate (Domestic and Pan-African Mandates)
- Diversity of Funding Source
- Sustainability (ESG)
- Financial Performance
- Economic Impact

The first four indicators form the core of our analyses – essentially because they provide the standard benchmark for determining the 'Relevance' of African SWFs to support economic development. This reinforces the argument stated in our 2018 report that:

> *"To be relevant to national economic transformation, a fund must (i) invest domestically; but must also (ii) be big enough, relative to the size of its economy, to perform that role (for size matters); (iii) must have a strong, credible, and accountable governance framework to oversee efficient investments; if SWFs are to be sustainable, and less vulnerable to commodity cycles, (iv) the fund itself must not be overdependent on a single source of funding like oil."*

In this edition of the Index, we have introduced the element of 'Pan-African investment mandate' to highlight two key observations: (i) African SWFs are relatively small in size to stimulate the needed transformations required in their domestic economies, hence partnerships for co-investments are vital for significant investments to occur. A Pan-African investment mandate is a recipe to foster such partnerships and improve the likelihood of African SWFs investing in other countries across the continent; (ii) Most African SWFs' external investments occur in other regions of the world rather than Africa; hence a Pan-African investment mandate will help to encourage redirecting some of their investments into viable opportunities on the continent.

Financial Performance and Economic Impact are still not ranked as indicators in this report. This is due to the unavailability and inaccessibility of audited financial statements for more than half of the SWFs.

African SWFs Ranked in this Edition of the Index

The following 15 active SWFs in Africa are ranked in this year's Index. This is higher than the total of 12 reported in the 2018 edition. Two prominent SWFs – Libya Investment Authority (LIA) and Algeria's Revenue Regulation Fund (RRF) – which were ranked in 2018 have been excluded from this 2022 Index. The LIA is excluded because its assets are currently frozen following the civil war. Algeria's RRF is excluded because there is currently no credible source of information regarding its operations.

The table below provides a list of the 15 **active** African SWFs ranked in this report – with their mandates and Asset Under Management (AUM).

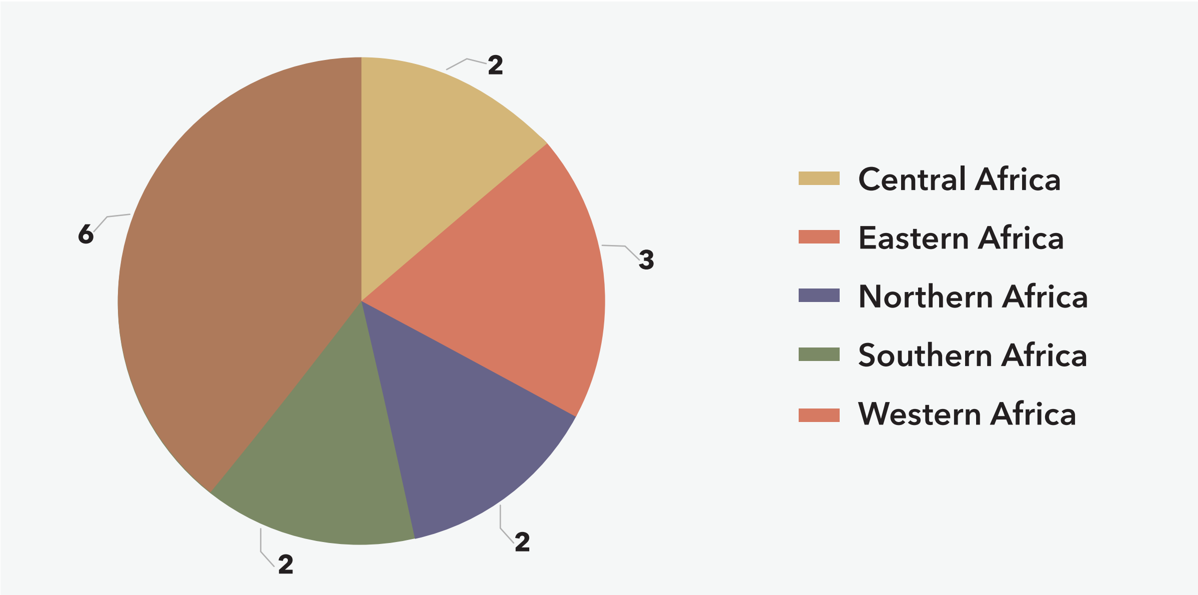
Table 1.1: List of 15 active African SWFs ranked in this report

Country	Fund Name	Fund Mandate	AUM (US$ Billion)
Angola	Fundo Soberano De Angola	Stabilization, Development, Savings	2.8
Botswana	Pula Fund	Stabilization & Savings	4.3
Cape Verde	Fundo Soberano de Cabo Verde	Stabilization, Development & Savings	0.1
Djibouti	Djibouti Sovereign Fund	Development & Savings	0.1
Egypt	The Sovereign Fund of Egypt (TSFE)	Development	12.0
Equatorial Guinea	Fonds de Réserves pours Générations futures	Stabilization, Development & Savings	0.2
Gabon	Fonds Gabonais d'Investissements Stratégiques (FGIS)	Development	1.9
Ghana (GIIF)	Ghana Infrastructure Investment Fund	Development	0.3
Ghana (GPF)	Ghana Petroleum Fund	Stabilization, Savings	1.0
Mauritania	National Fund for Hydrocarbon Reserves	Savings & Stabilization	0.2
Morocco	Ithmar Capital	Development	1.8
Nigeria	Nigeria Sovereign Investment Authority	Development, Stabilization, Savings	2.8
Rwanda	AGACIRO Fund	Stabilizations, Savings	0.2
Senegal	Fonds Souverain D'investissements Stratégiques	Development & Savings	0.8
Uganda	Uganda Petroleum Fund	Stabilization & Savings	0.1
Total			**28.6**

Source: Konfidant's compilation based on Annual Reports, Fund Websites, other sources

Regional Distribution of SWFs

Figure 1.1: Regional Distribution of the 15 SWFs ranked in 2022 Index, by Number of Funds



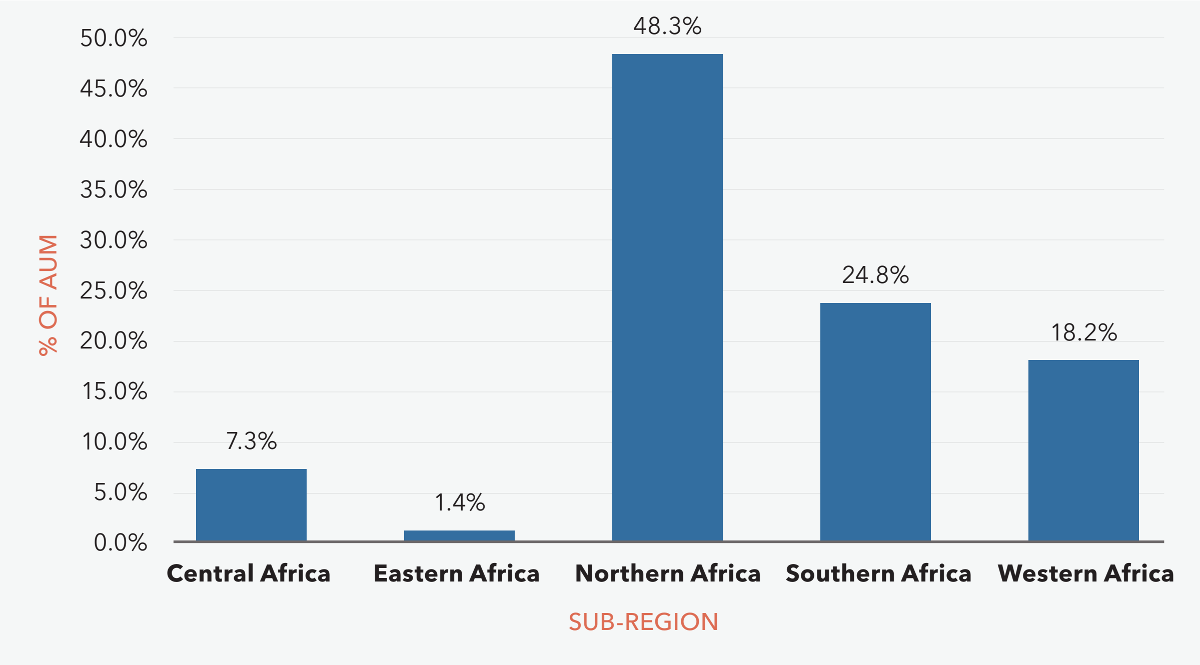
Source: Konfidants, 2022

The chart above shows the share of ranked SWFs per sub-region. Majority (40%) of the 15 Funds covered are found in West Africa, followed by 3 (representing 20%) funds in East Africa, and the rest of the sub-regions – Central Africa, Northern Africa, and Southern Africa account for 2 Funds each (representing 13% each). The number of funds in Northern Africa would have been 4 if Libya's LIA and Algeria's RRF were included in the assessment. Eastern Africa and West Africa together constitute 60% of the continent's SWFs.

Regional Distribution of the 15 SWFs ranked in the 2022 Index, by AUM

The 15 African SWFs that feature in the 2022 Index have a total AUM of $28.6 billion. (The total AUM would be $95.6 billion if Libya's frozen assets are included). 48.3% of the total AUM is controlled by the Northern Africa Funds (Egypt's TSFE and Morocco's Ithmar Capital), followed by Southern Africa, with 2 active Funds - Botswana's PULA and Angola's FSDEA which together constitute 24.8% of the total AUM. Western Africa has 6 active Funds which constitute only 18.2% of total AUM, whereas 7.3% and 1.4% are recorded for Central Africa and Eastern Africa respectively. The chart below presents the proportion of AUM by sub-region.

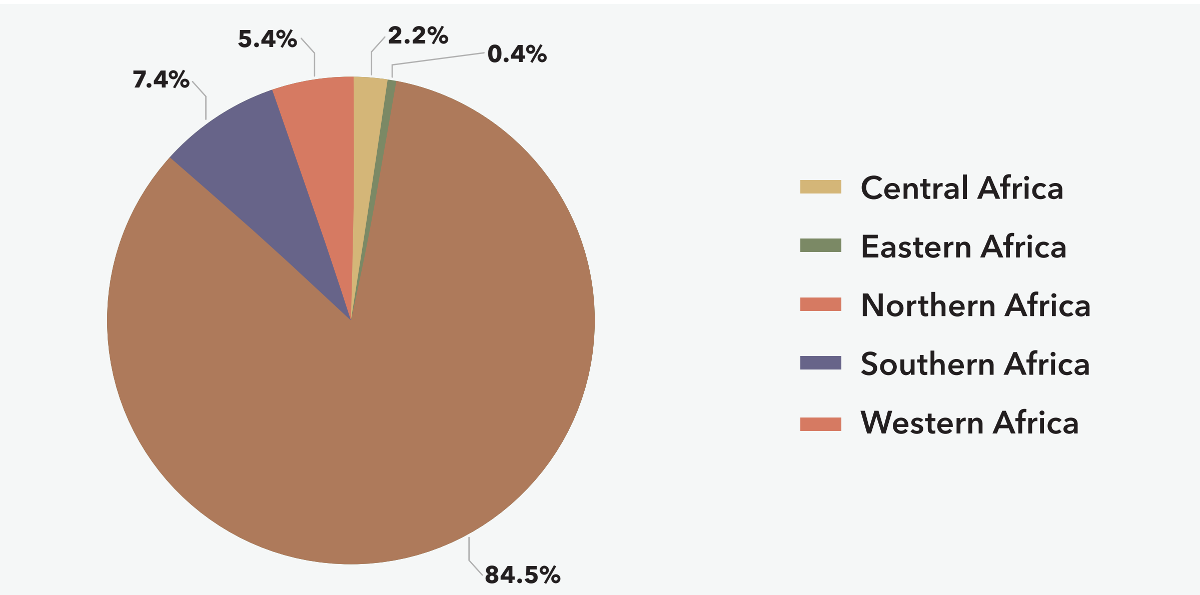
Figure 1.2: AUM distribution by region of the 15 active SWFs ranked in the 2022 Index



Source: Konfidants, 2022

The total combined AUM for African SWFs when including the Libyan Investment Authority is $95.6 billion. Of this total, North African Funds, made of Egypt's TSFE, Libya Investment Authority (LIA), and Morocco's Ithmar Capital control a whopping 84.5%. Libya alone with its $67 billion frozen AUM accounts for 70% of the continent's combined AUM. Southern African Funds follow with 7.4% of total AUM. Western Africa, Central Africa, and Eastern Africa constitute 5.4%, 2.2%, and 0.4% respectively. The chart below illustrates the SWF distributions per sub-region.

Figure 1.3: AUM distribution by region of ranked and unranked SWFs per sub-region (Including Libya's Frozen assets



Source: Konfidants, 2022

METHODOLOGY

Selection Criteria

The 2022 Index ranks 15 African Sovereign Wealth Funds. The basic inclusion criteria are that a Fund must be actively operational and must have adequate information about its activities publicly available and accessible. As such, Funds that do not meet this criterion (such as Algeria's Revenue Regulation Fund) are not included in the assessments and rankings. The Libyan Investment Authority (LIA) which is Africa's largest SWF is also excluded from this year's ranking as it is currently non-operational due to a UN asset freeze.

The Indicators

The African SWF Index 2022 indicators consist of four Main Indicators that are disaggregated into 10 Sub-indicators, as presented in the table below. All the indicators from the 2018 Index have been maintained and reinforced with additional sub-indicators for greater rigor and depth.

Indicators	Sub-Indicators
Governance and Transparency	1. Soundness of Governance Structure
	2. Financial Disclosure
	3. Risk and Investment Parameters (including ESG)
Size of Fund	1. Nominal Size
	2. Size/GDP
	3. Size/Age
Investment Mandate	1. Existence of domestic investment Mandate
	2. Evidence of domestic Investment
	3. Existence of Pan-African Mandate
	4. Evidence of Pan-African investment or collaboration with other funds to invest in Africa
Diversity of Funding Source	Number of different funding sources

Source: Konfidants, 2022

Breakdown of Indicators

The table below shows a breakdown of indicators and sub-indicators with their corresponding weights, and operational definitions.

Indicators	Weights	Definition
Governance and Transparency	**35%**	**This indicator measures the robustness of the governance, disclosure and transparency standards and structure of African SWFs underpinned by sub-indicators like: Soundness of Governance Structure, Financial Disclosure, as well as Risk and Investment Parameters**
Soundness of Governance Structure	*10%*	*1. Public disclosure of frameworks, policies, purpose, and objectives* *2. Operational Separation from State* *3. Clear and effective division of roles and responsibilities for management and board*
Financial Disclosure	*14%*	*1. Level of detail of financial reporting (Full financial report/statement of financial position)* *2. Public disclosure of source of funding* *3. Publicly disclosed general approach to withdrawals from SWF and spending on behalf of government*
Risk & Investment Parameters	*11%*	*1. Publicly disclosed description of SWF investment policy* *2. Publicly disclosed general approach to risk management framework* *3. Publicly available sustainability/ESG report, or evidence of ESG consideration in its investment decisions*
Size of Fund	**25%**	**This indicator assesses the size of SWFs based on their nominal size (AUM); ratio of fund size to the size of the economy; and the ratio of fund size to the age of the fund.**
Nominal Size	*10%*	*Size is measured using Assets under Management (AUM)*
Size/GDP	*10%*	*Ratio of fund size to country's current GDP*
Size/Age	*5%*	*Ratio of fund size to the age of the fund*
Investment Mandate	**30%**	**This indicator examines whether funds have an original mandate to invest locally and continentally; and tracks evidence of investments in their domestic economies and regionally, as well as collaboration with other Funds to invest.**

Existence of domestic investment mandate	*8%*	*Does the SWF have a clear government backed mandate to invest a percentage of its fund within the domestic economy?*
Evidence of domestic investment	*12%*	*Is there documented evidence of at least one project/investment undertaken by the Fund in the home country or investment of some of its assets/financial instruments in the home country?*
Existence of Pan-African mandate	*4%*	*Does the SWF have a clearly documented mandate to invest in other parts of Africa aside its home country?*
Evidence of Pan-African investment or collaboration with other funds to invest in Africa	*6%*	*Is there a signed agreement or MOU between the fund and another Fund/Financial Institution or evidence of a joint project (in Africa) undertaken by the Fund and another Fund/ Financial Institution*
Diversity of Funding Source	**10%**	**Is the fund solely dependent on a single source of funding (like oil) or is it designed to tap other diversified sources of income?**

Source: Konfidants, 2022

Analysis & Structure of the Report

The Konfidants African SWF Index is calculated using the following formula:

$$GT_{W1}+S_{W2}+IM_{W3}+SF_{W4}$$

Where for each African Sovereign Wealth Fund;

GT = Governance and Transparency

S = Size of Fund

IM = Investment Mandate

SF = Source of Funding

W(x) = Respective Weights of Indicators

Three different rankings are presented namely: An Overall Ranking of all Funds, Ranking by Fund Mandate, and Indicator Rankings.

