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ECONOMIC DEVELOPMENT AND GROWTH IN WEST AFRICA: A MULTIPLE CASE STUDY ANALYSIS OF SOVEREIGN WEALTH FUNDS' INVESTMENTS AND PERFORMANCE

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"I cannot expect to have escaped statistical errors or oversights… All I can do is to take comfort in the proverb, nothing ventured, nothing gained, and to put my faith in those who will plow the field over again and may produce a richer harvest, in particular obtaining a higher yield per hour for their work"

Goldsmith, 1969

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ABSTRACT

During the recent European sovereign debt crisis, sovereign wealth funds (SWFs) have demonstrated their increasing weight in global finance. They contributed to save the financial system of the developed countries, getting credits that the traditional financial entities from the North could not get anymore. In 2012, their assets were estimated at USD 4,620 billion (Preqin, 2012), compared to USD 3,355 billion before the crisis, at the end of 2007. Being almost all created by developing economies, SWFs can consequently be seen as the result of a rebalancing of power in favor of the emerging and developing countries (Santiso, 2008). Moreover, in the near future, SWFs are expected to stand back from developed countries and to make a higher proportion of investments in other developing countries. In this context, African countries are more and more targets for investments (Triki & Faye, 2011). The underlying study analyses two funds, the IFC ALAC fund and the Mubadala Development Company, in order to understand how, according to the perceptions of their managers, SWFs can help in the development of the recipient countries. More precisely, using a multiple case study approach, it assesses the mechanisms by which SWFs may impact the West African development. Results suggested that, according to the managers, SWFs can play a significant role in the development of the recipient countries. They invest in some key economic sectors (banks, infrastructure, etc.), creating favorable conditions for local economic development. Through a multiplier effect, SWFs also leverage additional investments from local and/or global private sector, strengthening the recipient country's industrial and productive structure. However, it seems that SWF-invested companies do not implement real knowledge and technological transfers, although essential for economic development, and limit themselves to very specific training and CSR programs. Moreover, although SWFs' investments can boost the continent's growth and development, they may also worsen the dependence of the African economies on the export of commodities. Finally, SWFs are often confronted to structural barriers requiring deep and long-term changes and hindering their full positive impacts on the development of the region, e.g. political conflicts or barriers regarding the country's legal framework.

Keywords: sovereign wealth fund, development, Africa, World Bank, Mubadala.

RESUMO

Durante a recente crise da dívida soberana europeia, os fundos soberanos demonstraram seu peso na esfera financeira global. Contribuíram para salvar o sistema financeiro dos países desenvolvidos, distribuindo créditos que as entidades financeiras tradicionais do Norte não podiam mais providenciar. Em 2012, os ativos totais desses fundos atingiram USD 4.620 bilhões, comparado aos USD 3.355 bilhões de antes da crise, no final de 2007 (Preqin, 2012). Sendo quase todos criados por economias em desenvolvimento ou subdesenvolvidas, os fundos soberanos podem então ser vistos como o símbolo de um recente reequilíbrio do poder a favor desses países (Santiso, 2008). Além disso, em um futuro próximo, espera-se que os fundos soberanos afastem-se dos países desenvolvidos para investir mais em países em desenvolvimento. Nesse contexto, os países africanos estão cada vez mais alvos de investimentos dos fundos (Triki & Faye, 2011). O estudo subjacente analisa dois fundos, o IFC ALAC e o Mubadala Development Company, para entender como, de acordo com as percepções dos seus gestores, os fundos soberanos podem ajudar no desenvolvimento dos países beneficiários. Mais precisamente, trata-se definir, através de um estudo de casos múltiplos, quais são os mecanismos pelos quais os fundos soberanos podem impactar o desenvolvimento da África ocidental. Os resultados sugerem que, segundo os gestores, os fundos soberanos podem desempenhar um papel significativo no desenvolvimento dos países beneficiários. Eles investem em alguns setores-chave da economia (bancos, infraestruturas etc.), criando condições favoráveis ao desenvolvimento local. Além disso, através de um efeito multiplicador, os investimentos dos fundos soberanos alavancam novos investimentos do setor privado local ou global, fortalecendo o tecido industrial e produtivo do país beneficiário. Porém, parece que as empresas beneficiárias não ajudam nas transferências de conhecimento e de tecnologia, embora sejam essenciais para o desenvolvimento econômico, e se limitam a programas de treinamento específico e de RSE. Além disso, apesar dos investimentos de fundos soberanos impulsionarem o crescimento da região, eles também podem agravar a dependência dessas economias à exportação de *commodities*. Finalmente, os impactos positivos dos fundos soberanos sobre a economia regional são muitas vezes reduzidos devido a conflitos políticos e barreiras estruturais exigindo reformas profundas e de longo prazo.

Palavras-chave: fundo soberano de riqueza, desenvolvimento, África, Banco Mundial, Mubadala.

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AD	*Anno Domini*
AD	Abu Dhabi
AMC	Asset Management Company
Bcf	Billion cubic feet
BHP Billiton	Broken Hill Proprietary Company Pty Limited
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CSR	Corporate Social Responsibility
CTO	Chief Technical Officer
DUBAL	Dubai Aluminium Company Limited
EAD	Emirate of Abu Dhabi
e.g.	*exempli gratia*
EHS	Environmental Health & Safety
EIU	Economist Intelligence Unit
EGA	Emirates Global Aluminium
EMAL	Emirates Aluminium
EMTS	Emerging Market Telecom Services Ltd
ETI	Ecobank Transnational Incorporated Company
Etisalat	Emirates Telecommunications Corporation
EUR	Euros
GAC	Guinea Alumina Corporation
GDP	Gross Domestic Product
GSM	Global System for Mobile Communications
Hz	Hertz
ICT	Information and Communication Technology
i.e.	*id est*
IFC	International Finance Corporation
IFC ALAC	International Finance Corporation African, Latin American and Caribbean fund
JV	Joint-Venture
km	kilometers
MD	Managing Director

MDC	Mubadala Development Company
MMbbls	Million barrels
mt/year	metric ton per year
NBI	Net Banking Income
NIEO	New International Economic Order
OPEC	Organization of the Petroleum Exporting Countries
pa	*per annum*
RAI	Rural Accessibility Index
R&D	Research and Development
SIM	Subscriber Identity Module
SWF	Sovereign Wealth Fund
TEVT	Technical Education and Vocational Training
tpy	tons per year
UAE	United Arab Emirates
UASL	Universal Access Service License
UNDP	United Nations Development Programme
US	United States
USD	US Dollars
USSR	Union of Soviet Socialist Republics
UK	United Kingdom

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1. Introduction

Since the 1990s, the world has been witnessing a shift in wealth from OECD to emerging countries (Turkisch, 2011). Due to their impressive growth and their increasing participation in the global income, emerging countries have become major players in the world's economy and finance. These emerging countries are intensifying their political and economic relations with one another and with developed countries.

SWFs are mainly the creation of emerging countries. Actually, according to Javier Santiso (2008), only 15% of SWFs have been established by OECD and developed countries. In the underlying study, the considered SWFs are only those from emerging or developing countries. Public pension funds, from Japan or Norway, are, for example, beyond the scope of this research.

SWFs from emerging countries have become key investment vehicles in the global financial markets. They have been the subject of many debates and controversies, especially during the recent financial crisis in Europe. Their investment strategies have been questioned, in particular after their stake acquisitions in big Western companies. Their growing assets have also drawn worldwide attention: in 1990, worldwide SWFs held about USD 500 billion (Johnson, 2007) while in 2012 their assets were estimated at USD 4,620 billion (Preqin, 2012). Moreover, it is estimated that they could hold approximately USD 7 trillion by the end of the decade (Kern, 2009).

Just as the States that established them, SWFs have shown a growing interest in developing countries in their investment strategy, especially after the recent crisis in developed countries leading to lower financial returns (Turkisch, 2011).

As a result, considering the growing interest of SWFs in developing countries as well as their growing assets, these State-owned investment vehicles may represent a major development opportunity. African countries, in particular, are increasingly targets for these investments (Triki & Faye, 2011). SWFs may consequently be a useful tool for Africa to achieve the United Nations' Millennium Development Goals.

In this study, we focus on the West African region which is a very diverse region, both on a cultural and religious point of view. Fifteen countries are included in the Economic Community of West African States according to the World Bank website (http://www.worldbank.org): Benin, Burkina Faso, Cape Verde, Ivory Coast, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo. 245 million people live in this region, the vast majority in remote and rural areas (see annex 1).

1.1.Research objective and method

The objective of the underlying study is therefore to respond the following research question: ***how, according to the perceptions of funds' managers, can SWFs help in the economic development of West Africa?*** A set of four research propositions deriving from the literature review provides a theoretical substructure for the research question.

This study analyzes in details the relationships between the fund providers, the SWFs, on the one hand, and the recipient companies or countries in Africa on the other hand. The objective consists in understanding by which mechanisms SWFs can, through their investments and according to their managers' opinions, support the recipient countries' economic development.

The research was conducted in form of a multiple case study, first presenting and then analyzing two specific funds which have invested in Africa, and more specifically in West Africa. The *IFC African, Latin American, and Caribbean Fund* (IFC ALAC Fund) was launched by the International Finance Corporation, a World Bank institution, in 2010. It gathers together many SWFs and helps them to channel investments into the African countries. The *Mubadala Development Company* (MDC) is an investment and development company aiming at supporting the diversification of the UAE's economy. Its USD 55 billion portfolio includes investments in more than 17 countries all over the world, 2 of them in West Africa.

1.2.Relevance for scholars and practitioners

This study fills a void in research. SWFs have not been the subject of relatively extensive academic research by economists (PWC, 2011) and the research to date has mainly concentrated on their governance structure, leading to the signature by many SWFs of the Santiago Principles codes of conduct in 2008 (PWC, 2011). Moreover, SWFs have been the subject of many debates and controversies in the Western world. However, the debates mainly focus on their global financial effects and their investment strategies in Western countries. According to Javier Santiso (2008, p. 302), "the development dimension is missing from the debates". Paradoxically, SWFs have precisely been created by emerging and developing countries. Consequently, it is fundamental to understand what may be the role of SWFs not only domestically (when the country is the recipient of its own SWF's investments) but also in the development of other emerging and developing countries. This research focuses on the latter scenario.

According to Santiso (2008), if SWFs invest 10% of their portfolio in emerging and developing countries in the next ten years, this would represent about USD 1,400 billion, i.e. more than OECD countries' public aid. Moreover, Griffith-Jones and Ocampo (2008) calculate that if these funds invest 1% of their assets in the capital of development banks from developing countries, it would lead to a yearly increase of USD 70 billion in their lending capacity, i.e. twice the World Bank's and the three major regional banks' lending capacity.

Regarding the practitioners, this research can be of particular interest as well for two parties: funds' managers and politicians. For the first party, this research can help them to identify other managers' opinions about the impacts of SWF investments on the economic development of recipient economies. In this way, this study sheds light on how to invest in a more structured way, how to orientate funds' investments so that they have a bigger impact on the recipient's economic development and so that the funds benefit from a greater added value. For the latter party, this research will raise their awareness on non-economic determinants of development and show them how they can strengthen SWF investments' impacts on economic development.

1.3. Chapter outline

The underlying research is structured as follows. First, contextual issues and definitions of the main concepts are dealt with in section 2. The objective of this part is to understand what economic development is and what has been the historic evolution of this concept. Section 2 also aims at defining what a sovereign wealth fund is and giving an idea of what are the main differences between SWFs and other institutional investors. It finally gives a general overview of SWFs' investments in Africa. Section 3 presents the underlying methodology of this study, states the research question and derives the main research propositions from the literature review (Section 2). Section 4 presents an analysis of four projects funded by, on the one hand, the IFC ALAC Fund and, on the other hand, the Mubadala Development Company. Based on this background, Section 5 answers the research question by presenting the findings of this study. This section also closes the research with a summary of conclusions, the research limitations, and suggestions for further research.

2. Context and definitions

Before trying to understand the potential relations between SWFs and economic development, it seems necessary to separately define these two concepts. This literature review will provide a theoretical substructure to answer the research question, through a set of four research propositions (Section 3).

2.1. Development Economics

The concept of “economic development” is not easy to define. However, it is essential to understand it in order to orientate our next discussions. This concept has been analyzed for many decades showing economists’ growing interest in this matter but also leading to several definitions and theories.

2.1.1. Defining economic development and its determinants

The concept of "economic development" is both a complex and broad term. Adam Smith had already analyzed the issue of economic development (Hayami & Godo, 2005). However, in the last sixty years, many powerful contributions have been made, showing the growing interest of the economists in the study of this concept.

At the beginning of his book, Gilbert Rist (2008) shows that all the definitions about “development” share one or more presuppositions: “social evolutionism” (catching up with developed countries), “individualism” (focus on human personality) and “economism” (increase in growth and income). However, most of them are only the result of how a particular person imagine and define the ideal living conditions, this subjective feeling varying from an individual to another.

According to the World Bank website (http://www.worldbank.org), economic development refers to a "qualitative change and restructuring in a country's economy in connection with technological and social progress". Its main indicator is "increasing GDP per capita, resulting of an increase in the country’s economic productivity and its population’s material well-being". Consequently, as suggested by the World Bank’s definition, economic development is a long-term and multi-dimensional phenomena. It implies improvements not only in the country’s GDP per capita but also in education, public health, employment opportunities and so on. As a result, the concept of "economic development" goes far beyond economic growth, even if both terms are usually used as synonyms in real life.

In this way, the modern approach regarding economic development, which was born in the 70s, defines "economic development" as an increase in economic welfare. According to Goulet (1971), "the wider meaning of development is self-subsistence, self-esteem and freedom". Moreover, according to Todaro (1985, p.85): "economic development is a multi-dimensional process involving major changes in social structures, popular attitudes and national institutions as well as the acceleration of economic growth, the reduction of inequality and the eradication of absolute poverty". Considering the modern definitions of economic development, the precise measurement of this concept seems to be a difficult task with many practical problems: how to measure changes in social structures, in popular attitudes or in national institutions?

There are two kinds of determinants of economic development: economic determinants – e.g. capital formation or skill formation – and non-economic determinants – e.g. political and law environments (Jain & Ohri, 2007).

2.1.2. Historical Overview

The development belief is a product of history, as well as an agent of history (Rist, 2008). For several decades, theories have been replacing and complementing each other, forming the knowledge we now have about this concept.

Our objective here is to present some key historic moments in order to analyze the different and successive interpretations of the words “development” or “growth”.

2.1.2.1. Schumpeter and the role of innovations in development

According to Schumpeter, who wrote *The Theory of Economic Development* (1912), the development process is above all an endogenous process of technological change, which is the result of innovations performed by entrepreneurs (Aghion et al., 2013).

Schumpeter starts from an economy which is in a state of stationary equilibrium. In this “circular flow” state, all the available production factors and resources are totally utilized. However, this static system can change when some people, called entrepreneurs, employ or reallocate these resources in a different way, creating a kind of instability in the “circular flow” system. The circular flow system is destructed when these new combinations are carried out by entrepreneurs. Schumpeter distinguishes five kinds of elements, or innovations, creating instabilities: the introduction of new methods of production, or new markets, new supply sources, new products or, finally, new organizational forms (Lima, 1995).

