African countries urged to tap into trillions packed in Sovereign Wealth Funds

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Doha, 26 April 2012 (ECA) – African countries have been urged to find ways to tap into the US $5 trillion Sovereign Wealth assets belong to oil-exporting developing countries as well as China.

Participants at a session on investments held this week during UNCTADXIII were told that these funds grow at an average of 10 per cent every year and would constitute a real source for development resources that Africa needs.

“Of the $5 trillion, only about $110 million goes into Foreign Direct Investments; these vast quantities of funds, present an opportunity for Africa to accelerate development, strengthen economies, create jobs and improve the lives of our people,” said participants.

The discussions this week come in the wake of increased interest in Africa’s investment potential, fueled in part by the commodity boom, steady economic growth and improved macro-economic governance according to Alan Kyerematen, Head of the Africa Trade Policy Centre at the Economic Commission for Africa. In addition, with progress underway towards the creation of a Continental Free Trade Area (CFTA), prospects remain higher than ever, that the continent can significantly boost intra-African trade.

Kyerematen projects that a CFTA would create a market of about one billion people and has the potential to improve collective action to develop regional infrastructure and consolidate regional markets through improved interconnectivity in all forms of transport and communication, as well as to promote energy pooling to enhance the regions’ competitiveness.

At the investment session, participants noted that SWF present a window of opportunity for Africa to complement the direction the continent is taking towards integration. Such funds could boost the development of its nascent agro-industry, improve productive capacities; upgrade infrastructure and support integration efforts.

“The global financial crisis has made it less attractive for SWF countries to invest in unstable stock markets. These funds are best placed for more long-term investment, which is in line with the characteristics of development-enhancing investment projects,” said speakers.

In this regard, the session underscored the need for adequate policies, international cooperation and the establishment of strong institutions to reduce the obstacles to SWF investment flows.

"Access to these funds is crucial and many obstacles exist," they observed.

“What is needed,” said representatives from SWF countries, “is a balance of interests, protecting both investors and host countries.”

Issued by:

ECA Information and Communication Service
P.O. Box 3001
Addis Ababa Ethiopia

Tel: 251 11 5445098 Fax: +251-11-551 03 65
E-mail: ecainfo@uneca.org

Web: www.uneca.org

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