Chapter 3 looks at a brief comparison between the 2018 and 2022 index rankings. We then summarize the profile of each Fund highlighting key areas of strength and improvement. This is followed by an overview of notable developments within the African SWFs ecosystem. Chapter 6 touches on recommendations, and the report ends with predictions and themes for the next index.

Data and Period of Analysis

Data used for the analysis includes the most recent data generated on the funds, from both primary and secondary sources – mainly desktop research of fund websites, government documents, and other credible sources of information, as well as interviews and discussions with management and staff of funds, industry watchers, experts, and consultants.

Data used for the Rankings span the period 2019 to the end of the financial year 2021. As such, data prior to 2019 was not considered in computing the rankings. **Data for general insights (unrelated to Rankings)** spans 2019 to Q1 2022.

02
2022 INDEX RANKING

Overall Ranking

Rank	Country/ Fund	Size (25%)	Mandate (30%)	S of F (10%)	G&T (35%)	Final Score (100%)
1	Nigeria	2.7%	30.0%	5.0%	35.0%	72.7%
2	Angola	4.1%	30.0%	2.5%	32.0%	68.6%
3	Ghana (GIIF)	0.3%	30.0%	10.0%	25.0%	65.3%
4	Senegal	1.9%	20.0%	7.5%	35.0%	64.4%
5	Botswana	13.7%	20.0%	2.5%	28.0%	64.2%
6	Morocco	2.1%	30.0%	5.0%	21.0%	58.1%
7	Rwanda	0.7%	20.0%	5.0%	29.0%	54.7%
8	Ghana (GPF)	1.2%	20.0%	2.5%	28.0%	51.7%
9	Egypt	16.1%	20.0%	5.0%	10.0%	51.1%
10	Gabon	6.1%	20.0%	5.0%	12.0%	43.1%
11	Uganda	0.0%	20.0%	2.5%	15.0%	37.5%
12	Djibouti	1.3%	18.0%	2.5%	7.0%	28.8%
13	Mauritania	0.7%	0.0%	2.5%	8.0%	11.2%
14	Cape Verde	2.6%	8.0%	0.0%	0.0%	10.6%
15	Equatorial Guinea	0.5%	0.0%	2.5%	2.0%	5.0%

Source: Konfidants, 2022
Note: S of F = Source of Fund, G & T = Governance and Transparency

Nigeria's NSIA claimed the first position on the 2022 African SWFs Index rankings, maintaining its top spot from the 2018 Index. Angola (FSDEA), Ghana (GIIF), Senegal (FONSIS), and Botswana (Pula Fund) complete the top five spots in descending order.

Except for Botswana's Pula Fund which replaced Rwanda's Agaciro Fund in the top five funds ranked in this report, all the other top four funds also made the top five in the 2018 index. Agaciro which ranked second in 2018 dropped several places to occupy the seventh spot in the 2022 rankings. Botswana's Pula Fund and Gabon's FGIS maintained their top 10 positions although FGIS dropped from sixth in 2018 to tenth position while Pula Fund moved from seventh spot in the 2018 Index to fifth spot in the 2022 index.

Egypt's TSFE (placed 9th) is the highest scoring new entrant to the Index, being one of four SWFs that were not part of the 2018 Index. The other new entrants are Uganda - 11th; Djibouti - 12th; and Cape Verde- 14th

Among African SWFs, NSIA and FONSIS have the highest governance and transparency standards, followed by Angola's FSDEA and Botswana's Pula Fund. While this is not surprising on the part of NSIA (which ranked top of the Governance and Transparency indicator in 2018), it however signifies progress for Angola's FSDEA which was embroiled in corruption scandals under its previous management. This shows that some significant turnaround measures have been implemented to strengthen its governance and transparency framework.

Egypt's TSFE ranks first on the Size indicator, with a $12 billion nominal size (AUM) that constitutes about 42% of total active Assets under management of all the fifteen SWFs ranked in 2022. (Note: Africa's largest SWF – the Libya Investment Authority, whose assets are currently frozen and thus non-operational was not ranked in the 2022 Index).

Ghana Infrastructure Investment Fund (GIIF) emerges as having the most diversified source of funding in Africa (at least on paper), beating Senegal's FONSIS which ranked 1st on the 'diversity of funding source' indicator in the previous ranking. The GIIF tops this indicator mainly because, the legislative instrument establishing the GIIF was amended in 2021 to expand its right to draw assets from diverse sources such as government capital injection, transfer of state-owned assets, share of petroleum revenue, investments from local/foreign private sources, grants and donations, and a proportion of the VAT revenue.

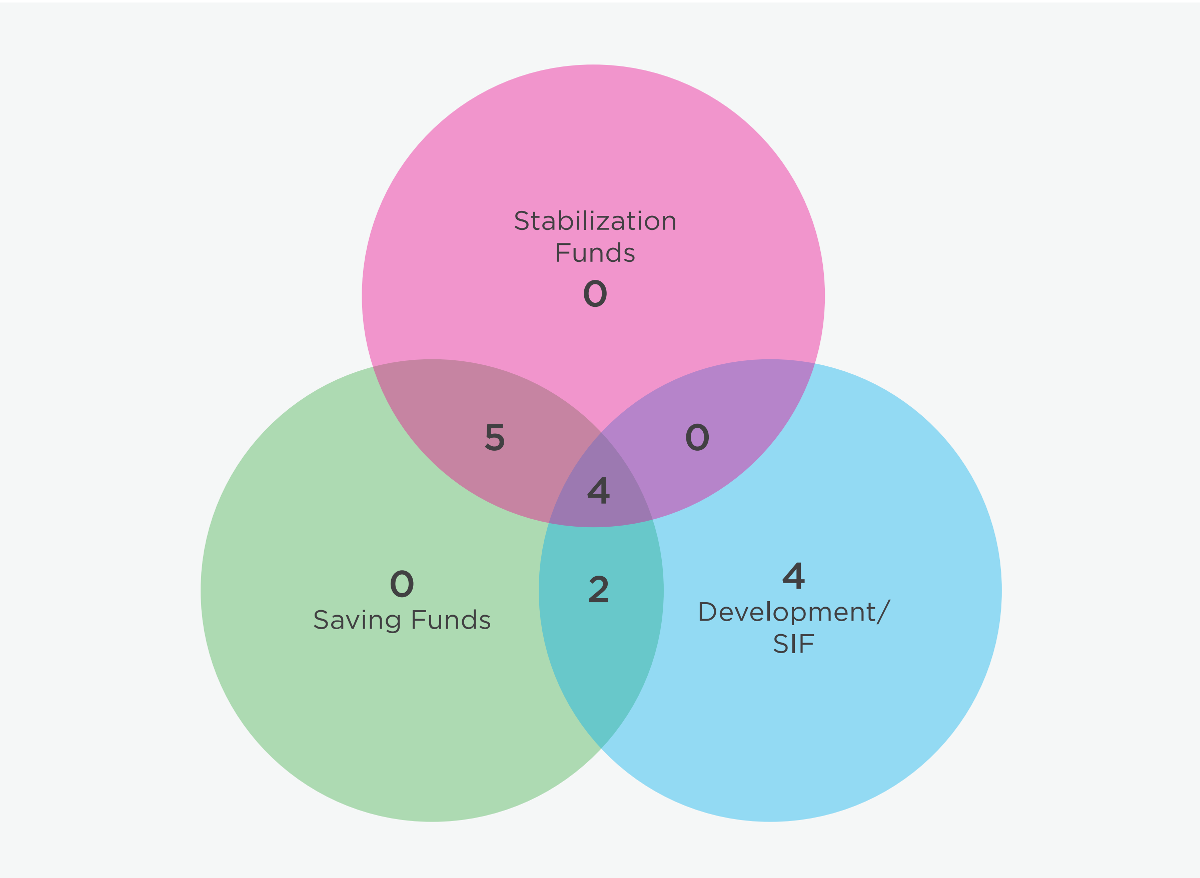
Four funds – NSIA, Ithmar Capital, FSDEA, and GIIF all placed first on the 'Investment Mandate' indicator (which scores for both domestic investment and pan-African investment collaboration). This is because, in addition to domestic investments, these funds have demonstrated commitment to collaborating with other African SWFs and financing partners to invest in their home countries and other African countries. Ithmar is by far the Fund with the most pan-African orientation.

Rankings by Fund Mandates/Structure

Tables 2.2, 2.3, 2.4, and 2.5 below show rankings of African SWFs by their core mandate/mission – as to whether they are strictly Development/Strategic Investment Funds (SIFs), Stabilization, Savings, as well as different combinations of hybrid Funds (Funds that are mandated to perform more than one of the functions). No Fund in Africa operates as a pure savings Fund, and only one Fund (Algeria's RRF, which was not ranked in 2022) has a strict stabilization mandate; hence these categories (Strictly Savings Fund, and Strictly Stabilization Fund) are not ranked below.

Over the years, we have observed an increase in the number of hybrid funds that combine different mandates – particularly those with an economic development mandate component. This is revealed in the data as six of the eleven hybrid SWFs recorded have a development mandate embedded in their structure/operations. There are 4 strictly Strategic Investment/Development Funds.

Figure 2.1: Distribution of Funds by Mandates



Source: Konfidants, 2022

Table 2.2: Ranking of Strictly Development/Strategic Investment Funds (SIFs)

Rank	Country/ Fund	Size (25% W)	Mandate (30% W)	S of F (10% W)	G&T (35% W)	Final Score (100%)
1	Ghana (GIIF)	0.3%	30.0%	10.0%	25.0%	65.3%
2	Morocco	2.1%	30.0%	5.0%	21.0%	58.1%
3	Egypt	16.1%	20.0%	5.0%	10.0%	51.1%
4	Gabon	6.1%	20.0%	5.0%	12.0%	43.1%

Source: Konfidants, 2022

Table 2.3: Ranking of Hybrid Funds (Stabilization + Savings + Development)

Rank	Country/ Fund	Size (25% W)	Mandate (30% W)	S of F (10% W)	G&T (35% W)	Final Score (100%)
1	Nigeria	2.7%	30.0%	5.0%	35.0%	72.7%
2	Angola	4.1%	30.0%	2.5%	32.0%	68.6%
3	Cape Verde	2.8%	8.0%	0.0%	0.0%	10.8%
4	Equatorial Guinea	0.8%	0.0%	2.5%	2.0%	5.3%

Source: Konfidants, 2022

Table 2.4: Ranking of Hybrid Funds (Stabilization + Savings)

Rank	Country/ Fund	Size (25% W)	Mandate (30% W)	S of F (10% W)	G&T (35% W)	Final Score (100%)
1	Botswana	13.7%	20.0%	2.5%	28.0%	64.2%
2	Rwanda	0.7%	20.0%	5.0%	29.0%	54.7%
3	Ghana (GPF)	1.2%	20.0%	2.5%	28.0%	51.7%
4	Uganda	0.0%	20.0%	2.5%	15.0%	37.5%
5	Mauritania	0.7%	0.0%	2.5%	8.0%	11.2%

Source: Konfidants, 2022

Table 2.5: Ranking of Hybrid Funds (Development + Savings)

Rank	Country/ Fund	Size (25% W)	Mandate (30% W)	S of F (10% W)	G&T (35% W)	Final Score (100%)
1	Senegal	1.9%	20.0%	7.5%	35.0%	64.4%
2	Djibouti	1.3%	18.0%	2.5%	7.0%	28.8%

Source: Konfidants, 2022

Indicator Rankings and Analyses

Table 2.6: Governance and Transparency

Rank	Country	Weighted Score (35%)	Percentage Score (100%)
1	Nigeria	35.0%	100.0%
2	Senegal	35.0%	100.0%
3	Angola	32.0%	91.4%
4	Rwanda	29.0%	82.9%
5	Botswana	28.0%	80.0%
6	Ghana (GPF)	28.0%	80.0%
7	Ghana (GIIF)	25.0%	71.4%
8	Morocco	21.0%	60.0%
9	Uganda	15.0%	42.9%
10	Gabon	12.0%	34.3%
11	Egypt	10.0%	28.6%
12	Mauritania	8.0%	22.9%
13	Djibouti	7.0%	22.9%
14	Equatorial Guinea	2.0%	5.7%
15	Cape Verde	0.0%	0.0%

Source: Konfidants, 2022

Highlights

- Majority of the Funds ranked (53%) score 50% or more on the Governance and Transparency indicator while 47% of Funds score below 50% on the Governance and Transparency indicator. This is an improvement over the 2018 Index where a majority of SWFs (60%) scored less than 50% on this indicator.
- Overall, 7 (47%) out of 15 Funds published their financial statements within the last 3 years. Among these 7 Funds are the top 3 Funds ranked under this indicator, namely: NSIA, FONSIS, and FSDEA. The other 4 Funds include Pula Fund, Agaciro Fund, GPF, and UPF.
- 9 of the 15 African SWFs have an independent governing board whereas 6 are established either within the Central Bank or Ministry of Finance.
- A majority of the Funds (9) disclose their approach to withdrawal and spending on behalf of government.
- Only 5 out of 15 African SWFs incorporate ESG considerations in their operations/investment activities.
- 7 out of 15 SWFs profiled do not publicly disclose their approach to risk management. 53% of African SWFs do not have their investment policy disclosed publicly.

