FINANCING THE SUSTAINABLE DEVELOPMENT GOALS: THE ROLE OF AFRICAN SOVEREIGN WEALTH FUNDS

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I. INTRODUCTION .... 1260 R
II. OVERVIEW ON SUSTAINABLE DEVELOPMENT GOALS .... 1263 R
III. OVERVIEW ON AFRICAN SOVEREIGN WEALTH FUNDS .... 1265 R
A. *Scope of Assets* .... 1265 R
B. *Source of Funding* .... 1266 R
C. *Goals of the Funds* .... 1267 R
IV. FULFILLING SDGS THROUGH INFRASTRUCTURE DEVELOPMENT AND FINANCING .... 1269 R
A. *African SWFs Financing Domestic Infrastructure*. 1270 R
B. *The Role of African SWFs in Co-Investing and Attracting Foreign Investors*.................... 1272 R
V. AFRICAN SWFS & CLIMATE-CONSCIOUS INVESTING . 1274 R
A. *Morocco's Ithmar Capital*...................... 1276 R
B. *Senegal's FONSIS* .... 1278 R
C. *Nigeria's NSIA* .... 1280 R
D. *Conclusion on Climate-Conscious Investing* ..... 1280 R
VI. AFRICAN SWFS & IMPACT INVESTING .... 1281 R
A. *Angola* .... 1284 R
B. *Nigeria* .... 1285 R
C. *Conclusion on Socially Responsible Investing in Africa* .... 1286 R
VII. CHALLENGES AND RECOMMENDATIONS .... 1286 R
A. *Increasing SWF Transparency to Reach Infrastructure Goals* .... 1286 R

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B. *Overcoming Common Challenges to Green Investing* . . . . 1288 R
C. *Challenges to SRI in Africa's Emerging Impact Investing Environment* . . . . 1289 R
VIII. CONCLUSION . . . . 1291 R

In 2015, the U.N. General Assembly formally adopted the Sustainable Development Goals (SDGs) in General Assembly Resolution 70/1.[1] *The resolution guides the international community's commitment to addressing key issues—such as poverty, inequality, and sustainability*[2]*—by 2030. However, fulfilling these goals requires the mobilization of substantial amounts of investment; some reports estimate that over U.S. $2 trillion in sustainable development-related financing is required.*[3] *In order to reach this target, financing from a variety of sources is required, and Sovereign Wealth Funds (SWFs) are one such source. In particular, African SWFs are uniquely placed to develop and lead the way in terms of sustainable investment and development, though their contribution is often overlooked.*

This article argues that African SWFs are shouldering much of the financial burden in implementing the SDGs, through the allocation of substantial funds to infrastructure development in underserved communities. Furthermore, African SWFs are the necessary local counterpart to foreign co-investments, as they attract foreign capital for developing domestic infrastructure. In addition, African SWFs are setting an excellent example for SWF best practices in green investing and decision-making, with SWFs from Morocco, Senegal, and Nigeria emerging as leaders. Lastly, African SWFs in Angola and Nigeria are pioneering frameworks for financing social impact projects. The article provides a unique review and analysis of how these SWFs' practices consistently map onto the SDGs and contribute to the international community's commitment to General Resolution 70/1.

I. INTRODUCTION

In 2015, the U.N. General Assembly formally adopted the Sustainable Development Goals (SDGs or Goals) and committed to a global agenda for implementing sustainable, responsible, and inclusive development by 2030.[4] Reflecting decades of research and lessons learned from the earlier Millennium Development Goals (MDGs), the SDGs' seventeen core goals set

1. G.A. Res. 70/1, at 1 (Oct. 21, 2015).
2. *Id.* ¶ 5.
3. Press Release, Samsung Electronics Co., Ltd., Corporate Citizens Need to Make a Real Impact on Africa's Sustainable Development Goals (June 24, 2016), https://samsung-electronics.africa-newsroom.com/press/corporate-citizens-need-to-make-a-real-impact-on-africas-sustainable-development-goals [hereinafter Samsung Press Release].
4. G.A. Res. 70/1, *supra* note 1, ¶ 16.

ambitious targets to address issues such as poverty, inequality, climate change, clean energy, responsible production, and sustainable cities.[5] However, achieving the SDGs requires the mobilization of large amounts of financing. Some reports estimate that an annual outlay of U.S. $2.5 trillion is required for their successful implementation.[6] Though many different financing mechanisms are required for fulfilling the SDGs, Sovereign Wealth Funds (SWFs) are a particularly noteworthy source of investment. In particular, African SWFs are uniquely placed to lead the way in terms of sustainable investment and development, though their contribution is often overlooked.

Over the past few decades, SWFs have increasingly become key players in the global economy.[7] SWFs are special purpose investment funds owned by state governments, which helps shield them from liabilities and expand investment horizons due to their lack of dependence on short-term liquidity.[8] These funds are often set up with capital from fiscal surpluses, balance of payments surpluses, foreign currency operations, or commodity exports, and they often invest in foreign financial assets for macroeconomic purposes.[9] One source estimated that SWFs held roughly U.S. $7.5 trillion in assets in March 2018, representing a growth rate of 13% since 2017 and more than double the asset base of 2008.[10] It should be noted that there is no consensus on the definition of SWFs, so estimates of total global assets vary greatly.[11] Still, the March 2018 estimate makes SWFs the fourth largest institutional investor

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5. *Id.* ¶¶ 16–17.

6. Samsung Press Release, *supra* note 3.

7. Veljko Fotak, Xuechen Gao & William L. Megginson, *A Financial Force to be Reckoned With?: An Overview of Sovereign Wealth Funds*, *in* THE OXFORD HANDBOOK OF SOVEREIGN WEALTH FUNDS 16, 16 (Douglas Cumming, et al. eds., 2017).

8. Udaibir S. Das, et al., *Setting Up a Sovereign Wealth Fund: Some Policy and Operational Considerations* 5 (Int'l Monetary Fund, Working Paper No. 09/179, 2009), https://www.imf.org/external/pubs/ft/wp/2009/wp09179.pdf; Fotak, Gao & Megginson, *supra* note 7, at 16.

9. Fotak, Gao & Megginson, *supra* note 7, at 16–17.

10. PREQIN LTD., THE 2018 PREQIN SOVEREIGN WEALTH FUND REVIEW 5 (2018).

11. Broader definitions of SWFs consider any pool of government-controlled financial assets with some degree of international assets as a SWF, while less expansive definitions require that this pool of assets be used to invest domestically or internationally to seek commercial profits. Fotak, Gao & Megginson, *supra* note 7, at 17.

group with about 2.4% of total global financial assets.[12] Thus, SWFs have attracted attention for their growth as an investor class and the striking speed of this growth.[13] As SWFs become increasingly influential players in the global economy, we should evaluate their potential as financiers of the SDGs, as well as their special characteristics as state-administered funds.

In comparison with their peers, African SWFs have experienced notably rapid growth and increased prominence.[14] About half of all African SWFs were created within the past decade, and at least seven other countries on the continent have announced their intentions to create SWFs.[15] There is a particular dearth of literature on the role of African SWFs in fulfilling the SDGs. This is a surprising oversight, in light of the fact that they are key players in implementing sustainable growth goals through infrastructure development, climate-conscious financing, and socially responsible investing (SRI).[16] Given the connection between the SDGs and SWFs, combined with the increasing growth of African SWFs, a closer look at these SWFs' sustainable development practices can shed light on current development trends.

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12. Credit Suisse reports that total global financial assets as of October 2018 amounted to U.S. $317 trillion. *Global Wealth Report 2018: US and China in the Lead*, CREDIT SUISSE (Oct. 10, 2018), https://www.credit-suisse.com/corporate/en/articles/news-and-expertise/global-wealth-report-2018-us-and-china-in-the-lead-201810.html. Furthermore, SWFs are the "fourth largest institutional investor group." U.N. Env't Programme, Financing Sustainable Development: The Role of Sovereign Wealth Funds for Green Investment 10 (Working Paper, December 2017), http://www.greenfiscalpolicy.org/wp-content/uploads/2018/05/SWF-Final-Study-Working-Paper-December-2017.pdf.

13. Fotak, Gao & Megginson, *supra* note 7, at 16.

14. QUANTUM GLOBAL, SOVEREIGN WEALTH FUNDS AS A DRIVER OF AFRICAN DEVELOPMENT 6 (2014), http://quantumglobalgroup.com/wp-content/uploads/2017/10/Sovereign-Wealth-Funds-as-a-driver-of-African-development.pdf (". . . African sovereign wealth funds have continued to grow in recent years. . . . They are expected to grow further as more countries set up their own SWFs. Africa is the most dynamic region of the world in terms of sovereign wealth fund creation" (citations omitted).).

15. *Prioritising African Sovereign Funds*, AFR. BUS. MAG. (Aug. 22, 2018), https://africanbusinessmagazine.com/sectors/finance/prioritising-african-sovereign-funds.

16. While socially responsible investing (SRI) encompasses environmental impacts, this article will focus on the other aspects of SRI, and will analyze climate impacts separately from other social impacts.

This paper will begin with an in-depth introduction to the SDGs, followed by an overview of African SWFs in order to provide a general context for their activities, scope of assets, and purposes. The paper will then focus on the link between African SWFs and the SDGs. First, it will discuss how African SWFs shoulder much of the financial burden in implementing the SDGs, through the allocation of substantial funds to infrastructure development in underserved communities. Furthermore, African SWFs are the necessary local counterpart to foreign co-investments, as they attract foreign capital for developing domestic infrastructure. In addition, African SWFs are setting an excellent example for SWF best practices in green investing and decision-making, with SWFs from Morocco, Senegal, and Nigeria emerging as leaders. Lastly, African SWFs in Angola and Nigeria are pioneering frameworks for financing social impact projects. The paper will conclude with a survey of the challenges that African SWFs face in achieving the SDGs, as well as an analysis of potential strategies to target these challenges.

