"OG ESG": How African Sovereign Wealth Funds Can Show the Way Forward for International ESG Investing

JORDAN METOYER*

ABSTRACT

The global pandemic forced a reckoning for the traditional roles of public and private capital in all spheres of human activity. Fast-growing private flows into environmental, social, and governance (ESG) investments are just one facet of this trend. Another is the growth and maturation of public investment by sovereign wealth funds (SWFs). Africa is home to the newest crop of SWFs, which are unique for their focus on local and regional development. In tension with these trends, some of the same private fund managers that scour the world for ESG opportunities have been pulling out of Africa. Also in tension with these trends, is a rising backlash against ESG and a backlash against environmental objectives that some consider to be detrimental to domestic prosperity and economic goals. This article argues that private investors and other SWFs, can learn from the ESG experience of African SWFs, and would benefit by collaborating with them on infrastructure finance and ESG standard setting. Not only would this catalyze much-needed investment in Africa, but it would also make space for more creative and inclusive new thinking in the ESG space.

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* Law clerk, Delaware Court of Chancery (2022-2023); J.D., Georgetown Law (2022); M.S., Schwarzman College, Tsinghua University (2018); B.A., The University of Texas at Austin (2016). Thank you to the *Georgetown Environmental Law Review*, including Emma Schwartz, Ju-Ching Huang, Priya Sinha, Abby Morenigbade, Allie Williams, Amandine Fromont, Benjamin Wilken, Chris Gaarder, Jesse Valente, Lucille Holmes-Anderson, and the entire editorial staff, for your comments and suggestions. Thank you to, Professor Anna Gelpern, whose thoughtful feedback helped me improve considerably the novelty and timeliness of this piece; and Adnan Mazarei, Sean Hagan, Tim Wilkins, Asif Qureshi, the Editorial Board of the *Manchester Journal of International Economic Law*, Basil Fawaz, and Benjamin Whitney for providing comments to ensure this piece is interesting, accessible, and informative to the widest possible range of legal scholars. Thank you, Kristen Metoyer, Jabari Herbert, and Justin Anderson for your unending patience and support. All views expressed, as well as any errors, are entirely my own.

Introduction

The global pandemic has forced a reassessment of the roles of public and private capital in all spheres of human activity. Throughout the pandemic, citizens turned to their governments for financial assistance, vaccines, and personal protective equipment. The pandemic highlighted the benefits of a responsive, flexible, and coordinated public sector, and governments now have buy-in to allocate more time and money to areas like public health, public safety, infrastructure, education, and climate change mitigation. Government provision of public goods is now expected.

With more government responsibility, however, comes reckoning with the magnitude of our investment gap. According to a G20 outlook, USD 15 trillion is needed to fully meet global infrastructure needs.[1] At the same time, capital flows to countries in emerging markets fell by USD 103 billion from January to mid-May 2020—a rate worse than the 2008 Global Financial Crisis—and capital flows to Africa declined by sixteen percent, from USD 47 billion in 2019 to USD 40 billion in 2020.[2] Although we have a new appreciation for public services, we cannot financially fulfill that realization.

In response to the investment gap, flows into environmental, social, and governance (ESG) funds and projects have gone from USD 3 trillion to USD 35 trillion over ten years.[3] By 2025, total ESG assets are expected to hit USD 53 trillion, a third of global assets under management (AUM).[4] ESG, as the concept we know today, grew from the United Nations Sustainable Development Goals and the socially responsible investing movement. Now, ESG as an asset class includes sophisticated financial products ranging from thematic electronic trading funds to green mortgage-backed securities.

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1. *A G20 Initiative: Forecasting Infrastructure Investment Needs and Gaps*, Infrastructure Outlook, https://perma.cc/DQQ2-2NTN (last visited Feb. 12, 2022).

2. *See COVID-19 Slashes Foreign Direct Investment in Africa by 16%*, UNCTAD (June 21, 2021), https://perma.cc/35YY-7VJ6 ("[F]oreign direct investment (FDI) in Africa as flows to the continent declined by 16% in 2020 to $40 billion, from $47 billion in 2019.").

3. *See* Press Release, Bloomberg Intel., ESG Assets Rising to $50 Trillion Will Reshape $140.5 Trillion of Global AUM by 2025, Finds Bloomberg Intelligence (July 21, 2021), https://perma.cc/CD2U-KENY ("ESG assets surpassed $35 trillion in 2020 up from $30.6 trillion in 2018 and $22.8 trillion in 2016 reaching a third of current total global assets under management, according to the Global Sustainable Investment Association."). *See generally* Adam Connaker & Saadia Madsbjerg, *The State of Socially Responsible Investing*, Harv. Bus. Rev., Jan. 2009, https://perma.cc/FW75-WWTU (discussing growth of ESG in the United States).

