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The Rise, Politics, and Governance of African Sovereign Wealth Funds

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Over the last two decades there has been a proliferation of new state-sponsored investment funds, fueled primarily by either high commodity prices or the accumulation of massive foreign exchange reserves from export-led growth. Commonly referred to as sovereign wealth funds, these institutions have emerged in countries of all different types, from rich to developing countries, and from social democracies to single-party states.[1] Some sovereign funds have existed for decades, such as the Kuwait Investment Authority or the Alaska Permanent Fund, respectively established in 1953 and 1976. But most funds today are still in their infancy, and more are on the drawing board, particularly in Africa.

The recent collapse of commodity prices in 2015 may, however, have undermined the foundations of many new and planned sovereign funds in natural resource-rich countries. Likewise, it is uncertain if the global trade imbalances that led to the massive accumulation of foreign exchange reserves, particularly in East Asia, can continue indefinitely. But this does not mean that the era of sovereign

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wealth funds will be relegated to a footnote of global economic history. Even if the foundations of their rapid growth have lessened, sovereign funds of different forms and functions are still likely to provide useful policy options for governments in managing and employing economic resources over time. Natural resource-rich countries will, in particular, still require effective policy options for managing resource revenues.[2]

African Sovereign Wealth Funds by Size

Country	Fund name	Source of funding	Year est.	Size of fund[3]
Libya	Libyan Investment Authority	Hydrocarbons	2006	USD $67 billion
Algeria	Revenue Regulation Fund	Hydrocarbons	2000	$34 billion
Botswana	Pula Fund	Diamonds	1994	$5.4 billion
Angola	*Fundo Soberano de Angola*	Hydrocarbons	2012	$4.9 billion
Morocco	Moroccan Fund for Tourism Development	Non-commodity	2011	$1.8 billion
Republic of Congo	*Fonds de stabilisation des recettes budgetaires*	Hydrocarbons	2005	$1.6 billion
Nigeria	Nigeria Sovereign Investment Authority	Hydrocarbons	2011	$1.3 billion
Senegal	Strategic Investments Fund	Non-commodity	2012	$1 billion
Gabon[4]	Gabonese Strategic Investment Fund	Hydrocarbons	2012	$1 billion
Ghana	Ghana Heritage Fund	Hydrocarbons	2011	$.26 billion
Ghana	Ghana Stabilisation Fund	Hydrocarbons	2011	$.25 billion
Equatorial Guinea	Fund for Future Generations	Hydrocarbons	2002	$.15 billion
Mauritania	National Fund for Hydrocarbon Reserves	Hydrocarbons	2006	$.09 billion
Rwanda	Agaciro Development Fund	Non-commodity	2014	$.04 billion
São Tomé and Príncipe	Permanent Fund for Future Generations	Hydrocarbons	2004	$.01 billion
South Sudan	South Sudan Oil Revenue Stabilization Fund	Hydrocarbons	2013	No data

For a continent so rich in natural resources, it is unsurprising that a number of countries in Africa have already established a sovereign fund of some kind or are considering establishing one.[5] There are currently 14 countries that sponsor some form of sovereign fund, and 11 countries that are in the process of establishing a fund or have considered establishing one.[6] In many ways, this turn toward the sovereign fund can be seen as a means of addressing the past policy failures and wasted opportunities that have afflicted many natural resource-rich countries.[7] Sovereign funds are, in principle, an opportunity to engage with global financial markets, or a means of bringing new ways of investing natural resource revenues at home. By this logic, sovereign funds could contribute to long-term sustainable development.

Most sovereign funds in Africa are recent and small in comparison to sovereign wealth funds in other regions, namely the Middle East. Most are also commodity-based sovereign wealth funds. But this does not necessarily mean that they are part of an integrated natural resource revenue framework. The largest are the USD $67 billion Libyan Investment Authority, established in 2006, and the $34 billion Algeria Revenue Regulation Fund, established in 2000. The third largest, and also the oldest, is the $5.4 billion Botswana Pula Fund, established in 1994. The next largest is the $4.9 billion *Fundo Soberano de Angola*, established in 2012. Thereafter, most other African sovereign funds are much smaller. The next closest is the $1.8 billion Moroccan Fund for Tourism Development, established in 2011, followed by the $1.6 billion *Fonds de stabilisation des recettes budgétaires* of the Republic of Congo, established in 2005, and the $1.3 billion Nigeria Sovereign Investment Authority, established in 2011. These are followed by two sovereign development funds the $1 billion Senegal Strategic Investments Fund and the Gabonese Strategic Investment Fund, both established in 2012. Smaller sovereign funds with under $1 billion in assets under management exist in Ghana, Mauritania, Rwanda, São Tomé and Príncipe, South Sudan, and Equatorial Guinea. New sovereign funds are being developed or have been under consideration in South Africa, Sierra Leone, Tunisia, Kenya, Uganda, Zambia, Mozambique, Namibia, Zimbabwe, Tanzania, and Liberia.