II. Overview on Sustainable Development Goals

On October 21, 2015, the U.N. General Assembly formally adopted the SDGs through General Assembly Resolution 70/1.[17] The resolution guides the international community's commitment to addressing key issues—such as poverty, inequality, the need for clean energy, and the development of sustainable cities[18]—by 2030.

The SDGs are an expansion of the earlier MDGs, which set development goals between 2000 and 2015. A key difference between the two sets of global goals is the addition of numerous "green" goals in the SDGs, including sustainable agriculture (Goal 2), sustainable management of water (Goal 6), sustainable and modern energy for all (Goal 7), inclusive and sustainable economic growth (Goal 8), resilient infrastructure and sustainable industrialization (Goal 9), sustainable cities (Goal 11), sustainable consumption and production (Goal 12), action to combat climate change (Goal 13), ocean and marine resource conservation (Goal 14), and promotion and

17. G.A. Res. 70/1, *supra* note 1, at 1.
18. *Id.* ¶¶ 2, 34.

restoration of terrestrial ecosystems (Goal 15).[19] This demonstrates a departure from the less specific MDG to "ensure environmental sustainability" (MDG 7), which is now built out into multiple extensive SDGs.[20] Following the U.N. Conference on Sustainable Development, also known as the Rio+20, participating countries committed to increasing the effectiveness of environmental goals and targets in the SDGs rather than the MDGs.[21] UNEP cited lessons learned from the MDGs, including the importance of "[covering] a wider range of important environmental sustainability topics" and fixing MDG 7's oversight in ignoring important synergies, such as environmental sustainability's crucial links to poverty, health, and job creation.[22]

Within each of the climate-related SDGs, the U.N. General Assembly also set out specific indicators of success. For example, Goal 7, dedicated to affordable and sustainable energy for all, sets specific goals of "[increasing] substantially the share of renewable energy in the global energy mix," and "[doubling] the global rate of improvement in energy efficiency."[23] Goal 9, which is important to the SWF and sustainability context, sets specific goals for increasing the "adoption of clean and environmentally sound technologies and industrial processes," and "[facilitating] sustainable . . . infrastructure development in developing countries through enhanced financial, technological and technical support to African countries [and] least developed countries . . . ."[24]

The SDGs align with Africa's development agenda in multiple ways. First, the SDGs overlap with the African Union's Agenda 2063, which calls for sustainable development and climate resilient communities.[25] Similarly, the SDGs align with

19. *Id.* at 14.

20. G.A. Res. 65/1, at 23 (Oct. 19, 2010); *see also* DUNCAN FRENCH & LOUIS J. KOTZÉ, SUSTAINABLE DEVELOPMENT GOALS: LAW, THEORY AND IMPLEMENTATION 2 (2018) (noting that numerous new green goals have been incorporated into the SDGs, as compared to the MDGs).

21. *See* Joseph Alcamo et al., *Embedding the Environment in Sustainable Development Goals* 4 (U.N. Env't Programme Post-2015 Discussion Paper 1, Version 2, 2013).

22. *Id.* at 2, 10.

23. G.A. Res. 70/1, *supra* note 1, at 19.

24. *Id.* at 20.

25. AFR. UNION COMM'N, AGENDA 2063: THE AFRICA WE WANT: FIRST TEN-YEAR IMPLEMENTATION PLAN 2014–2023 18–19 (2015).

the African Development Bank's "High 5s," which include "Industrialize Africa" and "Light Up and Power Africa."[26] In expounding these "High 5s," the Bank noted that only a fraction of Africa's renewable energy potential is being recognized, and it promises to prioritize renewable energy through the development of technical capacity in solar, wind, and geothermal energy.[27]

A key shift between the MDGs and the SDGs is the degree of agency acknowledged in the Global South and the role that states in the Global South are expected to play. While the MDGs were envisioned as "supporting" the Global South, the SDGs target all states and are better at recognizing the responsibility and agency vested in each state.[28] Similarly, the literature is increasingly realizing that African actors directly facilitate sustainable development, instead of depending on foreign aid and foreign development sources.[29] African SWFs are one such form of agency and financial capacity-building on the continent, and they hold further potential as a tool for African governments to realize their political and financial commitments to the SDGs.

III. Overview on African Sovereign Wealth Funds

A. *Scope of Assets*

According to the African Sovereign Wealth Fund Index, there are currently twelve SWFs on the African continent with

26. Akinwumi A. Adesina, President, Afr. Dev. Bank Group, Inaugural Speech 9 (Sept. 1, 2015); *see AfDB's High 5s: A Game Changer in Africa's Development Discourse*, AFR. DEV. BANK GROUP, https://www.afdb.org/en/the-high-5 (last visited June 2, 2019) (introducing and explaining the High 5s).

27. *Light Up and Power Africa—A New Deal on Energy for Africa*, AFR. DEV. BANK GROUP, https://www.afdb.org/en/the-high-5/light-up-and-power-africa-%E2%80%93-a-new-deal-on-energy-for-africa (last visited June 2, 2019); *see also* AFR. DEV. BANK GRP., THE NEW DEAL ON ENERGY FOR AFRICA: A TRANSFORMATIVE PARTNERSHIP TO LIGHT UP AND POWER AFRICA BY 2025 3 (2017) ("Africa cannot power its homes and businesses unless it unlocks this huge renewable energy potential . . . .").

28. FRENCH & KOTZÉ, *supra* note 20, at 2.

29. *See* KOBENA T. HANSON, KORBLA P. PUPLAMPU & TIMOTHY M. SHAW, FROM MILLENNIUM DEVELOPMENT GOALS TO SUSTAINABLE DEVELOPMENT GOALS: RETHINKING AFRICAN DEVELOPMENT 3 (Kobena T. Hanson, Korbla P. Puplampu & Timothy M. Shaw eds., 2017) (discussing how MDGs and SDGs in African countries have important implications for global development).

combined assets of U.S. $89 billion.[30] Due to the variable definition of SWFs, reports utilizing a more expansive definition place the number at sixteen to twenty African SWFs with assets totalling over U.S. $159 billion.[31] Algeria and Libya have the largest of these funds, each with upwards of U.S. $55 billion of assets under management as of 2015.[32] Botswana and Angola hold the next largest funds, each managing around U.S. $5 billion as of 2015.[33] The remaining African SWFs each managed under U.S. $2 billion in assets at that time.[34] By comparison, in 2015, SWFs such as Norway's Government Pension Fund Global (GPFG) managed over U.S. $817.9 billion, China's China Investment Corporation (CIC) managed U.S. $650 billion, and Singapore's Temasek Holdings managed U.S. $160.7 billion.[35] For context, all three of these SWFs ranked within the top 10 or top 13% of SWFs by size of total assets under management, and Norway's GPFG and Singapore's Temasek are two of the most well-known and reputable SWFs.[36]

B. *Source of Funding*

African SWFs are largely funded from surpluses derived from commodity exports, such as mineral or energy exports.[37] Most African SWFs are established in countries rich in natural resources, and surpluses from oil exports are the most com-

30. Tony Chukwunyem, *Nigeria Tops African Sovereign Wealth Fund Ranking*, NEW TELEGRAPH (June 7, 2018), https://www.newtelegraphng.com/2018/06/nigeria-tops-african-sovereign-wealth-fund-ranking.

31. QUANTUM GLOBAL, *supra* note 14, at 6–7.

32. PRICEWATERHOUSECOOPERS, SOVEREIGN WEALTH FUNDS AND INVESTMENT FUNDS: 2015 LEAGUE TABLE 1 (2015); *id.* at 7.

33. PRICEWATERHOUSECOOPERS, *supra* note 32, at 2.

34. *Id.*

35. *Id.* at 1.

36. Fotak, Gao & Megginson, *supra* note 7, at 29 (noting that the GPFG is "one of the best-managed large pension fund operating today"); GRANT KIRKPATRICK, ORG. FOR ECON. CO-OPERATION & DEV., MANAGING STATE ASSETS TO ACHIEVE DEVELOPMENTAL GOALS: THE CASE OF SINGAPORE AND OTHER COUNTRIES IN THE REGION 1–2, 15 (Apr. 4, 2014), https://www.oecd.org/daf/ca/Workshop_SOEsDevelopmentProcess_Singapore.pdf (noting that Temasek has attracted a great deal of attention globally, is perceived as a key contributor to Singapore's economic success, and has been replicated to some extent in other Asian countries); *id.* at 1.