4. Bloomberg Intel., *ESG Assets May Hit $53 Trillion By 2025, A Third of Global AUM*, Bloomberg (Feb. 23, 2021), https://perma.cc/87RJ-6VDD.

This rise of private ESG investing compliments public investment vehicles known as sovereign wealth funds (SWFs). SWFs touch every corner of international finance: central banks, commodity trading desks, host country regulators, poverty-elimination non-governmental organizations (NGOs), and more. In 2020, there were USD 103.1 trillion AUM in the asset management industry, USD 35 trillion AUM in ESG, USD 10.74 trillion AUM in alternative asset managers, and over USD 8 trillion AUM in the top 100 SWFs.[5]

Although SWFs have been around since the 1950s, they have undergone a series of transformations that make them relevant to current global challenges. SWFs have gone through three distinct periods or "waves."

The "first wave" occurred from the 1950s to 2008, when SWFs grew dramatically due to commodity discoveries and market boons. Andrew Rozanov first used the term "sovereign wealth fund" in 2005, yet few at that time reached an agreed-upon definition for the newly recognized category of investors.[6] As SWFs grew, certain countries grappling with the War on Terror and China's rise, took a protectionist approach toward the group. The sentiment improved when SWFs supplied rescue financing during the Great Financial Crisis. Once viewed as possible conduits of terrorist threats, SWFs underwent a significant public perception pivot when they bailed companies and countries out of financial ruin. To avoid future conflict and controversy, SWFs established the global governance framework that we know today.

The "second wave," occurred from 2009 to the mid-2010s. During this period, political conflicts, emerging market industrialization, and new mineral discoveries caused instability in the commodities markets. Governments began tapping into their SWF reserves at alarming rates, leading many SWF managers to seek alpha in public equity markets. At the same time, climate-related catastrophes led many to vilify oil, gas, and other mineral extraction.

The "third wave" started in 2015 and is ongoing. During this time, the largest SWFs and their asset-managing peers have reacted to criticism by adopting "green" investing to varying degrees. But, as nationalism, inequality, and corruption rise, SWFs and private investors alike face renewed pressure to prioritize "S" and "G" investments alongside their green strategies. As a result of these competing demands, SWFs are under pressure to be "descriptively and prescriptively, all

5. *See* LUBASHA HEREDIA ET AL., BOS. CONSULTING GRP., THE $100 TRILLION MACHINE, GLOBAL ASSET MANAGEMENT 2021 (July 2021), https://perma.cc/RVX7-CKT6; Bloomberg Intel., *supra* note 3; David Lowery, *Future of Alternatives 2025: Preqin Forecasts Alternative AUM Growth of 9.8% Through to 2025*, PREQIN (Nov. 4, 2020), https://perma.cc/PE6V-6JQX ; Abdulwahid Alulama et al., *Sovereign Wealth Fund M&A Volume Surges in 2020*, WHITE & CASE M&A EXPLORER. (Mar. 22, 2021), https://perma.cc/ZSM6-GG8L ("With an estimated US$8 trillion assets under management, sovereign wealth funds (SWFs) control more capital than the global private equity market."). *Cf. Top 100 Largest Sovereign Wealth Fund Rankings by Total Assets*, SOVEREIGN WEALTH FUND INST. [hereinafter SWFI], https://perma.cc/FDS6-XLLH (last visited Feb. 12, 2022) (listing total assets for top 100 funds as $9,734,831,712,874).

6. Andrew Rozanov, *Who Holds the Wealth of Nations?*, 15 CENT. BANKING J., 52, 52-57, n.4 (2005).

things to all people": champions of green economies, saviors during times of distress, and catalysts for local prosperity.[7] Some SWFs, like Norway's NBIM, have focused on divestment.[8]

African SWFs—the newest crop of sovereign investors—present a different, more compelling, and more realistic model for ESG investing by SWFs. These funds tend to focus on social, economic, *and* environmental development in tandem with financial objectives and good governance. Early on in the debate about SWFs, Patrick Bolton, Frédéric Samama, and Joseph Stiglitz argued that SWFs' long-term investment horizon positioned them to "stabilize financial markets, address global structural imbalances, make socially responsible investments, and foster the transition to a low-carbon global economy."[9] Translated into our 2022 terminology, what Bolton, Samama, and Stiglitz were saying fifteen years ago was that SWFs as a category lend themselves to ESG. We now have a more sophisticated understanding of ESG. The evidence presented in this article shows that African SWFs have come remarkably close to fulfilling these predictions.