Sustainable Development and Sovereign Wealth Funds

Before any consideration of the potential role of sovereign funds in sustainable long-term development, the following caveat must be stated: A sovereign fund, regardless of its form and function, is not a panacea for solving the manifold challenges facing economic policy and governance in developing countries. Sovereign funds are policy tools that may support different policy objectives, depending on their designated form and function. Establishing a sovereign fund does not and should not diminish or replace the broader institutional development necessary for creating and sustaining a prosperous and inclusive economy and society.

In the rush to establish sovereign funds in the last decade, countries have often pointed to the success of Norway and Singapore and their incredibly large funds. Norway's Government Pension Fund Global (GPF-G) is a financial behemoth that can influence companies around the world, and Singapore's GIC and Temasek are sophisticated institutional investors with offices in major international and regional financial centers all over the world. These two countries' sovereign funds help put these countries in the international financial and geopolitical spotlight to a degree that far outweighs their small populations of roughly 5 million people each, while providing a store of value that can be used to support the prosperity of future generations. It is unsurprising that these countries are such attractive models to aspire to.

But there is a critical point to be made about these two countries' sovereign funds. They are more the consequence of economic growth and development, rather than the cause. This does not mean that they are not now important for sustaining prosperity. Indeed, Norway's sovereign fund has been an important policy tool for mitigating the effects of oil and gas production on the macro-economy. Singapore was able to draw on the GIC as a long-term fiscal resource during the global financial crisis to limit the fallout of the massive hit to the country's economic growth.

Although caution is warranted when considering the potential contribution of a sovereign fund to economic growth and development and whether establishing a sovereign fund is the right decision for some countries, it does not mean that creating a sovereign fund to support certain policy objectives is imprudent. It means, rather, that the form and function of a sovereign fund must correspond to specific policy objectives. Defining the policy objective(s) is critical, as it shapes the design of the sovereign fund as a financial institution, setting the parameters for the risk appetite and time horizon of the fund, and its organizational and human resources needs. As different policy objectives require different investment functions, this constrains the scope of a sovereign fund, where multiple objectives are likely best served by institutionally separate organizations.

Typology of Sovereign Wealth Funds

There are three main policy objectives that influence the function and type of sovereign wealth funds: macroeconomic and fiscal stability, economic capability and dynamism, and distributive justice. These three areas are not necessarily mutually exclusive.

Macroeconomic and Fiscal Stability

For many developing countries, particularly in Africa, natural resource production represents a large part of the economy and government revenues. But instead of providing a source of stability, natural resource production often brings economic instability.[8] Commodity prices can be very volatile, and prone to boom and bust. Consequently, natural resource revenues are an unreliable source of revenue. Windfalls tend to induce greater government spending and greater accumulated liabilities, reinforcing the pro-cyclicality of the economy and the government's long-term fiscal position. When natural resource revenues fall, it can be politically difficult for governments to claw back the promises they have made, such as civil servants' wages, or to maintain spending and investment in key areas of the economy such as healthcare, education, and infrastructure.

Natural resource-dependent economies also face the problem of so-called Dutch disease, where commodity exports put upward pressure on the country's exchange rate, which reduces the export competitiveness and therefore development of other sectors in the economy. This constraint on economic diversification makes the economy further susceptible to potentially wild swings in commodity markets. At the same time, these economies face the problem of absorptive capacity, particularly during periods of high commodity prices.

Increased government and private sector spending during a windfall can stoke inflationary pressure in the economy. Likewise, there may not be sufficient investment opportunities or channels for efficiently deploying capital to viable investment projects. Consequently, natural resource revenues may be wasted on unsustainable recurrent spending and investments with little long-term economic and social returns.