Table 2.7: Fund Size (Nominal Size + Size/GDP + Size/Age)

Rank	Country/ Fund	Nominal Size (W=10%)	Size/Age (W=5%)	Size/GDP (W=10%)	Total Weight-ed Score (25%)	Percent-age Score (100%)
1	Egypt	10.0%	5.0%	1.1%	16.1%	64.4%
2	Botswana	3.6%	0.2%	10.0%	13.7%	55.0%
3	Gabon	1.5%	0.3%	4.4%	6.1%	24.4%
4	Angola	2.3%	0.4%	1.4%	4.1%	16.3%
5	Nigeria	2.3%	0.3%	0.1%	2.7%	10.9%
6	Cape Verde	0.0%	0.1%	2.5%	2.6%	10.5%

7	Morocco	1.4%	0.2%	0.5%	2.1%	8.4%
8	Senegal	0.6%	0.1%	1.1%	1.9%	7.5%
9	Djibouti	0.0%	0.1%	1.2%	1.3%	5.3%
10	Ghana (GPF)	0.7%	0.1%	0.4%	1.2%	4.9%
11	Rwanda	0.1%	0.0%	0.6%	0.7%	2.8%
12	Mauritania	0.0%	0.0%	0.6%	0.7%	2.7%
13	Equatorial Guinea	0.0%	0.0%	0.5%	0.5%	2.1%
14	Ghana (GIIF)	0.2%	0.1%	0.0%	0.3%	1.2%
15	Uganda	0.0%	0.0%	0.0%	0.0%	0.1%

Source: Konfidants, 2022

Highlights

- 9 out of 15 Funds have AUM less than $1 billion.
- Egypt's TSFE is currently the largest active SWF on the continent with AUM of $12 billion.
- The average Fund size as a percentage of country's GDP for African SWFs is 4.75%.
- The average nominal size of active African SWFs is $1.9 billion.
- 13 (87%) out of a total of 15 Funds score below 25% on the overall size indicator – indicating a generally poor performance.
- Excluding LIA, which has an AUM of $67 billion, African SWFs have a combined AUM of $28.6 billion.

Table 2.8: Investment Mandate

Rank	Country	Weighted Score (30%)	Percentage Score (100%)
1	Angola	30.0%	100.0%
2	Ghana (GIIF)	30.0%	100.0%
3	Morocco	30.0%	100.0%
4	Nigeria	30.0%	100.0%
5	Egypt	20.0%	66.7%
6	Gabon	20.0%	66.7%
7	Rwanda	20.0%	66.7%
8	Senegal	20.0%	66.7%
9	Botswana	20.0%	66.7%
10	Ghana (GPF)	20.0%	66.7%
11	Uganda	20.0%	66.7%
12	Djibouti	18.0%	60.0%
13	Cape Verde	8.0%	26.7%
14	Equatorial Guinea	0.0%	0.0%
15	Mauritania	0.0%	0.0%

Source: Konfidants, 2022

Highlights

Domestic Investment Mandate

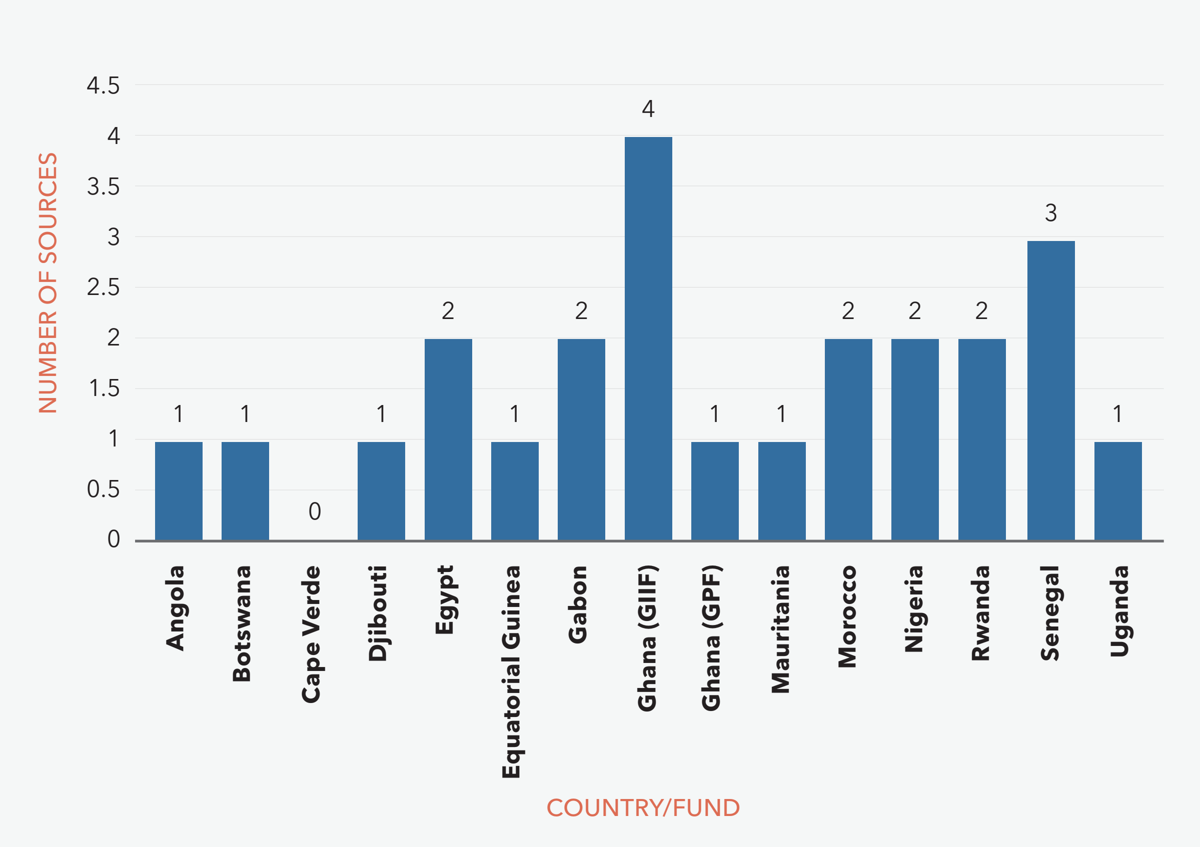
- 11 of the 15 Funds have mandates to invest in their domestic economies. Of this, 9 show evidence (proof) of domestic investment.

Pan-African Mandate

- Only 5 out of the 15 Funds have publicly disclosed Pan-African investment mandates – indicating that 67% of Funds do not have their mandates disclosed publicly.

- 80% of Funds that have publicly disclosed Pan-African mandate (FSDEA, NSIA, Ithmar Capital, and GIIF) have also shown evidence of pursuance through partnerships with other funds/financial partners to invest in other African countries aside from their domestic economy. This is quite encouraging.

Figure 2.2: Diversity of Funding Source



Source: Konfidants, 2022

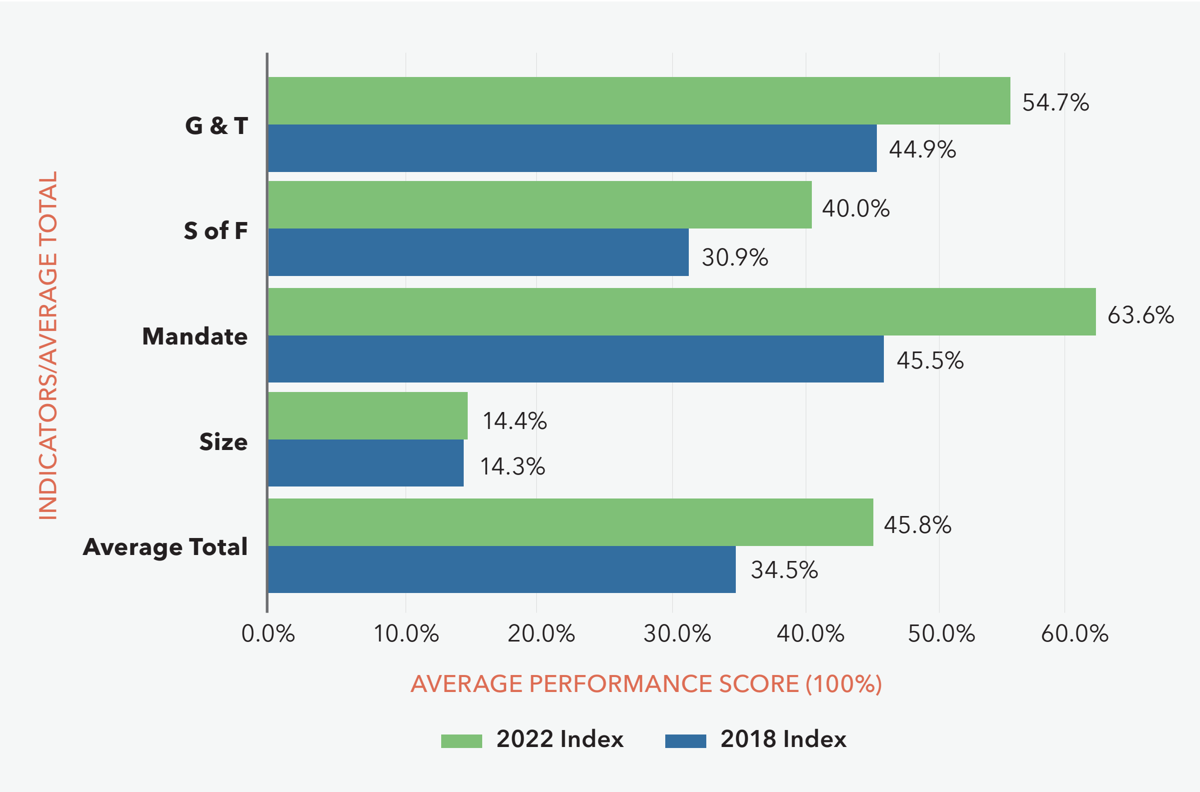
Highlights

- 7 of the 15 Funds have a single source of Funding, predominantly oil and gas.
- 7 of the 15 Funds have more than one source of funding. This is a major improvement on the 2018 index where only 3 funds had 2 or more sources of funding.
- The Fund with the most diversified source of funding is the Ghana Infrastructure Investment Fund (GIIF) with 4 broadly identified sources.
- Cape Verde's Fundo Soberano de Cabo Verde's source of funding could not be found in any publicly disclosed source of information.
- Funds exclusively dependent on Natural Resource Revenue include:
  - Botswana's Pula Fund
  - Mauritania's Hydrocarbon Funds

  - Angola's FSDEA
  - Equatorial Guinea's Fonds de Réserves pour Générations Futures (FRGF)
  - Ghana Petroleum Funds
  - Uganda Petroleum Fund
- Funds established on the backbone of natural resources but created other sources of funding include:
  - Ghana Infrastructure Investment Fund
  - Gabon's FGIS
  - Nigeria's NSIA
- Funds established independent of natural resources discovery/revenue (including countries with natural resources)
  - Egypt's TSFE
  - Senegal's FONSIS
  - Rwanda's AGACIRO
  - Morocco's Ithmar Capital
  - Djibouti Sovereign Fund

03
COMPARING 2018 AND 2022 INDEX PERFORMANCE

Figure 3.1: Comparison of Indicator Performance between 2018 AND 2022 Index



Source: Konfidants, 2022

- The overall average performance of African SWFs across all Indicators has improved by 11.3% since the last Index was published in 2018.

- Performance on all the individual indicators has improved; with the 'Investment Mandate' indicator showing the biggest improvement in performance by 18.1%.

- The least improvement is seen with the 'Size' indicator with a difference of only 0.1%.

- There is a decisive shift in the percentage of SWFs investing in their domestic economies as opposed to concentrating their portfolio in rich markets. 73% of SWFs in the 2022 Index invest locally compared to 58% in the 2018 Index.

- Irrespective of the cause(s) of improvement, what is most important is that African SWFs are making strides, although with substantial room for improvement compared to their counterparts in Asia, Middle East, and other emerging markets. There is therefore more room for improvement if the Funds are to be strategically positioned as key catalysts to their domestic economies' Infrastructure, industrialization, and economic diversification ambitions.

- There is a need to particularly improve performance on Fund Size and Governance and Transparency which are extremely crucial components for the Funds' ability to make significant investments, attract private capital, as well as lead and influence co-investment partnerships.

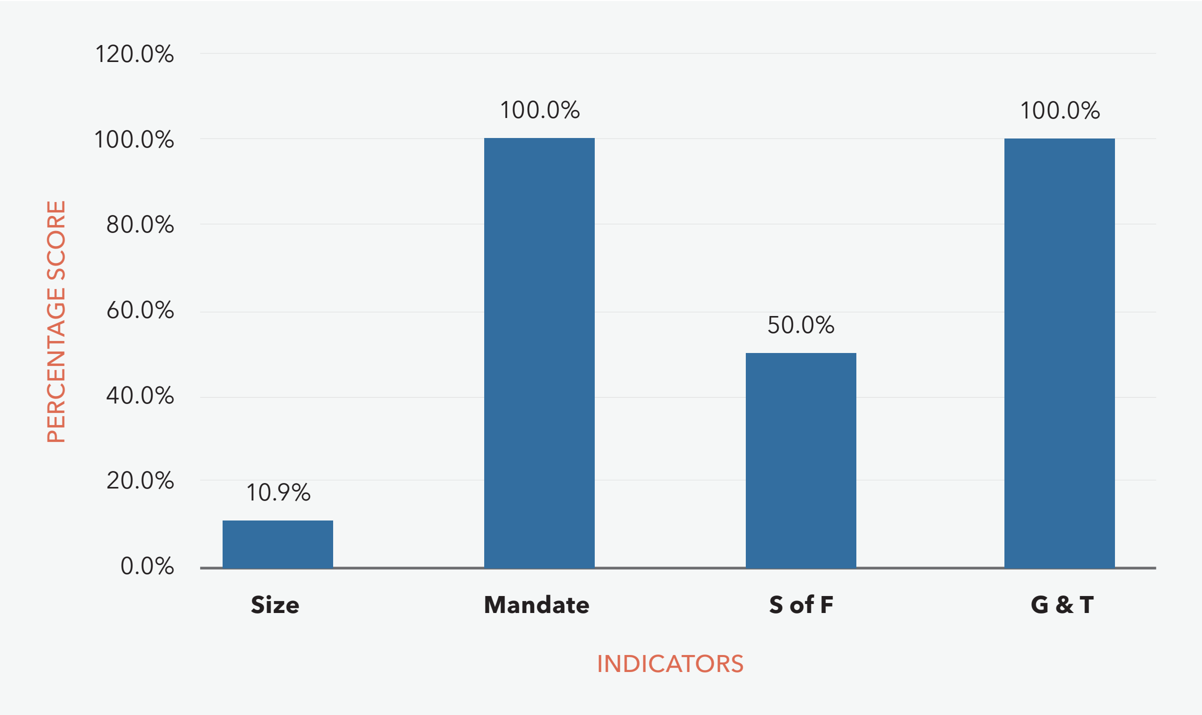
04
COUNTRY AND FUND PROFILES

Nigeria Sovereign Investment Authority (NSIA)
Nigeria

Year of Establishment	2011
Type of Fund	Stabilization, Savings, and Strategic Investment Fund
Seed Capital	$1 billion
Current AUM (end of 2021)	$2.8 billion
AUM as % GDP	0.65%
Fiscal Drawdowns (if any)	Disbursed $150 million Covid-19 fiscal support to the government.
Associations	Member of International Forum of Sovereign Wealth Funds (IFSWF), and Observer Member of One Planet SWF
Recent Key Milestones	1. Net Assets increased from N772.75 billion in 2020 to N919.73 billion in 2021 - indicates a 19.0% growth. 2. NSIA recorded positive returns across all three Funds at the end of 2021 financial year - Stabilization Fund returned 1.60%; Future Generations Fund returned 12%; and Nigeria Infrastructure Fund returned 4.64%. 3. Instrumental in helping incubate the Nigeria Infrastructure Corporation in 2021 with a mandate to raise $36 billion to invest in Nigeria. 4. NSIA together with Global Citizen launched the Nigeria Solidarity Support Fund to provide support to Nigeria's Covid-19 response 5. Manages the Presidential Infrastructure Development Fund (PIDF) which is created to accelerate critical strategic infrastructure development in the Nigerian economy 6. NSIA partners with Nigeria's Rural Electrification Agency (REA) to extend over 200,000 'off-grid' renewable power systems to underserved communities 7. NSIA is the implementing Authority in the Trilateral Agreement involving the Federal Government of Nigeria, Bailiwick of Jersey, and United States Government, on the sharing, transfer, repatriation, disposition, and management of certain forfeited assets

2018 Index Score/rank	62.49% (1st Position)
2022 Index Score/rank	72.7% (1st Position)
Fund Strengths	1. Ranks first on the 2022 Index's overall rankings 2. Has a robust Governance and Transparency (G&T) framework, evidenced by the percentage score of 100% on the G&T indicator for 2022 index; as well as its high performance on the 2018 index 3. Active in initiating and supporting domestic investments/ development across multiple sectors 4. Active in collaborations for Pan-African Investments
Fund Weaknesses	1. Size of fund is small relative to the size of Nigeria's econ-omy 2. NSIA is majorly dependent on Oil and Gas revenues
Areas of Improvement	1. NSIA needs to explore more innovative sources of funding to reduce vulnerability to commodity cycles, and other unforeseen events that are associated with overdependence on natural resource revenues 2. NSIA's size has grown modestly but remains significantly small in comparison to the size of Nigeria's economy and investment financing needs. Bolder and urgent efforts are required by the government to transfer more assets to NSIA.