This paper explores the interplay between non-African SWFs, private investors, ESG, and African SWFs, with a focus on the latter group's role as the original, or "OG,"[10] ESG investors. Part I of the paper explores SWFs' development between the 1950s and today. Part II outlines the development of ESG and green investing, SWFs' response to ESG, and how a focus on environmental metrics, rather than domestic development, has led to a backlash against ESG. Part III provides a detailed description of African SWFs, while Part IV discusses their role as OG ESG funds. Finally, Part V discusses the implication of this acknowledgment for private investors, non-African SWFs, and African SWFs alike. The paper concludes that other SWFs and the global asset management industry can learn from the experience of African SWFs that faithfully tackle global, domestic, environmental, social, *and* governance challenges. Moreover, they would benefit from collaborating with African SWFs on co-investments and ESG standard setting. Not only would this catalyze much-needed investment in Africa, but it would also make space for more creative, more inclusive, and much-needed new thinking in the ESG space beyond a "check-the-box" strategy.

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7. Anna Gelpern, *Sovereignty, Accountability, and the Wealth Fund Governance Conundrum*, 1 Asian J. of Int'l L. 289, 290 (2011), https://perma.cc/4CKE-D4HH.

8. *Divestments*, NORGES BANK INV. MGMT. [hereinafter NBIM], https://perma.cc/4PCC-RB2M (last visited Feb. 12, 2022).

9. WEALTH FUNDS AND LONG-TERM INVESTING 122-160 (Patrick Bolton, Frederic Samama, & Joseph Stiglitz, eds., Colum. Univ. Press eds., 2011).

10. *OG*, *Merriam-Webster.com*, https://perma.cc/X7G7-MHMP (last visited Feb. 5, 2022) (defining "OG" as someone or something that is an original or originator and especially one that is highly respected or regarded); *OG*, *Dictionary.com*, https://perma.cc/MW3F-5Z63 (last visited Feb. 12, 2022) (defining "OG" as a person or thing that is respected as genuine and classic (often used attributively)).

I. THE GROWTH AND MATURATION OF PUBLIC INVESTMENT BY SOVEREIGN WEALTH FUNDS (SWFS)

Sovereign wealth funds are government-owned special-purpose investment funds.[11] SWFs can function as (1) *stabilization funds* that insulate the budget and the economy against commodity shocks, (2) *savings funds* for future generations designed to convert revenue from nonrenewable assets into wealth via diversified investment portfolios, (3) *reserve investment corporations*[12] for managing and increasing returns on reserve assets, (4) *development or strategic development funds* resembling financial holding companies used to fund domestic and foreign socio-economic projects that might raise the country's output growth, or (5) *contingent pension reserve funds* that backstop government pension funds.[13]

SWFs are distinct from other sovereign institutions—like central bank reserves, state-owned enterprises, and government development banks—because they combine such policy mandates with commercial methods and objectives.[14] The impact of SWFs on the global economy cannot be understated. In 2021, their AUM is estimated to be over USD 8 trillion,[15] twenty percent of the combined market capitalization of the Standard & Poor 500 Index.[16] SWFs did not experience a smooth, uphill growth trajectory, however. Their story is one of external shocks and adaptation. Although SWFs have been around since the 1950s, they have undergone a series of transformations that make them relevant to current global challenges.

This section describes their growth and maturation through three periods of history marked by global challenges, explains SWF's approach to ESG, and ends with the introduction of the "OG ESG" investors: African sovereign wealth funds.

A. SOVEREIGN WEALTH FUNDS GAIN PROMINENCE AS A SOURCE OF PUBLIC INVESTMENT

The rise of SWFs reflected a redistribution of wealth and financial power from mature economies like the United States and Western Europe to other countries.[17] SWF growth also signaled a new role for governments as managers of wealth and economic power. Then, the global community changed its posture

11. Int'l Working Grp. of Sovereign Wealth Funds, *Sovereign Wealth Funds Generally Accepted Principles and Practices* (2008), https://perma.cc/DH63-YMA6[hereinafter Santiago Principles].

12. The majority of African countries with SWFs and reserve investment corporations classify the latter as a state-owned enterprise. Therefore, this paper excludes this category from its analysis. See fn. 113 for additional details.

13. *See generally* IMF Monetary and Cap. Mkt. and Pol'y Dev. and Rev. Dep'ts, *Sovereign Wealth Funds—A Work Agenda* (Apr. 2008), https://www.imf.org/external/np/pp/eng/2008/022908.pdf.

14. *See generally* EDWIN M. TRUMAN, SOVEREIGN WEALTH FUNDS: THREAT OR SALVATION? at 20 (Peterson Inst. for Int'l Econ. eds. 2010).

15. *See* Alulama et al., *supra* note 5; Grant Murgatroyd, *Sovereign Wealth Funds: Worlds in Motion*, PREQIN (Dec. 9, 2020), https://perma.cc/VPH2-5V4Z ("Preqin tracks 66 SWFs with disclosed assets under management (AUM) of $8.59tn, equal to 9.7% of the total worldwide AUM of $88.7tn").