A means of mitigating the volatility and absorptive capacity constraints of natural resource production is through a stabilization fund, a type of sovereign wealth fund. The objective of a stabilization fund, which should be part of an integrated fiscal policy framework for the management of natural resource revenues and subject to clearly articulated deposit and withdrawal rules, is to smooth natural resource revenues over the commodity price cycle.[9] This stability provides greater reliability to government spending and investment over a longer time horizon. Likewise, sequestering foreign-denominated receipts from natural resource production in the sovereign wealth fund helps mitigate Dutch disease and absorptive capacity constraints.

Economic Capability and Dynamism

A key issue for developing countries, including many in Africa, is addressing capital scarcity and human capital development. For natural resource-rich countries, such needs often rationalize the current spending and investment of revenues. There is limited rationale to save natural resource revenues in a long-term savings fund, in a manner similar to rich countries such as Norway. An argument for saving could be made about intergenerational equity, if the production time horizon of the natural resources is short.[10] But leaving future generations with a larger capital stock and a more dynamic and capable economy on which prosperity and wellbeing is sustained is more compelling than leaving future generations with a diversified trust fund but underdeveloped economy. Hence, saving beyond what is necessary to address absorptive capacity, Dutch disease, and the volatility of natural resource revenues is somewhat harder to justify.

The aim of a stabilization fund is, again, to discipline the spending and investment of natural resource revenues over time. It is generally accepted, in this regard, that natural resource revenues should be spent via the government budget and subject to parliamentary (legislative) oversight and accountability, and therefore the public legitimacy of parliament.[11] By providing macroeconomic and fiscal stability, a stabilization fund should in principle support long-term planning and more consistent and effective government spending of natural resource revenues on country-specific priorities. A stabilization fund also may provide a means of accounting for natural resource revenues more effectively, thus limiting the scope for misappropriation and malfeasance.

In addition to conventional government spending and investment, some governments in developing and developed countries are establishing sovereign funds that have a specific development focus.[12] These extra-budgetary funds, which are frequently referred to as sovereign development funds, are focused on investing in domestic assets based strictly on commercial criteria and in pursuit of targeted risk-adjusted returns. The aim is to catalyze specific sectors and infrastructure projects in the country that will buttress sustainable economic growth and development.[13] It is important to stress, however, that sovereign development funds operate on par and under the same commercial logic as a private sector investor would.[14] There may be other social and economic objectives, but these are secondary to a financial return. Sovereign development funds are meant to make financially viable investments. They may also be established to address inadequacies in the financial system.

Distributive Justice

A fundamental concern of political economy is the distribution of national wealth and income. The long-term success of advanced economies is in part a function of distributive policies and institutions, such as social insurance to mitigate market failures over the life course, and public (or quasi-public) provision of health and education opportunities that activate the population to be more productive. These institutions are often poorly developed or inadequately resourced in developing countries.

Yet for natural resource-rich countries there is an income source that could finance these different policy choices. But as discussed above, natural resource revenues can be volatile and of a short duration. They are ultimately unreliable. This is why a stabilization fund is a compelling first-order policy choice for managing natural resource revenues, as it helps provide a context in which these distributive decisions can be made with some level of consistency and continuity over time in support of broad-based development.

Although there is a compelling argument for developing countries to spend and invest natural resource revenues on the current generation, there still may be a reason to save some natural resource revenues in a long-term savings fund for future generations beyond the time horizon of a stabilization fund, where those revenues are temporary.

Key issues in Governance and Management

As an investment institution, stabilization funds are basic. Institutionally, stabilization funds often exist within a country's central bank, treasury, or finance ministry. They invest in low-risk liquid assets, namely highly rated sovereign bonds, which can be mobilized quickly in the face of an economic shock. Given this conventional risk-intolerant investment function, the governance and management of the stabilization fund is typically subsumed within the existing arrangements and human resources capabilities of the central bank or the treasury.

A long-term savings fund could also be subsumed in the same institutional architecture as a stabilization fund as a separate portfolio. However, a long-term savings fund opens up greater risk-return opportunities than is viable and prudent for a stabilization fund. Given that it is investing over decades, a long-term savings fund can take greater risk, investing in securities (e.g. equities) or private investments that are potentially more volatile in the short to medium term, but are mean-reverting and higher yielding over time.