These economic dynamics are, according to Schumpeter, strongly related to the process of economic development. The main responsible for these new economic dynamics is the entrepreneur, endogenous element in the economy and who differentiates himself by his innovations. For Gilberto Tadeu Lima (1995, p. 183): “entrepreneurs are seen as economic agents whose functions are the carrying out of new combinations, the creative destruction of equilibria, thereby preparing the ground for a superior state of equilibrium”.

For Schumpeter, economic development is an endogenous process, spontaneous and discontinuous because breaking up with the “circular flow” static state of the economy. It is a disturbance of equilibrium. As written by Gilberto Tadeu Lima (1995, p. 182): “technological change should be understood as a spontaneous and internal disturbance which produces a complex, non-adaptative response which will discontinuously and forever displace the prevailing equilibrium configuration”.

Finally, Schumpeter highlights not only the importance of innovations but also the importance of credit (Messori, 2004). For Schumpeter, there is no innovation without bank credit and there is no economic development without the process of creative destruction originated by innovations. Entrepreneurs can introduce new combinations of resources only because they have the necessary financial means provided by the banking system. Credit allows a redistribution of resources in favor of entrepreneurs and innovations. As written by Schumpeter (Lima, 1995, p. 183): “innovation, being discontinuous and involving considerably change and being, in competitive capitalism, typically embodied in new firms, requires large expenditure previous to the emergence of any revenue, credit becomes an essential element of the process”.

2.1.2.2. Rostow and the Modernization School

Following the decolonization movement, the old colonies or “underdeveloped” countries started their efforts to catch up with the North, either through indigenous industries for export, or through industrial production to substitute for imports. Industrialization was actually thought of as the key to modernization and growth. The modernization theory emerged at that time, influencing the political and economic elite of several countries (Rist, 2008).

The modernization theory has been very important since the 1950s. It draws on the biological sciences and applies the biological metaphor to social sciences: according to this theory, societies, as well as economies, are growing organisms, following a natural process composed of different and progressive steps (Rist, 2008).

One of the most famous modernization theorists is Rostow. Rostow published his book *The Stages of Economic Growth: A Non-Communist Manifesto* in 1960, when the field of “development” was taking form. To summarize his book, Rostow himself wrote: “It is possible to identify all societies, in their economic dimensions, as lying within one of five categories: the traditional society, the preconditions for take-off, the take-off, the drive to maturity, and the age of high mass-consumption” (Rostow, 1960, p. 4).

Through historical comparisons between countries from Europe, North America, India, China and Japan, Rostow shows how all societies should pass from tradition to modernity, through his five previously-defined categories, until “the age of high mass-consumption becomes universal” (Rostow, 1960, p. 167).

According to Rostow (1960), changes from one category to another mainly come from external action. Developing countries need assistance from developed countries to pass from tradition to modernity, for example through funding, technology transfers or provision of new markets.

Among the criticisms addressed to Rostow, the fact that he applies a small number of “rules” to “all societies” is the main one. For Rostow, each country obeys to the same rules, as if it were like any other.

Moreover, it seems that the take-off happens in all societies as if an uncontrollable force eliminates all the barriers to growth. Rostow’s theory does not consider that the global resources are limited. For him, all countries should sooner or later arrive to modernity and to the age of high mass-consumption (Foster-Carter, 1976).

A third criticism addressed to Rostow is that his theory does not say what will happen if the economies that are already flying start to slow down. What happens once the country reaches the age of high mass-consumption? (Foster-Carter, 1976)

Finally, one of the strongest criticisms made to Rostow's work may be its eurocentricism. For Rostow, developing countries need assistance from the more-advanced countries to progress along the five-category scheme (Foster-Carter, 1976).

Then, in the second part of his book, Rostow argues that the USSR represents a distortion of the general theory of modernization. The USSR has already entered in its "maturity" period. But, instead of entering the age of mass consumption, the country deviates from the pattern previously described to impose communism (Rostow, 1960).

Rostow's anti-communism has also been criticized, especially considering the fact that Rostow's work itself seems to be as utopist and idyllic as Marx's doctrine. Rist even writes: "Paradoxically, Rostow's theory of modernization appears as a kind of 'Marxism without Marx'." (2008, p. 101).

However, Rostow's theory of modernization continues to nourish the hopes of some politics. Its final objective, as well as the means towards it (expansion of technology, industrialization, etc.), have remained until today (Rist, 2008).

2.1.2.3. Third Worldists and Dependency School

In opposition to Rostow's theory of modernization, which has strong impacts on the US and on international organizations, the arguments of the dependency school were adopted by the opponents of the US policy, and in particular by the "Third Worldists" (Amin, 1976).

Opposing the modernization theory and the dependency one, Sharmila Joshi (2005) wrote: "Modernization sees rich countries as helpers of poor countries; dependency sees them as the main obstacle to the well-being of the poorer countries".

According to the intellectuals belonging to this "movement", the international system is constructed in a way to dominate the South (periphery), rather than bringing it prosperity, and to lock it into dependence from the North (centre/core) (Amin, 1976).

The dependency theory first appeared in Latin America, with for example Raul Prebisch, Celso Furtado, Theotonio dos Santos or Fernando Henrique Cardoso. Among some other personalities who join the Dependency School: Enzo Faletto in Brazil, Orlando Fals Borda in Colombia, and later Samir Amin in Africa, etc (Rist, 2008).

As for the modernization theory, the dependency theory was not homogeneous nor unified. However, for Sharmila Joshi (2005), the main idea of the dependency theory is the following: “underdevelopment is not a condition: it is an active process of impoverishment linked to development. That is, some parts of the world are underdeveloped because others are developed. There are not separate processes but two aspects of the same process”.

In other words, the underdevelopment of the Third World is not simply accidental. It is necessary to ensure the growth and development of the North. According to Eric Williams in *Capitalism and Slavery* (Drescher, 1987), for instance, the slave trade operated by Britain from Africa to the Caribbean islands allowed the “take-off” of Britain and its industrial revolution. The actual underdevelopment of some countries was the result, or the necessary cost, of the development of other countries, creating an international system of inequalities.

For some dependency theorists, this dependency process is continuing until today, for example through transnational firms, which try to impose their position of strength (Joshi, 2005).

2.1.2.4. Self-Reliance or Autocentred Development

At the end of the 60s, in a context of independence of old colonies and debate between modernizers and Third Worldists, a new concept begins to appear, called “self-reliance” (or “autocentred development”), mainly due to the lack of economic progress made in most countries of the South (Galtung et al., 1980).

This concept emerged after Tanzanian President, Julius Nyerere, showed to his citizens, through his philosophy of *Ujamaa*, that it would be necessary to rely on themselves to go out of “underdevelopment” and to escape poverty (Ibhawoh & Dibua, 2003). Rejecting the Western-style capitalism, his philosophy was based on three values:

freedom, equality and unity. Through this philosophy, Nyerere wanted to raise Tanzania from a level of dependency to the one of self-reliance (Ibhawoh & Dibua, 2003).

According to Nyerere: "The doctrine of self-reliance does not mean isolationism. For us, self-reliance is a positive affirmation that for our own development, we shall depend upon our own resources". Achieving self-reliance was essential for independence as "gifts and loans will endanger our independence" and "gifts (…) have the effect of weakening (and) distorting our own efforts" (Ibhawoh & Dibua, 2003, p. 64).

Following this concept, international trade has to be kept to minimum, to what cannot be produced inside the country. In the same way, the individual produces what he needs and acquires what he cannot produce from the level above (Ibhawoh & Dibua, 2003). According to Rist (2008): "the lower levels should be given as much power as possible, to ensure that they are not subject to domination".

2.1.2.5. Globalization and the "end of development"

In the early 1990s, the messianic tone of the development discourses seemed to progressively dissipate. Actually, from 1990s, development concerns seem to be forgotten under the impact of "globalization". Globalization progressively replaced development (Rist, 2008). The enthusiasm which characterized the early 1960s seemed to disappear because of the failure of the development venture. Economic growth has occurred in some regions; however, it has also brought inequalities and marginalization. For Rist (2008): "the end of the 20th century, of the vast enterprise that began after the Second World War in both the North and the South, therefore also marked the end of 'development'".

Two reasons can explain this new trend. Firstly, with the globalization process, state-administrated measures or voluntarist policies to control and regulate the economy seemed to be obsolete (Rist, 2008). The market, free competition and free trade now dominated and were the cure for all ills: there was no more special treatment. Moreover, other concerns, e.g. ecological concerns, also led to giving up on the idea that the South could one day "catch up" with the North.

The *World Development Report 1994* by the World Bank is very representative of this new period. For instance, according to this document, infrastructure has to be privatized and not assumed by the States anymore, for better efficiency and profitability (World Bank, 1994).

Moreover, in its *Human Development Report 1993*, the UNDP advocated that "free markets provide the most efficient mechanism yet devised for the exchange of goods and services" (UNDP, 1993). However, these markets can be made "people-friendly" and complemented with "social safety nets (…) to look after the temporary victims of market forces and to bring them back into the markets" (UNDP, 1993). The State is the main casualty of globalization as it actually behaves in an irrational manner.

2.1.2.6. The "fight against poverty" and the Millennium Development Goals

More recently, through the "fight against poverty" and the Millennium Development Goals, whose objective is to half extreme poverty, concerns about development are progressively launched again (Perrot, 2002). This "fight against poverty" is one of the last incarnations of the "development" strategies (Rist, 2008). The reduction of poverty becomes the main debate in the recent period and everybody realize that promises about "development" and the "catch up" of the South with the North were unrealizable. The priority now is to reduce inequalities and poverty, always caring about the environment issue (Perrot, 2002).

This priority is not new. For instance, in 1949, President Truman already saw poverty as "a handicap and a menace" (Hazlitt, 1950). However, the idea of "eradicating" it is relatively new (Perrot, 2002).

According to the UNDP's *Overcoming Human Poverty* (UNDP, 1997): "poverty is not about income alone, but is multidimensional": low education, low health conditions and social vulnerability all contribute to this condition.

In the 2007 Report on Millennium Development Goals, despite the multidimensional character of poverty, it is reduced to its sole monetary dimension, as a way to measure global progress (Perrot, 2002). Until now, the Millennium Development Goals had mixed results, which, according to UN General Secretary Ban Ki-moon are due to a low level of development aid (UNDP, 2007). The situation of some countries, particularly the African countries, seems to be worse than 50 years ago. That is the main reason why some people wonder if the problem has not simply been wrongly posed (Perrot, 2002), leading to the concept of "décroissance" (Meadows et al., 1972; Bernard et al., 2003; Latouche, 2006).

2.1.2.7. Ross Levine: Financial development and economic growth

Already in the 1960s, Raymond W. Goldsmith, in *Financial Structure and Development* (1969), tried to show how a country's financial structure changes with its economic growth. He wrote: "One of the most important problems in the field of finance, if not the single most important one, almost everyone would agree, is the effect that financial structure and development have on economic growth" (Goldsmith, 1969, p. 390). In the same period, John Hicks (1969) demonstrated the role played by the financial system on the English industrial revolution, for example by easing capital mobilization. According to Schumpeter (Lima, 1995), a good banking system helps in identifying and funding the best entrepreneurs, who can then create innovative products or innovative processes. In this sense, a good banking system enhances technological innovations and development.

In the literature, a lot of research (Demirgüç-Kunt & Maksimovic, 2000) concludes on a positive impact of financial development on economic growth. These researches are conducted either on a cross-country level, an industry level, a firm level or following a temporal approach. Levine expands the existing studies to a bigger number of countries, following the country-, industry- and firm-level analyses (Levine & Demirgüç-Kunt, 2004).

According to him, there are four main views about financial structure, i.e. the financial markets and institutions in an economy: the bank-based view; the market-based view; the law and finance view and finally the financial-services view.

In the bank-based view, banks are essential to mobilize resources, select good initiatives, control firm managers and manage risk (Levine 1997, 2001). Gerschenkron (1962) had already pointed out the positive role of banks over markets, especially when an economy is at the beginning of its economic development because its institutional environment may not be able to allow an effective functioning of market activities.

Moreover, in the market-based view, the markets are essential for economic success (Levine et al., 2000) because they allow a wider diversification and customization of risk management tools. This view highlights the deficiencies existing in the bank-based view. For example, some authors argue that bank-based economies may hinder innovation and growth because banks have preference for low-risk, and consequently low-return, projects since they want their loans to be repaid (Morck & Nakamura, 1999). Banks may also collude with managers, hindering market competition and growth and introducing new inefficiencies in the economy (Hellwig, 1998).

According to the law and finance view, mainly studied by La Porta et al. (1998), the effectiveness of the financial system and its ability to enhance innovation and growth are a direct consequence of the legal system. Depending if the legal system protects investors and if their rights are effectively enforced, financial system will be effective and allows for economic growth. By the way, in this view, this is the financial development, and not the static financial structure (either bank-based or market-based), which is essential for economic success (Levine & Demirgüç-Kunt, 2004).

Finally, in the financial-services view, there are some key financial services which have to be provided by financial system in order to enhance firm creation, industrial development and economic growth (Levine & Demirgüç-Kunt, 2004).

Through country-, industry- and firm-level studies, Levine finds that the first two views, i.e. bank- and market-based views, are not practically demonstrated (Levine & Demirgüç-Kunt, 2004). Countries' financial structures are not enough to explain differences in long-run GDP growth, industrial success, firm formation or firm growth. However, Levine finds evidence for the last two views, i.e. the law and finance view and the financial-services view. This means that countries with higher level of financial development and where the rights of investors are effectively protected usually grow faster. In this kind of countries, with better-developed financial system, industries relying on external funds grow more rapidly (Rajan & Zingales, 1998), new firms are created more easily and grow more. In countries where creditors and shareholders are more effectively protected and where their rights can be effectively enforced, investors are less reluctant to invest in new firms and/or in firms that need external funding to grow. Conversely, the creation of new firms and the growth of firms heavily relying on external funds do not have anything to do with the country's financial structure.

These findings have a strong policy implication. They mean that to have higher economic growth rates, instead of focusing on financial system in itself and its composition, policymakers have to change legal system, e.g. enhancing investors' rights and contract enforcement. Actually, as Levine wrote: "financial development and the component defined by the legal protection of outside investors explain long-term cross-country growth rates" (Levine & Demirgüç-Kunt, 2004, p. 212).

2.1.3. Note on the African development tragedy

According to Easterly and Levine (1997, p. 1205), "low school attainment, political instability, poorly developed financial systems, large black market exchange rate premiums, large government deficits, and inadequate infrastructure are significantly correlated with economic growth". More specifically, 2/5 of the growth difference between Sub-Saharan Africa and East Asia are explained by these variables. Their statistical study also shows that "political assassinations are negatively correlated with long-run growth, while education attainment is positively linked to growth" (p. 1211).

However, what is really new and original in Easterly and Levine (1997, p. 1213) is the second part of their study, where they show that "political instability, rent-creating economic policies, and poor public goods may reflect a more fundamental country characteristic: ethnic divisions". They show that greater the ethnic diversity, higher the probability of poor policies and lower the growth-enhancing public goods.