16. *S&P 500*, S&P DOW JONES INDICES, https://perma.cc/HZG4-38YR (last visited Dec. 31, 2021).

17. *Id.* at 2.

towards SWFs substantially and abruptly shortly before the Great Financial Crisis. The underpinnings for current SWF practices were born out of crises. Recipient countries began to see SWF investment as a source of long-term horizon financing rather than a national security concern.

1. Sovereign Wealth Funds Grow Exponentially from the 1950s to the Early 2000s

Some international finance experts posit that the first SWF was France's *Caisse des Dépots et Consignations*,[18] which was established in 1816.[19] Most acknowledge that the first *modern* SWF is the Kuwait Investment Board, established in 1953.[20]

Starting in the 1950s, Arab Gulf states,[21] Russia, Brunei, Malaysia, Norway, and others set up SWFs after discovering vast commodity reserves, including oil, gas, copper, diamonds, and phosphates.[22] From the 1990s to the early 2000s, these commodity-exporting countries' revenue grew exponentially as energy demand skyrocketed. Oil-exporting countries, in particular, enriched their coffers substantially. The demand from both developed and developing countries

18. The Caisse des Dépôts et Consignations is a special establishment responsible for administering deposits and consignments, providing services relating to the cash registers or funds whose management has been entrusted to it and exercising other powers of the same nature which are entrusted to it. are legally delegated. It is responsible for the protection of popular savings, the financing of social housing and the management of pension organizations. It also contributes to local and national economic development, particularly in the areas of employment, city policy, the fight against banking and financial exclusion, business creation and sustainable development. *See generally* Code monétaire et financier [C. mon. fin.] [Monetary and Financial Code] art. L518-2- L518-24-1 (Fr.).

19. Philipp Hildebrand, Vice-Chairman, Governing Bd. Swiss Nat'l Bank, Address at the International Center for Monetary and Banking Studies: The Challenge of Sovereign Wealth Funds (Dec. 18, 2007), https://perma.cc/4ATX-8CEG ("With its Caisse des Dépots et Consignations, France set up a SWF in 1816.").

20. *See, e.g.*, Bloomberg, *Kuwait Wealth Fund Board in Limbo as It Awaits Renewal*, PENSIONS & INVS. (June 15, 2021, 8:33 AM), https://perma.cc/8HVS-A9R4 ("The KIA is the world's oldest sovereign fund . . .").

21. SWFs of the GCC—which comprises all the Arab countries in the Persian Gulf except Iraq, namely Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates—draw their funding from hydrocarbon revenues. The decline in oil prices and the shale revolution in the United States have slowed the growth of GCC's SWFs. To varying degrees, GCC SWFs and their home countries have taken steps to diversify their portfolios and economies, respectively. Yet, despite this new approach, many GCC SWFs have experiences significant losses. For example, Bahrain's Mumtalakat Holding Company saw a seventy-five percent drop in its earnings before interest, depreciation, tax, and amortization in 2020 while the losses grew almost tenfold to 527.5 million BD. *E.g. Fitch Affirms Bahrain Mumtalakat at 'B+'; Outlook Stable*, FITCH RATINGS (June 24, 2021, 11:22 AM), https://perma.cc/3ML4-BN3T. The Investment Corporation of Dubai reported a 15.5 billion AED loss for 2020. *Dubai's Investment Arm ICD Records Full Year Loss Of 15.50 Billion Dirhams*, REUTERS (June 21, 2021), https://perma.cc/9YLP-A6HV.

22. Although a vast majority of SWFs established from 1953 to 2005 were created with excess budget reserves from oil and natural resources, others like the Government of Singapore Investment Corporation ("GIC") and the China Investment Corporation ("CIC") were established from foreign exchange reserves. *E.g.*, Rozanov, *supra* note 6.

contributed to a steady rise in oil prices from roughly USD 19 per barrel in 1998 to almost USD 177 per barrel in 2008.[23] By that year, oil-exporting states were the world's largest source of net global capital flows, overtaking Asia for the first time since the 1970s.[24]

In the 1990s, East Asian countries recovering from the Asian Financial Crisis began accumulating foreign reserves through exports, balance-of-payments surpluses, and fiscal savings.[25] Many of these countries developed their own SWFs during this time.