Figure 4.1: Nigeria (NSIA) – Fund Performance



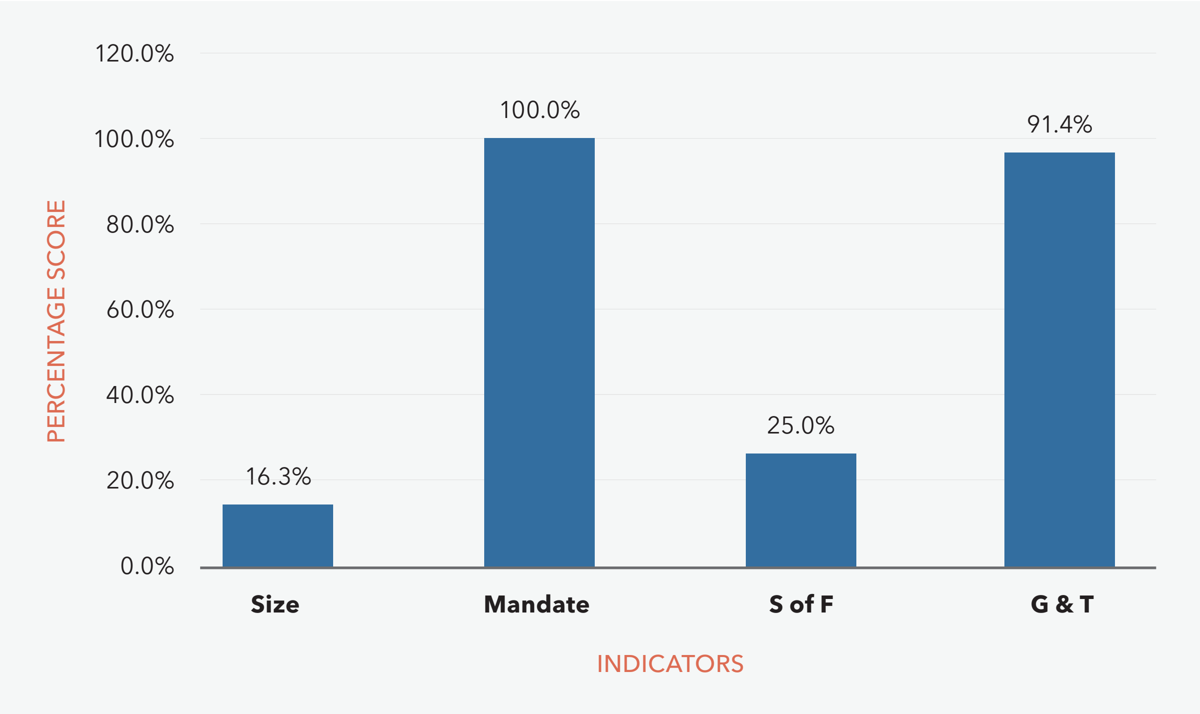
Source: Konfidants, 2022

Fundo Soberano De Angola (FSDEA)
Angola

Year of Establishment	2012
Type of Fund	Stabilization, Savings, and Strategic Investment Fund
Seed Capital	$5 billion
Current AUM (end of 2021)	$2.8 billion
AUM as % GDP	4.9%
Fiscal Drawdowns (if any)	1. $1.5 billion was withdrawn from the fund to support government's Covid-19 fight 2. The Angolan government in 2019 withdrew $2 billion from FSDEA to build and finish infrastructure projects.
Associations	Member of International Forum of Sovereign Wealth Funds (IFSWF)
Recent Key Milestones	1. FSDEA, in 2019, recovered over $ 3 billion worth of stolen assets. 2. Formation of a new Board in 2018, amid the government's two-year crackdown on corruption. This is to reassure stakeholders of the fund's commitment to transparency and prudent investment 3. FSDEA has invested about $1.1 billion in an infrastructure venture capital fund to undertake capital investments in the energy, transport, and industry sectors of the domestic economy and other parts of Africa
2018 Index Score/rank	56.57% (4th Position)
2022 Index Score/rank	68.6% (2nd Position)
Fund Strengths	1. Currently has one of the robust Governance and Transparency frameworks evidenced by the score of 91.4% on the G&T indicator. FSDEA has made huge improvements on its Governance and Transparency reforms following its involvement in a major corruption scandal 2. Participates actively in both domestic and Pan-African investments
Fund Weaknesses	1. Sources of revenue for the Fund still over-dependent on oil. 2. Despite strong efforts to rebuild its Governance framework, the previous corruption scandal has significantly tainted the Fund's brand in the investor community and may likely undermine prospects for co-investor collaboration.

Areas of Improvement	1. Explore alternative sources of funding to increase Fund Size and improve co-investor relations 2. FSDEA should continue to work hard to build a stronger image to stakeholders, in terms of governance, disclosure, and accountability standards.

Figure 4.2: Angola (FSDEA) - Fund Performance



Source: Konfidants, 2022

Ghana Infrastructure Investment Fund (GIIF)

Year of Establishment	2015
Type of Fund	Strategic Investment Fund
Seed Capital	$0.3 billion
Current AUM (end of 2021)	$0.3 billion
AUM as % GDP	0.46%
Fiscal Drawdowns (if any)	N/A
Associations	N/A
Recent Key Milestones	1. GIIF secured $75 million from African Development Bank (AfDB) in the year 2021, to expand its portfolio 2. GIIF also secured $85 million credit line from the French

Recent Key Milestones	Development Agency (AFD) 3. Supported the Ghana Covid-19 Trust Fund with an amount of GH¢ 500,000 4. GIIF was instrumental in financing Accra's new international airport terminal - currently one of the top airport terminals in West Africa.
2018 Index Score/rank	61.28% (3rd Position)
2022 Index Score/rank	65.3% (3rd Position)
Fund Strengths	1. Actively invests in the domestic market and is consistently involved in exploring pan-African collaborations for investments. 2. Places 3rd on the 2022 SWF Index rankings, maintaining its spot from the 2018 Index. 3. Currently has the most diversified funding source among SWFs in Africa.
Fund Weaknesses	1. GIIF does not publish its annual audited financial report 2. Size of the Fund is too small relative to national infrastructure financing need 3. Despite having the most diverse funding sources spelt out in its legislative Act, actual revenue injections from the stipulated multiple central government sources have been poor and irregular.
Areas of Improvement	1. GIIF should publish its annual audited financial reports – this helps to boost stakeholder and investor confidence. 2. Government should adhere to the legally mandated periodic cash injection for the Fund as required by the GIIF Act.

Figure 4.3: Ghana (GIIF) – Fund Performance

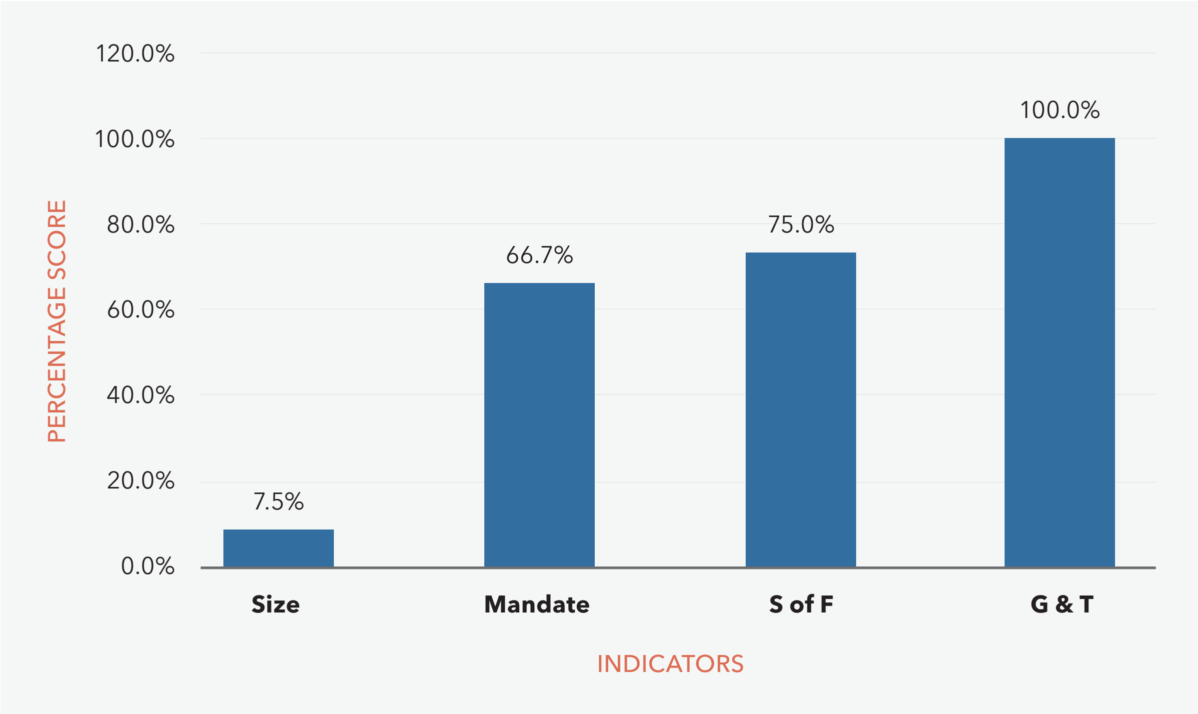
Source: Konfidants, 2022

Fonds Souverain D'investissements Stratégiques (FONSIS) Senegal

Year of Establishment	2013
Type of Fund	Savings and Strategic Investment Fund
Seed Capital	$0.91 billion
Current AUM (end of 2021)	$0.846 billion
AUM as % GDP	3.4%
Fiscal Drawdowns (if any)	N/A
Associations	1. Member of International Forum of Sovereign Wealth Funds (IFSWF) 2. Member of the One Planet Sovereign Funds Initiative
Recent Key Milestones	1. FONSIS recently launched a new US$ 106 million fund dedicated to local SMEs and announced a plan to soon launch a dedicated infrastructure fund 2. FONSIS financed POLIMED Medical Imaging Centre has covered over 100,000 patients between 2015 and 2020. 3. As Senegal gets ready to start oil production, the government has announced that FONSIS will receive 10% of all government oil revenues to boost the Fund 4. FONSIS and International Finance Corporation (IFC) are collaborating to provide affordable housing in Senegal 5. FONSIS and Afeximbank have established a $50 million joint Project Preparation Facility to support structuring/ development of priority projects in Senegal
2018 Index Score/rank	53.58% (5th Position)
2022 Index Score/rank	64.4% (4th Position)
Fund Strengths	1. FONSIS scores 100% in the Governance and Transparency indicator 2. Has diversified source of funding 3. Invests actively in the domestic economy 4. Significant efforts towards engaging external co-investors.
Fund Weaknesses	1. FONSIS has seen a reduction in the size of its AUM.
Areas of Improvement	1. Efforts should be made to reverse shrinkage in the size of AUM. Hopefully the plan to allocate 10% of annual oil proceeds will provide corrective measures. 2. Explore regional investment partnerships where the business case is strong. FONSIS has been inactive in engaging in Pan-African investments although the

	regulatory framework permits the Fund to invest up to 25% of assets in foreign markets. Understandably, the domestic economy has immense investment financing needs, but regional co-investment partnerships could also crowd-in capital to Senegal.

Figure 4.4: Senegal (FONSIS) – Fund Performance



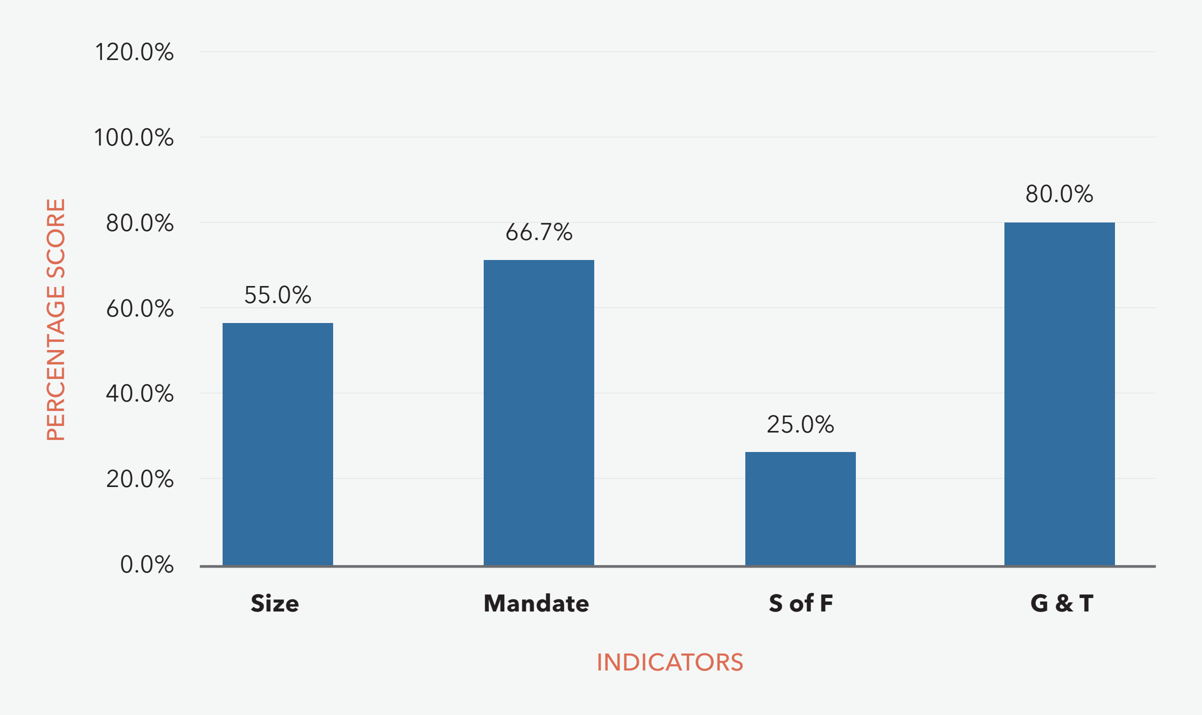
Source: Konfidants, 2022

Pula Fund Botswana

Year of Establishment	1993
Type of Fund	Stabilization and Savings Fund
Seed Capital	$1.5 billion
Current AUM (end of 2021)	$4.3 billion
AUM as % GDP	27.44%
Fiscal Drawdowns (if any)	1. Withdrew about $300 million to support the government's Covid-19 fight
Associations	Member of International Forum of Sovereign Wealth Funds (IFSWF)