The reason is the following: "ethnic diversity may increase polarization and thereby impede agreement about the provision of public goods and create positive incentives for growth-reducing policies, such as financial repression and over-valued exchange rates, that create rents for the groups in power at the expense of society at large" (Easterly & Levine, 1997, p. 1206).

Through their data, they indicate that a higher level of ethnic diversity implies higher black market premiums, poorer financial development, lower quantity of infrastructure and lower school attainment. Ethnic diversity would prevent the adoption of development-enhancing policies. They conclude that "ethnic diversity (a) encourages the adoption of growth-retarding policies that foster rent-seeking behavior and (b) makes it more difficult to form a consensus for growth-promoting public goods.

Africa's high level of ethnic diversity, therefore, helps explain its tragic growth performance" (Easterly & Levine, 1997, p. 1207).

2.2. Sovereign wealth funds

The second important concept in our research question refers to sovereign wealth funds or SWFs. In this section, we will try to precisely define this concept, show its several typologies and finally we will make a focus on SWFs investing in Africa.

2.2.1. Definition and typologies

The first SWFs have been created many decades ago. However, it is only in the beginning of the 21st century, when they started to grow in both number and assets, that they started to have a significant weight in the global capital markets and to draw attention of media and economists (Das et al., 2010).

The term "sovereign wealth fund" has been used to refer to many kinds of government-controlled investment vehicles. In this study, the considered definition of SWF is the following: a SWF is "an entity that manages state-owned financial assets, and is legally structured as a separate fund or fund manager owned by the state. This structure is intended to insulate the entity from short-term political pressures and enable it to recruit professional fund management personnel" (Das et al., 2010, p. 36). However, within this definition, SWFs can differ a lot according to their sources of revenue, to their operations and objectives.

According to the SWF Institute website (http://www.swfinstitute.org), the three largest SWFs by assets under management are: the Government Pension Fund from Norway (USD 715.9 billion under management), the Abu Dhabi Investment Authority from the UAE (USD 627 billion under management) and the SAFE Investment Company from China (approximately USD 567.9 billion under management).

SWFs' resources mainly come from fiscal surpluses owned by the State; official foreign currency transactions; revenue of privatizations; and/or receipts coming from exports of commodities such as oil, diamonds, copper and so on (IMF SWB Report, 2008). SWFs can consequently be classified into two major categories, according to their source of revenues: on the one hand, commodity SWFs which are funded predominantly from commodity revenue; on the other hand, non-commodity funds which are mainly funded from foreign exchange reserves, fiscal surpluses and privatization proceeds. More than a half of SWFs were commodity funds in the end of 2011. Nevertheless, non-commodity funds tend to have a faster growth rate (TheCityUK, 2012).

SWFs are established with a variety of objectives, leading to different investment strategies. Stabilization funds are usually established by countries which benefit from rich natural resources. Their objective is not only to provide budgetary support but also to protect the country from the volatility of commodity prices and consequently to protect the national economy from macroeconomic shocks. When commodity prices are high, the funds are built up. However, when these prices decrease, the State can use the funds' resources. In opposition to the stabilization funds, the saving funds have a longer term perspective. Their main objective consists in supporting intergenerational equity. In the case of a commodity saving fund, non-renewable assets are transferred into a diversified portfolio of financial assets to future generations (TheCityUK, 2012). The IMF also identifies 3 other types of SWFs, with different profiles and objectives: the development funds; the contingent pension reserve funds; and the reserve investment corporations (IMF SWB Report, 2008).

The main differences between SWFs and the other institutional investors such as the private equity funds are the following: most SWFs have long-term liability allowing them to adopt a long-term investment horizon and to invest in illiquid and long-maturity assets. Moreover, they are not highly leveraged and thus represent a constant source of capital (Turkisch, 2011).

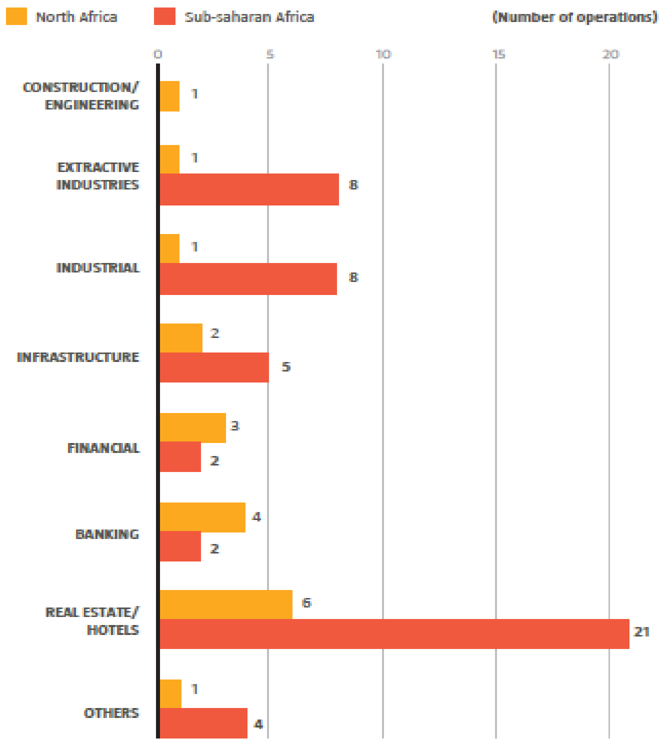
SWFs invest mostly in developed countries and domestically. Nevertheless, the SWFs' investment growth rate has been higher for developing countries in the last few years (Triki & Faye, 2011). Actually, through these growing investments in developing countries, SWFs seek to diversify their investment portfolio and to reach high returns that developed countries cannot provide them anymore (Santiso, 2008). They also pursue a political and geopolitical strategy and often seek to secure access to resources and markets (Turkisch, 2011). This trend is relatively recent but it may be even more significant than anticipated by existing statistics. Actually, as stressed by Barbary et al. (2010), investments in OECD countries are sometimes related to operations in developing countries, misleading who analyzes existing statistics.

2.2.2. Sovereign Wealth Funds in Africa

In Africa, SWFs' investments are mostly concentrated in the Sub-Saharan region. They are mainly focused on real estate and hotels, industrial sector and extractive industries (traditional natural resources such as hydrocarbon and minerals). In North Africa, SWFs invest mainly in the banking and finance sector (ESADEgeo SWFs Report, 2012). According to Javier Capapé (ESADEgeo SWFs Report, 2012, p. 94): "SWFs from other regions of the world are looking to Africa in search of resources (energy and food, mainly) that their countries need in order to maintain high growth rates in their economies. But we have also observed that sectors such as tourism, telecommunications and real estate are starting to arouse the interest of these new global investors".

This is in accordance with Turkisch (2011), who argues that SWFs' investments in Africa are more and more geographically and sectorally diverse. The main part of SWFs' investments in Africa comes from the Gulf (Dubai World, Abu Dhabi Investment Authority) and from Asia (China-Africa Development Fund), two regions which are very close to Africa. Actually, for Turkisch (2011, p. 12), "when SWFs invest in foreign developing economies, they privilege close countries, where they may hold advantages of information, networks and historical knowledge, and where investments may have direct positive externalities on the domestic economy".

Figure 1: SWFs' investments in Africa, breakdown by sector and region



Source: Triki & Faye, 2011.

3. Methodology

This research refers to the study of the role that SWFs may, according to the perceptions of funds' managers, play in the development of the West African economies, seen as recipient countries. Actually, the impact of SWFs on economic development may not be direct so that other variables, in addition to SWFs' investments, have to be considered to explain the growth of the West African region. Moreover, SWFs are often confronted to structural barriers requiring deep and long-term changes and hindering their potential effects on the development of the region. Consequently, the research design has been adapted accordingly.

In this section are presented the research methodology and the rationale for its application. More specifically, the procedures that have been adopted during the data collection and analysis are exposed and justified.

3.1. Method and data collection

The main method of analysis of this research is the case study approach or cross-case analysis. According to Creswell (1998), a case study is the investigation of a case (object of study) over time and through extensive and in-depth data collection, involving multiple sources (documents, interviews, archival records, observations, etc.).

Moreover, according to Yin (2003), a case study is particularly relevant to answer the research questions "how" and "why" while studying contemporary events that go beyond the influential control of the investigator. In his own words: "In general, case studies are the preferred strategy when 'how' or 'why' questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context" (2003, p. 1). The research question of this study fits this definition. This research aims at obtaining some in-depth understanding of a contemporary phenomenon where research has been scarce so far. The following case study is also used to retain holistic and meaningful insights in complex real-life context. Consequently, the case study approach seems to be relevant to answer the research question.

This research uses the study of two cases, approach known as "multiple case studies" (Yin, 2003). According to Yin (2003), the multiple case approach can be chosen to replicate findings that were found in individual cases (replication) and also to study contrasting situations (contrast). Moreover, multiple case studies are "considered more compelling, and the overall study is therefore regarded as more robust" (Yin, 2003, p. 46). According to Yin (1994), the methodological framework is the same for the multiple case study and the single case study. Consequently, both use the same research design.

The case study approach has been criticized by some scholars who have questioned its methodological rigor and the reliability of research findings (March, Sproull & Tamuz, 1991). Nevertheless, it has been more and more used in social and business sciences (Hamel, 1992; Gibbert, Ruigrok & Wicki, 2008). Actually, the case study approach allows more easily the retention of the main characteristics of real-life and complex phenomena and it also allows obtaining holistic and extensive insights in complex contexts. The case study approach is no longer seen as an inappropriate research strategy for analyzing and testing proposals (Yin, 2003).

In addition, regarding the process of data collection, there are six different sources which are usually used in case studies (Yin, 2003): physical artifacts, participant observation, documentation, archival notes, and interviews. Not all the sources need to be used in a case study. This research mainly uses the last three types of sources. The first three types are not used as they are more related to direct sociological investigation. The use of multiple sources enhances, according to Yin (2003), the validity of the research through a better triangulation of the data. Actually, the use of multiple sources facilitates the development of "converging lines of inquiry", constituting a way to verify and corroborate the findings of the case study.

The interviews were of particular importance in this case study. They were conducted through a "focused interview approach" (Merton, Fiske & Kendall, 1990). An approach using a semi-structured interview guide has been adopted in order to give the interviewees the possibility to express freely their opinions on the topic. The questions followed a coherent structure, the objective being to extract the information relevant for each of the research propositions that will be identified in this section. Many open-ended questions have been included in order to gather in-depth and detailed qualitative data (Section 8.1.). The interviews were recorded. Also, at the end of the interviews, the answers were transcribed and then sent to the interviewees for cross-checking. The interviews were conducted either in English or in French, following the preference of the interviewees.

To be able to replicate the findings and for this study to be more robust, we interviewed two people working in two different SWFs. To select the funds' managers to interview, four criteria were taken into account: (i) SWF investments size; (ii) investments location; (iii) we also sought to include different types of funds in our selection in order to capture the possible influence of these differences on managers' impressions; (iv) we finally took into account the quantity of public information about the funds' portfolio and the receptiveness and availability of the managers.

We used the "snowball" strategy (Atkison & Flint, 2001), i.e. that the initial group of interviewees (IFC) indicated us the other potential interviewees (Mubadala). This strategy was necessary since, from the beginning of the data collection process, we met some difficulties to make contacts with funds' managers.

The IFC ALAC Fund and the MDC were selected because they appear to be the most relevant SWFs to answer the research question and they respect the four previously-defined criteria. They both give a quite strong attention to the African region in their investment strategy. More precisely, as will be detailed below, they are participating in investment projects in West Africa. They are also transparent funds (the MDC has a transparency rating of 10, according to the SWF Institute website) and publish information about their investments. Finally, these two funds were also chosen because they differ in terms of investors with one fund being entirely owned by the Abu Dhabi government while the other one gathers different SWFs. They also differ in terms of organizational form, amount of managed assets and investment strategy. Consequently, these differences in the sample may lead to interesting conclusions on the potential role played by SWFs on the development of the African region.

Thiago Henry, investment analyst at IFC in Sao Paulo, was contacted and put us in contact with Serene Jweied, corporate communication officer at IFC in the US. She joined the IFC in November 2012. She helped us to schedule an interview with Sujoy Bose, Chief Investment Officer in the IFC Asset Management Company (AMC) and Head of the ALAC Fund, managed by IFC Asset Management Company. Sujoy has been working in the IFC since 1992.

In the case of MDC, an interview of Damien Catani, Acquisitions and Investment Manager at MDC, and more specifically at Mubadala Aerospace, Communications Technology & Defense Services and Mubadala Real Estate & Infrastructure, was performed. Damien has been working at MDC for 4 years.

To complete the data collection, this research also includes an in-depth analysis of annual reports, funds' press releases and websites as well as newspaper articles and international organizations' websites. This analysis was held on an on-going basis.

3.1.1. Note on possible biases in professionals' judgments

Our research question being: ***how, according to the perceptions of funds' managers, can SWBs help in the economic development of West Africa?***, it is essential to be aware of the fact that our case studies, based on perceptions and statements of funds' managers, may present biases related to the interviewees' judgments and points of view.

As stated by Rist (2008): "the object is always constructed by the one who observes it". Following the same idea, Bazerman (2006) wrote: "Professionals are not stupid, but they are human". Professionals and experts can provide very valuable insights about technical and unclear issues. However, their judgments can also lack objectivity.

These biases can be explained by different factors. Firstly, they can come from the limits of human cognition or the human simplifications in the process of data processing aiming at reducing cognitive work. These limits or simplifications are known as "heuristics" (Shah & Oppenheimer, 2008).

Other motivational and emotional factors can also influence the professional's judgment (Pfister & Böhm, 2008). Actually, as shown by Loewenstein and Lerner (2003), affective and motivational phenomena can strongly impact not only judgments but also decision-making process.

However, as written by Ghosh and Ray (2000): "Organizations frequently rely upon some type of subjective evaluation of performance which, by the very nature of being subjective, is criticized for having errors, biases, and inaccuracies". In other words, in some cases, we have no choice but to count on subjective evaluation to assess an organization's performance.

In our specific case, due to the complexity of measuring the concept of economic development (and more precisely, its non-economic determinants) and due to the existence of variables, other than SWFs' investments, impacting the development process, it is necessary to rely on fund managers' subjective perceptions and opinions in order to assess the performance and the impacts of the funds on the recipient country's economic development.

Moreover, the IFC ALAC fund for example is only three years old and only one of its projects has already been partially disinvested. This means that it is too early to try to assess statistically and objectively the IFC's investments performance and impacts on development, which is a long-term process. That is the main reason why our research question focuses on fund managers' subjective and biased opinions and judgments.

However, it is essential to keep in mind throughout the research that the fund managers' can sometimes lack objectivity and that they are also subject to confidentiality pressure. They cannot disclose all the information they know and that is why they can sometimes chose not to say all they know. During the interview with the IFC for example the Corporate Communication department was present to ensure that some kind of information would not be released.