2. Sovereign Wealth Funds Face Political and Economic Tumult From Mid- to Late-2000s

In 2006, SWFs drew global attention and controversy, starting when state-owned Dubai Ports World attempted to acquire U.S. ports and the China National Offshore Oil Corporation attempted a takeover bid of the Unocal Corporation.[26] Critics argued that Asian and Gulf State SWFs posed a national security risk to Western countries' critical infrastructure. U.S. Senator Charles E. Schumer warned that port operations could be "infiltrated" by terrorists seeking to exploit Dubai as a transfer point for nuclear components shipment.[27] U.S. Representative Duncan L. Hunter introduced a bill that required U.S. ports and other strategic

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23. The West Texas Intermediate crude oil price is adjusted for inflation using the headline CPI and is shown by default on a logarithmic scale. Current prices are updated on an hourly basis. Crude Oil Prices – 70 Year Historical Chart.

24. Gawdat Bahgat, *Sovereign Wealth Funds: Dangers and Opportunities*, 84 INT'L AFFS. 1189, 1191 (2008), https://perma.cc/C39S-M4JX.

25. John Lipsky, First Deputy Managing Dir., IMF, Sovereign Wealth Funds: Their Role and Significance, Speech at the Seminar: Sovereign Funds: Responsibility with Our Future Seminar (Sept. 3, 2008) (on file with IMF Press Center), https://www.imf.org/en/News/Articles/2015/09/28/04/53/sp090308). *See also* Freddy Orchard, *The Rise of Sovereign Wealth Funds*, GIC: THINKSPACE (Feb. 26, 2020), https://perma.cc/M465-D5R3 ("Their drive to accumulate foreign reserves was, as noted by various commentators, impelled by their experiences of the 1997/98 Asian Financial Crisis (AFC) and the policy conclusion that they needed a large "war chest" of reserves to forestall a recurrence of the AFC experience."); Bernardo Bortolotti, Veljko Fotak & William L. (Bill) Megginson, *The Rise of Sovereign Wealth Funds: Definition, Organization, and Governance*, *in* PUB. PRIV. P'SHIPS FOR INFRASTRUCTURE AND BUS. DEV., 295, 295-318 (Stefano Caselli et al. eds., 2015), ("Two economic phenomena have promoted the growth of SWFs since 1999. The first is the massive accumulation of foreign (mostly dollar-denominated) official reserves by central banks that was prompted by the devastating 1997–1998 East Asian financial crisis.").

26. *See* THEODORE H. MORAN, THREE THREATS: AN ANALYTICAL FRAMEWORK FOR THE CFIUS PROCESS 23-25 (Peterson Inst. for Int'l Econ. eds. 2009). *See also* GARY CLYDE HUFBAUER, YEE WONG & KETKI SHETH, U.S.-CHINA TRADE DISPUTES: RISING TIDE, RISING STAKES 47-54 (Peterson Inst. for Int'l Econ. eds. 2009).

Neither Dubai Ports World nor CNOCC are SWFs; rather, they are state-owned enterprises ("SOEs"). Nevertheless, SWFs—which were even less understood than SOEs—bore the blunt of the political blowback.

27. David E. Sanger, *Under Pressure, Dubai Company Drops Port Deal*, N.Y. TIMES (Mar. 10, 2006), https://perma.cc/66Q5-5Z85.

assets to revert to U.S. control.[28] In July 2007, the U.S. Senate voted to tighten rules for approving foreign control of American companies.[29]

Then, as the Global Financial Crisis accelerated, public views about SWFs shifted once more. U.S. and European financial institutions—with the support of their governments—turned to SWFs for rescue financing.[30] In June 2008, then U.S. Treasury Secretary Henry Paulson assured investors in oil-rich Gulf States that his country would remain open to SWFs:

> Some here worry about growing protectionist sentiment in the United States, and they also worry specifically that U.S. sentiment towards Middle East investment has been permanently affected by the Dubai Ports World case . . . [A]s we seek to open new markets abroad, America will keep our markets open at home to investment from private firms and from sovereign wealth funds . . .[31]

As host country concerns about investment from the Gulf states, China, and other new capital exporters grew salient in late 2007, the IMF convened a roundtable of SWFs and central bank reserve managers. Delegates from twenty-eight countries discussed how to head off future backlash against their SWFs. There came widespread support for the development of a governance framework and best practices.[32]

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28. Duncan L. Hunter National Defense Authorization Act for Fiscal Year 2009, Pub. L. No. 110-417, 122 Stat. 4356.

29. JAMES K. JACKSON, CONG. RSCH. SERV., RL33388, THE COMMITTEE ON FOREIGN INVESTMENT IN THE UNITED STATES (CFIUS) (2020).