37. QUANTUM GLOBAL, *supra* note 14, at 4, 7.

mon source of funding.[38] For example, funds from oil revenues started Nigeria's Sovereign Investment Authority (NSIA), Algeria's Fonds des Regulations des Recettes (FRR), Gabon's Sovereign Wealth Fund (SWF), and the Libyan Investment Authority (LIA).[39] Similarly, Botswana created its Pula Fund in 1994 to preserve part of the revenue from diamond exports for future generations.[40] This follows the general trend in global SWFs, as SWFs are usually set up by countries when a "critical mass" of fiscal surpluses or balance of payment is reached.[41] This helps explain why many SWFs were founded during the 1970s or early 2000s, when commodity prices were high.[42] Generally, this critical mass is reached when the central bank and government agree that the ratio of international reserves to short-term external debt is sufficiently balanced.[43] Ratios differ between countries, since governments have different internal standards for deciding that reserves are adequate for setting up a SWF, as seen from the large range in SWF sizes.[44]

C. *Goals of the Funds*

African SWFs vary in their purposes and designated goals. The four traditional purposes of SWFs are stabilization, intergenerational savings, diversification, and development.[45] In Africa, most SWFs are at least partially dedicated to stabilization, as these funds are often used to smooth out fiscal and economic cycles.[46] Stabilization funds mitigate the volatility of international market prices, especially for commodity-intensive economies, as diversified income sources help insulate government revenue streams.[47] Many African SWFs also have a

38. *Id.* at 5, 7.
39. *Id.* at 7–10.
40. *Id.* at 9.
41. Das, *supra* note 8, at 5-6.
42. *Id.* at 5-6.
43. *Id.* at 6.
44. *Id.* at 6–7.
45. Roger Tafotie, *Sovereign Wealth Funds: Mere Fad or Value Added Tool for African States?* 5–7 (Univ. of Lux. Law, Working Paper No. 2018-001, 2018), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3132427.
46. QUANTUM GLOBAL, *supra* note 14, at 8.
47. Martin A. Weiss, *Sovereign Wealth Funds: Background and Policy Issues for Congress*, *in* SOVEREIGN WEALTH FUNDS 1, 5 (Thomas N. Carson & William P. Litmann eds., 2009).

savings function to spread wealth across generations; for example, if a country is experiencing high revenue from commodity exports, the excess funds can be invested into a long-term portfolio to provide for future generations.[48] This also helps insulate countries from Dutch Disease or other facets of the resource curse, where developing countries often suffer from macroeconomic problems linked to high dependence on natural resource exports.[49] On the other hand, funds with a development function focus on promoting the state's industrial policies and domestic projects with positive socioeconomic benefits.[50]

African SWFs often cover stabilization, intergenerational savings, and economic development purposes, thereby functioning under an "umbrella model" that covers multiple goals.[51] For example, Libya's LIA is divided into three parts: the Budget Stabilization Fund, Future Generation Fund, and Local Development Fund.[52] The first fund focuses on short-term investments, while the latter two have longer investment horizons.[53] Similarly, Ghana's SWF, which held about U.S. $540 million in 2014, is divided into three sub-funds: the Ghana Stabilization Fund, the Ghana Heritage Fund, and the

48. *Id.* at 5.

49. Dutch Disease refers to the phenomenon where a country's economy is doing particularly well, but its rapidly appreciating currency makes its exports less competitive on the international market or crowds out domestic industries which can no longer compete. For example, the Netherlands feared de-industrialization following the discovery of natural gas deposits, because the Dutch currency appreciated in value and crowded out other exports. Achille Toto Same, *Mineral-Rich Countries and Dutch Disease: Understanding the Macroeconomic Implications of Windfalls and the Development Prospects: The Case of Equatorial Guinea* 16 (World Bank, Afr. Region Econ. Mgmt. Dep't, Policy Research Working Paper No. 4595, April 2008). The Dutch Disease is one facet of the broader resource curse thesis. Jedrzej George Frynas, *Sovereign Wealth Funds and the Resource Curse: Resource Funds and Governance in Resource-Rich Countries, in* THE OXFORD HANDBOOK OF SOVEREIGN WEALTH FUNDS 123, 124 (Douglas Cumming, et al. eds., 2017).

50. Peter Bruce-Clark & Ashby H.B. Monk, *Sovereign Development Funds: The Governance and Management of Strategic Investment Institutions, in* THE OXFORD HANDBOOK OF SOVEREIGN WEALTH FUNDS 66, 79 (Douglas Cumming, et al. eds., 2017).

51. QUANTUM GLOBAL, *supra* note 14, at 8.

52. *Id.*

53. *Id.*

Infrastructure Investment Fund.[54] The infrastructure fund focuses on providing financial resources to a diversified portfolio of domestic infrastructure projects, in partnership with the private sector and other sources of financing.[55]

IV. Fulfilling SDGs through Infrastructure Development and Financing

The current infrastructure gap in Africa presents an area where financing is necessary for fulfilling the SDGs, and SWFs can step in as development financiers. Goal 9 focuses on building "resilient infrastructure" and "[promoting] inclusive and sustainable industrialization."[56] Poor infrastructure is a significant problem in Africa: over 600 million people in Africa lack access to electricity, and the World Bank estimates economic productivity is lowered by up to 40% due to deficiencies in infrastructure.[57]

SWFs are well-positioned to be key players in infrastructure development and financing, due to their long investment horizons and consolidation of large amounts of capital. However, global SWFs' investment in Africa's infrastructure sector is still small compared to their infrastructure investment into other regions of the world.[58] Instead, most African countries receive SWF investment in the commodity and agricultural sectors, as opposed to the infrastructure sector.[59] At the same time, the infrastructure investments that do exist in Africa target existing projects with more easily projected returns and fewer risks, as opposed to new or "greenfield" investments, which suggests that there is untapped potential for new projects.[60] This potential is especially relevant for SWFs and states looking to develop renewable as opposed to conven-

54. *Id.* at 10.

55. *Id.*

56. G.A. Res. 70/1, *supra* note 1, at 20.

57. Seedwell Hove, *Sovereign Wealth Funds and Infrastructure Development in Africa* 2 (Quantum Global Research Lab, Working Paper No. 2016/02, April 2016).

58. Hove, *supra* note 55, at 15.

59. *Id.*

60. *Id.* "Greenfield" investments are investments in new assets or projects that are constructed for the first time at a site, as opposed to "brownfield" investments, which refers to investment in existing infrastructure or assets that are already operational. Barbara Weber, Mirjam Staub-Bisang & Hans

tional energy. It is estimated that if global SWFs allocated about 1.3% of total global assets to Africa, it would close the continent's infrastructure financing gap, thus demonstrating their financial capacity for addressing the issue, if so desired.[61] While non-African investors currently play a large role in infrastructure funding, the literature overlooks the fact that African SWFs are the necessary local counterpart to foreign co-investments and are a powerful tool for future infrastructure growth.[62] Accordingly, this paper will focus on the vital roles that African SWFs play in the infrastructure financing sphere, both in their capacity as direct financiers of domestic development and their role as domestic counterparts to co-investments.

A. *African SWFs Financing Domestic Infrastructure*

African SWFs directly participate in funding domestic infrastructure. Most African SWFs have stated mandates for promoting development and infrastructure, as governments recognize these funds as key tools for supporting long-term economic development and limiting reliance on the resources sector.[63] For example, Libya's Local Investment and Development Fund (LLIDF), which the LIA and central bank jointly created, is committed to investing in infrastructure development and transformational private sector projects. The LLIDF announced in 2015 that it would invest billions in the local stock market to help fund infrastructure projects, as the nascent stock market was experiencing illiquidity issues.[64] Similarly, Angola's SWF, the Fundo Soberano de Angola (FSDEA),

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WILHELM ALFEN, INFRASTRUCTURE AS AN ASSET CLASS: INVESTMENT STRATEGY, SUSTAINABILITY, PROJECT FINANCE AND PPP 21 (2d ed. 2016).

61. Hove, *supra* note 55, at 16.

62. For a definition of co-investments, see David Greene & Amy Rigdon, *Private Equity Coinvestment*, *in* GLOBAL INVESTMENT FUNDS: A PRACTICAL GUIDE TO STRUCTURING, RAISING AND MANAGING FUNDS 81, 81 (Tom Alabaster ed., 2016) (explaining co-investment involves a minority investment made alongside a core investment program or "main fund," which typically involves a "capital commitment to a blind-pool private equity fund").

63. Hove, *supra* note 55, at 12.

64. *Id.* Unfortunately, the Libyan Investment Authority was politically fragmented, became embroiled in a lawsuit regarding mismanagement of money, and filed a suit against Goldman Sachs & Co. for losing over $1 billion of the SWF's assets. Mark Gilbert, *Spare a Thought for Libya's $67 Billion Wealth Fund*, BLOOMBERG (Nov. 23, 2018) https://www.bloomberg.com/

dedicated about U.S. $1.1 billion to infrastructure development between 2012 and 2016, which included projects in the energy, transport, and industrial sectors.[65] Furthermore, about 50% of Angola's SWF is dedicated to emerging markets and priority investment sectors on the continent.[66]

Other examples include the Nigeria Infrastructure Fund (NIF) and the Ghana Infrastructure Investment Fund (GIIF), both of which focus on developing strategic infrastructure within their respective countries.[67] The NIF, which manages about U.S. $400 million as of 2016, invests in domestic infrastructure related to health care, agriculture, power, transportation, water resources, and other industries.[68] Obtaining access to industries such as agriculture and infrastructure is key for sustainable development, and it assists in fulfilling the SDGs related to infrastructure (Goal 9), affordable energy (Goal 7), clean water (Goal 6), and good health (Goal 3).[69] Similarly, the GIIF was established in 2014 with the goal of developing domestic infrastructure through partnerships with the private sector.[70] As of 2016, it managed about U.S. $540 million in assets.[71]

In addition, SWFs can indirectly finance infrastructure through buying infrastructure bonds, underwriting loans, and investing in infrastructure debt funds.[72] By providing extra liquidity to local debt and equity markets and stabilizing the domestic financial system, SWFs can reduce risks and ensure that infrastructure projects receive continuous financing even in the event of an economic crisis.[73] For example, during the global recession of 2008, Kuwait's SWF intervened to stabilize

opinion/articles/2018-11-23/spare-a-thought-for-libya-s-67-billion-wealth-fund.