3.2. Data analysis

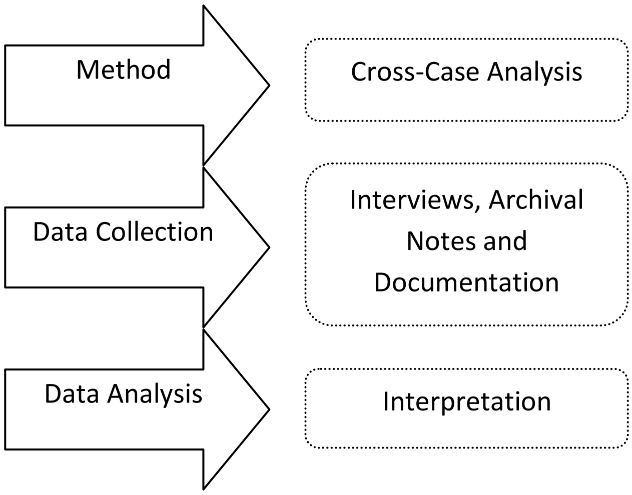
The first step of the data analysis consisted in identifying the initial variables defined by the funds' managers during the interviews (from the researcher's notes and the recorded interviews).

Through a full and close examination of the interviews notes, we paid attention to each passage of the interviews in which the interviewees made reference to one possible variable affecting the recipient country's economic development through SWFs' investments.

Then, in the second phase, we put these variables in relation with the four research propositions (Section 3.3.). Links and connections were established between the variables and the research propositions, in order to answer the research question and find out all the variables through which, according to the funds' managers, SWFs' investments affect the recipient country's economic development.

When necessary, the interviewees were contacted again, by phone or e-mail, in order to ask for clarifications and suggestions, update information and explain apparent inconsistencies found in the interviews.

Figure 2: Overview of the research methodology



Source: The author.

3.3. Research question and propositions

In order to contribute to the previous discussions, the research question ***how, according to the perceptions of funds' managers, can sovereign wealth funds help in the economic development of West Africa?*** is supposed to be answered through the analysis of a set of four research hypothesis or propositions based on the literature review. Through literature review, these research propositions are aimed at contemplating what could be the opinions of funds' managers on the possible positive impacts of SWFs' investments on the economic development of the recipient country. They constitute possible managers' answers to the research question mentioned above.

3.3.1. Capital formation

First, as seen in section 2, development is a long-term process which can only be achieved through long-term and stable funding. SWFs have long-term investment horizons and can consequently provide this long-term funding (Triki & Faye, 2011).

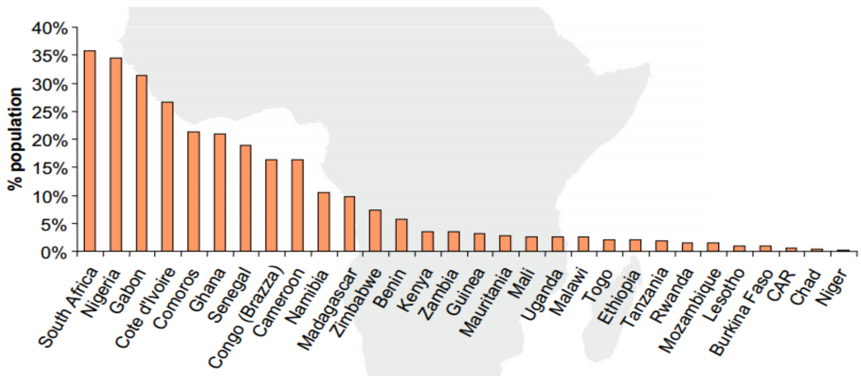
As previously seen, SWFs are not debt leveraged so they will not have to call back capital in the short term. Consequently, SWFs' funding is stable and may not be suddenly withdrawn of the country from one day to another, contributing to its financial and economic stability, which is essential for development (Lensink & Morrissey, 2006). SWFs can more easily make investments in illiquid and long-maturity projects than other investors which are subject to market discipline (Turkisch, 2011). SWF investments have a low volatility, volatility being harmful for development (Lensink and Morrissey, 2006).

Consequently, SWFs can, for example, make long-term and stable investments in economic sectors which are essential for economic development, e.g. infrastructures of all kinds (ICT, irrigation, water and sanitation, power, transport, WSS), participating in the recipient country's capital formation.

Foster and Briceño-Garmendia (2010) have shown that low level of infrastructure can reduce national economic growth by 2% each year. According to their simulations, if all African countries had the same level of infrastructure than Mauritius, which is the regional example in this matter, regional per capita growth would raise by 2.2%. If they had the same level of infrastructures as South Korea, it would increase by 2.6%. In the article *Africa's Infrastructure – A time for transformation* (Foster & Briceño-Garmendia, 2010, p. 1), we can read: "infrastructure has been responsible for more than half of Africa's recent improved growth performance and has the potential to contribute even more in the future". Low quality and expensive infrastructure usually represent the main constraint on doing business in Africa, decreasing productivity by approximately 40% (Escribano, Guasch, and Peña 2008).

Today, regarding rural electrification, Foster & Briceño-Garmendia (2010) calculated for example that rural access to power in Africa is only 12%, as shown in figure 3. The national power systems are usually very expensive and of poor quality with frequent supply shortages.

Figure 3: Rural Electrification rates in Africa



Source: Foster & Briceño-Garmendia, 2010.

Foster & Briceño-Garmendia (2010) finally calculated that considering all types of infrastructure, USD 93 billion have to be invested each year over the 2010-2020 decade to close the infrastructure gap by 2020.

To develop infrastructure, it is necessary to have long-term and stable investments. Actually, it takes time for operations to generate a return on investment and it is essential to make initial investments during several years for the construction of the infrastructure.

Research proposition 1: SWFs, through long-term and stable funding, enable a continuous increase in the Western African countries' capital formation, creating the conditions for their economic development.

3.3.2. Knowledge and technological transfers

According to Borensztein et al. (1998, p. 116): "technology diffusion plays a central role in the process of economic development. In contrast to the traditional growth framework, where technological change was left as an unexplained residual, the recent growth literature has highlighted the dependence of growth rates on the state of domestic technology".

Technological and knowledge transfers can take place through different channels, e.g. through the imports of high-technology products, foreign technology and through the transfer of foreign human capital. In addition to these channels, investments made by multinational companies constitute one of the most powerful channels for developing countries to access new technology. According to Findlay (1978), foreign direct investments made by foreign companies raise the rate of technological progress in the recipient country via a "contagion" effect from the more advanced technology and management processes used by these firms.

Foreign companies, through the knowledge and technology they have, enable the introduction of new capital and goods in the recipient country, at lower cost. Nevertheless, as pointed out by Borensztein et al. (1998), to use these more advanced technologies, the recipient country has to possess a good level of human capital. Foreign investments have a positive impact on economic growth. However, this impact also depends on the stock of human capital available in the recipient economy. The contribution of the introduction of foreign and more advanced technology is stronger when it goes with a good level of human capital in the recipient country. To increase the country's economic development, it is not only about importing foreign human capital, it is mainly about improving the local human capital.

Through their investments, SWFs can facilitate both technological and knowledge transfers to African industries, for example by investing in companies that participate in the training and education of local workers and/or by encouraging these companies to create R&D units in Africa (Triki & Faye, 2011).

Human development remains one of the main challenges faced by West African countries. However, it is an essential factor to take into account to take full advantage of technological transfer, to reduce poverty and increase development. Human development and education also impact other economic sectors (e.g. health, infrastructure) as it trains the country's future doctors or engineers. However, African countries not only have little revenue, they also do not spend enough on education, leading to a lack of skilled workers.

Table 1: Public expenditure on education in sub-Saharan Africa in 2007

Sub-Saharan Africa	**Public expenditure on education (% GDP)**
Oil and gas producing countries	
Angola	2.8
Cameroon	3.0
Chad	3.2
Congo, Rep of	1.9
Cote d'Ivoire	4.6
Equatorial Guinea	0.6
Gabon	3.9
Nigeria	…
Sudan	1.7
South Africa	4.6
Average	2.6
Average of non-oil and gas producing countries (37)	4.9

Source: CRES (2008).

Research proposition 2: SWFs contribute to the technological upgrading of the recipient country as well as to the development of its human capital through skill formation and training.

3.3.3. Financial and banking development

In Africa, the banking sector is one of the most underdeveloped. However, banking is critical for the development of a country. As seen in section 2 with Schumpeter, a competent banking system is essential to identify and fund the best entrepreneurs and the best projects, which will then create new products and processes, leading to technological innovations and economic growth. The availability of competent banking and institutional credit organizations is also fundamental for the country's capital formation.

As seen in section 2, for Levine, banks are critical to mobilize resources, select good initiatives, monitor and control firm managers and manage risk (Levine 1997, 2000). According to the financial-services view, some critical financial services have to be provided by banks and the financial system in general in order to enhance the creation of firms, industrial and economic growth or development. This means that a country whose banks provide these key financial services will grow faster because new firms will be established more easily and will grow more.

The banking sector can affect both capital accumulation and technological innovation (referring to respectively proposition 1 and proposition 2) either by modifying savings rate or by reallocating savings to technological and innovative projects.

Paul Derreumaux (2012), honorary chairman of the Bank of Africa Group, gives a panorama of the current African banking sector. In 2012, the 200 largest banks in Africa had total assets of about USD 1,110 billion as well as a NBI of USD 45 billion. For comparison, the NBI of the BNP Paribas Group alone in 2011 was approximately USD 55 billion. South Africa, Nigeria and North Africa are the dominant countries in the sector, with respectively shares of 36%, 9% and 40% in assets and 45%, 15% and 32% in NBI.

According to Derreumaux (2012), the African banking sector has undergone a renewal in the last decades, characterized by a stronger competition and the diversification of both the customer base and the product range. However, Paul Derreumaux (2012) highlights the fact that the sector still faces challenges, particularly regarding its expansion and its support to the region's development. It is very diverse and the banking penetration rate is very low in some specific areas, e.g. 10% in Francophone

Africa. The financing of SMEs is still an issue throughout the continent. For Derreumaux (2012, p. 5): “Banks must achieve higher professional standards and be more innovative with risk analysis, guarantees and financing arrangements”. He gives an additional recommendation: “Banks must prevent fraud, improve product penetration, capture a substantial number of customers with little or no banking experience, and attract more savers”. Consequently, improvements are still needed in the African financial banking sector to support Africa’s economic development.

Research proposition 3: SWFs, through investments in the banking sector, supply essential capital for banks to grow and provide key financial services to support firm creation, industrial and economic development.

3.3.4. The existence of a leveraging effect

If we make the hypothesis, as proposed by World Bank’s President Zoellick (2008), that SWFs invest about 1% of their assets in the African continent, this could have added up to USD 30 billion a year in private investment for Africa in 2008. Moreover, based on Kern’s (2010) projections, SWFs’ assets will reach USD 7 trillion by 2019. Consequently, in 2019, 1% will represent USD 70 billion a year invested in Africa. Note that this amount corresponds to approximately three-quarter of the African infrastructure deficit (see section 4.1.). SWFs’ investments can reach very significant amounts.

Considering the existence of a leveraging effect, this number can be much bigger. Actually, according to Kern (2010), a Chinese SWF is mentioned to have increased by five times the investments made by the SWF, facilitating and generating other investments. Generalizing this example to the other SWFs, the above-mentioned USD 70 billion SWF investments may allow additional USD 350 billion investments in the African continent.

The existence of a leveraging effect can be explained by two main reasons. Firstly, through SWFs’ investments in projects and companies, the recipient country’s industrial fabric will strengthen as all the actors of the company’s value chain will take advantage of these investments to expand their activities. These investments can for example be an opportunity for suppliers to emerge and to develop their business as they know that their products or services will find market outlets (Kern, 2010).

Secondly, when SWFs invest in a developing country, they enhance the attractiveness of this country as a whole and make private investors increasingly interested in it (Turkisch, 2011). Once the benefits of investing in a developing country are evident and once the country's business and political environments appear to be safer than they look, private investors are more willing to invest in it.

Research proposition 4: SWFs' investments may be significant and have the capacity to leverage other investments, leading to an investment chain reaction and to the development of the recipient country's private sector.

4. Empirical analysis: Case studies

To answer our research question, two funds' managers were selected for interview, according to the four above-mentioned criteria (Section 3.1.): Sujoy Bose from the IFC ALAC Fund and Damien Catani from the MDC. During each interview, two investments were analyzed in order to have a higher diversity between the cases (in terms of sectors, countries, investment date, etc.): Ecobank and Rialto in the case of IFC ALAC (4.1.); Etisalat and Guinea Alumina Corporation (GAC) in the case of MDC (4.2.).

4.1. Furthering economic development by encouraging the growth of the productive private sector – IFC ALAC Fund

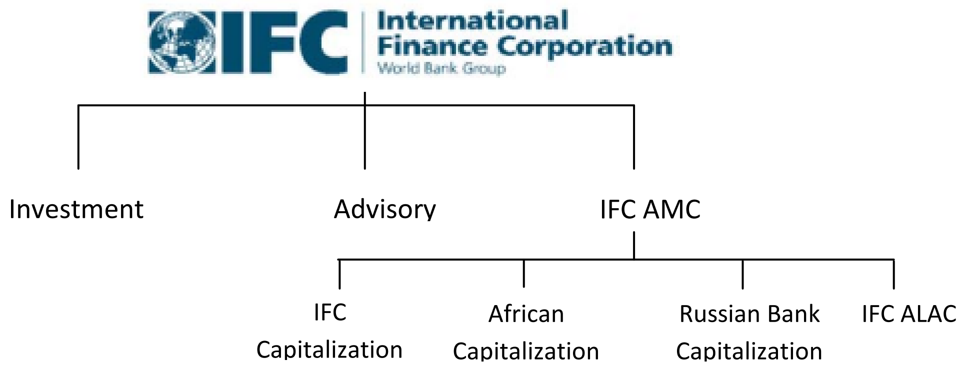
For Turkisch (2011, p. 22): "When investing in Africa, SWFs have recently engaged in increased cooperation with the World Bank and other private financial entities. These cooperation frameworks appear promising and may play a growing role in the future".

The IFC African, Latin American, and Caribbean Fund (IFC ALAC Fund) was launched by the International Finance Corporation in 2010 and follows exactly this kind of "cooperation frameworks". According to the IFC website (http://www.ifc.org), the USD 1 billion fund has commitments from different types of investors, among them: Korea Investment Corporation, State Oil Fund of the Republic of Azerbaijan, the Abu Dhabi Investment Authority, a Saudi government fund, etc. The analysis of the IFC ALAC Fund is an interesting case because it shows how some global financial institutions can help to direct SWFs investments into African countries.

The IFC ALAC is managed by the IFC Asset Management Company, which is itself a subsidiary owned by the IFC, established in 2009. Three other funds are managed by the IFC AMC: IFC Capitalization Fund, African Capitalization Fund and Russian Bank Capitalization Fund. All these funds' revenues come from institutional investors, including SWFs, pension funds and development finance institutions. In the end of 2012, the AMC had about USD 4.5 billion assets under management.

At the beginning of our interview, Sujoy Bose also told us that the IFC had been successful for many years in investing on the debt side (through a product called the "syndicated loans platform") in private sector in emerging market but they could not offer a platform to foreign investors to invest equity along with the IFC. Only banks could lend money along the IFC in emerging countries. To fill in the gap, the Asset Management Company was set up to mobilize equity capital (not only debt) from investors to invest in emerging markets. This is how the concept of Asset Management Company came along, and then, the ALAC Fund specialized in a geographical area. The ALAC was the second fund established by the AMC to make equity investments in Africa, Latin America and Caribbean islands.