30. *See* Simone Mezzacapo, *The So-Called ‘Sovereign Wealth Funds’: Regulatory Issues, Financial Stability and Prudential Supervision*, EC Eur. Economy. ECON. PAPERS 378 (2009), https://perma.cc/KQD3-SURE (“SWFs ability to act as a stabilising force and a significant source of liquidity in global financial markets was confirmed and highlighted during the current financial markets crisis by the significant (and welcomed) stabilising role played by some SWFs in recapitalisation of some of the biggest US/EU commercial and investments banks negatively affected by recent “turbulences” in the financial markets[.]”); Eric Dash, *Big Paydays for Rescuers in the Crisis*, N.Y. TIMES (Dec. 6, 2009), https://perma.cc/R7SQ-S3HG (“In less than two years, many of the biggest overseas government investment funds, known as sovereign wealth funds, have reaped huge gains from bailing out financial institutions, and in turn, the global financial system.”). *Cf.* Hélène Raymond, *Sovereign Wealth Funds as Domestic Investors of Last Resort During Crises*, 123 INT’L ECON. 121, 121-159, (2010) https://perma.cc/8UDQ-N8BC= (arguing SWFs’ rescue financing in 2008 was not a novel phenomenon).

31. Henry M. Paulson, U.S. Treasury Sec’y, Remarks on Open Investment Before the U.S. - UAE Business Council (June 28, 2008), *in* DEP’T TREASURY PRESS RELEASES, at 30, https://perma.cc/Q43V-SMLZ.

32. TRUMAN, *supra* note 14, at 122 (“On October 19, 2007, the Group of Seven (G-7) finance ministers and central bank governors declared that “sovereign wealth funds are increasingly important participants in the international financial system and [. . .] our economies can benefit from openness to SWF investment flows. We see merit in identifying best practices for SWFs in areas as institutional structure, risk management, transparency, and accountability. For recipients of government-controlled investments, we think it is important to build on principles such as nondiscrimination, transparency, and predictability[.]”) (citing G7, Statement of G7 Finance Ministers and Central Bank Governors in Washington (October 19, 2007)).

By 2007, SWFs held an estimated USD 2.9 trillion AUM.[33] Around this time, experts began acknowledging SWFs as a unique species of investors and stewards of substantial assets.[34] Although SWFs are incredibly diverse and range from Qatar to Alaska, the salient thing about them was the way the global economy adapted to new SWF capital flows.[35]

3. Sovereign Wealth Funds Establish a Governance Framework as a Defensive Measure.

In 2008, representatives from leading SWF countries organized themselves into the International Working Group of Sovereign Wealth Funds (IWG) under the aegis of the IMF. Following four months of negotiations and several international meetings, the IWG announced a set of Generally Accepted Principles and Practices on Sovereign Wealth Funds from Santiago, Chile.[36] These principles, also known as Santiago Principles, consist of three broad categories: (1) legal framework, objectives, and macroeconomic linkages; (2) institutional framework and governance; and (3) investment policies and risk management frameworks.[37] Countries who wish to voluntarily opt into the Santiago Principles must ratify the commitment and agree to heightened transparency via investments disclosures.[38]

Private sector and civil society then developed monitoring initiatives[39] After the establishment of the Santiago Principles, the IWG became the International Forum of Sovereign Wealth Funds (IFSWF). The group's goal was to encourage

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33. IMF, *Financial Market Turbulence: Causes, Consequences, and Policies*, Global Financial Stability Report (Oct. 2007), https://www.imf.org/en/Publications/GFSR/Issues/2016/12/31/Financial-Market-Turbulence-Causes-Consequences-and-Policies.

34. Rozanov, *supra* note 6. *See also* Simon Johnson, *The Rise of Sovereign Wealth Funds,* IMF FIN. & DEV. MAG., Sept. 2007, at 56, 56-57, https://www.imf.org/external/pubs/ft/fandd/2007/09/pdf/straight.pdf.

35. *See* TRUMAN, *supra* note 14, at 5-6.

36. Santiago Principles, *supra* note 11. *See also* Anna Gelpern, *A Sovereign Wealth Turn*, 10–11 (Rutgers Sch. L. Newark Working Paper, Paper No. 25, 2008), https://perma.cc/8W4G-4YYH (discussing reluctance to characterize these principles as a voluntary code of conduct or even a set of best practices).

37. Santiago Principles, *supra* note 11.

38. *Id.*

39. For example, recipient countries acting through the OECD developed an investment code. OECD, *Recommendation of the Council on Guidelines for Recipient Country Investment Policies relating to National Security*, OECD/LEGAL/0372 (2022), https://perma.cc/69XM-9K7Y.

