

Sovereign Wealth Funds Investment in Sustainable Development Sectors

Rajiv Sharma

High-level Conference on Financing for Development
and the Means of Implementation of the 2030
Agenda for Sustainable Development (Doha, Qatar,
18-19 November 2017)

The Growth of Sovereign Wealth Funds



- \$6.5 trillion capital globally
- Growing \$500-600m annually since 2008/2009

Sovereign Wealth Funds – Types and Implications

- **Stabilization** Funds - are created with the objective to assist balancing short-term fiscal positions for a government
- **Reserve** Funds - are set up with the objective of investing excess reserves for the benefit of future generations
- **Pension Reserve or 'Buffer'** Funds - saving surpluses that will be used for a specific purpose in the future.
- **Development** Funds - set up with the primary objective to fund socioeconomic projects or to invest in specific sectors within a country

SDGs and Long Term Investment

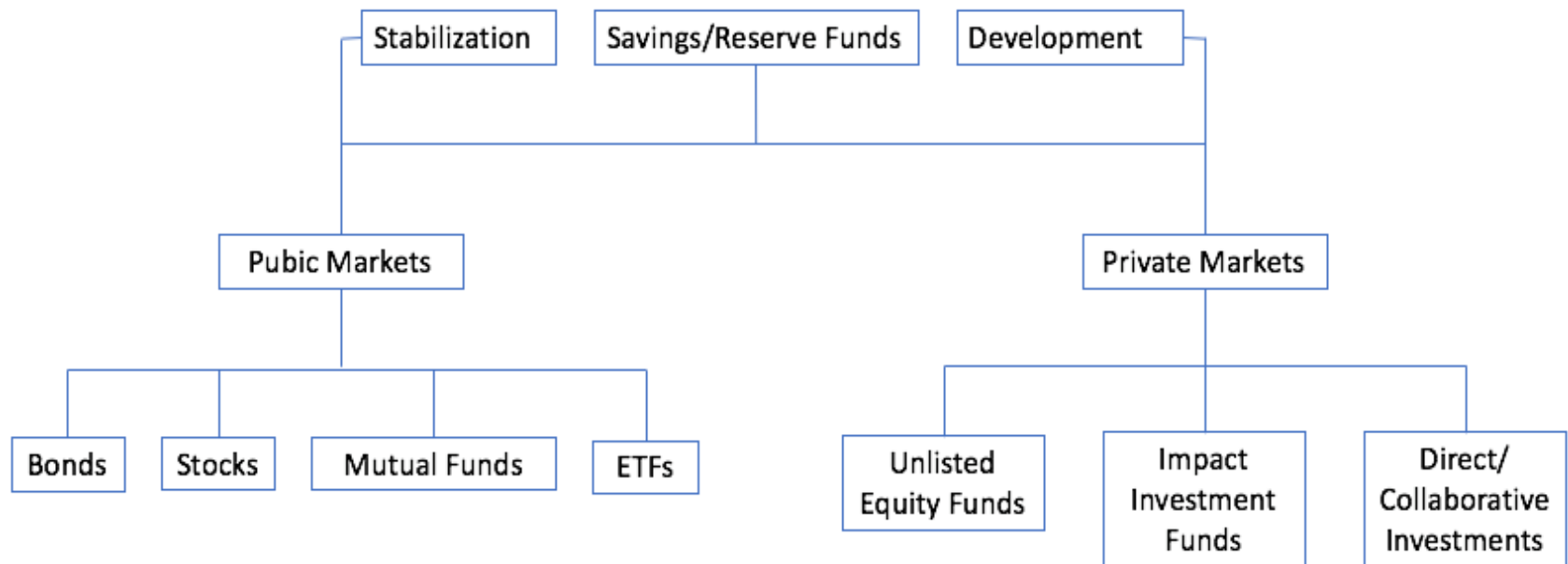
- Sustainable Development Goals are essentially an issue of long-term investment.
- We need well directed focused long-term investment in order address the most pressing challenges of our time such as climate change, urbanisation and infrastructure, poverty reduction.
- SWFs theoretically can provide substantial long-term investment at scale.
- There are a number of barriers that are inhibiting long-term investment by SWFs.
 - Liabilities
 - Risk appetite
 - Behavioural and Psychological Issues
 - Resource Capability

Sovereign Wealth Fund Models of Investment

- **Norway Model** - traditional public market assets – equities or fixed income. Largely in-sourced team with a small allocation to external managers to achieve its objectives.
- **Endowment Model** - based on adding risk to the portfolio by investing in private market asset classes such as private equity, real estate, infrastructure, hedge funds through external managers
- **Canadian Model** - characterised through largely insourced (direct) investment with a higher allocation than most to private market alternative asset classes
- **Collaborative Model** – private market, long-term investments through new partnerships - co-investment platforms/vehicles, joint ventures and seeding managers.

SDG Exposure across all asset classes

SDG Exposure in SWF Portfolios



Case Studies

- Sovereign Development Funds – key characteristics from successfully performing funds – ‘wealth creators’ as opposed to ‘wealth accumulators’. Temasek, Khazanah, PIC.
- National Investment and Infrastructure Fund (India) – Collaborative (Sovereign Development) Investment vehicle crowding in other SWF capital
- Aligned Intermediary for Climate Infrastructure Investing
- Government Innovations for Infrastructure Investing – Queensland government, Quebec government.