But taking on greater risk in the portfolio requires matching governance architecture and human resources capabilities. Put simply, those making investment decisions and the procedures through which those decisions are made and monitored must be capable of understanding the implications of taking on greater risk, but also the investment opportunities that are present for long-term institutional investors.[15] Accordingly, this investment strategy may be better served by an independent but wholly-owned asset management entity.

A separate asset management entity does not mean that assets are necessarily managed in-house. Although very large funds could have the scale to invest in internal capabilities like these, most small funds still delegate to third-party managers. Given the range of asset classes and geographies a long-term savings could invest in, establishing a separate entity to manage the delegation to external managers may be more appropriate.

The governance and management of a sovereign development fund is very different and more challenging than a stabilization fund and somewhat different than a long-term savings fund.[16] Whereas a stabilization fund can usually be established within existing government agencies, the investment strategy of a sovereign development fund necessitates an institutional architecture that is typically not within the organizational and human resources capabilities of existing agencies.[17]

A sovereign development fund requires a team of individuals with experience and expertise in scoping, executing, and monitoring direct investments. Such expertise may be in short supply in some countries. Or, it may be hard to attract such people from the private sector to work for a state agency.

Even if a capable investment team can be assembled and retained, the investment strategy of a sovereign development fund could be problematic in terms of its public legitimacy. As a sovereign development fund makes specific domestic investments with public money, it is susceptible to influence from actors, political or otherwise, that could benefit from these investments. Even if investments are legitimate, a sovereign development fund may be operating in a market with few other competitors, with limited opportunities to benchmark its performance and therefore determine that the fund is making sound investment decisions.[18] The paradox is that this is the very environment that in part rationalizes the establishment of a sovereign development fund.[19]

Whatever the institutional structure or investment strategy of a sovereign fund, its mission and mandate must be clearly defined in legislation, with distinct lines of accountability and independent oversight. This sets the parameters for the operation and risk appetite of the investment function, while aligning it with its policy objective.[20] In turn, the investment function requires independence from direct political influence. The board should be composed of independent directors that are chosen based on their experience and domain-specific expertise, rather than their personal connections.

The experience of the Libyan Investment Authority (LIA) demonstrates the problems of political control and/or influence by those without sufficient expertise and experience. Established in 2006, the LIA had an ambition to be a world-class institutional investor maximizing Libya’s accumulated wealth from hydrocarbon production. Although it was staffed with well-intentioned and experienced financial professionals, its governance was not sufficiently attuned to the level of risk that the fund was taking. A series of opaque and high-risk investments in hedge funds and complex derivatives were made, with many making a loss. The LIA had poor record keeping and insufficient risk management capabilities. Evidence suggests that most deals were decided by a close-knit group with ties to Muammar Gaddafi's son, Seif Gaddafi. Likewise, some investments were made through Libyan firms with close connections to the Gaddafi family that were paid large management fees. Currently, the LIA's assets are remaining frozen until the National Unity Government is operational.[21]

No sound governance architecture is complete without a robust disclosure and audit framework. Transparency in how investment decisions are made and the outcomes of those decisions helps drive the functional efficiency of the sovereign fund as an investment institution. Disclosure helps the sponsor (government) monitor the alignment of the operational activities of the fund with its policy objectives. Moreover, disclosure and regular auditing is crucial for building and maintaining public trust and confidence in the mission and policy objective(s) of the sovereign fund or funds.

Brief Case Studies: Botswana, Ghana, and Nigeria

Botswana Pula Fund

In comparison to many other resource-rich countries, Botswana is frequently considered an economic success story and an example of sound natural resource revenue management.[22] Management of Botswana's natural resource wealth, which comes primarily from diamonds, has followed a prudent trajectory. Fiscal policy follows the 'budget sustainability ratio' or 'Sustainable Budget Index.' This implicit self-disciplinary rule aims to maintain recurrent non-health and non-education spending equal to or less than non-mineral revenue. Thus, mineral revenues are supposed to finance recurrent spending on health and education.

An important part of Botswana's natural resource revenue management is the Pula Fund. Established in 1994 and managed by the Bank of Botswana, the objective of the Pula Fund is to preserve part of the income from diamond exports for future generations, while also managing foreign exchange reserves that are in excess of expected needs over the medium term.[23]

For Botswana going forward, like for many resource rich countries, the challenge is how to transition the economy away from natural resource reliance as production declines. Botswana's track record of sound economic policies, strong institutions, and fiscal discipline put the country on a solid footing. A key question is how, when, and to what extent the wealth accumulated in the Pula Fund will be dispersed.