Figure 4: Overview of the IFC organization



Source: The author.

According to its website (http://www.ifc.org), the IFC is "the largest global development institution focused exclusively on the private sector in developing countries". Consequently, its analysis is relevant to answer our research question. The International Finance Corporation has been working in development through the private sector for many decades and has also been present in Africa for decades. It is a multinational development agency with a dual objective: on the one hand, development and, on the other hand, profitability. In other words, the IFC makes investments in the private sector through the eyes of making money.

As Sujoy Bose told us, the IFC is a very good catalyst to get investors to put money into development and emerging markets. In fact the IFC has established the first emerging market fund which was a very big success. Consequently, the IFC has a strong expertise and track record of looking in these markets for a long time. Emerging markets are not easy to operate in, they have lots of complexities. It is necessary to understand them very well not only to operate profitably but also for the development to happen in a structured and organized way. In this sense, the IFC is seen by many investors around the world as a very good catalyst.

The IFC works following the concept of "mobilization", i.e. it always looks to bring other private and foreign investors together in its investments. This is the way IFC has been working for many years as Sujoy Bose explained us during the interview.

In terms of portfolio, today the IFC ALAC has made investment commitments totaling USD 610 m (19 investments). Approximately 60% of these investments are in Latin America and 40% in Africa. IFC is always a minority investor so that it usually does not have a great weight on the invested company's management. The portfolio is well diversified in terms of sector (infrastructure, manufacturing, services and so on). Actually, the IFC does not have a precise investment strategy. It is a diversified fund and the main idea is to have diversification in terms of investments inside the ALAC region, both among countries and among sectors. However, after our own analysis, we can say that the first ALAC fund's investments were a bit conservative as it invested in two multinationals operating in stable sectors. For instance, the first investment was made in HeidelbergCement, which is one of the biggest cement manufacturers, which planed to expand its activities in West and Central Africa.

The IFC ALAC does not have any specific exit strategy. The fund life is expected to last for 10 years. Until today, as the fund is only 3 years old, the IFC has disinvested only one investment partially, through an IPO. The exit strategy will probably be defined on a case-by-case basis.

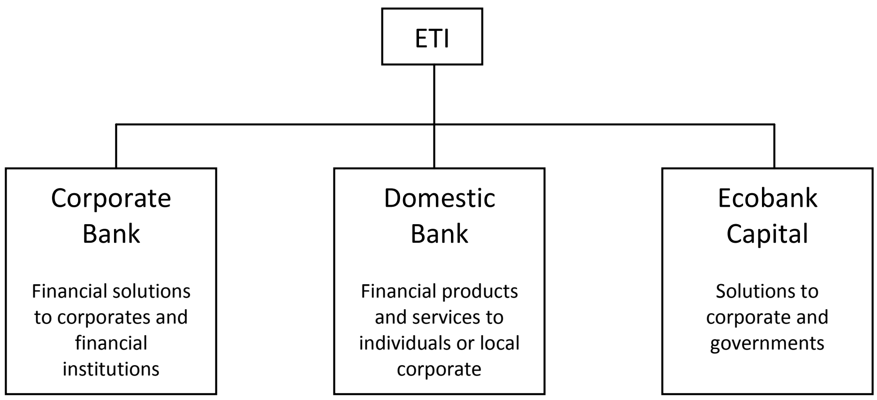
As mentioned in 3.1.1., fund managers take great care in not releasing some kinds of information. Because of these confidentiality barriers, it was very difficult to select and analyze specific existing investments. In the case of the IFC ALAC fund, two kinds of investments were considered: on the one hand, an investment in the banking industry; on the other hand, an investment in infrastructure.

4.1.1. Project 1: Ecobank or the "world-class pan-African bank"

Regarding the project in the banking industry, the IFC ALAC has already made three investments in significant banks. Actually, easing access to finance and strengthening financial markets is a key focus of IFC ALAC's strategy to make the private sector stronger in Western Africa.

The case of the Ecobank Transnational Incorporated Company – in which the IFC ALAC made one of its very first investments (Project 1) – was studied during the interview with Sujoy Bose. Ecobank defines itself as a "world-class pan-African bank" whose main mission is to "contribute to the economic and financial integration and development of the African continent" (http://www.ecobank.com). Ecobank is based in Togo but has many subsidiaries throughout the African continent, even in the world's least developed countries. ETI was established in 1985, through the initiative of the Federation of the West African Chambers of Commerce and Industry in order to fill a gap. Actually, at the time ETI was created, there was almost no commercial bank in West Africa managed by African private sector. The banking industry was controlled by foreign and state-owned banks, usually poorly managed as highlighted by Sujoy Bose. ETI was created as a project of a private regional bank. The first subsidiary started its operations in Togo in 1988. Nowadays, through its operations in 33 African countries (all the Western African countries, except Mauritania), many of which located in politically instable countries, ETI is one of the biggest African regional banks. ETI provides a wide variety of banking services (wholesale, retail, investment and transactional) to a large public (governments, companies, individuals, institutions, etc.).

Figure 5: Overview of ETI organization



Source: The author.

ETI employs more than 18,000 people. It registered USD 1,751 million of revenues in 2012 and a profit before tax of USD 348 million. Moreover, it has USD 19,950 million assets under management.

ETI received many awards from the banking industry. For example, in 2011 and in 2012, it was named “Best Bank in Africa” by Euromoney, a famous finance magazine. Among the criteria used by the magazine to determine the award winner, innovation capacity and financial ratios were the most important. For Clive Horwood, Euromoney’s Editor: “The quality of the management, strategic outlook and growing profitability stand Ecobank in good stead” (Ecobank Press Release, 2012, July 15).

The partnership between ETI and IFC is very old as Sujoy Bose told us. Seventeen years ago, before the creation of the IFC ALAC fund, IFC already made an investment in Ecobank Ghana. Since this period, IFC has made other investments in both the group’s subsidiaries and the group’s holding, as in 1999 or 2008. The ETI banking group is one of the IFC’s largest clients in Western Africa. In 2008, the IFC provided a USD 213 million financing package to ETI in order to increase the access to lending services and credit to SMEs. At that time, Yolande Duhem, IFC Director for West and Central Africa, declared that “Improving access to finance and building strong financial markets is a key focus of IFC’s strategy to strengthen the private sector in Sub-Saharan Africa (…) Working with Ecobank’s extensive network will enable us to have a greater development impact in the region” (Ecobank Press Release, 2008, September 18).

In mid-2010, the IFC and the IFC Asset Management Company, through the IFC ALAC fund, made a series of investments in ETI and its subsidiaries. The objective was to “help strengthen the financial sector across several African countries and support the region’s recovery from the impact of the recent turmoil in global financial markets” (IFC Press Release, 2010, July 1). The total investment was about USD 175 million.

Loans were provided to 18 Ecobank subsidiaries in order to give them additional capital and to strengthen their financial situation and increase competition. Actually, as it is possible to read in the IFC’s website (IFC Press Release, 2010, July 1): “By providing capital to a regionally systemic financial institution, the investments will strengthen the banking sector and ease access to credit for underserved segments of the market, such as small and medium enterprises”.

At this occasion, Gavin Wilson, CEO of IFC Asset Management Company, said (IFC Press Release, 2010, July 1): “Ecobank is a champion of African growth. We are pleased to be investing in the next phase of its success and to be supporting the positive impact it has on the market it serves”.

Finally, the newest investment occurred in July 2012, when the IFC Asset Management Company, through three of its funds (including IFC ALAC fund), provided a USD 213 million financial package to Ecobank. Following this investment, Thierry Tanoh, former IFC Vice President for Latin America, and the Caribbean, sub-Saharan Africa, and Western Europe, became CEO-designate of ETI. Through this more recent investment, ETI plans to invest in its expansion into new African countries. It also expects to fund technology and process upgrade and modernization of its several subsidiaries.

4.1.2. Project 2: Rialto and Ivory Coast natural gas resources

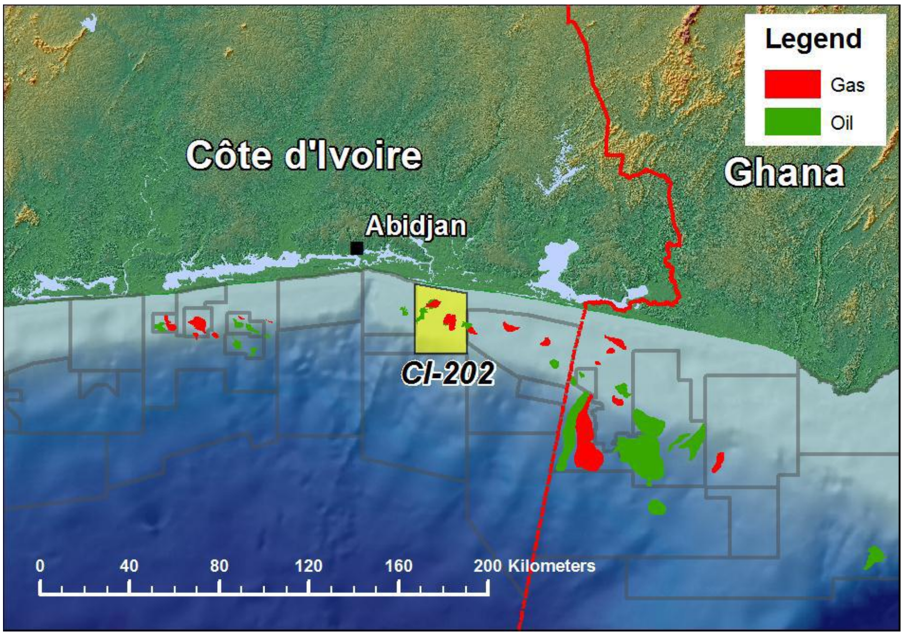
Rialto Energy (Project 2) is an Australia-listed company operating in the oil and gas exploration and production business through offices in Perth, Australia, London, UK, and Abidjan, Ivory Coast.

Rialto operates the CI-202 block in offshore Ivory Coast. It has an 85% working interest in this CI-202 block and it is also its operator. Note that the remaining 15% in the CI-202 block is held by Petroci, Ivory Coast’s state-owned oil company. CI-202 is located offshore Ivory Coast, in the Grand Bassam area, south-east of Abidjan, approximately 10 km from the coast and 30 km from Abidjan. On CI-202, two hubs, named Gazelle and Hippo, have been discovered.

On January 16, 2012, it was announced that Rialto has signed a subscription agreement with the IFC. Through this agreement, the IFC and its IFC ALAC fund invested USD 10 million each, with the possibility to invest an additional USD 8 million each over the next four years. This was an equity investment, i.e. IFC received shares in the company for its financial commitment.

According to Sujoy Bose, the aim of this agreement was to invest in Rialto in order to support the company’s expansion of power provision in Ivory Coast. More precisely, the investment will fund Rialto’s three-well drilling operations in the CI-202 block, offshore Ivory Coast. On March 12, 2012, Rialto already started its three-well drill program on CI-202 with the Gazelle – P3 well. The project consists of drilling two wells on the Gazelle hub and one in the Hippo area. The project was expected to cost approximately USD 75 million for the first step of the three-well campaign. The field development plan was approved by the Government of Ivory Coast.

Figure 6: Localization of the CI-202 block



Source: Rialto Energy Limited.

In the IFC's press release (2012, March 26), it is written that Ivory Coast has "the potential for significant hydrocarbon recourses". Rialto's activity expansion will "help address the current and projected gas shortages that are preventing growth in the country's power sector". However, the development of this sector has been "hampered by political and military crisis during the past decade".

The power industry in Ivory Coast is dominated by two plants which are fueled by gas (Azito and CIPREL). These two firms are responsible for the country's power supply. Rialto's CI-202 block gas resources are expected to supply these two plants.

According to Sujoy Bose, this investment is also part of IFC ALAC's "strategy to support strong companies operating in rapidly growing sector". This is also the reason why they invested in Rialto to support their project in offshore Ivory Coast, "one of the most promising and least developed oil and gas regions within West Africa".

Sujoy Bose added that the IFC, through its investment, also intends to ensure that exploration and development will happen in an environmentally conscious way, following IFC's Environmental Health & Safety (EHS) Guidelines, and more specifically its Oil and Gas Offshore EHS Guidelines. An Environmental and Social Action Plan was also elaborated regarding the drilling and exploration phases of the project in order to ensure that the project will be conducted in accordance to good global practices and local regulation.

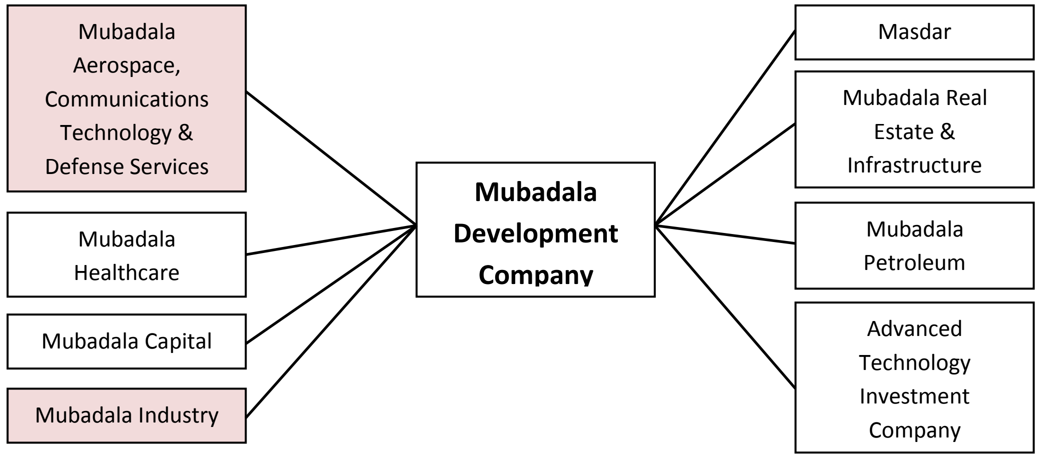
4.2. Contributing to the diversification strategy of the UAE's economy – Mubadala Development Company

As Damien Catani explained us at the beginning of the interview, the Mubadala Development Company was created in 2002 by Emiri Decree. The government of the Emirate of Abu Dhabi is the only shareholder and the chairman is the President of the UAE and Rule of Abu Dhabi, his Highness Sheikh Khalifa bin Zayed Al Nahyan. This structure explains the existence of political interference in some investment decisions.

As written in the company's 1S13 stakeholder presentation, it is a commodity fund (the EAD holds 9% of the global oil reserves and 5% of global gas reserves), totaling USD 55.5 billion as of June 30th 2013. Just as the IFC, the MDC also has a double mandate, called "double bottom line" by Damien Catani: on the one hand, a financial mandate consisting in generating financial returns for the Shareholder; on the other hand, a socio-economic mandate consisting in creating benefits for Abu Dhabi's inhabitants.

The MDC invests mainly in activities or industries that contribute to the diversification strategy of the EAD's economy. Through these investments in priority areas, the AD government tries to reduce its reliance on oil and gas. Mubadala invests in these specific sectors through eight business units, as shown below:

Figure 7: Overview of the MDC organization



Source: The author.