Recent Key Milestones	1. The US$300 million Covid-19 support is one of the largest reported pandemic interventions by an African SWF
2018 Index Score/rank	45.61% (7th Position)
2022 Index Score/rank	64.2% (5th Position)
Fund Strengths	1. Pula Fund continues to sustain its strong Governance and Transparency standards since its founding 2. Active in supporting government fiscal stabilization efforts
Fund Weaknesses	1. Solely dependent on minerals as its source of funding 2. Inactive in domestic investments 3. The fund's AUM appears to be declining in recent years
Areas of Improvement	1. Pula Fund has potential to be a major player in domestic investments – if it can establish a Special Purpose sub-Fund dedicated to strategic investments – while preserving the original mandate of the Savings and Stabilization Fund. (A mandate amendment will be required along with operational restructuring). 2. Interventions are needed to reverse recent decline in the size of Pula Fund's AUM

Figure 4.5: Botswana (PULA) – Fund Performance

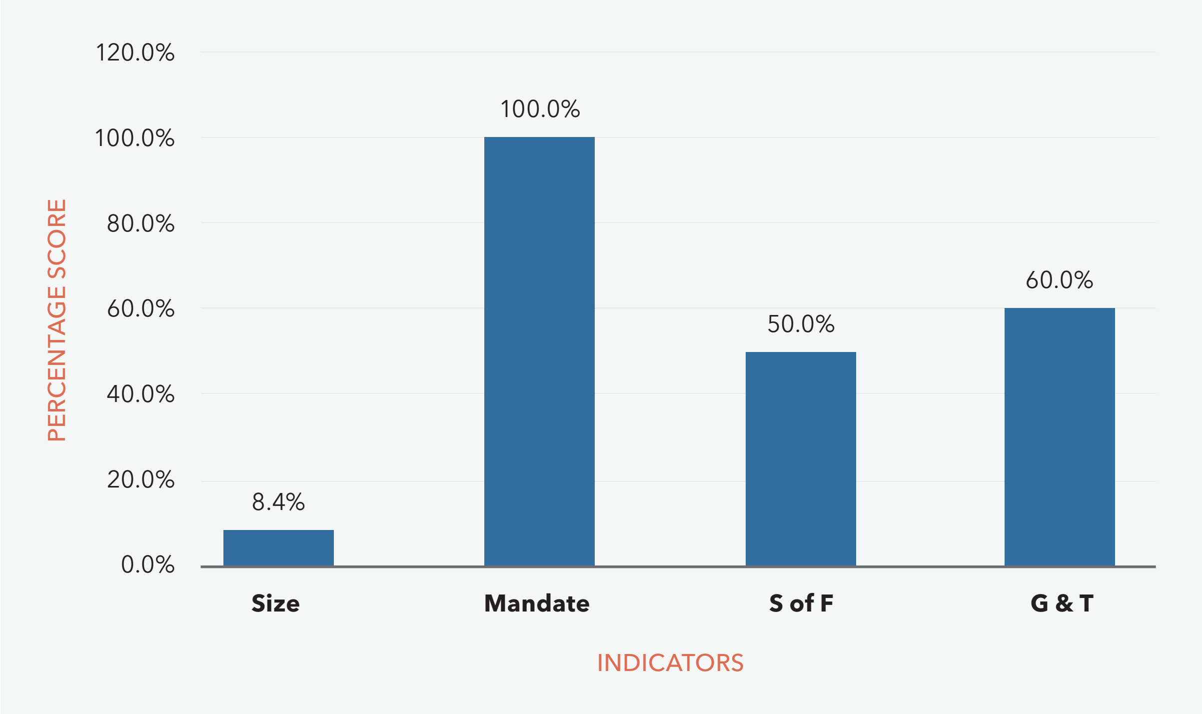


Source: Konfidants, 2022

Ithmar Capital
Morocco

Year of Establishment	2011
Type of Fund	Strategic Investment Fund
Seed Capital	$1.5 billion
Current AUM (end of 2021)	$1.8 billion
AUM as % GDP	1.33%
Fiscal Drawdowns (if any)	N/A
Associations	Member of International Forum of Sovereign Wealth Funds (IFSWF)
Recent Key Milestones	1. Ithmar was appointed the Chair of International Forum for Sovereign Wealth Funds (IFSWF) 2. Ithmar is helping to initiate and incubate the African Sovereign Investors Forum
2018 Index Score/rank	38.92% (8th Position)
2022 Index Score/rank	58.1% (6th Position)
Fund Strengths	1. Ranks 6th on the overall 2022 SWF Index rankings and significantly improved its aggregate score from below 40% on the 2018 Index to almost 60%. 2. Actively supports domestic investments and is a pioneer in engineering pan-African partnerships to co-invest in other African countries
Fund Weaknesses	1. Fund size is small relative to the size of the Moroccan economy 2. Investment policy/themes of fund is not publicly available and accessible 3. Fund does not publish audited financial statements
Areas of Improvement	1. Government should consider transferring more assets to increase Ithmar's AUM and capacity to take on bigger projects 2. Improve public disclosures in the following areas: (a) Description of Ithmar Capital's investment approach, objectives, themes. (b) Information on audited financial statements in line with transparency best practices and further boost stakeholder confidence

Figure 4.6: Morocco (Ithmar Capital) – Fund Performance



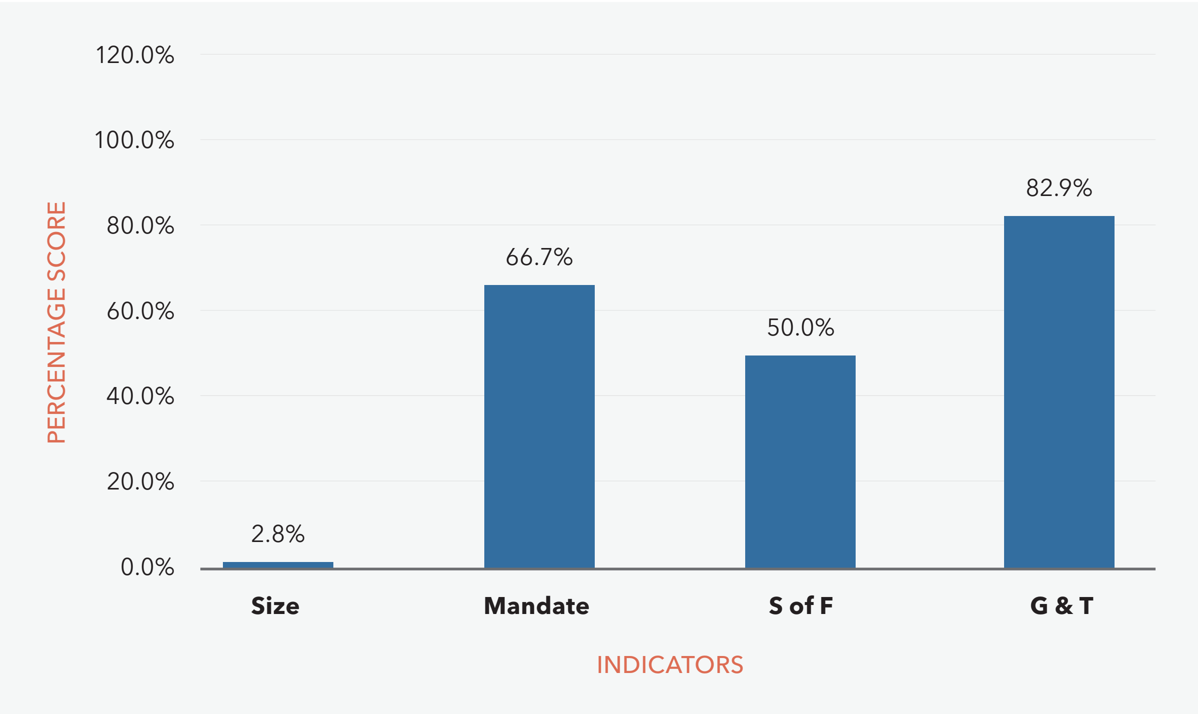
Source: Konfidants, 2022

Agaciro Development Fund (AGDF) Rwanda

Year of Establishment	2011
Type of Fund	Stabilization and Savings
Seed Capital	$0.02 billion
Current AUM (end of 2021)	$0.2 billion
AUM as % GDP	1.99%
Fiscal Drawdowns (if any)	N/A
Associations	Member of International Forum of Sovereign Wealth Funds (IFSWF)
Recent Key Milestones	1. Since the last index was published, the Government has taken steps to transfer assets of key companies to Agaciro including ownership stake in Rwanda Development Bank 2. AUM has grown exponentially from $45million since the last index to approximately $200million 3. Government/Agaciro has announced an ambitious target to grow Fund size to $1billion by 2030

2018 Index Score/rank	62.24% (2nd Position)
2022 Index Score/rank	54.7% (7th Position)
Fund Strengths	1. Strong Governance and Transparency credentials 2. One of the non-natural resource Funds that has experienced impressive growth in fund size over the years 3. Has more than one source of funding 4. Agaciro started small with citizen donations but has decisively shifted course to an ambitious trajectory.
Areas of Improvement	1. Agaciro could be more aggressive in pursuing global and regional co-investors for flagship investment projects

Figure 4.7: Rwanda (AGACIRO) – Fund Performance



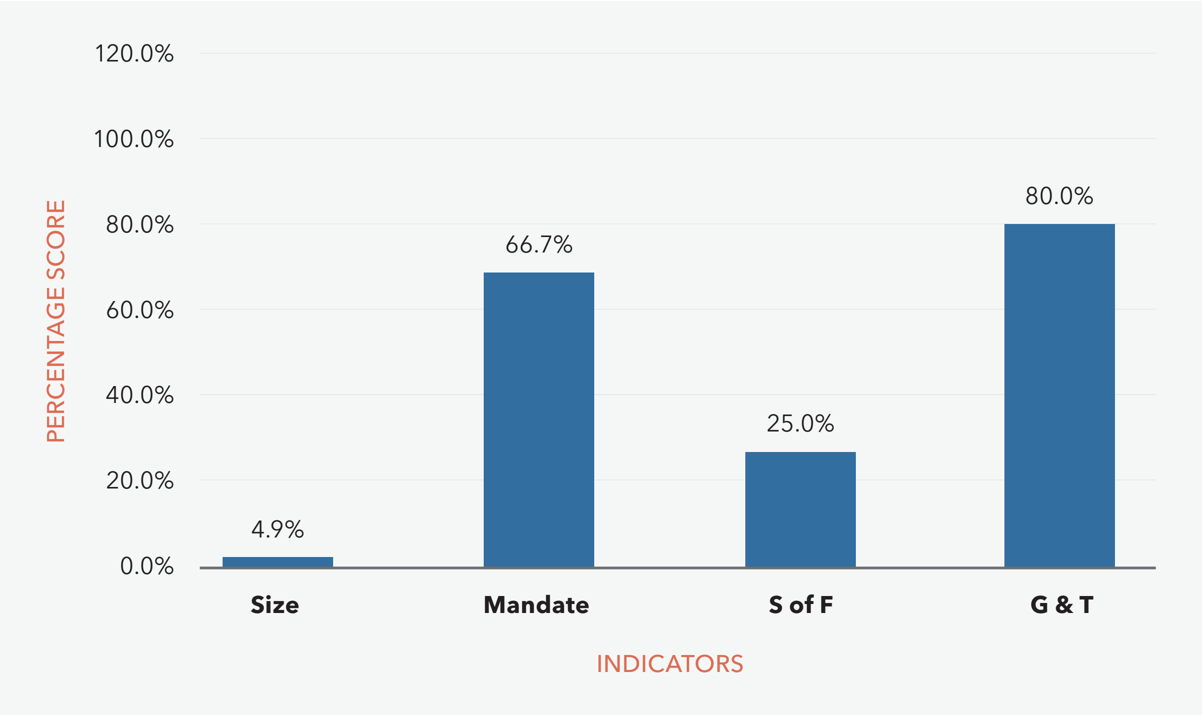
Source: Konfidants, 2022

Ghana Petroleum Fund (GPF)

Year of Establishment	2011
Type of Fund	Stabilization and Savings Fund
Seed Capital	$0.1 billion
Current AUM (end of 2021)	$1.0 billion
AUM as % GDP	1.35%

Fiscal Drawdowns (if any)	1. Government withdrew $219 million from the Ghana Stabilization Fund to fight Covid-19. 2. About $189 million and $88 million was withdrawn from the Ghana Stabilization Fund, into a government sinking fund for 2019 and 2020 respectively
Associations	N/A
Recent Key Milestones	N/A
2018 Index Score/rank	61.28% (3rd Position)
2022 Index Score/rank	51.7% (8th Position)
Fund Strengths	1. Good governance and transparency Standards 2. Has been active in supporting government fiscal stabilization efforts 3. Highly reliable annual funding source. Government has been consistent in allocating annual funds to the GPF as required by law. Till date there has not been a reported missed annual payment from the government.
Areas of Improvement	1. The GPF's long-term savings sub-fund, The Ghana Heritage Fund, has managed to avoid ad hoc fiscal draw-downs despite pressure to start spending the Fund. There is a need for a clear investment strategy that ringfences the Ghana Heritage Fund and outlines how it will be used to benefit the domestic economy over the long-run.

Figure 4.8: Ghana (GPF) – Fund Performance

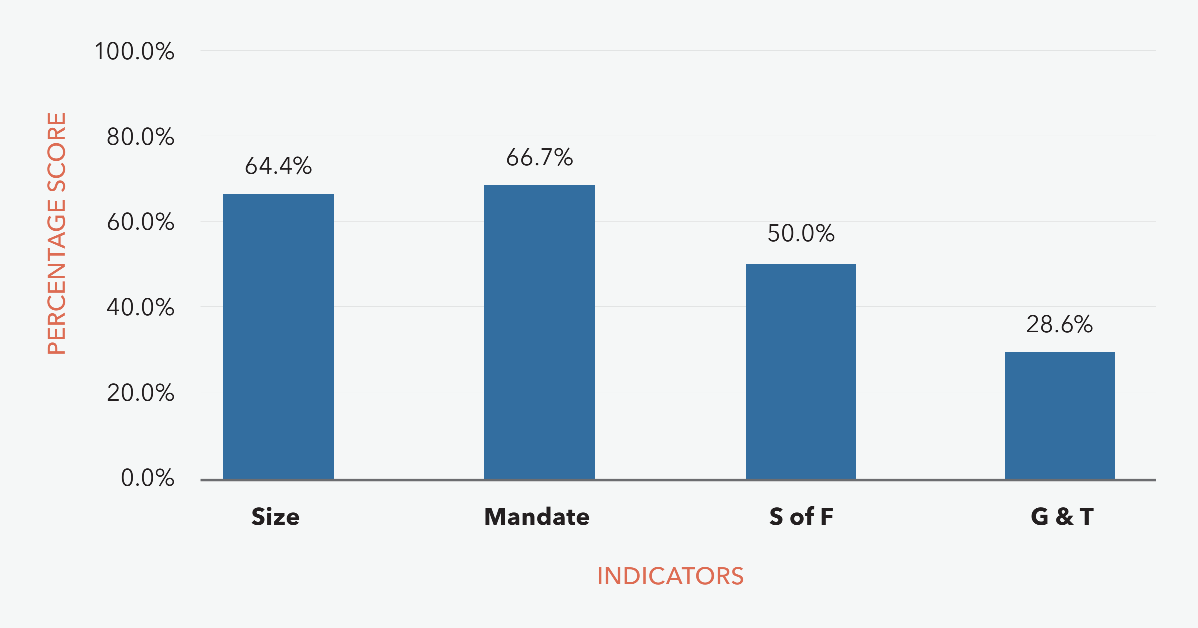


Source: Konfidants, 2022

The Sovereign Fund of Egypt (TSFE)
Egypt

Year of Establishment	2018
Type of Fund	Strategic Investment Fund
Seed Capital	$0.3 billion
Current AUM (end of 2021)	$12.0 billion
AUM as % GDP	3.29%
Fiscal Drawdowns (if any)	N/A
Associations	Member of International Forum of Sovereign Wealth Funds (IFSWF)
Recent Key Milestones	1. TSFE has the biggest AUM ($12 billion), among all African SWFs ranked in the 2022 Index. 2. In 2019, TSFE and Abu Dhabi's ADQ launched a $20 billion strategic investment platform to advance key sectors of Egyptian economy 3. TSFE established 4 separate sub-funds that strategically invest in 4 key priority areas of the economy: Utilities and Infrastructure; Tourism, Real Estate Investment and Antiquities Development; Health Service and Pharmaceutical Industries; and Financial Services and Digital Transformation.
2018 Index Score/rank	N/A
2022 Index Score/rank	51.1% (9th Position)
Fund Strengths	1. TSFE has the biggest active fund size in Africa (not counting Libya's frozen funds). For a young fund, the steep growth in size is impressive. 2. Actively participates in domestic investments 3. The partnership with Abu Dhabi's ADQ is an innovative approach to co-investor platforms that raises the profile of the Fund.
Fund Weaknesses	1. The Fund's transparency and public disclosure standards are low.
Areas of Improvement	1. Improve the Governance and Transparency framework of the Fund 2. Engage actively in partnerships to co-invest in other African countries