65. Hove, *supra* note 55, at 13.

66. *Id.*

67. *Id.*

68. *Id.* (noting that the Nigeria Sovereign Investment Authority has an asset base of U.S. $1 billion, and allocates 40% of that figure to the Infrastructure Fund).

69. G.A. Res. 70/1, *supra* note 1, at 14.

70. Hove, *supra* note 55, at 13.

71. *Id.*

72. *Id.* at 18.

73. *Id.*

the country's economy by investing $4 billion into the stock market to support local firms.[74]

Thus, African SWF involvement in infrastructure is well-suited for the realization of the SDGs, as the SWFs promote long-term viability of domestic infrastructure and insulate domestic development from economic volatility. Notably, African SWFs' provision of reliable and steady infrastructure financing directly supports Goal 9, which is dedicated to building resilient infrastructure in support of economic development and human well-being, and Goal 7, which involves ensuring access to reliable, sustainable, and modern energy.[75]

B. *The Role of African SWFs in Co-Investing and Attracting Foreign Investors*

Co-investments are a growing trend in infrastructure financing, and African SWFs play a crucial role as the domestic counterpart to foreign co-investment. African SWFs have the expertise and risk-sharing ability to co-invest or coordinate investments with foreign investors.[76] For example, at the regional level, the African Development Bank (AfDB) utilizes co-financing from pension funds and SWFs to spur development.[77] Specifically, the AfDB set up the Africa50 Fund initiative as a vehicle for mobilizing private capital from African central banks, SWFs, and individual donors on the continent, an initiative that saw wide support from the African Union and the U.N. Economic Commission for Africa.[78] Within this re-

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74. NADER HABIBI, BRANDEIS UNIV. CROWN CTR. FOR MIDDLE EAST STUDIES, MIDDLE EAST BRIEF NO. 40: THE IMPACT OF THE GLOBAL ECONOMIC CRISIS ON ARAB COUNTRIES: A YEAR-END ASSESSMENT 6 (Dec. 2009).

75. G.A. Res. 70/1, *supra* note 1, at 19–20.

76. Juergen Braunstein, *Financing Africa's Infrastructure Gap through New Forms of Co-Investments and Partnerships with Sovereign Wealth Funds*, AFR. AT LSE (Nov. 21, 2014), http://blogs.lse.ac.uk/africaatlse/2014/11/21/financing-africas-infrastructure-gap-through-new-forms-of-co-investments-and-partnerships-with-sovereign-wealth-funds.

77. RABAH AREZKI & AMADOU SY, BROOKINGS INST., FINANCING AFRICA'S INFRASTRUCTURE DEFICIT: FROM DEVELOPMENT BANKING TO LONG-TERM INVESTING (2016).

78. *See Fund to Pool Resources for Africa's Infrastructure*, New P'ship for Africa's Dev., https://www.nepad.org/news/fund-pool-resources-africas-infrastructure (announcing that the New Partnership for Africa's Development supports the Africa50 Fund); *Africa's Institutions Chart the Way Forward to Finance Africa's Infrastructure*, U.N. ECON. COMMISSION FOR AFR., (July 22,

gional partnership, SWFs played a role as the domestic player in each contributing country.

As large domestic institutional investors, well-managed African SWFs can signal credibility and attract foreign investors. Establishing SWFs can signal sophistication, as seen from the increases in Angola's and Nigeria's respective credit ratings after establishing SWFs.[79] In addition, SWFs can increase their governments' ability to meet investment obligations and thereby increase the confidence of foreign investors, attracting the private sector to infrastructure projects.[80] SWFs can also provide liquidity to ensure that projects continue in the face of unforeseen circumstances or financial crises,[81] as seen in the Gulf Cooperation Council (GCC) countries during the global recession of 2008, where the GCC governments used SWFs to sustain their development projects.[82]

Key examples of collaboration and co-financing include the ability of Morocco's Ithmar Capital to attract international participation and investment from other SWFs in their Green Growth Infrastructure Facility (GGIF), and the success of Senegal's Fonds Souverain d'investissements Stratégiques (FONSIS) in attracting French investors for solar infrastructure projects.[83] In addition, Nigeria's NSIA Act includes provisions that facilitate the NIF's participation in strategic co-investments in infrastructure.[84] Similarly, Tanzania recently signed a U.S. $11 billion deal with the State General Reserve Fund of Oman and China Merchants Holdings International to build a large port to facilitate trade and develop infrastructure.[85]

There is growing recognition and use of SWFs in their capacity as co-investors. For example, African SWFs have offered

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2013), https://www.uneca.org/stories/africa%E2%80%99s-institutions-chart-way-forward-finance-africa%E2%80%99s-infrastructure (reporting endorsement of the Africa50 Fund).

79. Hove, *supra* note 55, at 17.

80. *Id.*

81. *Id.*

82. Habibi, *supra* note 72, at 8.

83. Claire Milhench, *Home-Grown African Wealth Funds Seeking Foreign Partners to Fix Infrastructure Gap*, Reuters, Jan. 25, 2017, https://www.reuters.com/article/us-africa-economy-infrastructure/home-grown-african-wealth-funds-seeking-foreign-partners-to-fix-infrastructure-gap-idUSKBN1591F5.

84. Nigeria Sovereign Investment Authority Act No. (15) (2011) 98:64 S.O.G., A240 § 41(3) (Nigeria).

85. Hove, *supra* note 55, at 18.

an increasing number of opportunities for co-investment and guarantees to attract foreign investment.[86] African SWF participation in infrastructure-related co-financing and joint ventures has helped pool resources, share risks, exploit economies of scale, and improve management decisions related to the investment.[87]

Thus, the work of African SWFs in stabilizing investments and attracting foreign capital fulfills the SDGs by strengthening international partnerships for implementation of the goals (specifically, Goals 17, 17.16, and 17.17).[88] African SWFs' participation in regional partnerships like the Africa50 Fund exemplifies "[mobilizing] financial resources for developing countries" (Goal 17.3).[89] Furthermore, SWFs such as Senegal's FONSIS actively finance green energy and greenfield investments, thereby "[enhancing] international cooperation to . . . promote investment in energy infrastructure and clean energy technology" (Goal 7.a).[90] Overall, African SWFs broadly include infrastructure development in their goals and mandates, and their financing enhances "infrastructure development in developing countries through enhanced financial . . . support to African countries" (Goal 9.a).[91]

V. African SWFs & Climate-Conscious Investing

Total foreign aid to African countries does not cover the necessary investment in clean energy and climate action necessary to fulfill the various green goals reflected in the SDGs. In order to fulfill these SDGs, an estimated U.S. $3.5 trillion must be invested globally per year to address climate change, develop green infrastructure, and bend the emissions curve.[92]

86. Milhench, *supra* note 81.
87. Hove, *supra* note 55, at 18.
88. G.A. Res. 70/1, *supra* note 1, at 26–27.
89. *Id.* at 26.
90. *Id.* at 19.
91. *Id.* at 20.
92. Estimates vary widely. The International Energy Agency (IEA) estimates that U.S. $3.5 trillion of investment in climate action is required per year. Chloe Revill & Victoria Harris, 2020: The Climate Turning Point 18 (2017). The emissions curve refers to the increasing trajectory of anthropogenic greenhouse gases, resulting in global climate change, which needs to be "bent" or flattened. Univ. of Cal., Bending the Curve: Executive Summary 3 (2015).

Relatedly, analysts have posited that fulfilling SDGs in developing countries requires U.S. $2.5 trillion on an annual basis.[93] In comparison to these estimates, global totals of traditional foreign aid hover around U.S. $135 billion.[94] Thus, additional sources of financing are required beyond traditional aid, and SWFs are a possible way to fill the gap.

SWFs are uniquely positioned to contribute to this financing, as their scope of assets and long investment horizons allow them to consider long-term risks such as climate change. In July 2018, six large SWFs with a combined total of U.S. $3 trillion in assets committed to the One Planet SWF Framework; this is a voluntary framework that requires SWFs to invest solely in companies that incorporate climate risk into their strategies, demonstrating strong support for the Paris Agreement goals.[95] Since then, the founding members of the One Planet SWF Framework have reached out to more than 120 asset managers around the world, and the group continues to encourage SWFs to identify climate risks to assist in the transition to a global low-emissions economy, often framing arguments in financial stability terms.[96] On a related note, SWFs should be cognizant of long-term climate risks because they are by nature heavily exposed to the energy sector, due to their strong links to hydrocarbons and traditional energy com-

93. DEVEX, THE FUTURE OF GLOBAL DEVELOPMENT: THE CHANGING LANDSCAPE OF DEVELOPMENT FINANCE 6 (2017).

94. Mark Anderson, *Foreign Aid Close to Record Peak After Donors Spend $135bn in 2014*, GUARDIAN (Apr. 8, 2015), https://www.theguardian.com/global-development/2015/apr/08/foreign-aid-spending-2014-least-developed-countries. Global development aid was U.S. $142.6 billion in 2016. *Development Aid Rises Again in 2016 but Flows to Poorest Countries Dip*, ORG. FOR ECON. CO-OPERATION & DEV. (Apr. 11, 2017), http://www.oecd.org/dac/development-aid-rises-again-in-2016-but-flows-to-poorest-countries-dip.htm. In 2017, it rose slightly to U.S. $146.6 billion. *Development Aid Stable in 2017 with More Sent to Poorest Countries*, ORG. FOR ECON. CO-OPERATION & DEV. (Apr. 9, 2018), http://www.oecd.org/newsroom/development-aid-stable-in-2017-with-more-sent-to-poorest-countries.htm.

