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Africa

Africa Holds USD 4 Trillion in Domestic Capital for Infrastructure Investment – AFC

The Africa Finance Corporation has said African governments should look inward to tap into an estimated USD 4 trillion in capital held by domestic institutional investors. According to the AFC, around USD 455 billion of this capital is currently held in pension funds, while sovereign wealth funds account for another USD 150 billion.

When combined with commercial bank assets and foreign currency reserves, the total pool of investable domestic capital across the continent reaches USD 4 trillion. As the continent's population and economies rapidly expand, investments in sectors such as railways and power generation are becoming increasingly urgent.

However, traditional funding avenues, such as foreign direct investment and official development assistance, are no longer keeping pace with the continent's infrastructure needs, according to Reuters. African governments are finding it increasingly difficult to allocate funds for development projects, as interest payments consume a growing portion of national budgets. Shrinking donor budgets and rising protectionist policies in advanced economies are further constraining the flow of funds, the AFC noted in its report.

To unlock these funds, African governments will need to modernise the large informal sectors of their economies that remain untaxed and unregulated, and reform pension fund regulations to enable long-term infrastructure investment, the AFC said.

Source: Business Insider Africa