Usually, the local criterion is put in the first place when considering future investment decisions. The fund's objective is above all the socio-economic development of the UAE. However, as highlighted by Damien Catani, this is not necessarily the case for the Mubadala Capital which is the only business unit to only have a financial mandate.

MDC's foreign investments usually are minority investments. It can sometimes intervene in the company's management but this is not common considering that the MDC does not have any branch office abroad and that it is complicated to manage a foreign company from the UAE, according to Damien Catani.

Regarding the fund's way-out strategies, they have not been defined yet. The MDC is still very young and has not completed the investment cycle yet. The MDC has a long-term vision and favors investments longer than 10 years.

According to the fund's website (www.mubadala.com), three investments have been made in Africa, more precisely in Algeria, Guinea and Nigeria. Given the geographical scope of this research, the case study will focus on the investments made in Guinea and in Nigeria. In Nigeria, Mubadala holds, since 2007, a 30% stake in a Nigerian telecom company called Etisalat Nigeria, through Mubadala Aerospace, Communications Technology & Defense Services (see figure 7). In Guinea, Mubadala, through Mubadala Industry (see figure 7), holds a stake in Guinea Alumina Coporation (GAC).

4.2.1. Project 3: Etisalat, a UAE-based telecommunications services firm in Nigeria

Nigeria is often seen as one of the most strategic countries all around Africa. It hosts the largest population in the region but, in 2007, presented a mobile penetration of only 20% (34 million mobile phone customers). Consequently, the Nigerian market is still far from saturation, with large room for growth. The Nigerian telecoms market is a fast-growing market which has attracted the attention of investors globally. According to the EIU's telecoms and technology industry report provided by Damien Catani (EIU, 2013, p. 5): "the penetration rates for fixed-line and mobile services are low by international standards, creating plenty of scope for continued rapid growth in telecoms services over the forecast period", i.e. until 2017. There is still a substantial untapped demand leading to very good growth perspectives.

Through mobile phones, Nigerians can also access Internet. Internet access has increased a lot in recent years, from 1.8 million Internet users in 2004 to 47 million in 2011. For the EIU (2013, p. 9), "this is the highest number of Internet users in Africa and the figure is expected to exceed 100m in 2016".

The mobile market is dominated by 4 main players today, which concentrate 95% of the market: MTN of South Africa, Globcom (Glo Mobile), Bharti Airtel of India and Etisalat.

Table 2: Telecommunications statistics in Nigeria

	2008[a]	2009[a]	2010[a]	2011[b]	2012[b]	2013[c]	2014[c]	2015[c]	2016[c]	2017[c]
Telephone main lines ('000)	1,271	1,355	1,061	600	475	375	295	232	181	140
Telephone main lines (per 100 people)	0.8	0.9	0.7	0.4	0.3	0.2	0.2	0.1	0.1	0.1
Mobile subscriptions (m)	63.0	73.1	87.3	95.2	102.8	111.1	119.7	128.7	138.2	148.4
Mobile subscriptions (per 100 people)	41.1	46.4	54.0	57.4	60.4	63.6	66.8	70.1	73.4	76.8
Internet users (m)	24.3	31.5	38.8	47.1[a]	55.1	65.0	75.4	88.9	102.1	115.1
Internet penetration (per 100 people)	15.9	20.0	24.0[b]	28.4	32.4	37.3	42.1	48.4	54.2	59.6
Broadband subscriptions ('000)	68	82	99	216[a]	327	424	541	672	818	983
Broadband subscriptions (per 100 people)	0.0	0.1	0.1	0.1[a]	0.2	0.2	0.3	0.4	0.4	0.5
No. of PCs (per 100 people)	3.6	4.0	4.4	4.9	5.4	6.0	6.7	7.6	8.5	9.6

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Source: Economist Intelligence Unit (2013).

Etisalat (Project 3) is a UAE's company, based in Abu Dhabi and 60% state-owned. It is the second largest telecoms company in the UAE, after Du. Etisalat lost its monopoly in the local market in 2007 and since then it has tried to expand its operations worldwide, i.e. outside its home market.

As explained by Damien Catani, in Nigeria, in March 2007, MDC was granted a USD 400 million license from the Federal Government. The license is a 15-year renewable Universal Access Service License (UASL) and provides the right to offer fixed-line, data and voice services and to set an international gateway. It also includes the fifth mobile license granted in Nigeria, through the allocation of frequency in the GSM 1800 and 900 MHz GSM bands to offer mobile services.

After acquiring the license, MDC announced that it had picked Emirates Telecommunications Corp (Etisalat) to operate its telecoms business in the country. At that time, Etisalat operated in 14 countries, mainly in the Middle-East and in Africa and it provided fixed-line, mobile, television and Internet services to more than 34 million people. In September 2007, Etisalat acquired a 40 percent stake in new Nigerian telecoms operator called Emerging Market Telecom Services Ltd (EMTS) from MDC and became the operating partner, responsible for the project’s ongoing management and performance. EMTS had been established by MDC to own and operate its telecoms business in Nigeria. Etisalat, through this transaction, became the third fixed-line service provider in Nigeria as well as the fifth mobile operator. This was the largest investment made by Etisalat in Western Africa. After the deal with Etisalat, MDC held 30% in EMTS while the remaining 30% stakes were owned by Nigerian investors.

Regarding the choice of Etisalat as its partner in Nigeria, Waleed Al Mokarrab Al Muhairi, COO of MDC, said in a statement published in All Africa (2007, September 9): “based on our understanding of the market, we believe Etisalat is in the strongest position to bring maximum value to the operations leveraging their international footprint and operating experience in Africa”. However, according to Damien Catani, some political reasons could also have motivated this minority investment and the choice of Etisalat as the project operator (potential family ties between employees in Etisalat and MDC). With this transaction, Etisalat increased by 30% its addressable market of potential customers (to 600 million).

Mubadala and Etisalat also started in 2007 to select technology partners regarding telecom equipment supply. Alcatel-Lucent won the contract of several millions of EUR to provide the telecoms company with its new mobile network in Nigeria and integration services. Alcatel-Lucent also set up the related infrastructure such as the masts and supply systems. On October 2008, Etisalat officially announced the beginning of its full commercial activities in the West African country.

As seen above, the telecom market in Nigeria is keenly competitive and challenging, but also profitable and full of opportunities. Etisalat has seen a significant rise in its number of Nigerian subscribers since 2008 to 13.1 million in the end of the first semester of 2012.

For Damien Catani, the investment made by the MDC has the objective to support Etisalat's international expansion. Even if the transaction is the largest investment made by Etisalat in the region, it allows it to take advantage of a series of significant synergies with its other activities in the region. Actually, Nigeria was at that time Etisalat's fifteenth market globally and eleventh market in Africa.

The entry of Etisalat in the Nigerian telecom market has boosted the market which has been growing since 2001. It has increased the competition in a market dominated by third large companies: South Africa's MTN Nigeria; Mike Adenuga Jnr (a Nigerian businessman)'s Globacom Limited and finally Celtel Nigeria, a firm owned by Kuwait's MTC. Consequently the entry led to a better deal for the customers.

In a statement published in All Africa (2007, September 9), Etisalat International Investments CEO, Jamal Jarwan said: "we believe that Africa holds great opportunity for growth and that the development of the telecommunications sector is an important catalyst for that growth". In the end of 2010, EMTS bought a 3G license via the acquisition of a local operator which had won the license from the Nigerian Communications Commission but had never used it in its activities. The acquired company was Alheri Mobile Services and the transaction allowed Etisalat Nigeria to compete with the main players in the telecommunications market.

Afterwards, in 2012 April 10, in Nigerian newspaper Business Day, Etisalat Nigeria CEO, Steve Evans, announced that his company planned to grow in Nigeria through the investment of USD 194 million in network expansion (1,000 additional base transceiver stations increasing the total number of stations in the country to 4,000) in order to increase network coverage and to improve the quality of services offered to Nigerians. He said: "The cell site project is a big civil engineering machine that we have put in place and we have also partnered with companies helping us to put the concrete on the site, helping us to build the towers, putting the telecommunications equipment on those towers, connecting the towers, testing them and optimizing them."

The four main players identified in the beginning of the case are now fighting to conquer the substantial untapped demand in the mobile market. Consequently, to conquer this new market, they tend to build infrastructure to reach these remote people, increasing network penetration into lower-income regions, rural regions, especially regarding mobile services which are cheaper and easier to access for customers.

4.2.2. Project 4: GAC or the UAE's ambition to become an aluminium giant

In 2004, the Canadian company Global Alumina Corporation signed an investment and concession agreement with the Government of Guinea in order to construct, develop and operate the Sangaredi refinery project in Guinea (Project 4). More precisely, as explained by Damien Catani, the project consisted in constructing an alumina refinery, a bauxite mine, but also in expanding and reforming the existing railway system from the refinery to the Kamsar port through an infrastructure agreement, building port installations (a new jetty and a terminal port) through a port agreement, etc.

The project referred to a 690 km² mining concession, whose reserves were estimated to approximately 1 billion tons of bauxite, which can then be transformed into alumina, material used to make aluminium. However, the project was not on a healthy financial situation so that it needed additional capital to fund its construction. Consequently, Global Alumina Corporation looked for partners and in 2006 entered into exclusive negotiations to establish a JV with on the one hand Broken Hill Proprietary Company Pty Limited (BHP Billiton) and on the other hand Dubai Aluminium Company Limited (Dubal) and MDC.

After some months of negotiation between the parties, in March 2007, they finally entered into shareholder, project management and off-take agreements for the development, the construction and the operation of the Global Alumina Corporation’s alumina refinery project in Guinea. The partners bought a two-thirds interest in Global Alumina Corporation’s wholly-owned subsidiary called Guinea Alumina Corporation (GAC) for approximately USD 260 million. 15% of this amount was used to fund GAC’s ongoing corporate expenses whereas the remaining 85% was placed in escrow to fund Global Alumina’s future contributions into GAC. More precisely, Dubal acquired 25% of GAC, MDC 8.33% and the remaining two-thirds were equally held by Global Alumina Corporation and BHP Billiton, the Anglo-Australian metals producer.

BHP Billiton was designated project manager. BHP Billiton is an Anglo-Australian metals producer. It is the sixth biggest producer of primary aluminium in the world. Dubal owns one of the world’s biggest single site aluminium smelters, located in the

UAE. It is owned by the government of Dubai. Its activities consist in producing and exporting primary aluminium products worldwide. Dubal has already established an off-take agreement with GAC in 2005, according to which it has the right to 40% of the annual alumina production of the future refinery. This agreement was maintained after the establishment of the JV according to Damien Catani. Dubal and MDC had already implemented projects together in the same industry and outside the UAE. Since 2006, Dubal and MDC had built a successful partnership through a 50/50 JV agreement in Emirates Aluminium (EMAL).

In the frame of the JV shareholders' agreements, the GAC's board of directors, which governed the management of the company, was composed of nine directors, three being designated by Global Alumina, three by BHP Billiton, two by Dubal and one by MDC. Being responsible for the project management, BHP Billiton had the right to appoint GAC's CEO and CFOs.

The project, whose estimated cost was about USD 3 billion, is located 100 km inland from Kamsar. The JV partners had already access to a rail infrastructure to the port of Kamsar. However, the development phase of the project planned not only to build the 10 million mt/year bauxite mine, but also to renovate the port and associated infrastructure.

When the agreements were signed in the beginning of 2007, it was expected to complete the funding of the project with the involvement of the new shareholders by December 2007 and to begin to produce up to 3.3 million tons of alumina per year by mid-2010 (with the potential to go up to 3.95 million tpy) fed by the 10 million tpy bauxite mine. However, according to Damien Catani, due to political instability and chaos, in the middle of 2010, the beginning of the production was postponed to at least 2013. This does not mean that the project had not started yet: in 2010, between USD 4 and USD 5 million were spent each month by the JV in order to expand infrastructure (construction of new accommodation for those displaced for example) and site work (earthworks and drainage at the refinery site for example).

At the beginning of the agreements, the JV partners believed that the demand for aluminium that is used to make aircraft, cars and cans would guarantee the profitability of the project, whatever was the political situation in Guinea. At that time, Guinea's bauxite industry was dominated by the Russians and their United Company Rosal and by the US through Alcoa. The industry stands for about one fifth of the Republic’s GDP. The objective of the JV partners was to expand rapidly in this market and to transform bauxite reserves into alumina, which can be sold at a higher price before to export alumina to smelters in China or in the Middle East to turn it into aluminium.

The numerous delays in the project’s schedule mostly came from the country’s political instability. For example, in the beginning of 2007, nationwide strikes paralyzed the bauxite exports for the first time since the country’s independence in 1958 and led to the death of more than 130 people. Companies had to evacuate their staff. The situation worsened when the military took the power in December 2008.

In the press, other executives of the sector complained about the instability which reigned in Guinea. For Dick Evans, former CEO of Rio Tinto Alcan: “Guinea needs political stability” and according to John Thuestad, president of Alcoa’s global primary products division “we will see a significant [alumina] refinery in Guinea […] but you need a good, low-cost energy situation, and that’s one thing Guinea doesn’t have”.

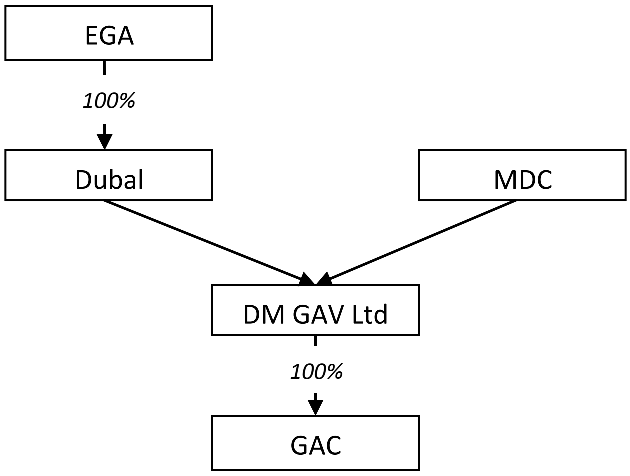
Facing these difficulties to make the project go ahead, BHP Billiton decided to sell its stakes to Global Alumina in the end of 2012. However, Global Alumina having troubles to find alternative funding options to acquire BHP Billiton’s participations, the Gulf companies finally took full ownership of GAC. In May 2013, Dubal and MDC, which had already established a joint-venture called DM GAV Ltd, signed an agreement to buy their two partners’ interests in the GAC, following the authorization of the Guinean government. They acquired Global Alumina’s stake for USD 38 million.

In August 2013, Dubal and MDC secured full ownership of GAC. As highlighted by Damien Catani, this transaction followed the announcement of the establishment of Emirates Global Aluminium (EGA), which is to become the fifth biggest aluminium firm in the world. It will integrate the businesses of Dubal and Emal and is expected to develop its activities along the value chain, operating from alumina refining and, at the base of the business, the bauxite mining to aluminium smelting.

Consequently, the acquisition showed EGA’s plans for international expansion and was a way for the new company to secure bauxite materials. Regarding the investment made by MDC in the Guinea Alumina Corporation, it is in line with the UAE’s aluminium strategy, i.e. the objective is above all to ensure a steady supply of raw material bauxite to the UAE's aluminium smelter and to support the local aluminium industry.