Academics also developed their own assessments of SWFs. The most notable example is Professor Edwin Truman's SWF Scoreboard. *See* Remarks by Edwin M. Truman, Former Assistant Sec'y Intl' Affs., U.S. Treasury Dept., Remarks at the Bretton Woods Committee 2007 Annual Meeting: What Should the Fund's Role Be Now? (June 12, 2007), https://perma.cc/5LMC-Z94G. *See also Sovereign Wealth Fund Acquisitions and Other Foreign Government Investments in the Unites States: Hearing Before the Comm. on Banking, Hous., and Urb. Affs.*, 110th Cong. 110-954 (2007) (statement from Edwin M. Truman, Former Assistant Sec'y Int'l Affs., U.S. Treasury Dept.)

foreign direct investment by SWFs and to create a network of like-minded institutions.[40]

4. Sovereign Wealth Funds Become a Source of Domestic Fiscal Stability

While the period before the financial crisis saw steady commodity price increases, the period after the financial crisis gave way to extreme turbulence, particularly in the oil market. Between mid-2014 and early 2016, oil prices declined by their largest margin in modern history.[41] The seventy percent price drop lasted longer than the unprecedented supply-driven collapse of 1986.[42] Three key events contributed to the instability. First, political turmoil in the Middle East and North Africa led to a supply glut.[43] Second, slowing growth in emerging markets, particularly China, caused a steep drop in oil demand.[44] Finally, the U.S. shale revolution increased supply, causing changes to both supply and demand.[45] This instability impacted SWFs reliance on oil-export revenue.

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40. *About IFSWF*, Int'l F. Sovereign Wealth Funds [hereinafter IFSWF], https://perma.cc/M3XF-GPCH (last visited Dec. 17. 2021).

41. Kenneth Rogoff, *What's Behind the Drop in Oil Prices?*, WORLD ECON. F. (Mar. 2, 2016) https://perma.cc/WU3A-3PQ5.

42. *See* Marc Stocker, John Baffes & Dana Vorisek, *What Triggered the Oil Price Plunge of 2014-2016 and Why It Failed to Deliver an Economic Impetus in Eight Charts*, WBG (Jan. 18, 2018), https://perma.cc/7D9G-TLDL ("Between mid-2014 and early 2016, the global economy faced one of the largest oil price declines in modern history. The 70 percent price drop during that period was one of the three biggest declines since World War II, and the longest lasting since the supply-driven collapse of 1986."). *Accord* Baffes et al., *Down the Slide*, 52 IMF FIN. & DEV. 21 (Dec. 2015), https://www.imf.org/external/pubs/ft/fandd/2015/12/baffes.htm;

43. *Cf., e.g.*, Javier Blas, *The Delayed Impact of the 'Arab Spring'*, FIN. TIMES (May 28, 2013), https://perma.cc/3JBT-8VTP ("[O]il production from Africa's Opec members Algeria, Angola, Libya and Nigeria will stagnate over the next five years at 7.12m barrels a day, posting virtually zero growth from 2012 to 2018."). *See generally* HAKIM DARBOUCHE & BASSAM FATTOUH, THE IMPLICATIONS OF THE ARAB UPRISINGS FOR OIL AND GAS MARKETS (Oxford Inst. Energy Stud., 2011), https://perma.cc/AGJ7-NEP8.

44. *See* Dave Mead & Porscha Stiger, The 2014 Plunge In Import Petroleum Prices: What Happened?, 4 BUREAU LAB. STAT. BEYOND NOS. 9, 1-7 (2015), https://perma.cc/9QMY-DM7K ("The fundamental reason for the decline in world petroleum prices in 2014 was an oversupply of petroleum compared to demand.); Charles K. Ebinger, *World oil Demand: And Then There Was* None, BROOKINGS: PLANET POL'Y (Oct. 17, 2014), ttps://perma.cc/2684-97XS ("Since June 2014 (when oil was at $115 per barrel), oil prices have been in a free fall, with demand dropping across Europe, Japan, India, China, Brazil and much of the emerging world market."); Reinhard Ellwanger et al., *Factors Behind the 2014 Oil Price Decline*, BANK OF CAN. REV., Autumn 2007, at 1, https://perma.cc/P7K5-NG23 ("[C]oncerns over future expected Chinese growth were particularly important for the decline in oil prices in early 2016."); Andrew Walker, *China's Slowdown and Cheap Oil*, BBC NEWS (Aug. 26, 2015), https://perma.cc/VS42-CVCB ("Of course there are other factors behind the oil price collapse of the last year, some of them leading to abundant supplies. The rise of shale oil in the United States and Saudi Arabia's unwillingness to respond by curbing its own output have also put pressure on the oil price.").

45. Marc Stocker et al., *What Triggered the Oil Price Plunge of 2014-2016 and Why It Failed to Deliver An Economic Impetus in Eight Charts*, WORLD BANK BLOGS: LET'S TALK DEV. (Jan. 18, 2018), https://perma.cc/YX34-S8F7.