95. U.N. Framework Convention on Climate Change News, *Sovereign Wealth Funds Worth USD 3 Trillion Commit to Paris Goals*, U.N. CLIMATE CHANGE (July 9, 2018), https://unfccc.int/news/sovereign-wealth-funds-worth-usd-3-trillion-commit-to-paris-goals.

96. Press Release, One Planet Sovereign Wealth Funds, One Planet Summit: Engaging with Managers on Climate Change (Sept. 26, 2018), https://oneplanetswfs.org/download/23/publication/609/oneplanetswf_pressrelease26-09-2018.pdf.

panies.[97] Not only are SWFs largely funded by revenue from conventional energy exports, such as oil and gas, but global SWFs traditionally invest heavily in energy companies, including many companies that rank amongst the world's largest greenhouse gas emitters.[98] Thus, aside from the environmental considerations, lack of diversification from conventional energy will also exacerbate financial risks from the growth of renewable sources and any global transition to renewable energy. Alternatively, these strong links can be reframed as an opportunity for SWFs to divest or influence the management of traditional energy companies.

In particular, multiple African countries have recognized that SWFs can be used to create an atmosphere of climate-conscious finance and green investing. African SWFs' work in building Africa's capacity for generating renewable energy helps meet SDGs related to clean energy (Goal 7), such as "[increasing] the share of renewable energy in the global energy mix," "[facilitating] access to clean energy . . . technology," "[promoting] investment in energy infrastructure and clean energy technology," and "expanding infrastructure . . . and sustainable energy services for all in developing countries, in particular least developed countries."[99] Although African SWFs tend to be smaller in size overall, three African SWFs have taken the lead in green investing: the Moroccan, Senegalese, and Nigerian SWFs rank within the top thirteen SWFs by total exposure to green assets from 2015 to 2017, above larger SWFs.[100] Notably, Morocco's Ithmar Capital ranked seventh in total assets but provided more green investment than larger funds such as Singapore's Temasek.[101]

A. *Morocco's Ithmar Capital*

Morocco and its SWF, Ithmar Capital, are testaments to the viability of multi-country co-investments in green assets and projects in West Africa. For example, Ithmar Capital

97. U.N. Env't Programme, *supra* note 12, at 65.
98. *Id.* at 15, 65.
99. G.A. Res. 70/1, *supra* note 1, at 19.
100. Javier Capapé & Marta Santiváñez, *Sovereign Wealth Funds: Sustainable and Active Investors? The Case of Norway, in* SOVEREIGN WEALTH FUNDS 2017 61, 69–70 (Javier Capapé & Javier Santiso eds., 2017).
101. *Id.* at 70.

signed a Memorandum of Understanding with the World Bank at the twenty-second session of the Conference of the Parties (COP 22) to create the first pan-African fund dedicated to green investment: the aforementioned GGIF.[102] The GGIF aims to direct private capital to green investments and responsible infrastructure projects, with a focus on clean energy, low carbon transportation, and hydropower growth that preserves access to clean water.[103] Ithmar Capital announced that it was seeking to raise U.S. $1–2 billion from other sovereign funds and infrastructure specialists.[104] In February 2017, Ithmar Capital partnered with its Ghanaian counterpart, GIIF, in signing a Memorandum of Understanding that foresees GIIF's participation in the GGIF, and the two African SWFs reaffirmed their dedication to accelerating the transition to a green economy.[105] The International Forum of Sovereign Wealth Funds (IFSWF) has endorsed the GGIF, and more global SWFs are expected to join as limited partners.[106]

Furthermore, Morocco has partnered with Senegalese institutions and Senegal's SWF, FONSIS, to develop large-scale solar energy projects and share renewable energy expertise.[107] Thus, these Moroccan co-investments and partnerships between African SWFs are another key example of African SWFs' leadership in developing green infrastructure and fulfilling renewable energy needs in meeting the SDGs. If global SWFs want to prepare themselves for a changing world in the face of climate change and acclimatize to the growth of renewable energy sources, the successes of the Moroccan and Senagelese SWFs should inform the development of best principles and

102. Press Release, Ithmar Capital, Ithmar Capital and the World Bank Announce Creation of Green Growth Infrastructure Facility, the First Green Fund Dedicated to Africa (Nov. 16, 2016), https://www.newswire.ca/news-releases/ithmar-capital-and-the-world-bank-announce-creation-of-green-growth-infrastructure-facility-the-first-green-fund-dedicated-to-africa-601484435.html.

103. Capapé & Santiváñez, *supra* note 98, at 69.

104. *Id.*

105. Chaima Lahsini, *Ithmar Capital Partners with Ghana's Sovereign Wealth Fund*, MOROCCO WORLD NEWS (Feb. 18, 2017), https://www.moroccoworldnews.com/2017/02/208653/ithmar-capital-partners-with-ghanas-sovereign-wealth-fund.

106. U.N. Env't Programme, *supra* note 12, at 62–63.

107. Capapé & Santiváñez, *supra* note 98, at 68.

the integration of climate-conscious economic outlooks into their mandate.

B. *Senegal's FONSIS*

Senegal's FONSIS has also demonstrated a strong commitment to fulfilling the SDGs and encouraging climate-conscious investment. The CEO of FONSIS, Amadou Hott, affirmed this commitment in a public statement, arguing that "[t]he only way to achieve the sustainable development goals is to use more public capital strategically for unlocking private investment . . . ."[108] FONSIS has demonstrated this commitment through multiple renewable energy projects and participation in the International Finance Corporation's (IFC) Scaling Solar program.[109]

FONSIS has significant experience with renewable energy projects and has helped Senegal consolidate its status as one of the leading producers of solar energy in West Africa. FONSIS co-invested in the Senergy 2 solar farm in October 2016, which will supply electricity to 160,000 people and reduce the release of greenhouse gas emissions by 23,000 tons per year. This project was also funded in large part by co-investments from development finance institutions (DFIs) and debt from European lenders.[110] The Senergy solar farm followed this in June 2017, where the Senegalese SWF partnered with French investors to build what was then the biggest solar power plant in West Af-

108. Håvard Halland & Michel Noel, *Development Finance Frontline: Senegal's Strategic Investments Fund*, WORLD BANK BLOG (Apr. 22, 2016), http://blogs.worldbank.org/psd/development-finance-frontline-senegal-s-strategic-investments-fund.

109. Press Release, ENGIE, ENGIE and Meridiam Win Two Solar Photovoltaic Projects in Senegal (Apr. 18, 2018), https://www.engie.com/en/journalists/press-releases/win-two-solar-photovoltaic-projects-senegal.

110. Matteo Maillard, *Senergy 2, La Plus Grande Centrale Solaire d'Afrique de l'Ouest, Inaugurée au Sénégal*, LE MONDE (Oct. 25, 2016), https://www.lemonde.fr/afrique/article/2016/10/25/senergy-2-la-plus-grande-centrale-solaire-d-afrique-de-l-ouest-inauguree-au-senegal_5020110_3212.html. The Senegalese SWF partially funded Senergy 2. *Senergy 2 – Senegal – Operational*, GREENWISH PARTNERS, http://www.greenwishpartners.com/portfolio/senergy-2-solar-pv-farm (last visited June 1, 2019); ECOWAS CTR. FOR RENEWABLE ENERGY & ENERGY EFFICIENCY, CASE STUDY: FIRST THREE SOLAR PV INDEPENDENT POWER PRODUCERS IN SENEGAL 4 (2016).

rica.[111] In addition to FONSIS' direct investment in these solar farms, the SWF has played a large part in attracting millions in equity and bank debt for these greenfield and brownfield projects,[112] demonstrating its ability to attract foreign capital for sustainable investments. These projects showcase the contributions that SWFs have made towards Senegal's target of supplying 20% of the country's net power demand through green energy sources.[113]

FONSIS has also played a large role in facilitating Senegal's membership in the ICF's Scaling Solar program, which organizes auctions and provides guarantees to reduce funding risks for solar projects.[114] Since Senegal joined in January 2016, FONSIS has acted as the financial arm of the government in partnering with the IFC to organize tender processes for solar energy projects and strengthening the regional market for solar investment.[115] As of September 2017, Senegal was organizing auctions and tenders related to renewable energy, namely in the financing of solar farms with generation capacity totaling up to 100MW.[116] For reference, a 100MW power plant could generate enough electricity to power approximately 36,000–100,000 homes in the United States.[117] FONSIS has also participated in other green projects, including a fund

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111. *Senegal: Inauguration of West Africa's Largest Solar Power Plant*, PROPARCO (Jun. 29, 2017), https://www.proparco.fr/en/senegal-inauguration-west-africas-largest-solar-power-plant.

112. U.N. Env't Programme, *supra* note 12, at 63. For a definition of greenfield and brownfield projects, see *supra* text accompanying note 58.

113. Gwladys Johnson, *Senegal to Soon Achieve Its Renewable Energies Target, Driven by Solar*, ECOFIN AGENCY (Oct. 27, 2017), https://www.ecofinagency.com/electricity/2710-37660-senegal-to-soon-achieve-its-renewable-energies-target-driven-by-solar.

114. U.N. Env't Programme, *supra* note 12, at 63.

115. *Id.* For further information from an organization that facilitates the FONSIS-IFC partnership, see *Unlocking Private Investment in Emerging Market Solar Power*, SCALING SOLAR https://www.scalingsolar.org.