Ghana Stabilisation Fund and Ghana Heritage Fund

With Ghana joining the ranks of hydrocarbon producing countries following the discovery of oil in 2007, the late President John Atta Mills pushed an agenda of accountability, transparency, and the judicious management of oil revenues, laying the foundation for a more sustainable and transparent oil and gas wealth resource management system. Part of that strategy was the establishment of the Ghana Stabilisation Fund and the Ghana Heritage Fund. The former is designed to dampen the effect of petroleum revenue shortfalls, and the latter to bolster expenditure on infrastructure, agriculture, education, and health, among other items, for future generations when petroleum reserves are exhausted while also acting as a repository for excess petroleum revenue.

The investment strategy for the petroleum funds is rather conservative, focusing almost exclusively on investment grade debt; the primary difference in the investment strategy of the two funds is the term to maturity of their fixed income securities holdings. The Bank of Ghana holds the petroleum funds and the Ministry of Finance is responsible for the investment strategy and deposit and withdrawals. Due to falling hydrocarbon prices in 2015, the government has already had to make withdrawals from the stabilization fund to support the 2015 budget. However, efforts have been made to reinforce the viability of Ghana's resource revenue management.[24] Instead of recoiling on commitments to sound and sustainable natural resource revenue management in the face of lower commodity prices, Ghana is strengthening its resolve by removing any ambiguities in the Petroleum Revenue Management Act of 2011. As Ghana demonstrates, a key lesson in terms of the long-term viability of sovereign funds is their placement within a fiscal policy framework that is coherent, consistent, and disciplined.

Nigeria Sovereign Investment Authority

Nigeria has had a long history of economic and fiscal volatility due to the country's dependence on hydrocarbon production. In 2004, the government instituted a fiscal rule to manage oil revenues based on the volume of production and a benchmark oil price, with any oil revenues exceeding this benchmark price transferred into the new Excess Crude Account (ECA). With surging oil prices during the period, the ECA accumulated $20 billion by the end of 2008. The ECA seemed to have a good start, which coincided with the repayment of Nigeria's external debt, but it soon failed in its purpose. By 2010 the ECA had less than $400 million. This was justified as counter-cyclical stimulus, but the extent of the withdrawals pointed to an unsustainable revenue management framework and limited constraints on withdrawals.[25] As a result, the ECA did not stop the volatile spending cycle, and it is not clear that the funds were used to support long-term development objectives.

Despite its good intentions, Nigeria's first brush with stabilizing natural resource revenues faced administrative constraints and lacked a clear legal and governance framework. The lack of legal support for the disbursement of funds often led to confusion on the prescribed uses and recipients of these funds. The primary source of conflict was on the governance structure of the ECA, especially among state governors, which led to certain states challenging its constitutionality. The issues surrounding the ECA and the need to find a better means of managing excess hydrocarbon revenues provided the impetus for the establishment of a new sovereign fund. In 2011 the Nigeria Sovereign Investment Authority (NSIA) was established with initial seed capital of $1 billion allocated over three funds: The Stabilisation Fund (20 percent), the Future Generations Fund (40 percent), and the Infrastructure Fund (40 percent). In 2015, the NSIA received an additional $250 million from the government.

As the NSIA has been financed via grants from the government, its direct role in natural resource revenue management is only tangential. A true stabilization fund would be integrated with the budget, receiving natural resource revenues subject to predetermined deposit rules in relation to total receipts. Consequently, it is uncertain whether the NSIA will have any significant effect in terms of minimizing the negative economic effects of natural resource production in Nigeria. Nigeria continues to face fiscal uncertainty and instability over the management and expenditure of oil revenues.

Considering the small size of the assets under management relative to the size of the Nigerian economy and of oil revenues, it is not clear whether the NSIA could effectively support stabilization. It is less than 1 percent of GDP. The infrastructure fund has more merit. Because Nigeria's oil production time horizon is long, in comparison to Ghana or Norway and similar to countries like Saudi Arabia, there is less merit in saving natural resource revenues for future generations.

The NSIA is, rather, an extra-budgetary fund more akin to a sovereign development fund, wherein the portfolio allocations set in its legislation are simply guides to its investment strategy.[26] It likewise actively seeks co-investment opportunities with foreign investors. The design of the NSIA in terms of its governance and management follows conventional norms of good practice, as discussed in the section on management, and it has recruited expert staff with experience in global financial institutions. The NSIA may prove successful as a strategic investor in the Nigerian economy, particularly in infrastructure development.