Figure 4.9: Egypt (TSFE) – Fund Performance



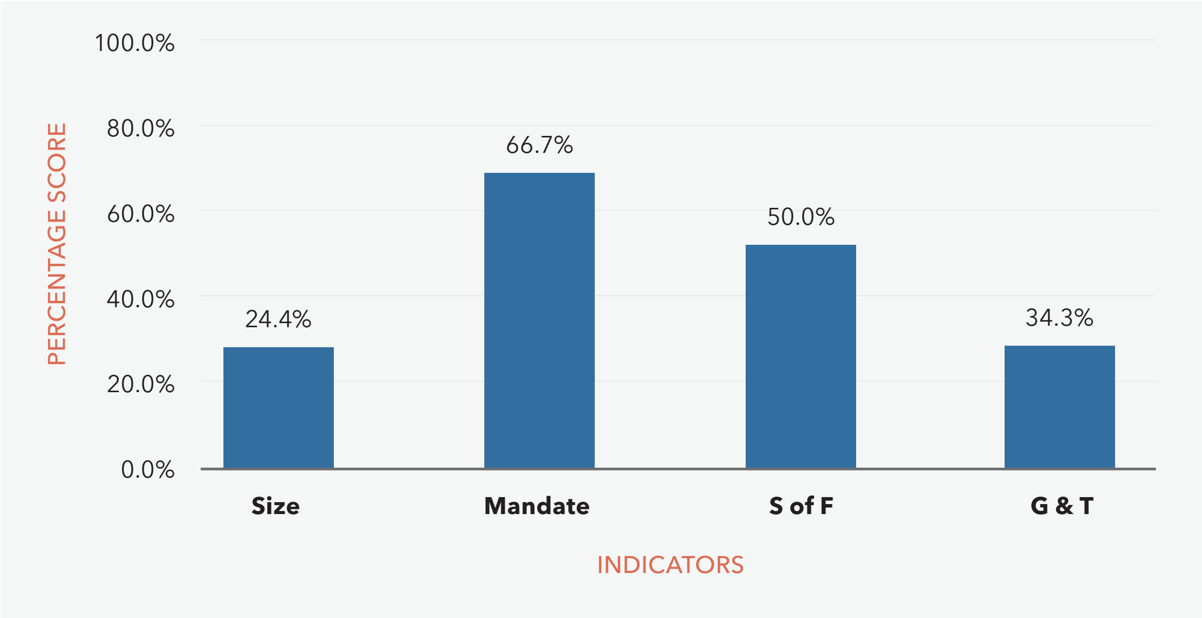
Source: Konfidants, 2022

Fonds Gabonais D'investissements Stratégiques (FGIS) Gabon

Year of Establishment	2012
Type of Fund	Strategic Investment Fund
Seed Capital	$0.4 billion
Current AUM (end of 2021)	$1.9 billion
AUM as % GDP	12.12%
Fiscal Drawdowns (if any)	N/A
Associations	1. International Forum of Sovereign Wealth Funds (IFSWF) 2. One Planet Coalition of Sovereign Wealth Funds
Recent Key Milestones	1. FGIS has inherited CFAF 184 billion (over $300 million) worth of Assets from the State 2. FGIS has partnered Eranove industrial Group to raise €300 million financing for the Ngoulmendjim hydroelectric project 3. FGIS has committed to support the National Pharmaceutical Office (OPN) with a FCFA 5 billion (about $8 million) over a period of 5 years
2018 Index Score/rank	47.17% (6th Position)

2022 Index Score/rank	43.1% (10th Position)
Fund Strengths	1. Actively participates in domestic investments 2. Has achieved one of the most impressive growths in AUM among African SWFs since 2018 index 3. Ranks number one SWF in Africa in terms of Fund size as ratio of GDP.
Fund Weaknesses	1. FGIS scores low on Governance and Transparency framework indicators mostly due to public non-disclosures relating to financial performance 2. Dropped from 6th position to 10th in the rankings
Areas of Improvement	1. Improve on public disclosure relating to Governance and Transparency framework

Figure 4.10: Gabon (FGIS) – Fund Performance



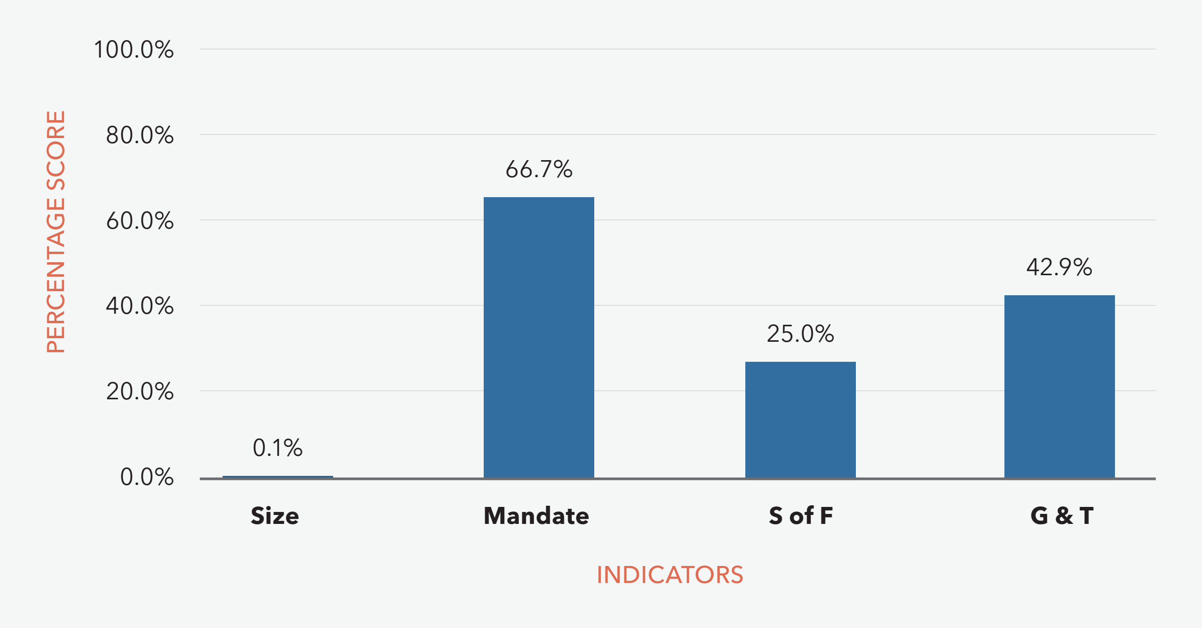
Source: Konfidants, 2022

Uganda Petroleum Fund (UPF) Uganda

Year of Establishment	2015
Type of Fund	Stabilization and Savings Fund
Seed Capital	Unknown
Current AUM (end of 2021)	$0.1 billion
AUM as % GDP	0.32%

Fiscal Drawdowns (if any)	1. Between June 2019 and June 2020, the fund dwindled from US$ 82.24 million (Shs 304.6 billion) to $23.68 million (Shs 87.7 billion).
Associations	N/A
Recent Key Milestones	N/A
2018 Index Score/rank	N/A
2022 Index Score/rank	37.5% (11th Position)
Fund Strengths	1. Publishes its annual financial statements
Fund Weaknesses	1. Dependent on a single source of funding (oil) 2. Weak overall governance and transparency standards 3. Very small fund size relative to the size of its economy
Areas of Improvement	1. Establish a robust governance and transparency framework for Fund 2. Uganda should explore expanding the mandate of the Fund to include a strategic investment sub-Fund component –which could be leveraged to diversify funding sources and grow Fund size

Figure 4.11: Uganda (UPF) – Fund Performance

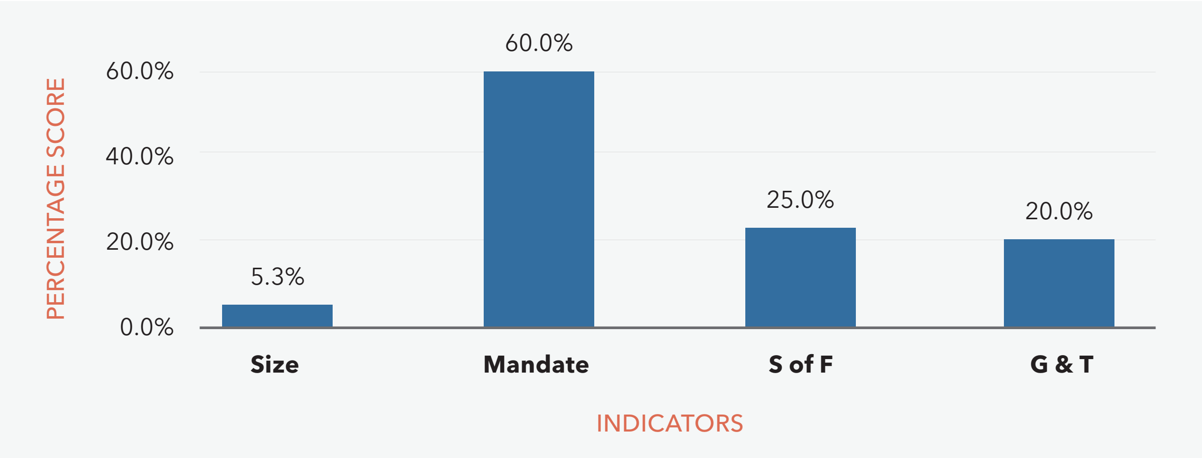


Source: Konfidants, 2022

Fonds Souverain De Djibouti (FSD) Djibouti

Year of Establishment	2020
Type of Fund	Savings and Strategic Investment Fund
Seed Capital	$0.17 billion
Current AUM (end of 2021)	$0.12 billion
AUM as % GDP	3.6%
Fiscal Drawdowns (if any)	N/A
Associations	Associate member of the International Forum of Sovereign Wealth Funds (IFSWF)
Recent Key Milestones	N/A
2018 Index Score/rank	N/A
2022 Index Score/rank	28.8% (12th Position)
Fund Strengths	1. It is the first SWF in the horn of Africa and has clearly inspired the recent announcement of other Horn of Africa SWFs. 2. Has an ambitious mandate to invest domestically as well as in other African countries
Fund Weaknesses	1. Scores low on governance and transparency indicators
Areas of Improvement	1. Engage other financial partners to co-invest 2. Accelerate the building of a robust governance and transparency framework 3. Accelerate momentum for domestic investments as well as in other African countries

Figure 4.12: Djibouti (FSD) – Fund Performance

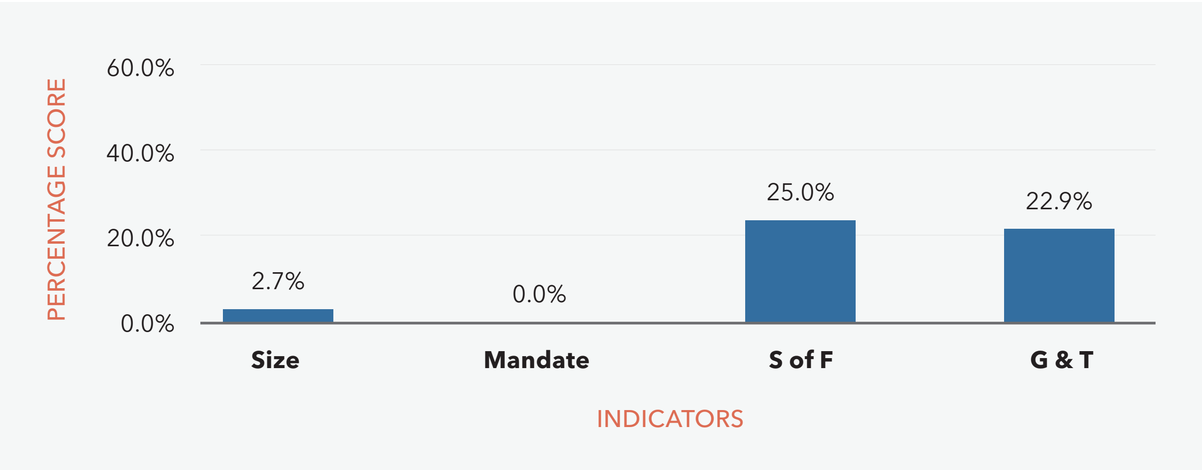


Source: Konfidants, 2022

Fonds National de Revenus Des Hydrocarbures (FNRH) Mauritania

Year of Establishment	2006
Type of Fund	Stabilization and Savings Fund
Seed Capital	$0.2 billion
Current AUM (end of 2021)	$0.159 billion
AUM as % GDP	2.04%
Fiscal Drawdowns (if any)	N/A
Associations	N/A
Recent Key Milestones	N/A
2018 Index Score/rank	4.77% (12th Position)
2022 Index Score/rank	11.2% (13th Position)
Fund Weaknesses	1. Scores very low on Governance and Transparency framework 2. Dependent on a single funding source 3. Very small size and lack of consistent growth in AUM
Areas of Improvement	1. Establish a robust Governance and Transparency framework for Fund 2. Build a website for the Fund to provide information on its operations