116. U.N. Env't Programme, *supra* note 12, at 63.

117. Estimates vary. The Consumer Energy Center states that one MW can power 1,000 homes, but other sources estimate that one MW can power 360 homes. Jake Richardson, *100-MW Solar Power Plant for California Central Valley*, CLEAN TECHNICA (Sept. 8, 2012), https://cleantechnica.com/2012/09/08/100-mw-solar-power-plant-for-california-central-valley. These sources are from the United States, so the amount of energy needed per home will vary depending on country.

for agribusinesses, a healthcare infrastructure project, and a greenfield project for exporting organic products.[118]

C. *Nigeria's NSIA*

Nigeria's NSIA has participated in multiple investments that clearly align with the SDGs. The NSIA is organized in a three-part umbrella structure, and the portion dedicated to infrastructure, the NIF, has undertaken notable sustainable initiatives with its U.S. $600 million in assets.[119] One of NIF's select completed investments is an investment in support of the Fund for Agricultural Finance in Nigeria (FAFIN), which is a 10-year fund with a final close of about U.S. $66 million.[120] FAFIN has a strong sustainability framework and only invests in Nigerian companies that meet their Environmental, Social and Governance (ESG) guidelines.[121]

In addition, Nigeria ranks fairly high when evaluating SWFs by exposure to green assets. As of 2017, it had exposure to about U.S. $200 million in green investments, ranking eleventh and placing above SWFs from Alaska, Russia, and Ireland.[122]

D. *Conclusion on Climate-Conscious Investing*

Morocco, Senegal, and Nigeria are the leaders in regards to green investing from African SWFs, and their exposure to green assets remains high when compared against SWFs from around the globe. Their activities directly map onto SDG targets for "[enhancing] international cooperation to . . . promote investment in energy infrastructure and clean energy technology" (Goal 7.a) and efforts for "[increasing] substantially the share of renewable energy in the global energy mix" (Goal 7.2).[123] Thus, their participation in renewable energy

118. U.N. Env't Programme, *supra* note 12, at 63.
119. *Id.*
120. *Id.* at 63–64. For a definition of "final close," see Jenny Wheater, *Private Equity Fund Timeline*, Duane Morris (Aug. 2014), https://www.duanemorris.com/site/static/private_equity_fund_timeline.pdf (defining "initial closing" as "the first time that investors commit to making their investment in the fund," and "final closing" as the last [time] investors [can] commit to making their investments").
121. U.N. Env't Programme, *supra* note 12, at 64.
122. Capapé & Santiváñez, *supra* note 98, at 70.
123. G.A. Res. 70/1, *supra* note 1, at 19.

projects and their encouragement of innovative frameworks for green investment both fulfill the SDGs and demonstrate best principles for global SWFs seeking to increase their commitment to sustainability.

VI. African SWFs & Impact Investing

Actors in both the private and public sectors are currently looking to socially responsible investing (SRI) and impact investing as methods for supporting the implementation of the SDGs by 2030.[124] This includes asset management firms such as Encourage Capital or RobecoSAM, the latter of which manages a U.S. $10.7 billion portfolio.[125] Other examples range from impact investment and management companies, such as Calvert Impact Capital and Pique Ventures, to the U.N.-organized coalition of institutional investors that developed the "Principles for Responsible Investment."[126] Both SRI and impact investing integrate ESG factors into the investment analysis process. However, impact investing is often defined as an even narrower approach that places greater emphasis on ESG factors and allows for greater financial trade-offs for the sake of environmental benefits.[127] In the Global Impact Investing Network's (GIIN) 2018 survey, more than half of surveyed impact investors reported that they tracked their performance against the SDGs through actively collecting data with the goals in mind.[128] The GIIN also reports that investors have

124. Global Impact Investing Network, Achieving the Sustainable Development Goals: The Role of Impact Investing 1 (2017).

125. *Id.* at 2, 6.

126. *Sustainable Development Goals*, Calvert Impact Cap., https://www.calvertimpactcapital.org/portfolio/sdgs (last visited June 1, 2019); Bonnie Foley-Wong, *Impact Investing & UN Sustainable Development Goals*, Pique Ventures, (Sept. 12, 2018), https://piqueventures.com/impact-investing-un-sustainable-development-goals ("This year, Pique began to reference the UN SDGs and we were explicit about it in our Impact Report that we shared with Pique Fund investors in May."); *The SDG Investment Case: Investors and the Sustainable Development Goals*, Principles for Responsible Inv., https://www.unpri.org/sdgs (last visited June 1, 2019).

127. Global Impact Investing Network, *supra* note 122, at 1.

128. *See generally* Global Impact Investing Network, Financing the Sustainable Development Goals: Impact Investing in Action (2018) (noting specifically the following SDGs: Goal 1 (end poverty), Goal 5 (gender equality), Goal 8 (decent work and economic growth), Goal 9 (industry, innovation, and infrastructure), Goal 10 (reduced inequality), Goal 11 (sustainable

consistently used impact investing to drive progress in areas that align with the SDGs, including investment and development in sustainable energy, affordable housing, quality education, and access to financial services.[129] Thus, if SWFs implement impact investing principles and frameworks in their governance, this can assist in guiding financial decisions in a manner that executes the SDGs. For example, SRI assets in Australia and New Zealand grew by 248% in only two years, due in large part to regional SWFs' commitment to integrating ESG principles.[130]

Correspondingly, SWFs have a crucial role in fulfilling the SDGs as they may be one of few types of investors with the consolidated capital necessary to participate in true impact investing.[131] The Government Pension Fund Global (GPFG) of Norway is a leader in the integration of the SDGs as a guiding framework for investment decisions. Norway's SWF has committed to divesting from companies that lack a sustainable long-term model, and it has recognized the SDGs as clear indicators of externalities that can hurt portfolio value.[132] Thus far, Norway's GPFG has identified major fossil fuel producers as targets for divestment, including EOG Resources, Cabot Oil and Gas, Devon Energy, and Occidental Petroleum.[133] As many SWFs are looking to expand their portfolios beyond

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cities and communities), Goal 12 (responsible consumption and production)).

129. GLOBAL IMPACT INVESTING NETWORK, *supra* note 122, at 1, 11.

130. GLOBAL SUSTAINABLE INV. ALL., GLOBAL SUSTAINABLE INVESTMENT REVIEW 2016 15 (2016).

131. Wendy Abt, *Impact Investing Must Resolve Its Identity Crisis*, FIN. TIMES (May 1, 2018), https://www.ft.com/content/ffd1295a-47b0-11e8-8ee8-cae73aab7ccb ("The constraints on true impact investing now restrict it largely to billionaires, (Aliko Dangote, Kiran Mazumdar-Shaw, Carlos Slim) or giant companies and sovereign wealth funds (Alphabet, Temasek, Norway's oil fund).").

132. Gwladys Fouche & Terje Solsvik, *Norway's $1 Trillion Fund to Beef Up Scrutiny on Sustainability, Ocean Pollution*, REUTERS, Sept. 5, 2018, https://www.reuters.com/article/us-norway-swf/norways-1-trillion-fund-to-beef-up-scrutiny-of-sustainability-ocean-pollution-idUSKCN1LL0IN.

133. Robert Rapier, *How Significant is Norway's Fossil Fuel Divestment Announcement?*, FORBES (Mar. 15, 2019), https://www.forbes.com/sites/rrapier/2019/03/15/how-significant-is-norways-fossil-fuel-divestment-announcement/#46b2e72750de.

commodities and resources,[134] they could look to impact investing frameworks to guide decision-making, which will also produce financial benefits from diversifying their investments. Furthermore, managers of SWFs have a fiduciary duty to act in the best interest of their beneficiaries, which usually include the country's citizens and future generations.[135] Thus, managers should consider the long-term externalities and risks that the SDGs and ESG principles encompass, following in Norway's footsteps.

These benefits from SWF participation in impact investing are particularly relevant in Africa. As impact investing has often been used to target education levels, economic productivity, availability of financial services, hunger, and adequate housing,[136] there is a great deal of overlap between the African development agenda and the domain of impact investing. The current trend away from relying on official development assistance and external aid further creates an environment where African governments should consider impact investing as an alternative tool, since private sector activity has arguably been a more effective and efficient driver of development in Africa.[137] Thus, private equity and fund managers both stress the role of SWFs in long-term private financing and encourage impact investing as a tool for African policymakers looking to drive development and deliver social benefits.[138]

Such impact investing may have further benefits. For instance, impact investing can encourage private sector growth and local enterprises, as SWFs can help bear upfront risks and finance new projects. In addition, setting social and ethical guidelines for African SWFs may pressure foreign SWFs and DFIs investing in Africa to follow similar ethical guidelines. For

134. Davos-Klosters, *Mainstreaming Impact Investing 2013: Summary of Impact Investing Sessions at the World Economic Forum Annual Meeting 2013*, WORLD ECON. FORUM (2013), https://www.weforum.org/about/mainstreaming-impact-investing-2013.

135. Xenia Karametaxas, *Sovereign Wealth Funds as Socially Responsible Investors*, *in* INT'L ECON. L.: CONTEMP. ISSUES 271, 276 (Giovanna Adinolfi et al. eds., 2017).

136. BRIDGES IMPACT+ & AFR. PRIVATE EQUITY & VENTURE CAPITAL ASS'N, INVESTING FOR IMPACT: A STRATEGY OF CHOICE FOR AFRICAN POLICYMAKERS 5 (2014).

