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Press Release

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Africa's Sovereign Wealth Funds are a Source of Development Finance

Windhoek, 24 September 2020 - COVID-19 is forcing policy makers to think innovatively about all available sources and options of development finance. In June 2020, Namibia announced the decision to set-up a sovereign wealth fund (SWF). If implemented, the country will join a select group of African countries already using this mechanism to fund and finance development.

SWFs are special purpose investment funds owned by state governments, which can be shielded from liabilities and can expand investment due to their lack of dependence on short-term liquidity. They comprise the gamut of domestic sources of public finance, in addition to tax revenues, non-tax revenues, public domestic borrowing, and public-private partnerships. The implementation of a SWF would help Namibia catalyse additional and non-traditional finance.

There are various types of SWFs that countries have set up depending on their goals. They are classified as stabilisation funds, saving funds, reserve funds, development funds and pension reserve funds without explicit pension liabilities.

Concerning development financing, SWFs can fund long-term projects, such as infrastructure, clean technology, real estate and agriculture. For example, the allocation of about 1.3% of total SWFs assets to Africa would close the continent's infrastructure financing gap.

Current African SWFs support local infrastructure development and align with the Sustainable Development Goals (SDGs), including elimination of poverty (Goal 1), good health (Goal 3), quality education (Goal 4), clean water and sanitation (Goal 6), affordable and clean energy (Goal 7), stronger innovation and infrastructure (Goal 9), and sustainable cities (Goal 11).

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About the Sustainable Development Goals [The Sustainable Development Goals \(SDGs\)](#) are the blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including those related to poverty, inequality, climate change, environmental degradation, peace and justice. The 17 Goals are all interconnected, and in order to leave no one behind, it is important that we achieve them all by 2030.

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