Given that the legality of the NSIA was contested by state governors in Nigeria at its foundation, it could be argued that the NSIA is an effort to demonstrate the possibility of a new sovereign wealth fund in managing Nigeria's natural resource revenues. It is too soon, however, to judge its performance and whether the domestic political environment will accept its legitimacy.

The Role of International Actors

The International Monetary Fund (IMF) has long been and continues to be a proponent of stabilization funds that are integral to fiscal policy and natural resource revenue management. The IMF had previously advocated for spending rules based on the Permanent Income Hypothesis, which limits spending of natural resource revenues based on the interest on accumulated natural resource wealth. This rule is supposed to benefit future generations as much as current generations. Consequently, following this rule places the emphasis on the long-term savings of natural resource revenues. More recently, the views of the IMF have shifted to a more flexible approach, recognizing that developing countries need to invest current revenues to address capital scarcity. As a result, there is less advocacy for sequestering natural resource revenues in a long-term savings fund. Rather, the IMF advocates for smoothing consumption and delinking it from the dynamics of resource revenue, with the goal of sustainably increasing current spending and scaling up investment subject capacity constraints.[27]

In addition to the IMF, there is a range of other international actors that are concerned with the effectiveness of sovereign funds. The World Bank, for example, recently established an Investment

Funds for Development Program that aims to provide guidance and to better understand the role of sovereign development funds in supporting development objectives. The Organisation for Economic Co-operation and Development's (OECD) Policy Dialogue on Natural Resource-Based Development has a dedicated work stream to support discussion on the design and management of sovereign funds in managing natural resource revenues, with an intention of creating a permanent dialogue on the needs of sovereign funds in developing countries.[28] There is also the International Forum of Sovereign Wealth Funds (IFSWF), which promotes the use and understanding of the Santiago Principles. The membership of IFSWF continues to grow and the Santiago Principles are useful governance principles for any sovereign wealth fund. As a forum, however, it is important to understand that the Santiago Principles were devised in part to provide greater legitimacy to very large sovereign wealth funds as acceptable actors in global financial markets. The IFSWF is not a forum for discussing the specific needs of developing countries and their relatively small sovereign funds.

The private sector also has an important role to play in supporting sovereign funds in Africa. Managing assets in-house is only the preserve of larger institutional investors, which means most African sovereign funds need reliable and cost-efficient investment managers to place short (and long-term) savings in global markets.

Key Lessons Learned, Policy Options, and Recommendations for the Way Forward.

The landscape of sovereign wealth funds in Africa is evolving rapidly. Many countries are considering establishing a sovereign fund of some kind, and many others have already embarked on this path. It is still too soon to judge the effectiveness of these experiments. Some funds are clearly part of a broader natural resource revenue management strategy, whereas others are not. Likewise, a number of sovereign funds have been established with a specific development focus.

Based on the above review, the following lessons learned, best practices, and recommendations can be offered. They are by no means exhaustive.

1. Establishing any type of sovereign fund should *not* be a first-order policy priority; sovereign funds are most effective as part of an integrated fiscal and monetary policy framework, with clearly defined deposit and withdrawal rules. Botswana and Ghana are examples of this approach.

2. For natural resource-rich countries, establishing a stabilization fund should take priority over the establishment of a sovereign development fund or a long-term savings fund, as it helps shape a sustainable economic and fiscal environment in which the latter are most effective.

3. Establishing a sovereign development fund with a domestic investment mandate should only be considered if it is possible to assemble an experienced team of investment professionals and if investments can be made following rigorous commercial criteria.

4. The mission and mandate of a sovereign fund should be clearly defined, as this helps determine the design needs of the investment function, its risk budget, and time horizon.

5. The investment function of a sovereign fund, whatever form it takes, should be free of direct political influence through clear lines of responsibility and accountability; investment decision-making should be guided by independent and experienced professionals. The sophistication of governance and management of the investment function, and the human resources capabilities of the fund, should reflect the level of risk taken.

6. Sovereign funds should be subject to rigorous disclosure mechanisms that provide key information on investment decision-making, manager selection, board appointments, asset allocation, and financial performance. This information, which should be independently audited, allows for effective oversight by the sponsoring authority to ensure that the fund is aligned with its policy objective(s) and that funds are not being mismanaged.

