

## **FEATURE: AFRICA'S ABUNDANT TREASURY**

**19 February 2015**

SAVCA talks to David Ashiagbor, from Making Finance Work for Africa, about the potential of Africa's pension funds in unlocking private equity investment on the continent.

### ***To what extent are African pension funds growing?***

Recent reforms across Africa have created private pension systems that are rapidly accumulating assets under management in line with the continent's explosive demographics. Assets under management by the Nigerian pension industry, for example, grew from US\$7 billion in December 2008 to US\$27 billion in October 2014. Similarly, Ghana's pension industry is expected to expand by up to 400% over the next four years. The recent growth in the African pensions industry brings opportunities to fund the long-term investment in infrastructure and other sectors that the continent so desperately needs.

### ***How much money is available for private equity investment?***

Assets under management in the ten African countries covered in MFW4A's joint publication with EMPEA and the Commonwealth, range from US\$322 billion in South Africa to US\$400 million in Rwanda. We have estimated how much is available for investment in private equity based on an assumed 5% allocation. This brings us to a figure of some US\$35 billion available for private equity within the pensions system of these countries.

### ***Do you think that African pension funds will invest more in private equity?***

Africa's pension funds will not become mainstream private equity investors overnight. Building capacity within the region for private equity investment will take time. Yet, evidence points to African pension funds playing an increasing role in the private equity industry in the medium term. The growth in assets and recent regulatory changes under discussion in countries like Nigeria (with regard to relaxing the geographic restrictions) and Botswana (on introducing a specific limit for private equity) support this thesis. Some operators in countries like Kenya and Nigeria are exploring the possibility of creating local fund of funds or listed vehicles, which could go some way to addressing some of the regulatory and practical constraints private equity poses for local pension funds.

### ***How can industry bodies such as SAVCA encourage this greater investment?***

Industry bodies such as SAVCA should also take the lead in providing research and analysis that pension funds and other stakeholders, such as regulators, need in order to understand the asset class and on which to base investment decisions. This will help to address the critical issue of lack of familiarity with the asset class, and that can only be done through investing and by going through the full private equity cycle.

A full copy of the research paper "Africa's Abundant Treasury" can be found [here](#).