137. *Id.* at 4.

138. *Id.* at 5.

example, one barrier to growing impact investment in the development sphere is the lack of financial and social performance data.[139] If SWFs create impact investing guidelines and collect data on whether indicators are met, these performance metrics would provide concrete models of successful impact investing and allow DFIs to easily design their own benchmarks, which would lower the information costs and risk concerns about entering the sector.

A. *Angola*

A leading example of SWF participation in SRI and ethical investing is Angola's SWF, the FSDEA. The FSDEA held assets of about U.S. $5 billion in 2016, and dedicates up to 7.5% of total capital to a "Social Charter."[140] This charter supports social development initiatives and projects that produce socioeconomic benefits, such as sustainable job creation and access to health care services.[141] The charter invests in a diverse range of projects, but it focuses on poor, rural areas where the funds make an instant tangible impact.[142] This helps balance economic inequalities between rural and urban areas while encouraging sustainable wealth generation in rural areas, with a "hand up rather than a hand out" approach.[143] The Social Charter supports NGOs that work in the field of social development in rural Angola, including World Vision, Medici Con L'Africa, People in Need, and many others.[144] José Filomeno dos Santos, chairman of the board of directors for the FSDEA, noted that the fund has partnered with NGOs that

139. CONSULTATIVE GRP. TO ASSIST THE POOR, WHERE DO IMPACT INVESTING AND MICROFINANCE MEET? 3 (2013).

140. Boma Benjy, *Fundo Soberano de Angola Announces Audited Results For 2016*, AFR.LEADERSHIP MAGAZINE (Sept. 19, 2017), https://webcache.googleusercontent.com/search?q=cache:E2ULyuUG3y8J:https://africanleadership.co.uk/fundo-soberano-de-angola-announces-audited-results-2016/+&cd=1&hl=en&ct=clnk&gl=US.

141. *Id.*

142. Mthuli Ncube, *Sovereign Wealth Funds and Africa's Unique Challenges*, QUANTUM GLOBAL GROUP (Aug. 21, 2017), http://quantumglobalgroup.com/article/sovereign-wealth-funds-and-africas-unique-challenges.

143. *Id.*

144. Benjy, *supra* note 138.

support vocational training for young people and small industries, in line with sustainable development.[145]

The FSDEA's activities and Social Charter assist in realizing SDGs related to good health and well-being (Goal 3), quality education (Goal 4),[146] and decent work (Goal 8), as its investments align with SDGs that "aim to [improve] access to quality essential health-care services,"[147] "increase the number of youth and adults who have relevant . . . technical and vocational skills,"[148] and "[p]romote development-oriented policies that support productive activities, . . . [and] job creation."[149] Thus, Angola's SWF's model of setting aside funds for a specific social mandate is both an example of how global SWFs can integrate impact investing into their structure, and an example of African SWF leadership in global efforts to increase impact investing.

B. *Nigeria*

Nigeria's SWF has one of the most explicit commitments to investing in projects that fulfill ESG principles. In line with these principles, the NSIA participated in a joint venture to set up a U.S. $200 million green agriculture fund dedicated to increasing food security and supporting integrated commercial farming.[150] Similarly, the NSIA also supports the FAFIN, a 10-year fund managing about U.S. $66 million that adheres to a robust ESG decision-making framework and only invests in Nigerian companies that meet ESG guidelines.[151] In addition, the NSIA Act, which established the SWF, allocates up to 10% of infrastructure funds (or about 4% of NSIA's total assets) to be dedicated to social infrastructure projects in underserved

145. *Angola's First Wealth Fund Reports Continuous Gains*, AFR. REV. BUS. & TECH., (Nov. 1, 2017), http://www.africanreview.com/finance/economy/angola-s-first-wealth-fund-reports-continuous-gains.

146. People in Need focuses on education and health improvements in Angola, so this relates to Goal 4. *Angola*, PEOPLE IN NEED, https://www.clovekvtisni.cz/en/what-we-do/humanitarian-aid-and-development/angola (last visited Dec. 23, 2018).

147. Goal 3.8. G.A. Res. 70/1, *supra* note 1, at 16.

148. Goal 4.4. *Id.* at 17.

149. Goal 8.3. *Id.* at 19.

150. U.N. Env't Programme, *supra* note 12, at 64. This is related to Goal 1 (end poverty), Goal 2 (end hunger), and Goal 12 (responsible production and consumption). G.A. Res. 70/1, *supra* note 1, at 14.

151. U.N. Env't Programme, *supra* note 12, at 63–64.

sectors or regions, even if they present less favorable economic returns.[152] For example, the NSIA committed $5 million to Babban Gona Farmer Services Ltd., which is a high impact agricultural franchise that seeks to provide microfinance, harvesting services, and training to at least 20,000 farmers.[153]

The NSIA's commitment to green agriculture funds, food security, and social infrastructure are in line with SDG 2, which aims to achieve food security and promote sustainable agriculture, and SDG 10, which aims to reduce inequality within countries by promoting social and economic inclusion.[154]

C. *Conclusion on Socially Responsible Investing in Africa*

There is great potential for implementing the SDGs through African SWFs or encouraging foreign SWFs to commit to socially responsible investing in Africa. However, impact investing in Africa remains nascent. SWFs are only slowly implementing explicit SRI or integrating social impact frameworks, notwithstanding Angola's Social Charter and Nigeria's dedication to ESG principles. Thus, African policymakers and SWF decision-makers should continue to consider impact investing, with a focus on ESG principles, as a tool for sustainable development and progress towards the SDGs.

VII. Challenges and Recommendations

A. *Increasing SWF Transparency to Reach Infrastructure Goals*

African SWFs' limited amounts of capital necessitate the involvement of foreign investors, but the blanket perception of Africa as a risky investment environment[155] may require SWFs to heavily signal improvements in transparency and governance standards to attract co-investors. SWF transparency involves audited annual reports, the publication of key figures

152. Nigeria Sovereign Investment Authority Act No. (15) (2011) 98:64 S.O.G., A241 § 41(5) (Nigeria).

153. Press Release, Nigeria Sovereign Inv. Auth., NSIA Announces Audited Financial Results for 2017 Financial Year (Aug. 6, 2018), http://nsia.com.ng/~nsia/sites/default/files/press-release/Press%20Release%20-%202017%20Financial%20Statement_Updated_08062018_Final%20Version.pdf.

154. Goal 2 and Goal 10. G.A. Res. 70/1, *supra* note 1, at 15, 21.

155. Hove, *supra* note 55, at 22.

such as ownership percentages in companies and annual returns, and the promulgation of clear strategies and objectives, usually on an easily accessible platform such as a public website.[156]

According to the Sovereign Wealth Fund Institute, African SWFs have relatively low ratings on the Linaburg-Maduell Transparency Index, which is a global index for rating SWF transparency.[157] However, transparency has been improving, and several African SWFs are increasing their adherence to the Santiago Principles, which are twenty-four generally accepted principles that promote good governance, accountability, and transparent investment practices.[158] One example of a leading governance and transparency approach is Nigeria's NSIA, which has consistently earned high ratings on transparency and ethical operating metrics.[159] Increasing transparency and establishing good governance strategies for African SWFs can help increase investor confidence, and this will assist SWFs in signalling market sophistication and capacity to participate in risk-sharing. SWFs seeking to improve their global reputation and perceived accountability should emulate the NSIA's adherence to the Santiago Principles, stringent operating systems, and regular independent audits.[160]

156. *Linaburg-Maduell Transparency Index (LMTI)*, SOVEREIGN WEALTH FUND INST., https://www.swfinstitute.org/statistics-research/linaburg-maduell-transparency-index.

157. QUANTUM GLOBAL, supra note 14, at 8. The Linaburg-Maduell Transparency Index, developed at the Sovereign Wealth Fund Institute, is a well-regarded metric for rating sovereign wealth fund transparency. *Id.*

158. Angola and Senegal explicitly integrate the Santiago Principles. CHATHAM HOUSE, AFRICA PROGRAMME CONFERENCE SUMMARY: AFRICA'S SOVEREIGN WEALTH FUNDS DEMAND, DEVELOPMENT AND DELIVERY 9, 13 (Sept. 5, 2014). For a definition of the Santiago Principles, see generally INTERNATIONAL WORKING GROUP OF SOVEREIGN WEALTH FUNDS, SOVEREIGN WEALTH FUNDS: GENERALLY ACCEPTED PRINCIPLES AND PRACTICES: "SANTIAGO PRINCIPLES" (2008).

159. Mathias Okwe, Abuja, *NSIA retains best transparent African Sovereign Wealth firms' rating*, GUARDIAN (May 2, 2016), https://guardian.ng/news/nsia-retains-best-transparent-african-sovereign-wealth-firms-rating.

160. QUANTUM GLOBAL, *supra* note 14, at 8, 23. For evidence of NSIA's adherence to the Santiago Principles, see generally NIGERIA SOVEREIGN INV. AUTH., NIGERIA SOVEREIGN INVESTMENT AUTHORITY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (2017).

B. *Overcoming Common Challenges to Green Investing*

African SWFs that seek to grow their climate-conscious investing face a different set of challenges, as SWFs across the world are only beginning to develop frameworks for integrating climate risks into investment decision-making. Globally, many SWFs have yet to integrate climate risks into their strategies. Furthermore, the SWFs that *are* willing to take climate risks into account do so in an opportunistic manner and heavily emphasize short-term financial returns in decision-making.[161] Thus, to increase the effectiveness of green investing in reaching the SDGs, all SWFs, including African SWFs, must target their fundamental investment principles and decision-making structure.