Guinea holds more than one-third of the world's bauxite resources. Consequently, the Sangaredi refinery project gives the UAE a long-life availability of low-cost alumina. This investment is above all a strategic investment for the UAE. Being so, it is meant to be a long-term investment.

Figure 8: GAC shareholding structure



Source: The author.

5. Discussion of research propositions and Conclusions

Based on the previous case studies and following the methodology presented in section 3, the four research propositions will be discussed in the following section, taking into consideration the fund managers' statements during the performed interviews. Even if the two funds are different in terms of structure and strategy, the four propositions seem to apply to both of them.

5.1. Proposition 1: Long-term vision, capital formation

Proposition 1 suggests that *SWFs, through long-term and stable funding, enable a continuous increase in the Western African countries' capital formation, creating the conditions for their economic development*.

As presented in the Rialto case analysis, the long-term (still no perspective of way-out) investment made by IFC enhanced the development of Ivory Coast's energy sector. More specifically, it played an important role in developing Ivory Coast's strategic hydrocarbon sector. Thanks to the supply of long-term capital, the project allows an increase in gas availability, which is essential for Ivory Coast's power industry. As highlighted by Sujoy Bose, without power it is very difficult for countries to develop. Moreover, if power is not competitive, i.e. if it is too expensive, all the economy is going to suffer.

The gas resources provided by Rialto will fuel the two main Ivory Coast's power plants (Azito and CIPREL) which will in turn convert them into power supply for the country. Actually, nowadays, Ivory Coast still suffers from poor energy availability and frequent power shortages.

Power infrastructures are critical for developing countries. All businesses need power infrastructure improvements because the lack of reliable power is prejudicial to industrial processes and productivity. By investing in infrastructures, SWFs help to provide very basic services, critical for these countries to develop. SWFs' investments in infrastructure thus help to create the conditions for the country's economic development.

In *Africa's Infrastructure – a time for transformation* (Foster & Briceño-Garmendia, 2010, p. 1), it is written that "power is by far Africa's largest infrastructure challenge, with 30 countries facing regular power shortages and many paying high premiums for emergency power”. The 48 Sub-Saharan African countries, representing 800 million people, produce more or less the same power as Spain, which represents 45 million people. In general, the economic costs of power outages could reach about 1 to 2 percent of the region’s GDP.

More generally, all kinds of infrastructure contribute to economic growth. Actually, there are different kinds of infrastructure, leading to different impacts in terms of development. Power infrastructure, securing the country’s power supply, increases the productivity of firms and also enables the supply of health and education services. Consequently, power infrastructure is also important for human development and the non-economic determinants of development (Fay et al., 2005).

In addition to power infrastructure, a safe and convenient water and sanitation network enables Africans to save time and decreases the spread of some diseases (e.g. diarrhea, which causes the death of many children in Africa each year).

In the same way, transport networks (roads, ports) enable the country to be connected to local and global markets and also enable companies’ goods to go to the market. In the GAC case study, part of the project planned to build not only the 10 million mt/year bauxite mine but also associated infrastructure (railway system and port installations). Through its long-term and stable funding (no perspective of way-out as this is a strategic investment for the MDC), the MDC allows the construction of this associated infrastructure and helps in the construction of Guinea’s capital formation, essential for the country’s economic development.

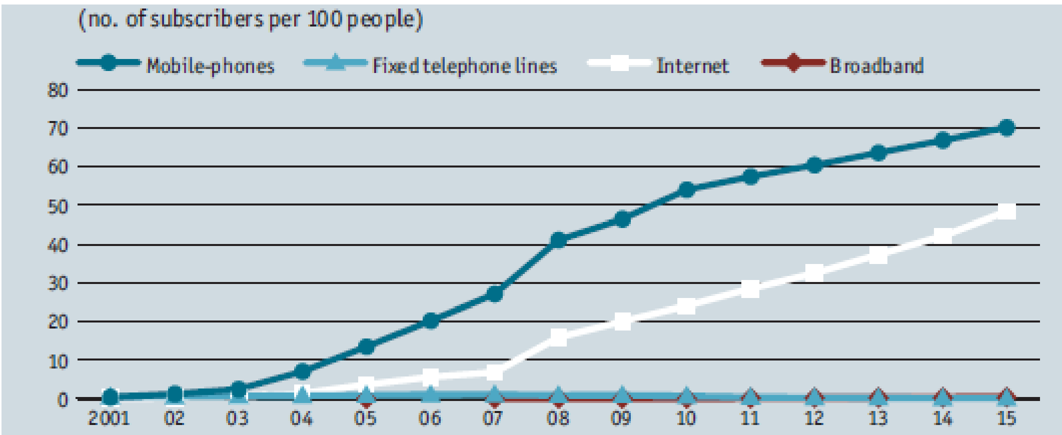
Although two villages have been moved from the bauxite lease since 2009, the partners have also built transportation infrastructures (roads and bridges), cleared the site for the alumina refinery and participated in works to upgrade ports.

Finally, ICTs infrastructure increases and eases the local population’s access to information. This is the case in the Etisalat case study which, thanks to MDC’s investments, helped in setting up and improving Nigeria’s network telecommunication infrastructure, leading to a rise in the country’s capital formation and creating the conditions for its economic development.

The entry of Etisalat in Nigeria boosted the competition between the existing market players leading to a better market efficiency and lower prices. By the way, in February 2012, the Nigerian government even took the decision to close Nitel and its mobile unit, M-TEL, which was poorly managed and highly indebted and has become unable to answer market's needs.

With lower prices, Nigerians' access to telecommunication services increased as Nigerians could more and more afford this type of services. In October 2012, Nigeria has 109 million active mobile subscribers, compared to 63 million in the end of 2008. Economist Intelligence Unit (2013) estimates that by 2017, there will be almost 150 million of mobile subscribers in the country, i.e. 77% of penetration rate.

Figure 9: Technology adoption (penetration of mobile, fixed, Internet and broadband)



Source: Economist Intelligence Unit (2013).

However, the quality of the network reception is still relatively poor. Lots of Nigerians, when they can afford to, own several SIM cards in order to select the best network at any given place and time. Because of this situation and to give incentives to the four main mobile operators to improve their service quality, the Nigerian government fined them (USD 7.3 million) in May 2012.

Nevertheless, for the mobile operators, their efforts to increase the quality of their services usually have to face many problems, mainly due to political situation in the recipient country, as in the GAC case study (Section 4.2.2.). For example, some of them had to face sabotage of their equipment. In September 2012, in the North of the country, Islamist militants demolished several mobile masts through targeted attacks on telecommunication companies. They accused them of helping the government to find and arrest militants providing them monitoring and tracing information. Consequently, it may take a long time before the mobile operators invest in telecoms infrastructure in Northern Nigeria.

Finally, mobile operators also claim that power supply in Nigeria is weak and unreliable, which constitutes serious obstacle for their expansion in the country and for the improvement of the quality of their services. Actually, infrastructure, especially power infrastructure, as seen above, constitutes the main obstacle to the development of private sector and to the competitiveness of the country's economy.

5.2. Proposition 2: Training and CSR programs

Proposition 2 suggests that *SWFs contribute to the technological upgrading of the recipient country as well as to the development of its human capital through skill formation and training*.

Considering project 3, Etisalat started already in 2008 to train its staff through staff induction and functional training programs in order to teach its employees the company's core values and vision. Initially attended by 60 employees, the programs have trained over 500 Nigerians in batches. In addition to giving the employees a vision of the company's brand, the induction program covers a wide array of issues of the company: HR, finance, legal, customer services, products, security, contract procurement and so on. The trainings also focus on Etisalat's operational and development needs with the objective of training its professional in order to turn them into better managers and offering them an opportunity to career growth.

According to the CEO of Etisalat Nigeria, Mr. Saoud Al Shamsi in an interview to the All Africa newspaper (2008, 16 April): "At Etisalat, we see our people as our greatest asset, hence we go the extra mile in developing them to become the best they could. This development exercise is only one of the ongoing efforts at demonstrating this belief". He added: "We offer a series of quality training to our staff to prepare them for the real-world market environment. The objective is to empower them to respond effectively and efficiently to customer needs and the vagaries of the Nigerian telecommunications market".

However, Etisalat does not train all its employees. It also employed among the best professionals in the local market. For instance, in February 2008, the former CTO of MTN Nigeria, the largest operator in the country, and former CEO of MTS First, Danmole Oyesiku, was employed as CTO by EMTS. His mission was to build the company’s network in Nigeria and put the planned commercialization of its mobile service on a fast track.

Moreover, the company also launched many CSR programs with the aim to strengthen education (e.g. student scholarships) and health, in particular programs to fight against malaria.

Beyond these CSR and staff training programs, Damien Catani made reference during the interview to the “knowledge transfer” topic, which is a deeper and more complex process. However, according to him, this topic is taken into consideration by the MDC only for investments made in the UAE, not for investments made abroad. For example, when the MDC invests in a company in the UAE they really care about intellectual property issue, or the creation of a R&D center in the country. Nevertheless, when investing in other countries, these considerations are not taken into account. The only considerations are either financial/economic or political.

According to Damien Catani, the same reasoning applies to the workforce issue. When the MDC invests in a company in the UAE, the recipient company must respect a certain percentage of locals in its teams in order to receive the funds. It is called the “emiratization”. However, they do not have any percentage of locals to respect when investing in firms outside the UAE.

Nevertheless, for Damien Catani, even if the financial mandate dominates when investing abroad, the MDC, a State player, cannot do whatever it wants and it also cares about its international image. That is the main reason why they can help in the implementation of CSR or staff training programs by its recipient companies.

Finally, as stated in the previous section and as presented in the Rialto case analysis, power infrastructure can not only lead to a rise in the local companies’ productivity, it also enables the supply of power for the execution of health and education services, enhancing through an indirect effect the development of the country’s human capital.

5.3. Proposition 3: Stronger banks, larger credit expansion

Proposition 3 suggests that *SWFs, through investments in the banking sector, supply essential capital for banks to grow and provide key financial services to support firm creation, industrial and economic development*.

In Africa, the banking sector is one of the most underdeveloped sectors. However, as seen in section 3, the banking development is critical for the growth of a country. In the same way, for Sujoy Bose: "Investing in banks has always been an important part of the development story".

However, banks need a lot of capital to grow, they need to strengthen their capital base before making credits. Otherwise, without capital, banks will not grow and people in the economy will not have access to loan, mortgages, or financial services to build houses or infrastructure.

Through IFC investments in the banking industry, the idea is to give banks capital to make them stronger so that they can support their customers. IFC supports stronger financial institutions in Africa in order to allow them to expand credit to regional businesses and to have a greater impact on the region's private sector and economic development.

More precisely, as presented in project 1, the ETI bank operates in more than 30 African countries. Consequently, IFC's investment in ETI has stronger and deeper impacts in terms of regional economic development than through only one single investment. This kind of investments is called "platform investment" by Sujoy Bose, i.e. an investment in a company which operates in more than one country.

Expanding its business to other countries, the ETI bank takes its financial products and services to a broader range of countries. It also expands its technology, culture and know-how to these countries. In 2012, Arnold Ekpe, MD and CEO of ETI, declared in Ventures Africa (2012, June 21): "In the past three years we have strengthened our network and operations across Africa, which has allowed us to reach a larger number of people more efficiently and increase our regional impact". Funding a "platform investment" brings about better and greater positive impacts on development in the region.

In addition, through its advisory services, the IFC also helps banks to increase and improve their products and services portfolio in order to better answer their customers' needs and to increase access to finance.

Finally, as presented in project 3, through MDC's investment in Etisalat, the SWF helped in setting up network telecommunication infrastructure in Nigeria. Through this type of infrastructure, MDC and Etisalat also enable banks to offer locals with online and real-time banking services, consequently easing the access not only to telecommunications services but also to banking services. In this case, increasing the company's customer base, MDC's investment in Etisalat led to implicit and indirect impacts on the country's banking industry and, as a result, on its economic development.

5.4. Proposition 4: Leveraging effect and private sector development

Proposition 4 suggests that *SWFs' investments may be significant and have the capacity to leverage other investments, leading to an investment chain reaction and to the development of the recipient country's private sector*.

As presented in the ETI case analysis, through its investment in the bank, IFC supports the development of the country's banking and financial sectors, the development of local or regional banks and, consequently, contribute to the development of the entire private sector.

The IFC's investments strengthen the regional and local banking sector, easing the access to credit to local businesses. The IFC helps banks to better reach underserved sectors like infrastructure and SMEs, thus increasing banks' customer base but also improving the competitiveness of the small businesses, spurring employment, growth and development. In the case of the ETI, ETI and IFC work in a coordinated way so that, after the more recent investment, they planned to increase financing for crucial sectors, e.g. education, health, infrastructure, housing and agriculture.

As seen in the previous section, the impact of the IFC's investment is even greater if we consider that ETI is a "platform company". ETI's several subsidiaries are large contributors to both regional and local economic activities and some of them are located in the world's poorest countries in the world.

Another interesting idea consists in saying that IFC's investment in ETI helped, through a kind of domino effect, the bank to access a larger pool of new investors. Actually, after this investment, ETI managed in attracting new large institutional investors, such as Nedbank and Public Investment Corporation of South Africa. With this additional capital, ETI continued to expand its activities throughout the continent and consequently increased its impacts on regional economic development.

In the case of Rialto, through the production of gas, power will be generated to serve local consumption, playing an important role in the development of the region. Due to current poor infrastructure, local grids are under-supplied and costly and have to be completed with even more costly diesel generators, jeopardizing the country's competitiveness and economic development. Through its investment in Rialto, IFC helps to provide a more secure energy supply to the country.

On the subject, Lance Crist, IFC's global head for oil and gas, declared: "this investment aligns with our strategy to support Ivory Coast's private sector in creating jobs, generating government revenues and building infrastructure". The investment will help to decrease local unemployment in two distinct ways: directly, the project will hire people for its implementation and local contractors, generating local employment; indirectly, increasing the quality of power infrastructure, and easing the access to power sector, the project will generate the emergence of new businesses, hiring more people.

Another interesting idea in Lance Crist's comments is the fact that IFC's investment will raise local government's revenues. Actually, through Rialto's operations in the country, the project will enable an increase in the government's fiscal revenues and also in the country's exports given that part of the resources will be sold to foreign countries. Thanks to these additional fiscal revenues, the government will have the possibility to invest in other sectors essential to economic development, e.g. health and/or education (enhancing the country's human development).

In the Etisalat case study, it has already been seen in previous section that, through the improvement of network telecommunication infrastructure, all banks in the country have the possibility to virtually offer online and real-time banking services, making easier the access to banking services for Nigerians. According to EIU (2013, p. 10), electronic banking has had "a certain amount of success" as the access to telecommunications services and Internet becomes easier. “Such systems have now become commonplace, offering customers the flexibility of operating an account in any branch of their bank’s network”.

In addition to banking services, the easier access to telecommunications services and Internet also allows the creation of an increasing number of e-commerce business initiatives and leading to new opportunities for the country’s private sector. In the near future, it is highly likely that the increasing use of mobile phones will increase e-commerce businesses.

Finally, regarding the GAC project, MDC’s investment in the company was mainly driven by the UAE’s significant need for alumina and by its ambitious aluminium smelter growth plans. The objective of the investment is above all to provide a long-life availability of low-cost alumina to the UAE and not to have a positive impact on the recipient country’s economic development. This investment is strategic and does not seem to have any significant impact on Guinea’s private sector.