Figure 4.13: Mauritania (FNRH) – Fund Performance

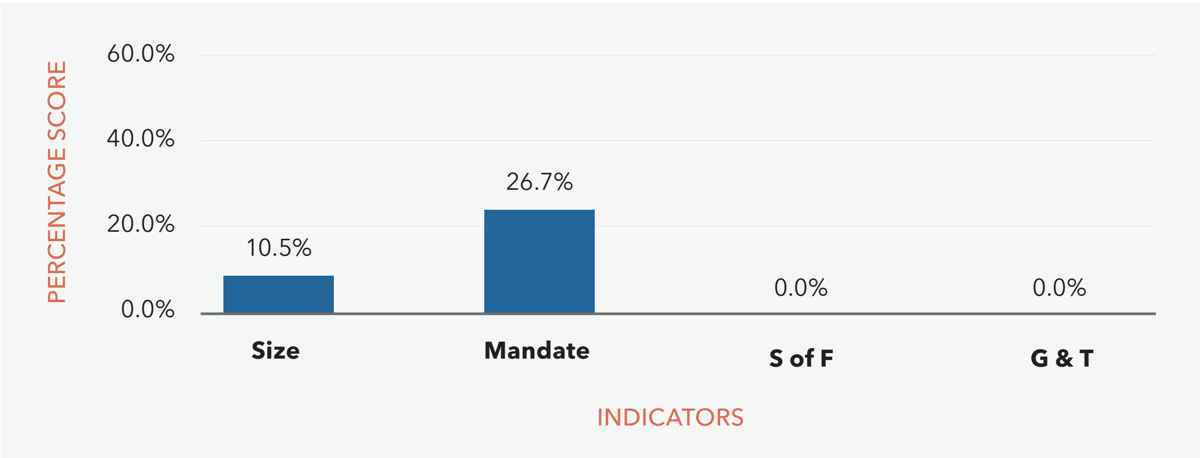


Source: Konfidants, 2022

Fundo Soberano De Cabo Verde Cape Verde

Year of Establishment	2019
Type of Fund	Stabilization, Savings, and Strategic Investment Fund
Seed Capital	$0.1 billion
Current AUM (end of 2021)	$0.1 billion
AUM as % GDP	7.24%
Fiscal Drawdowns (if any)	N/A
Associations	N/A
Recent Key Milestones	N/A
2018 Index Score/rank	N/A
2022 Index Score/rank	10.6% (14th Position)
Fund Weaknesses	1. Scores low points on Governance and Transparency framework due to public non-disclosure of existing framework 2. Size is small
Areas of Improvement	1. Improve public disclosure on Governance and Transparency framework for Fund 2. Build partnerships with other financial partners to co-invest in the domestic market 3. Create innovative fundraising mechanisms to diversify funding source, and help grow fund size 4. Develop website to provide information on the Fund's operations and activities to stakeholders

Figure 4.14: Cape Verde – Fund Performance

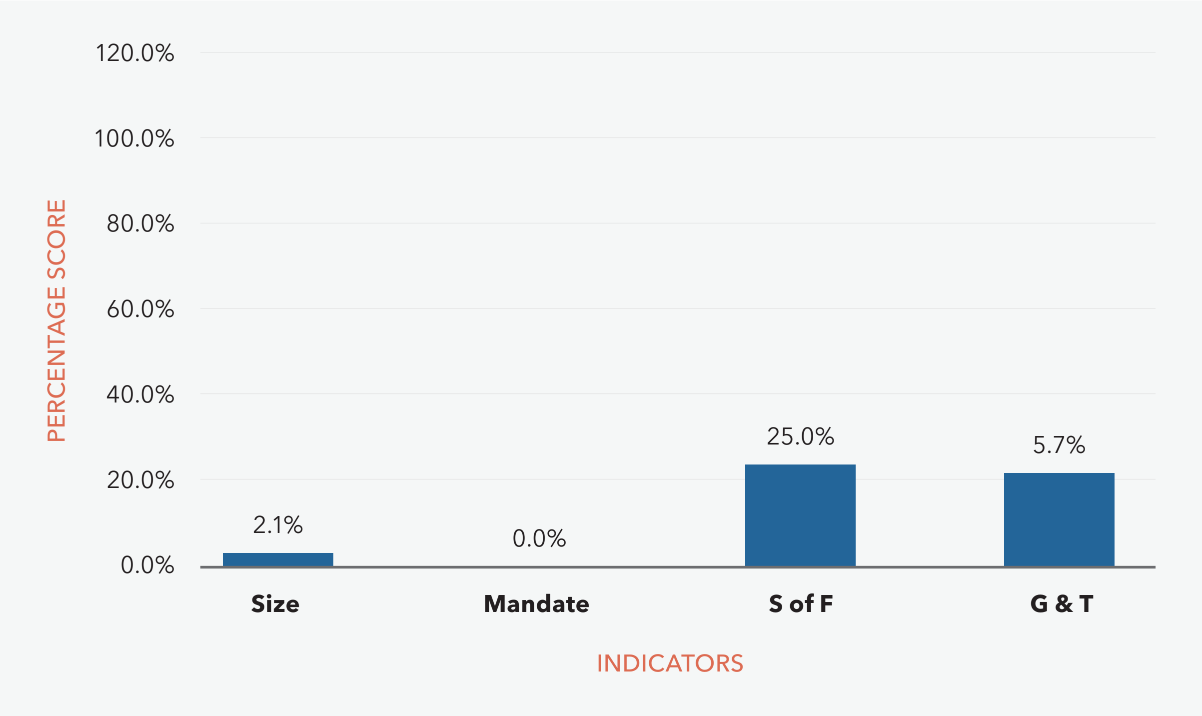


Source: Konfidants, 2022

Fonds De Réserves Pour Générations Futures (FRGF) Equatorial Guinea

Year of Establishment	2002
Type of Fund	Stabilization, Savings, and Strategic Investment Fund
Seed Capital	$0.003 billion
Current AUM (end of 2021)	$0.166 billion
AUM as % GDP	1.66%
Fiscal Drawdowns (if any)	N/A
Associations	N/A
Recent Key Milestones	N/A
2018 Index Score/rank	4.80% (11th Position)
2022 Index Score/rank	5.0% (15th Position)
Fund Weaknesses	1. Has a very weak governance and transparency framework – It is one of the opaquest Funds in Africa 2. Dependent on a single source of funding 3. Fund size is too small given its multiple mandate 4. Information on Fund activities and operations practically non-existent
Areas of Improvement	1. Establish a robust governance and transparency framework for the Fund 2. Build partnerships with other financial partners to co-invest in the domestic market 3. Create innovative fundraising mechanisms to diversify funding source, and help grow fund size 4. Create a website to provide information on the Fund's operations and activities to stakeholders 5. Publish audited financial statements

Figure 4.15: Equatorial Guinea (FRGF) – Fund Performance



Source: Konfidants, 2022

05
NOTABLE DEVELOPMENTS

African SWFs Contribution to Covid-19 Fight

The unprecedented commodity price declines and Covid-19-induced economic shockwaves of 2020 and 2021 that were sent across the entire globe in the year 2020, spotlighted the primary role of Stabilization Funds to cushion their domestic economies, by shoring up government budgets. African SWFs have not been left out, as some of them have massively contributed to government budget support. The following table shows African SWFs that supported government budgets and the respective amounts that were withdrawn.

Table 5.1: African SWF Covid-19 Support

Country (Fund)	Amount Withdrawn
Angola (FSDEA)	$1.5 billion
Ghana (GPF)	$219 million
Nigeria (NSIA)	$150 million
Botswana	$300 million

Source: Konfidants compilation from news reports

A new era of Pan-African collaborations is emerging - with Morroco's Ithmar as a Shining Pioneer

When the maiden Index was published in 2018, there was barely any notable pan-African collaborations among African SWFs. Indeed, we forcefully made the case back then for African SWFs to collaborate. Today the story is different. Africa's SWFs are beginning to collaborate along multiple frontiers. Morocco's Ithmar Capital is turning out to be a particularly exemplary pioneer and catalyst for many of these pan-African initiatives. The most notable step taken by Ithmar so far is the convening of the African Sovereign Investors Forum – a platform dedicated to unifying African SWFs for collaboration, strategic co-investments, and best practice exchanges.

Below, we chronicle examples of some pan-African investments and collaborations among the continent's SWFs. (Refer to Chapter 2 for more insights on how the Funds performed on pan-African investment ranking).

- Ithmar Capital collaborated with Nigeria's NSIA to build a Trans-African gas pipeline project that will connect Nigeria's vast fossil fuel reserve to Morocco
- Ghana's GIIF and Ithmar Capital jointly identify co-investment opportunities in Ghana, Morocco, and other African countries through a signed Strategic Partnership Agreement
- NSIA signed an agreement with OCP of Morocco, and other stakeholders to develop a $1.4 billion plant to produce Ammonia and Diammonium Phosphate, under its Gas Industrialization Strategy.
- NSIA and CDC Group of UK have forged a strategic investment partnership for knowledge sharing and exploring investment opportunities primarily in Nigeria, and across Africa.
- Ithmar Capital has partnered with the World Bank to establish the Green Growth Infrastructure Facility for Africa, a pan-African fund focused on green investment on the continent.
- In 2021, Djibouti's FSD signed a Memorandum of Understanding with the Eastern and Southern African Trade and Development Bank (TDB) to foster cooperation in selected economic sectors of both Djibouti and TDB member countries.
- FSDEA has created 5 venture capital Funds that invest in 5 sectors: Agricultural industry, Forestry industry, Health industry, – with focus on Angola, Ghana, Nigeria, Mozambique, South Africa, Kenya and Cameroon; and Mining industry to focus on Angola and sub-Saharan Africa.

- Ithmar capital has created the Africa Sovereign Investors Forum which will foster knowledge sharing, and help to identify and explore co-investment opportunities on the continent

Spotlight on Africa's New SWFs

Ethiopian Investment Holdings – Africa's Newest Fund Enters the Scene with Exciting Promise

The Ethiopian Investment Holdings (EIH) was established in December 2021 with an authorized capital of Birr 100 billion (about $1.9 billion) in which Birr 25 billion (about $480 million) is paid up in cash and kind. Its asset base is made up of over 40 public institutions across different sectors, including the Commercial Bank of Ethiopia, Ethiopian Airlines, and Ethio Telecom. The objectives of EIH are to:

- Serve as the strategic investment arm of the government of Ethiopia
- Promote sustainable development, and maximize the value of assets for current and future generations
- Provide a strategic vehicle to attract foreign investment

With the aim of replicating the models of Singapore's Temasek and Malaysia's Khazanah Nasional, EIH in its few months of existence has made some crucial strategic moves and recorded some notable milestones worthy of acknowledgement:

- EIH has signed an MOU with Djibouti's Ports and Free Zones Authority (through the Great Horn Investment Holdings) to co-invest in the development of a new storage terminal in Djibouti Damerjog Industrial Park.
- EIH has joined the International Forum of Sovereign Wealth Funds (IFSWF) and undertaken to uphold international best practices and the Santiago Principles.
- EIH has signed a cooperation agreement with the Ethiopian Ministry of Finance and FSD Africa to establish the Ethiopian Securities Exchange (ESX).

Despite being a relatively young fund, the degree of momentum and commitment to adopt international best practices, take advantage of investment opportunities both domestically and regionally, and actively engage in collaborations for co-investments, among others is outstanding. All of this signifies a Fund that is on the rise to quickly become a major star in Africa's SWF ecosystem.

Fonds Souverain de Djibouti (FSD): Already Punching above its Weight

Djibouti's FSD which was created on June 24, 2020, and began operations officially on September 14, 2020 is the first sovereign wealth fund in the Horn of Africa, formed to modernize Djibouti's economy by promoting the growth of a competitive private sector and development of the production sectors. Singapore's Temasek Holdings is the primary inspiration and benchmark model for the establishment of FSD. The overall aim is to help achieve the country's long-term development strategy, Vision 2035. Mamadou Mbaye, former vice president of FONSIS became the first Managing Director of the FSD, but was replaced with Dr. Slim Feriani, a Tunisian national with over 25 years experience in international capital markets and served as a minister responsible for industry and SMEs, as well as energy, mining, and renewable energy in Tunisia. This makes Djibouti the first country to appoint two African foreign nationals in succession to head their SWF. This shows an exceptional commitment to recruiting the best talent regardless of nationality. In May 2022, the IFSWF announced the membership of FSD; a significant step that shows the determination of the Fund to employ high governance and transparency standards in its operations.

The Fund began operation with a seed capital of 30 billion Djiboutian francs ($0.12 billion). Being independent of natural resources, FSD's source of funding is the asset transfer of some national strategic companies. This comprises 20% annual rent charged to various foreign military bases hosted by Djibouti, 60% of national social security Fund - CNSS, and 40% of national investment holding entity, Great Horn Investment Holding (GHIH). Besides its mandate to develop the local economy through investment in key sectors like telecommunication, renewable energy, infrastructure, agriculture, fisheries, tourism, health, and education; to promote job creation and greater economic development, and attract foreign direct investment, FSD also has the mandate to invest in other countries that are in the Horn of Africa. In May 2022, the IFSWF announced the membership of FSD; a significant step for adopting and implementing transparency and accountability standards

Libya and Algeria: How Africa's two largest SWFs lost their shine

Africa's Dormant Giant - The Libya Investment Authority (LIA)

The Libya Investment Authority (LIA), which is Africa's largest SWF by AUM (currently valued at $67 billion), had its foreign assets frozen under the UN's Security Council resolutions No. 1970 of 2011 for the purpose of safeguarding the assets. This was at the request of the Libyan authorities during the revolution in 2011. In 2018, the scope of the freeze was extended to incorporate all interest earned on frozen assets.

Since LIA's assets were frozen, several attempts have been made by stakeholders to revamp fund operations and have the sanctions eased. These include the appointment of a 5-member interim steering committee in 2016 by the government to oversee the management of the Fund, and an application to the United Nations (U.N.) to modify its current sanctions regime to prevent losses to some of LIA's investments. The following are some specific notable feats undertaken to restructure the Fund:

- LIA appointed EY as its external auditor, to audit the Fund's financial statements for the financial year 2019

- LIA launched its Transformation Strategy in 2020 that seeks to reposition the Fund for greater impact by promoting robust governance, disclosure, openness, and accountability standards, as well as ensure pragmatic investment decisions.

- LIA concluded the first phase of the transformation program by implementing a strong organizational structure, governance, and compliance frameworks in alignment with the Santiago Principles; to adequately accommodate implementation of the new strategic roadmap.

- Conducted a valuation of all LIA's assets, portfolios, funds, and affiliated companies for the years 2017, 2018, and 2019.

Meanwhile, the Fund remains embroiled in multiple legal proceedings such as the following:

- In 2019, a ruling by the London Commercial Court ordered the discharge of receiverships over some of LIA's UK assets.

- In early 2020, the English Commercial Court and Court of Appeal ruled in favor of Ali Mahmoud Hassan Mohamed as chairman, having the authority to represent the Fund. This was followed by his reappointment by the Fund's Board of Trustees for three (3) more years in November 2020.

- In 2020, a Brussels court ruled that assets amounting to a total of $15 billion USD should remain in the Euroclear banks, under the supervision of the Belgian judiciary; and not to be moved to other accounts.

Algeria's Revenue Regulation Fund (RRF)

Algeria's Revenue Regulation Fund (RRF), established in the year 2000 as a stabilization Fund, became Africa's biggest SWF with Assets under Management (AUM) of more than $70 billion as of 2012. Running by its mandate, the Fund was very instrumental in the budget deficit and public debt management of the government of Algeria, between the years 2000 – 2016.

The decline in oil prices after 2014 heavily affected the financing of Algeria's oil-revenue-dependent-budget as well as the RRF which is primarily dependent on oil tax revenues. The Fund was faced with the twin blows of reduction in asset value as a result of the dwindling oil prices while at the same time being tapped to finance a huge budget deficit and increased public debt. This led to a significant decline in the value of the RRF to about 784.5 billion dinars ($6.65 billion) by the end of 2016.

There is currently no credible source of information whatsoever on the RRF's AUM and its operations, leading to a widely held view by industry watchers that the Fund may have been utterly depleted. Because of the high level of non-transparency that has surrounded the Fund over the years, it is hard to determine whether it has actually been drained, or merely tightened its secrecy

We expect that the current resurgence of oil prices will give the RRF an opportunity to bounce back – hopefully with lessons well learnt on how to make the Fund more sustainable and robust against sharp commodity price collapse.

Who's Next: Prospective new SWFs on the Continent

In recent times, several African countries have announced plans to set up Sovereign Wealth Funds for various reasons including saving for future generations, serving as a countercyclical fiscal tool, and supporting socio-economic development. Below are some prospective SWFs in Africa.