To improve decision-making, SWFs should consider climate risks as part of their long-term beliefs, which are formal guidelines for investment policy.[162] Climate change risks include the possibility of a paradigm shift away from the fossil fuel sector towards renewable sectors, through technological innovations and renewable energy.[163] Another risk is the uncertainty and cost to which companies with high carbon emissions are exposed through stricter environmental regulations.[164] For example, the New Zealand Superannuation Fund has attempted to create a portfolio that insulates against these climate risks by reducing its exposure to fossil fuel reserves, as it divested from high-risk companies and sought out new investments in alternative energy.[165]

SWFs will also have to revise their governance frameworks and develop clear fiscal rules that enable long-term strategies that take into account the SDGs and facilitate the transition to a low-carbon economy. As fiscal rules prescribe the amounts that the government may withdraw from the fund every year, governments should develop SWF governance rules that allow the fund to sustain long-term goals, such as infrastructure de-

161. U.N. Env't Programme, *supra* note 12, at 69.
162. For a definition of investment beliefs, see *Example Investment Beliefs*, PRINCIPLES FOR RESPONSIBLE INV. (Mar. 28, 2016), https://www.unpri.org/asset-owners/investment-beliefs-examples-from-practice/288.article ("Investment beliefs set the direction for investment policy, investment practice and organisational culture.").
163. U.N. Env't Programme, *supra* note 12, at 69.
164. *Id.*
165. *Id.*

velopment and renewable energy projects, without short-term political interference or the disabling of future returns.[166]

Due to the transition costs associated with these strategies, African SWFs could take advantage of outside resources such as sustainable investment research groups and the One Planet SWF Working Group. These resources are designed to share knowledge, disseminate ready-made investment decision-making frameworks, and assist investors in identifying portfolios that can meet the SDGs.[167]

C. *Challenges to SRI in Africa's Emerging Impact Investing Environment*

African SWFs that aim to create other social benefits through SRI and impact investing are working within a nascent impact investment environment. Thus, these SWFs may have to pursue novel approaches, such as a universal social impact rating system for possible investments, separate social impact funds within the SWF umbrella, or development of social stock exchanges. Social stock exchanges are trading platforms that only list social businesses, as this helps connect investors to trusted social businesses and facilitate share trading in line with investor missions.[168]

One barrier to higher SWF involvement in impact investing is the difficulty in finding viable investments that provide both social benefits and financial returns.[169] African SWFs have often demonstrated a low appetite for risk, and this can result in SWFs choosing conventional investment opportunities instead of innovative or "niche" investments that are per-

166. *Id.* at 70.

167. Press Release, Int'l Forum of Sovereign Wealth Funds, One Planet SWF Working Group Publish Framework on Climate Change (July 6, 2018), http://www.ifswf.org/general-news/one-planet-swf-working-group-publish-framework-climate-change; Ali Newhard, Kara Chin & Jacqui Frank, *This Socially Responsible Investor Says What a Company Does Is Even More Important Than How They Do it*, BUS. INSIDER (Jul. 23, 2018), https://www.businessinsider.com/socially-responsible-investing-platform-considers-how-companies-make-money-2018-7.

168. Bandini Chhichhia, *The Rise of Social Stock Exchanges*, STANFORD SOC. INNOVATION REV. (Jan. 8, 2015), https://ssir.org/articles/entry/the_rise_of_social_stock_exchanges.

169. U.N. DEV. PROGRAMME, IMPACT INVESTMENT IN AFRICA: TRENDS, CONSTRAINTS AND OPPORTUNITIES 31 (2016).

ceived as "risky,"[170] even if they provide social and environmental benefits. To combat this, SWFs should include externalities such as social and environmental risks and benefits, as these variables are often inadequately priced and overlooked in the traditional investing landscape.[171] Similarly, the lack of consistent measurement and reporting on ESG-related outcomes prevents SWFs from easily identifying viable ESG-compliant investments. A solution could be for African SWFs to collectively agree to promote a particular measurement system, such as the Global Impact Investing Rating System[172] or the Impact Reporting and Investment Standards.[173] Alternatively, a region-specific impact investing measurement tool could be developed; the key is standardization to lower the costs involved in identifying suitable targets for impact investments.

Another possible challenge is the short-term developmental needs in certain African countries. This is particularly problematic given the susceptibility of SWFs to short-term political considerations when governance rules are not sufficiently stringent.[174] A solution to this would be to set up a separate fund, whether separately or within the SWF umbrella model, for impact investing with an explicit focus on social benefits; this is similar to how development and infrastructure funds are separately endowed. Angola's Social Charter is an excellent example of effectively setting aside funds for SRI with immediate

170. *Id.*

171. *See* U.N. ENVIRONMENT INQUIRY, ENHANCING ENVIRONMENTAL RISK ASSESSMENT IN FINANCIAL DECISION-MAKING 4 (July 2017), http://unepinquiry.org/wp-content/uploads/2017/07/Enhancing_Environmental_Risk_Assessment_in_Financial_Decision-making.pdf, at 4 (discussing the importance of considering these externalities).

172. Global Impact Investing Rating System helps businesses align interests with society and provide comprehensive standards to affect systems change and measure social impact. *GIIRS Funds*, B ANALYTICS, http://b-analytics.net/giirs-funds (last visited Dec. 23, 2018).

173. GIIN manages the Impact Reporting and Investment Standards, which catalogues metrics for measuring social impact. *IRIS+*, GLOBAL IMPACT INVESTING NETWORK, https://iris.thegiin.org (last visited Dec. 23, 2018).

174. Shai Bernstein, Josh Lerner & Antoinette Schoar, *The Investment Strategies of Sovereign Wealth Funds*, 27 J. ECON. PERSP. 219, 219–20, 223–24 (2013) (discussing how the quasi-public nature of SWFs exposes them to short-term political considerations and pressures, such as public demand to support local businesses and jobs).

impact.[175] In addition, clear fiscal rules and strong governance can help address this concern.

A further concern is that SWFs may be discouraged from dedicating funds for impact investments in foreign countries, as the social and economic benefits are geographically removed and there is less of a domestic political payoff. To overcome this barrier, regional funds, as opposed to country-specific funds, could encourage African SWFs to invest in other countries on the continent.[176] Alternatively, a regional social stock exchange could provide the unified support system required to foster impact investments. This would help facilitate impact investment exits by increasing liquidity,[177] consolidating a larger number of viable investment opportunities, and lowering administrative costs. There are currently only two social stock exchanges in Africa: the South African Social Investment Exchange[178] and the Kenya Social Investment Exchange.[179] While African SWFs could encourage the creation of a regional social stock exchange, governments will have to add this to their agenda and invest resources to coordinate regionally.

VIII. Conclusion

In conclusion, African SWFs have already taken substantial steps towards realizing the SDGs, but there remains great potential for continued growth. As the reach and scope of African SWFs increases, so does their capacity for realizing infrastructure development, growing green investing, and disseminating ESG principles. These practices consistently map onto the SDGs adopted by the United Nations, including, but not limited to, the goals aimed at elimination of poverty (Goal 1),

175. Benjy, *supra* note 138.

176. Bridges IMPACT+ & Afr. Private Equity & Venture Capital Ass'n, *supra* note 134, at 18.

177. U.N. Dev. Programme, *supra* note 167, at 34.

178. Press Release, South Africa NGO Network, South African Social Development Innovation Shortlisted for Global Award (Jan. 19, 2009), http://www.ngopulse.org/press-release/south-african-social-development-innovation-shortlisted-global-award.

179. *Impact Investing: Exchange Platforms and Early Developments of Secondary Markets*, Canadian Bus. Ethics Res. Network, *available at* https://www.cbern.ca/content/uploads/2016/01/Impact-Investing_-Exchange-platforms-and-early-developments.pdf (last visited Dec. 23, 2018).

quality education (Goal 4), clean water and sanitation (Goal 6), affordable and clean energy (Goal 7), stronger innovation and infrastructure (Goal 9), sustainable cities (Goal 11), and enhanced global partnership (Goal 17).[180] Global SWFs should recognize the leadership of African SWFs in the sustainable development sphere to assist in changing investment norms towards sustainable practices. At the same time, African SWFs should guide their continued growth in a sustainable manner to ensure that financing for the SDGs remains on track.

Crucially, African SWFs support local infrastructure development in ways that align with the SDGs. African SWFs consistently participate as the local counterpart to foreign co-investments, thereby attracting foreign participation and financing for infrastructure growth, while also setting aside funds for investment in domestic infrastructure. Furthermore, African SWFs are ramping up their involvement in renewable energy and green investing, with asset allocation and renewable energy project investment that put them ahead of many global SWFs. Lastly, as the role of impact investing and the integration of ESG principles continues to grow across the globe, African SWFs are beginning to set aside funds for social impact projects, but there remains untapped potential in this domain.

In order for SWFs to be effective tools for implementing the SDGs, they must overcome barriers that stem both from their nature as government-owned investment vehicles and the continent's specific development goals and environment. However, various governance and decision-making changes can enable African SWFs to continue to increase their involvement in producing social and environmental benefits.

Looking forward, African SWFs will continue to be an influential and important source of financing for the SDGs. Many of their activities directly map onto the seventeen core goals of the SDGs, and there remains great potential for African SWFs to lead the way in facilitating long-term, inclusive, and sustainable development.

180. G.A. Res. 70/1, *supra* note 1, at 14.