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1 For book-length treatments of the rise of sovereign wealth funds, see Christopher Balding, *Sovereign Wealth Funds: The New Intersection of Money and Politics* (New York: Oxford University Press, 2012); Gordon L. Clark, Adam D. Dixon, and Ashby H. B. Monk, *Sovereign Wealth Funds: Legitimacy, Governance, and Global Power* (Princeton: Princeton University Press, 2013).

2 For a recent and comprehensive discussion of the state-of-the-art see Håvard Halland, Martin Lokanc, Arvind Nair, and Sridar Padmanabhan Kannan, *The Extractive Industries Sector: Essentials for Economists, Public Finance Professionals, and Policy Makers*. World Bank study (Washington, D.C.: World Bank, 2016)

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Country	Year of data	Source of data
Libya	2016	Libya Investment Authority (http://www.lia.ly/investment/)
Algeria	2015	Algérie Presse Service (http://www.aps.dz/economie/28281-les-finances-publiques-de-l-alg%C3%A9rie-ont-subi-en-2015-l-impact-de-la-chute-du-prix-de-p%C3%A9trole)
Botswana	2015	Bank of Botswana (http://www.bankofbotswana.bw/assets/uploaded/AR%202015%20Stats.pdf)
Angola	2015	FSDEA (http://fsdea.ao/wp-content/uploads/2015/12/FSDEA_2015_Q2_EN.pdf)
Morocco	2012	International Forum of Sovereign Wealth Funds
Republic of Congo	2015	World Bank (http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/AFR/2016/01/07/090224b084025bbb/2_0/Rendered/PDF/Republic0of0th00financial0situation.pdf)
Nigeria	2016	NSIA (http://nsia.com.ng/wp-content/uploads/2016/04/Press-Release-NSIA-Announces-Audited-Financial-Results-for-2015-Financial-Year_V3_01042016-1-2.pdf)
Senegal	2015	ESADEgeo SWF Tracker (see note 6)
Gabon	2012	Fonds Gabonais d'Investissement Stratégiques (http://www.fgis-gabon.com/?page_id=1118)
Ghana	2015	Ghana Ministry of Finance (http://www.mofep.gov.gh/sites/default/files/reports/petroleum/2015%20Annual%20Report%20on%20the%20Petroleum%20Funds.pdf)
Equatorial Guinea	2014	Banques des Etats de l'Afrique Centrale Compes Annuels (https://www.beac.int/download/BEAC_Rapport_G%C3%A9n%C3%A9ral2014.pdf)
Mauritania	2016	Mauritania Ministry of Finance (http://www.tresor.mr/fr/afficher.php?tb=pqal&id=aWM=)
Rwanda	2016	AGDF (http://www.agaciro.org/fileadmin/user_upload/AGDF_Financial_Statements_to_31_March_2016.pdf)
São Tomé and Príncipe	2015	ESADEgeo SWF Tracker (see note 6)
South Sudan	n/a	No data

4 The new *Fonds Gabonais d'Investissement Stratégique* is the government agency charged with managing the *Fonds Souverain de la République Gabonaise,* which is the successor to the *Fonds Pour les Générations Futures*. The latter was established in 1998, but dissolved due to poor management.

5 Thouraya Triki and Issa Faye, "Africa's Quest for Development: Can Sovereign Wealth Funds help?" *African Development Bank Working Paper Series,* no. 142 (Tunis, Tunisia: African Development Bank, 2011); Adam D. Dixon and Ashby H. B. Monk, "What Role for Sovereign Wealth Funds in Africa's Development?" *Center for Global Development Working Paper* (Washington, D.C.: Center for Global Development, 2011).

6 The estimates are based on the ESADEgeo sovereign wealth fund tracker (http://www.esadegeo.com/global-economy), which is no longer being updated as of the end of 2015. For some funds there is little available information.

7 Alan H. Gelb, *Oil Windfalls: Blessing or Curse?* (New York; Oxford: Oxford University Press for the World Bank, 1988).

8 See Frederick van der Ploeg, "Natural Resources: Curse or Blessing?" *Journal of Economic Literature* 49, no. 2 (2011), and Aaron Tornell and Philip R. Lane, "The Voracity Effect," *The American Economic Review* 89, no. 1 (1999) for more on the effect of commodity prices.