Table 5.2: Prospective SWFs in Africa

No.	Country	Proposed/Possible Funding Source
1	South Africa	Mineral royalties, proceeds from sale of spectrum, sale of state assets
2	Mozambique	Natural Gas
3	Zambia	Dividends from State owned companies, mining revenues
4	Tanzania	Natural Gas
5	Kenya	Petroleum and mineral revenues
6	Namibia	Mineral royalties, sale of state assets, fishing quotas
7	Zimbabwe	Mining royalties, dividends on state minerals and metal sales

Source: Konfidants compilation from official government documents, other sources

06 RECOMMENDATIONS

Countries should take measures to grow bigger Fund Size

The importance of Fund size in anchoring the ability of African SWFs to play a pivotal role in bridging domestic development financing gaps cannot be overemphasized. Presently, nine out of 15 Funds have AUM less than $1 billion. The current average nominal size of African SWFs is $1.9 billion (excluding Libya's LIA), and size to GDP ratio is 4.75%.

African SWFs and their governments will have to devise ingenious ways to increase their Fund size to levels that match their ambitions. Countries should set bolder Fund Size targets over a five to ten year horizon and work consistently towards achieving those targets. We recommend that all countries with SWFs should aim to achieve a minimum Fund size ratio to GDP of 10% by 2030.

A bigger Fund Size is crucial not only for enabling SWFs to make significant investments in projects. It also provides Funds the ability to crowd-in private capital by deepening their capacity to shoulder appropriate levels of risk required to give investors confidence. Big Fund size is therefore an important signaling mechanism for private investors.

We have observed that the lack of clear SWF fiscal rules and in some cases, non-adherence by central governments to the rules have influenced the stunted growth in fund size of African SWFs. Governments and parliaments should establish rules for regular (ideally annual) inflows to the funds and ensure that the rules are adhered to; along with penal measures for non-compliance. Civil Society organizations and parliaments can strengthen adherence by monitoring central government compliance to disbursing funds to SWFs and demanding accountability from the government.

Funds should not rely on government inflows alone but pursue more aggressive and innovative fundraising mechanisms and co-investment partnerships.

Governments should look beyond cash transfers and consider the transfer of more strategic state assets to their SWFs to increase their AUM – as it is generally easier to increase AUM via illiquid asset transfers than through periodic cash transfers only.

SWFs should pursue Stronger Governance and Transparency Standards to improve their appeal to private investors and build institutional resilience

The ability of the continent's SWFs to attract foreign capital into various sectors of their economy is highly dependent on the robustness of their governance and transparency frameworks. Our analyses reveal that African SWFs have generally improved on the Government and Transparency Indicator, from an average performance of 44.9% in the 2018 index to 54.7% in the 2022 index. The general increase in performance indicates a progressive appreciation by African SWFs of the need for a strong governance and transparency framework.

Despite this progress, there are however still substantial shortfalls in the Governance and Transparency indicator. For example, about 70% of all African SWFs do not publicly disclose their financial reports. A majority still do not publish their Investment Policy Statements. There is therefore enormous room for improvement.

A strong governance and transparency framework improves the image of the fund in the eyes of international investors, industry watchers, and other stakeholders, viewing the funds as having properly aligned interests and trustworthy for any form of collaborations. This unlocks opportunities in the form of co-investments, partnerships, and transfer of knowledge and expertise.

SWFs on the continent must endeavour to become members of the International Forum for Sovereign Wealth Funds (IFSWFs) and thoroughly implement the Santiago Principles (of Best Practices) in their structure and day-to-day operations. This will enhance their attractiveness to the investor community. Eleven African SWFs are currently members of the IFSWFs (Agaciro Fund of Rwanda, Senegal's FONSIS, Fundo Soberano de Angola, Ithmar Capital, Libya Investment Authority, Nigeria's NSIA, Botswana's Pula Fund, Egypt's TSFE and Gabon's FGIS, Djibouti's FSD, and the newly established Ethiopian Investment Holdings (EIH)).

ESG is a magnet for Investment Attraction. SWFs should elevate ESG Metrics to the core of Investor Relations Strategies

Environmental, Social, and Governance (ESG) concerns are fast becoming mainstream in global finance. This has become necessary to safeguard the fabrics of our environment and society (with particular focus on issues of climate change, gender equality, human rights violations, corruption, etc.) as well as promote the long-term sustainability of investments.

Consequently, investors are demonstrating heightened interest in institutions, sectors and projects that incorporate ESG standards in their investment process or operations. The International Forum for Sovereign Wealth Funds reported that SWFs in the year 2020 alone invested about $2 billion in sectors related to climate change such as agritech, forestry, and renewable energy.

Globally, about a quarter (approximately $20 trillion) of all professionally managed assets adopt ESG standards whereas there are about 2,500 (representing over $80 trillion in AUM) signatories to the UN's Principle for Responsible Investing. Additionally, 32 institutional investors of the UN's Portfolio Decarbonization Coalition (PDC) oversee more than $800 billion in decarbonization commitments.

The ESG sub-indicator of the 2022 African SWFs Index reveals that at present only about 35% of African SWFs show evidence of ESG considerations in their operations and investment activities. Aside from the fact that African SWFs have a moral duty to commit to high ESG standards, the low level of ESG prioritization reported in the Index could undermine investor attraction efforts.

African SWFs should develop ESG frameworks and incorporate them into their Investment Policy. They should also highlight ESG outcomes in their annual reports and incorporate ESG indicators into their investment projects and investment pitches to private and external investors and partners.

Governments and SWFs should continue to Look beyond natural resource revenues

Since the launch of the seminal report in 2018, we have observed that at least 3 (GIIF of Ghana, NSIA of Nigeria, FGIS of Gabon) of the 9 funds that are established on the back of natural resources have pursued innovative approaches to diversify their source of funding. These demonstrate that it is possible to diversify even commodity-linked beyond commodity revenues. The continent's SWFs and governments must actively pursue more innovative and sustainable approaches of raising capital to grow fund size, diversify risk, and ultimately prevent fund depletion and fund extinction.

Over-dependence on natural resource revenues is not ideal because of the issues of Resource Exhaustibility – making revenues unsustainable in the long term; and Price Volatilities, which would affect the consistency and size of revenue allocation to Funds. Creating alternative sources of revenue is therefore an extremely important consideration.

While there may be new approaches to raise funds, stakeholders must also focus on the sustainability of these approaches in the foreseeable future. To reiterate recommendations from our maiden report, governments should consider introducing measures such as optimally structured new taxes or levies dedicated to funding SWFs, floating of responsibly priced sovereign wealth bonds, and tapping a share of non-commodity export revenues. In addition, funds should also partner with private investors to diversify their source of funding.

Funds should aim to bridge the gap between policy and practice

One of the key observations that we have made in the African SWF terrain as well as other parts of the world is the divergence between policy and implementation when it comes to enforcing Best Practices.

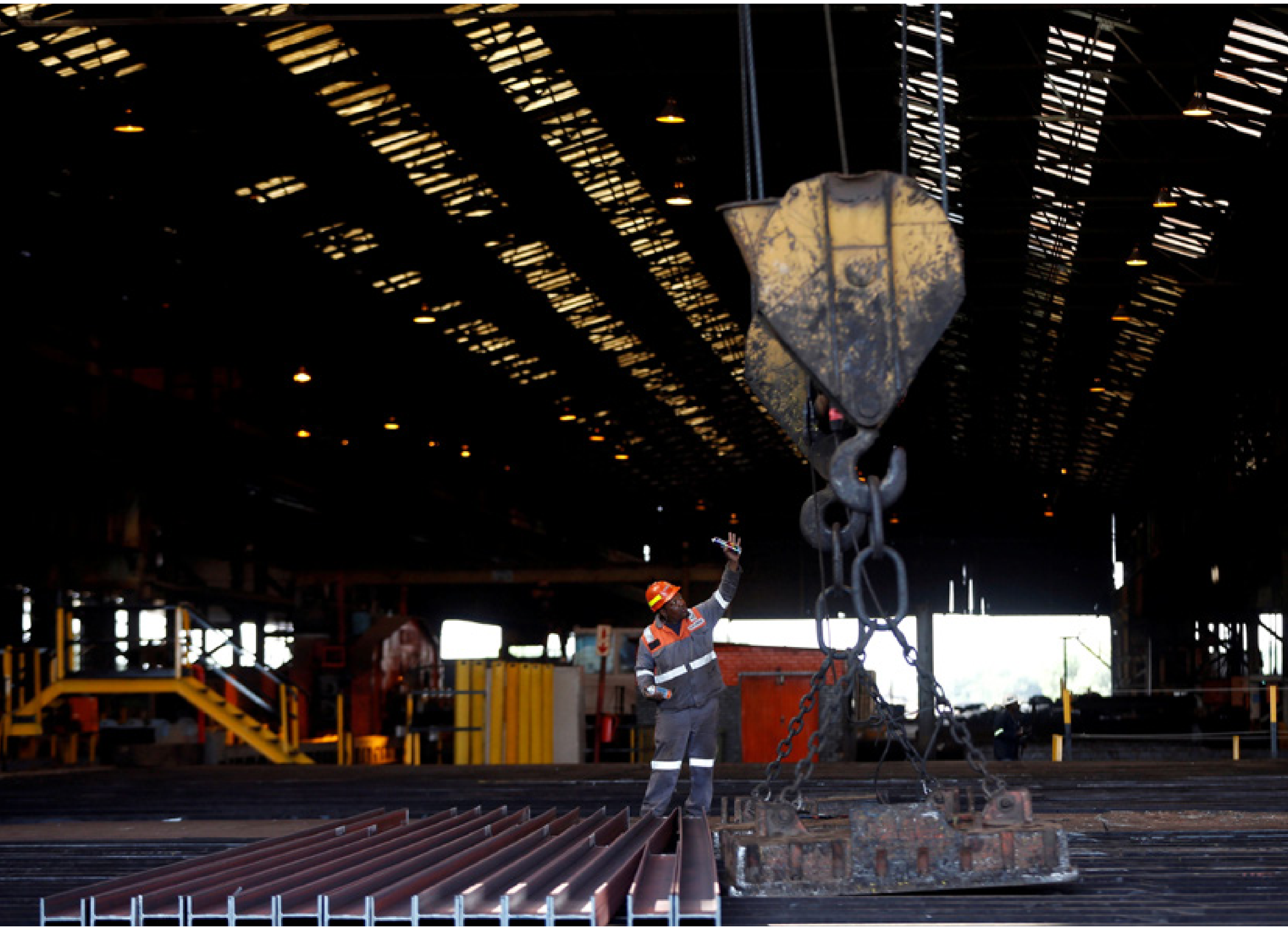
For example, Angola's FSDEA, and Equatorial Guinea's FRGF committed to the membership of the International Forum for Sovereign Wealth Fund and signed on to the Santiago Principles. However, the FSDEA was involved in one of the biggest SWF corruption and elite capture scandals; and the FRGF is one of the opaquest SWFs in Africa, with virtually no publicly available information on the Fund's structure, operations, and activities. Thankfully, the FSDEA has since undertaken major efforts towards reform as is evident in its high marks on the Index.

To bridge the gap between policy adoption and implementation, and enhance SWF credibility, Funds should appoint credible Governance Audit Advisors to undertake annual governance and transparency assessments in line with Best Practices like the Santiago Principles; and the audit report should, if possible, be publicly available to investors and the broader stakeholder community.

African SWFs should embrace Pan-African collaborations

Traditionally, African SWFs tend to invest either domestically or outside the continent, but not much within other African countries. On the one hand, there is a domestic investment focus because the Funds are small in terms of size and have huge domestic financing challenges to focus on rather than spreading thin in other African markets. On the other hand, they are externally oriented outside the continent because they are typically seeking risk-diversification in safe advanced market government bonds and corporate securities.

While it makes sense for African SWFs to pursue this combination, there is also a strong business case (as well as a strategic case) for them to include a third element to this approach – i.e., pan-African investment collaborations. This is essential as it will create a stronger capital base and expertise to identify viable investment opportunities on the continent. Through pan-African collaborations, SWFs can better take advantage of various Africa-to-Africa and cross-border investment opportunities. They can jointly engage in bigger investment projects that a single Fund may lack the financial capacity to invest in. They can pursue intra-Africa risk diversification, share best practices and become core drivers of the emerging pan-African financial infrastructure. A good example of such collaboration is Ithmar Capital's partnership with NSIA to build a Trans-African gas pipeline project that will connect Nigeria's vast fossil fuel reserve to Morocco *(refer to Chapter 5 above for more examples).*



07
PREDICTIONS AND THEMES FOR THE NEXT INDEX

I. **Number of SWFs in the continent is about to grow exponentially:** Given the high level of interest by African governments in SWFs, and pipeline of new Funds in the works, the number of active Funds on the continent will likely increase to 20 by the end of 2022; with a further 50% increase in number to 30 Funds by the end of 2024. We predict that at least 70% of African states will set up SWFs by 2030.

II. **East Africa will produce the most number of new SWFs by early 2023:** East Africa region will likely produce most of the new SWFs on the continent by early 2023; and is likely to be the region with the second highest concentration of SWFs (after North Africa) – if plans by Kenya and Tanzania to set up SWFs are actualized.

III. **AfCFTA will accelerate pan-African collaborations among SWFs:** Collaborations for co-investments in other African countries aside from the domestic economies of the Funds have been very low in the past decade. However, this will shift rapidly in the next three years, due to the opportunity provided by the African Continental Free Trade Area (AfCFTA) and pan-African initiatives like the African Sovereign Investors Forum.

IV. **The Energy Transition will trigger a sudden surge in the Fund Size of Africa's hydrocarbon-linked SWFs by 2030:** Funding for most natural resource-linked Funds is still less diversified – disproportionately hydrocarbon-linked. Unless steps are taken to diversify sources of funding, with the global transition to a carbon neutral world, these Funds risk becoming capital starved and eventually being depleted in the coming decades. However, some countries in a bid to avoid having hydrocarbon deposits as stranded assets, may proactively accelerate extraction of these resources and make huge deposits in their Savings Funds – which could see these Funds grow substantially in size in the medium term.

V. **The share of Stabilization Funds will drop; the typical Savings Fund – as we know it – will go "extinct" as they change form and function to respond to domestic investment needs:** Majority of the Funds of the Funds established in the last decade are SIFs, and we expect this trend to continue into the coming decades. The share of Stabilization Funds will fall. Meanwhile, Savings Funds will increasingly restructure their mandates to operate as Strategic Investment Funds that will invest in their local economy as opposed to the traditional practice of investing in the so-called "safe economic havens" outside the domestic economy. In short, the typical Savings Funds – as we know them today – could be virtually "extinct" in the coming decades not because they will die but because they will change form and function in line with the urgency of government needs.

VI. **Global inflationary and interest rate headwinds will slow down prospects for African SWFs eager to raise funds on capital and private markets:** With the exception of a few Funds such GIIF, FONSIS, and NSIA that have some track record of contracting non-sovereign loan facilities from Multilateral Development Banks, African SWFs have been dormant in both the domestic and international capital markets, despite the historically low interest rates in the last decades. Having failed to take advantage of such low interest rates, it is unlikely that they will become active any time soon in the capital markets, considering that interest rates are currently on the rise.

The Forthcoming 2023 Index: What is Next?

Work has already begun on the 2023 edition of the Index. The next edition of the report will take up new unexplored areas such as human capital, talent and professional management of African SWFs – a topic that is increasingly important given their growing influence and co-investment strategies.

Other themes that will gain more coverage include:

- Financial Performance of African SWFs
- Co-investment strategies
- Use of ESG Metrics by African SWFs
- Potential Impacts of the Energy Transition

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