



THE FLETCHER SCHOOL  
TUFTS UNIVERSITY

K&L | GATES

CEME  
CENTER FOR EMERGING  
MARKET ENTERPRISES

---

**The Sovereign Wealth Fund Initiative**  
in the context of the  
**International Working Group of Sovereign  
Wealth Funds**

**The Fletcher School**  
**Sovereign Wealth Fund Initiative**

---

**Dr. Eliot Kalter**  
Senior Fellow, CEME  
The Fletcher School, Tufts University  
ekalter@emstrategies.com

**Thomas F. Holt, Jr.**  
Partner  
K&L Gates LLP  
thomas.holt@klgates.com

## **The Role of The Fletcher School’s Sovereign Wealth Fund Initiative**

The Fletcher School’s Center for Emerging Market Enterprises (“CEME”) has launched the Sovereign Wealth Fund Initiative (“SWFI”) to provide sovereign wealth fund (“SWF”) senior decision makers with a value-neutral venue and world-class resources to identify their key international issues of concern and develop understanding of and approaches for better management of external relationships in potential cross-border issues.

The SWFI has been tailored to complement the activities of the International Working Group of Sovereign Wealth Funds (“IWG”), which was established in April 2009 by the Kuwait Declaration of the International Working Group of Sovereign Wealth Funds.

The IWG will meet at least once a year and facilitate dialogue among funds as well as recipient countries, the European Commission, the OECD, representatives of other multilateral organizations, and the private sector. The Secretariat is the IMF.

The following note describes the role of the SWFI in the context of the International Forum and the Santiago Principles from which both take their roots.

### **1. Generally Accepted Principles and Practices for Sovereign Wealth Funds (“Santiago Principles”)**

- Nonbinding – Subject to national laws
- Principles Address Three Key Themes
  - (1) Legal Framework, Objectives, and Macroeconomic Linkages (Principles 1-5)
  - (2) Institutional Framework and Governance Structure (Principles 6-17)
  - (3) Investment and Risk Management Framework (Principles 18-24)

### **2. International Working Group of Sovereign Wealth Funds**

- Exchange of ideas and views among SWFs and with other relevant parties. These will cover, inter alia, issues such as trends and developments pertaining to SWF activities, risk management, investment regimes, market and institutional conditions affecting investment operations, and interactions with the economic and financial stability framework
- Sharing views on the application of the Santiago Principles including operational and technical matters
- Encouraging cooperation with investment recipient countries, relevant international organizations, and capital market functionaries to identify potential

risks that may affect cross-border investments, and to foster a non-discriminatory, constructive and mutually beneficial investment environment

- The IWG established three subcommittees to work on the following issues:
  - Experiences in the application of the Santiago Principles to date
  - Investment and risk management practices
  - International investment environment and recipient country relationships
- Meeting of the International Forum of Sovereign Wealth Funds
  - The first meeting of the International Forum was hosted by Azerbaijan in October 2009

### **3. Role of the SWFI in the Context of the IMF's International Forum**

- Driven by the needs of the SWFs themselves, including relations with the international community, rather than driven by the needs of the international community
  - Rather than the International Forum approach of “encouraging cooperation with investment recipient countries, relevant international organizations, and capital market functionaries,” Fletcher’s SWFI seeks to determine and meet the needs of SWFs
- Responsive to help SWFs prepare for issues on the agenda of the International Forum or deal with issues raised during the International Forum
  - SWFI allows senior staff from SWFs to gather to discuss group positions on issues relative to recipient countries, formulate policy responses if disagree with likely position of recipient countries
  - Helps find common position of SWFs in their relations with International Forum and outside world more broadly
  - Facilitates in-depth discussion on key international issues identified by SWFI or during International Forum
- Facilitate consensus-building among SWFs
  - Support SWF working groups
  - “Thought leadership”
  - If unanimous agreement, common views reached during these SWFI Group meetings could be released without attribution to the public

- Bring in world-class, value-neutral expertise to help with issues identified by group or bilaterally
- Modalities of human capital needs of SWFs that could be supported by Fletcher will also be discussed during the SWFI meeting
  - Educational links between The Fletcher School and SWFs could be strengthened

#### **4. The Distinguishing Features of The Fletcher School's SWFI**

- Value-neutral venue with full confidentiality for participants
- Access to resources of The Fletcher School and surrounding academic community
- Outside expertise beyond academic community brought in to facilitate discussions on specific issues
- Commitment by Fletcher to fund further research on key issues raised in SWFI

#### **5. Specific Areas of The Fletcher School's Expertise**

- Discriminatory practices in recipient countries
- The optimal level (costs and benefits) of SWF transparency
- Failed financial policies (such as in Iceland and other cases) to help avoid similar fate
- Private equity issues such as corporate and fund governance and regulatory requirements
- Attracting and keeping talent in SWFs
- Risk management

#### **6. Legal Issues Affecting SWFs are Currently Under Study by the SWFI**

- Access to K&L Gates LLP, a global law firm that serves as legal advisor to the SWFI, on a pro bono basis
  - Legal expertise regarding various issues affecting SWFs that are being examined by the SWFI

- Subject matter-specific expertise to various legal issues under consideration (e.g., foreign investment regulation, transportation regulation, maritime laws, financial services regulation, government relations and policy initiatives)
- Legal and legislative updates to SWFI participants on developments that could potentially affect SWFs
- Presentations, at the request of SWFI, on relevant subjects