9 Udaibir S. Das, Adnan Mazarei, and Han van der Hoorn, *Economics of Sovereign Wealth Funds: Issues for Policymakers* (Washington, D.C.: International Monetary Fund, 2010).

10 Thomas Baunsgaard, Mauricio Villafuerte, Marcos Poplawski-Ribeiro, and Christine Richmond, "Fiscal Frameworks for Resource Rich Developing Countries," *IMF Staff Discussion Note* no. 12/4 (Washington, D.C.: International Monetary Fund, 2012).

11 Mauricio Villafuerte, Rolando Ossowski, Theo Thomas, and Paulo A. Medas, "The Role of Fiscal Institutions in Managing the Oil Revenue Boom," *IMF Occasional Papers* no. 260 (Washington, D.C.: International Monetary Fund, 2007).

12 Alan Gelb, Silvana Tordo, Håvard Halland, Noora Arfaa, and Gregory Smith, "Sovereign Wealth Funds and Long-Term Development Finance: Risks and Opportunities," *World Bank Policy Research Working Paper* no. 6776 (Washington, D.C.: World Bank, 2014).

13 Such investments should not compete with or duplicate other public investment programs. As such, there must be some level of coordination between the fund and other government agencies.

14 Adam D. Dixon and Ashby H. B. Monk, "Financializing Development: Toward a Sympathetic Critique of Sovereign Development Funds," *Journal of Sustainable Finance & Investment* 4, no. 4 (2014).

15 For greater precision on the governance of public institutional investors see, Gordon L. Clark and Roger Urwin, "Best-Practice Pension Fund Governance," *Journal of Asset Management* 9, no. 1 (2008).

16 Where a long-term savings fund makes direct investments, or manages some of its assets in-house, the organizational and human resources requirements are no different than a sovereign development fund.

17 For example, the portfolio management skills of a central bank reserve manager are sufficient for managing a stabilization fund portfolio (or monitoring the performance of third-party asset managers) of low-risk assets.

18 This condition underpins part of the rationale for seeking out foreign co-investors. The latter should, in principle, bring additional experience, scrutiny, and due diligence to a transaction.

19 A stabilization fund does not face such risks, because it should be invested in a global portfolio of low-risk assets. It is important to acknowledge, however, that a stabilization fund could be influenced at the manager selection stage, if external asset managers are used. Asset management mandates should follow a competitive bidding process to ensure that the fund is not over paying and to limit potential malfeasance by funneling contracts to politically connected firms and individuals.

20 There are various standards of corporate governance that can apply to sovereign wealth funds, such as the Santiago Principles and general principles of corporate governance published by the OECD.

21 See Roula Khalaf, Lina Saigol, and Henry Sender, "The two faces of Libya's investment fund," *Financial Times* (London), March 6, 2011. Lina Saigol and Cynthia O'Murchu, "After Gaddafi: A spent force," *Financial Times* (London), September 8, 2011.

22 Atsushi Iimi, "Did Botswana Escape from the Resource Curse?" *IMF Working Papers* no. 06/38 (Washington, D.C.: International Monetary Fund, 2006).

23 By creating a separate investment portfolio, appropriate considerations vis-à-vis long-term investment are incorporated in the fund's management guidelines. The fund invests in public equity and fixed-income instruments in industrialized economies. The fund does not invest in commodity exporting countries in order to hedge against decreases in commodity prices.

24 Parliament also amended the Petroleum Revenue Management Act of 2011 to ensure budgeted oil prices can be altered if price and output projections are not achieved, and to ensure that the flows to the petroleum funds are protected. The petroleum funds will receive at least 30 percent of net government receipts from hydrocarbon production regardless of the amount. See Republic of Ghana, *2015 Annual Report on the Petroleum Funds* submitted to Parliament by Seth Terkper, Minister of Finance.

25 Richard Joseph and Alexandra Gillies, "Nigeria's Season of Uncertainty," *Current History* 109, no. 727 (2010).

26 See Baunsgaard et al., "Fiscal Frameworks for Resource Rich Developing Countries."

27 International Monetary Fund, *Macroeconomic Policy Frameworks for Resource-Rich Developing Countries* (Washington, D.C.:International Monetary Fund, 2012).

28 Disclaimer: the author is an advisor to the OECD for this work stream of the Policy Dialogue on Natural Resource-based Development.

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