Table 3: Summary of findings from research proposition analysis

Research Propositions	Finding		Rationale
RP1: *SWFs, through long-term and stable funding, enable a continuous increase in the Western African countries’ capital formation, creating the conditions for their economic development.*	Project 1	✗	*Not mentioned*
	Project 2	✓	Setting up energy infrastructure and adressing the current and projected gas shortages
	Project 3	✓	Setting up network telecommunication infrastructure
	Project 4	✓	Building the bauxite mine and associated infrastructure (railway system and port installations)
RP2: *SWFs contribute to the technological upgrading of the recipient country as well as to the development of its human capital through skill formation and training.*	Project 1	✗	*Not mentioned*
	Project 2	✓	Enabling the supply of health and education services (*indirect effect*)
	Project 3	✓	Implementing staff induction and functional training programs as well as CSR initiatives
	Project 4	✗	No effective technologies transfer and no delocalization of productive units
RP3: *SWFs, through investments in the banking sector, supply essential capital for banks to grow and provide key financial services to support firm creation, industrial and economic development.*	Project 1	✓	Easing access to banking services to a large public
	Project 2	✗	*Not applicable*
	Project 3	✓	Making easier the access to banking services (*indirect effect*)
	Project 4	✗	*Not applicable*
RP4: *SWFs’ investments may be significant and have the capacity to leverage other investments, leading to an investment chain reaction and to the development of the recipient country’s private sector.*	Project 1	✓	"Platform investment" raising the access to lending services and credit to underserved sectors like SMEs
	Project 2	✓	Generating more secure and cheaper energy supply, allowing the emergence of new businesses
	Project 3	✓	Allowing the creation of e-commerce business initiatives
	Project 4	✗	Providing a long-life availability of low-cost alumina to the UAE

Source: The author.

5.5. Conclusions

A summary of conclusions, together with research limitations and recommendations for further research, will now close the work. The objective of this research was to answer, through the analysis of a set of four research propositions, *how, according to the perceptions of funds' managers, can SWFs help in the economic development of West Africa?* While the second research proposition was found not to really apply, the three other ones, propositions 1, 3 and 4, were found to be true, especially in the case of IFC regarding proposition 3.

5.5.1. Research findings

In order to have a broader view of SWFs' possible impacts on economic development, four different projects have been selected and analyzed during the interviews. These projects differ in terms of sector and country.

Through the analysis of the data collected during the interviews and additional research, it was found that, according to the perceptions of funds' managers, SWFs can, consciously or not, help in creating conditions for West African countries' economic development, for example through the supply of long-term and stable capital. Due to their nature, SWFs do not have the same temporal perspective as the other institutional investors. Consequently, they can invest in sectors in which the return on investment is not immediate, e.g. infrastructure. Infrastructure, either physical (transport, energy) or human (education, health), is critical for a country's development. However, it is difficult to fund it and the local government usually needs external funding. SWFs, thanks to their long-term perspective, can provide part of this funding and consequently help in the country's economic development. For example, investing in power infrastructure, SWFs enable an increase in the country's energy availability and a reduction in power shortages, leading to an improvement in the country's productivity and competitiveness and creating the conditions for its economic development. An improvement in power infrastructure also allows a better supply of health and education services.

However, the companies in which SWFs make their investments are sometimes confronted to instable political situation and to local conflicts, jeopardizing their activities and investments. As seen before, some conflicts can lead to the demolition of infrastructure and reduce the country's attractiveness towards investors.

Through their direct investments in the country's banking system, SWFs also have positive impacts on the development of its private sector and, more generally, on its economic development. Actually, through their investments in local banks, they strengthen their capital base and allow them to make credits, increasing people's access to loan, mortgages or financial services to build houses or infrastructure.

Finally, whatever the economic sector in which SWFs invest, they will contribute to the development of the country's private sector. This leveraging effect can sometimes be very expressive. As seen before, it can represent five times the initial investment made by the SWF. Actually, when investing in a country, the SWF facilitates and generates other investments made by the country's private sector. Through SWFs' investments in projects and companies, the recipient country's industrial fabric will strengthen as all the actors of the company's value chain will take advantage of these investments to expand their activities. These investments can be an opportunity for suppliers to emerge and to develop their business as they know that their products or services will find market outlets.

Moreover, investing in local companies and/or in foreign companies operating in a specific country, SWFs will participate in the increase of the local government's fiscal revenues. These additional revenues may later be used to invest in other projects, essential for the country's economic development (e.g. health and/or education).

Nevertheless, through the case studies, it was found that SWFs investments do not lead to real knowledge and technological transfers. In some cases, the recipient company will implement specific training and CSR programs. However, this type of initiatives remains very limited and cannot be regarded as knowledge transfer as it remains a small-scale initiative and does not imply for example the creation of a R&D center in the country or issues regarding intellectual property. In the same way, the workforce usually comes from abroad, especially the highest positions of the company.

As a conclusion, SWFs may represent a big development opportunity for the African development. They may be a catalyst for development, a way for African countries to meet the Millennium Development Goals as they bring opportunities for the development of the region.

However, the SWFs' investments do not arise from philanthropy. For the emerging countries, such as Mubadala from the UAE, these funds provide substantial resources to allow the international expansion of their companies and the diversification of their economies. They do not invest in infrastructure for the sake of helping in the recipient country's economic development. The case studies only give some insights of the possible SWFs' impacts, according to the managers' perceptions, whether intended or unintended, conscious or unconscious.

Regarding the GAC case for example, Western Africa can be seen as MDC's private turf, providing UAE with the raw bauxites it needs to develop and diversify its own economy. MDC's investment in GAC was mainly driven by the country's significant need for alumina and by their ambitious aluminium smelter growth plans. Philippe Hugon (2010) uses the term "neocolonialism" to characterize this kind of practice and utilitarian, opportunistic relationships. In the same way, Serge Michel (2008) wrote: "It seemed a perfect match: a growing country looking for markets and influence meets a continent with plenty of resources but few investors".

It reminds us of the dependency school but with the sole difference that the South is dominated by the South itself, i.e. some Southern countries develop faster thanks to the domination they exert on other South countries which are brought into dependence from them. In a multipolar world, it is as if there were two-level peripheries in the South: the first one closer to the centre/core (i.e. the North) and composed of new major economic and political centers and where new multinationals emerge, such as EGA, and the second one, completely marginalized and dependent. Consequently, it is important to keep in mind that all is not yet rosy in this story.

However, it can also be seen as a win-win relation. On the one hand, the UAE needs this access to fuel its booming industrial development at home. On the other hand, Africa takes advantage of the completion of infrastructure, keys to development, it needs. Nevertheless, there is no effective technology transfer to Africa.

Moreover, it could also be thought that the companies in which SWFs make investments, which are mainly multinationals, could help to promote improvements in local companies' corporate governance structure and in their social and environmental standards. However, this idea was not developed in the research as a recent event challenged it. ETI, which received funds from the IFC, was recently hit by a mismanagement scandal. Laurence do Rego, former ETI executive director for finance and risk, wrote a letter to Nigeria's Securities and Exchange Commission in August 2013. In this letter, she said that she had been forced to manipulate the bank's 2012 financial results and to write off debts owned by a company of Kolapo Lawson, ETI's chairman. She also questioned the Chief Executive (Thierry Tanoh)'s bonus increase. In the beginning of September 2013, Thierry Tanoh had to forego his USD 1.14 million bonus and launch an internal investigation into allegations of mismanagement. Interestingly, Thierry Tanoh, before entering in ETI, was IFC Vice President for Latin America and the Caribbean, Sub-Saharan Africa, and Western Europe. SWFs' investments in the region are not without risks on the long run, especially if they fail to pull the local economy and disrespect the good governance, human rights and environment.

Finally, the new international situation and especially the relationships between emerging countries change the trajectory of less-advanced countries such as African countries. It boosts these countries' growth in the short run, enables to diversify the partners and to access new financing sources. Westerns long ago considered Africa more charity case whereas emerging countries started to see it as investment opportunity. Africa is consequently more and more coveted for its resources (biodiversity, forest, hydrocarbons and mines) and for its 900 million domestic market (which may reach 2 billion in 2050, according to Hugon, 2010). Africa also presents big opportunities for SWFs.

These new relations illustrate the emergence of a multipolar world and lead to development opportunities but also risks. As seen before, these relations sometimes still seem to be characterized by a postcolonial specialization between unprocessed raw material suppliers and manufactured products or services suppliers, even if this specialization can rapidly evolve. To create a ripple effect and not an isolation one, these investments must be linked with the local economy and production.

However, the funds have to run into some obstacles: financial and political instability, corruption, etc. Finally, as written by Turkisch (2011, p. 7): "this investment potential of SWFs remains largely unexploited". African economies do not take advantage of SWF investments at the same level as developed and emerging economies, mainly because of some structural barriers.

5.5.2. Limitations of research findings

This study's findings and conclusions have to be taken with certain caution for two main reasons. On the one hand, the development process is a long-term process whereas SWFs' investments in Africa are a relatively recent phenomenon. It may be a bit early for managers to assess SWFs' impacts on the recipient economy.

On the other hand, the findings and conclusions are based on the subjective perceptions of two funds' managers. They can sometimes lack objectivity and they are also subject to confidentiality pressure. They cannot disclose all the information they know and that is why they can sometimes chose not to say all they know.

Nevertheless, knowing about these limits in professionals' opinions and statements, it is possible to take methodological precautions, for example "taking an outsider's view" and/or "considering the opposite" (Kirkebøen, 2009). That is what the research tried to do in the previous sections, mainly through the analysis of archival notes and other documentation.

Finally, the findings and conclusions drawn from the interviews cannot be generalisable, as the investment policy and strategy adopted by one specific SWF cannot be transferable to another one.

5.5.3. Implications for practitioners and further research suggestions

Based on the previous findings and conclusions, funds' managers can identify some ways to invest in a more structured way in order to orientate their funds' investments so that they have a bigger impact on the recipient economies. In this way, their funds may benefit from a greater added value and a good image in the recipient country. The idea is to combine financial return and good investment practices.

For the politicians, these research findings show them the importance of creating a business-friendly and growth-enhancing environment, and to protect it from political instability, conflicts or from an inadequate legal framework. The findings can give politicians an idea of policies to remove the existing barriers and consequently to attract more SWFs' investments in the continent. Finally, they can also help them to understand how SWFs work and how to strengthen their investments' impacts on economic development.

Finally, paths of future research to better understand the effects of SWFs on economic development can be suggested. First, keeping the same methodological structure, it can be interesting to include new visions and perceptions from other stakeholders, e.g. the invested companies and/or the agents living in the recipient country. It could also be relevant to expand the study's geographic reach.

Second, quantitative research may be necessary in order to substantiate the conclusions from these two case studies. However, given the practical complexity of precisely measuring the development of a country, an empirical testing will necessarily have to find consensual and relevant metrics.

Finally, this study focuses on African countries as recipient countries of SWFs' investments. However, it might be interesting to analyze how African home-grown SWFs can also help in their own country's development and growth. African economies have also established their own SWFs (e.g. in Algeria, Libya, Botswana, Cap Verde, Nigeria, etc.) and others are thinking about creating one. African SWFs are a very recent phenomenon which has been growing in both value and number in the last few years. It might be relevant to study the effects of these African SWFs' investments both in their home country and in close economies. SWFs may for example affect the host country's economic growth, exchange rates and inflation. Providing a vehicle for allocating State funds, they may also help in increasing transparency.

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7. Annexes

7.1. World Development Indicators in West Africa

Country	Population (million)	Primary School enrollment (% gross)	Poverty headcount ratio at national poverty line (% of population)	Rural improved water source (% of rural population with access)	Total life expectancy at birth (years)	GNI per capita, Atlas method (current USD)
Benin	10,1	123%	36%	69%	59	$750
Burkina Faso	16,5	85%	47%	74%	55	$670
Cape Verde	0,5	112%	27%	86%	74	$3.830
Ivory Coast	19,8	94%	43%	68%	50	$1.220
Gambia	1,8	85%	48%	85%	58	$510
Ghana	25,4	110%	29%	80%	61	$1.550
Guinea	11,5	91%	55%	65%	56	$440
Guinea Bissau	1,7	116%	69%	55%	54	$510
Liberia	4,2	102%	64%	61%	60	$370
Mali	14,9	88%	44%	53%	54	$660
Niger	17,2	71%	60%	40%	57	$390
Nigeria	168,8	81%	46%	47%	52	$1.440
Senegal	13,7	84%	47%	59%	63	$1.030
Sierra Leone	6,0	131%	53%	40%	45	$580
Togo	6,6	133%	59%	40%	56	$500

Source: World Bank - World Development Indicators

7.2. Interview questions with IFC and MDC

<table>
<tr><th></th><th>IFC</th><th>MDC</th></tr>
<tr><td>About the manager</td><td colspan="2">- Could you please introduce yourself?
- What are your main professional activities/responsibilities in the fund? How long have you been working in the fund?</td></tr>
<tr><td>About the SWF</td><td colspan="2">- Who are the funds’ main investors?
- Who is responsible for the establishment of the fund’s investment policy?
- How long has the fund been investing in Africa?
- What are the fund’s investment criteria in Africa (in terms of sectors/countries/general characteristics of the projects)?
- After making an investment in a private enterprise, does the fund get involved in the enterprise management?
- What is the fund’s way-out strategy? How long does the fund plan to stay in a project/company before disinvesting?
- Does the fund assess its development results/development effectiveness? If yes, which indicators/metrics are used?</td></tr>
<tr><td>Case studies</td><td colspan="2">- Could you please give me an overview of the fund’s investment portfolio, mostly in Africa?
- Which investments seem the most relevant for you to show your fund’s impacts on the development of the recipient country? Why?
- What are the main characteristics of the project? In terms of:
    - Sector?
    - Recipient country(ies)?
    - Nationality of the invested company?
    - Amount and nature of the fund’s investment (majority vs. minority investment)?
- Does the fund have any plans for way-out/disinvestment? How long does the fund plan to stay in the invested company?
- Has the fund measured the development effectiveness of this investment? Which indicators/metrics have been used?
- According to you, in general, what are the main impacts that this project had/is having on the country’s economic development?</td></tr>
<tr><td>RP1</td><td colspan="2">- What kinds of investments have been made by the invested company in the recipient country?
- How could these investments have positive impacts on the economic development of the recipient country?</td></tr>
<tr><td></td><td colspan="2">- Did the invested company import machinery and/or</td></tr>
</table>

RP2	equipment? - According to you, has there been any transfer of knowledge and/or technological upgrading? How (implementation of an R&D Center? importation of a foreign technology? etc.)? - Are the employees mainly locals or foreigners? - Has the company provided some kind of training (technical/managerial) to its employees?
RP3	- What are the impacts of your fund's investments on the recipient country's financial and banking sectors? - Do you consider these impacts essential for the country's economic development?
RP4	- Are the company's suppliers mainly local or foreigner? - What about the consumers? - According to you, has this investment change the way the recipient country was seen by other institutional investors? - After your fund's investment, has the invested company receive funds from other institutional investors?