The total SWF AUM value declined, and SWF commentators predicted a "dismal future" absent a sharp and permanent oil price rebound.[46]

Starting in 2015, central governments made substantial withdrawals from their reserves. Even though withdrawals are expected under a stabilization mandate, the withdrawal amounts during the mid-2010s were extraordinary.[47] In 2016, after twenty years of sustained pension fund asset accumulation, the Norwegian Ministry of Finance started a series of withdrawals to meet public fiscal demands and support a weakened economy. A USD 12 billion withdrawal from their pension fund backstopped the central government's 2016 budget.[48] That same year, in just eighteen months, the Russian government drew down the assets of its USD 90 billion Reserve Fund to roughly USD 50 billion.[49] In the second half of 2015 alone, Saudi Arabia's foreign exchange reserves declined by fifteen percent, or USD 100 billion.[50]

5. Sovereign Wealth Funds Response to COVID-19 Amidst Rising ESG Pressure

The COVID-19 pandemic caused governments to withdraw even more from their respective country's SWFs. In 2020, Norway far exceeded its SWF withdrawal limit of three percent expected real return rate on petroleum revenue.[51] The Kuwaiti government, after almost depleting the KIA General Reserve Fund, asked the legislature to boost liquidity by extending a loan or buying treasury-

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46. *See* Julien Maire, Adnan Mazarei & Edwin M. Truman, *Sovereign Wealth Funds Are Growing More Slowly, and Governance Issues Remain* 4-6 (Peterson Inst. for Int'l Econ., Pol'y Brief No. PB 21-3, 2021), https://perma.cc/NP6Z-L5U7 ("Analysts predicted that total SWF [AUM] would increase to as much as $17.5 trillion by 2017. . . . In the event, their total assets were much lower. The Sovereign Wealth Fund Institute estimate for the end of 2020 is $8.3 trillion . . ."); Veliko Fotak, Xuechen Gao & William L. Megginson, *A Financial Force to Be Reckoned With?*, *in* THE OXFORD HANDBOOK OF SOVEREIGN WEALTH FUNDS 16, 21 (Douglas Cumming et al. eds., Oxford Univ. Press 2017) [hereinafter OXFORD SWF HANDBOOK] ("In terms of total size, we believe SWFs face a dismal future, unless oil process rebound sharply and permanently, with their size staying about the same or falling . . ."). *Contra* IFSWF, *Dealing with Disruption*, IFSWF ANN. REV. (2017), https://perma.cc/Z5TP-HKJJ ("SWFs with a mandate for intergenerational saving included in the [Sovereign Investment Lab] list were not severely impacted by the oil crisis, despite panicked reporting and prediction of their demise.").

47. IMF *supra* note 13. *See also* SVEN BEHRENDT, OIL-FUNDED SWFS AT A TURNING POINT (GeoEconomica eds. 2016), https://perma.cc/SK45-86AB ("The drawing down of savings stored in fiscal stabilization funds has been fairly predictable and little surprising. This is the scenario for which they were established in the first place.").

48. IFSWF, *supra* note 46, at 56 ("[T]he 2016 budget funding was supported by a $12 billion (101 billion kroner) withdrawal from the GPFG, while its asset return was around $52 billion (447 billion kroner).").

49. BEHRENDT, *supra* note 47, at 1.

50. Douglas Cumming et al., *Introducing Sovereign Wealth Funds*, *in* OXFORD SWF HANDBOOK, *supra* note 46, at 1-15.

51. Bernardo Bortolotti, et. al, *Sovereign Wealth Funds and the COVID-19 Shock: Economic and Financial Resilience in Resource-Rich Countries* (Bocconi Univ. Ctr. for Applied Rsch. on Int'l Mkts., Banking, and Reg. Working Paper, Paper No. 20147), https://perma.cc/XGD2-KM3W. *See also* Michael Katz, *Norway to Withdraw Record Amount from Sovereign Wealth Fund*, AI-CIO.COM (May 13, 2020), https://perma.cc/3DPW-833B

owned assets.[52] Further south along the Persian Gulf, Bahrain's Cabinet approved a USD 450 million withdrawal from the Future Generations Fund,[53] while Abu Dhabi's Mubadala issued USD 4 billion in bonds.[54] In Asia, Singapore's Temasek recapitalized Sembcorp Marine, a domestic shipbuilding conglomerate, with USD 1.5 billion and injected USD 13 billion into Singapore Airlines.[55] Meanwhile, the Ireland Strategic Investment Fund deployed rescue financing for small and medium-sized enterprises.[56]

SWF governance bodies, and citizens in host countries called on SWFs to take on a larger role in a new trend focused on investing for both profit maximization and the improvement of every part of the human experience, from their physical environment to their socioeconomic mobility. This trend was known as the environment, social, and governance (ESG) movement.

II. Sovereign Wealth Funds Join Fast-Growing Private Flows Into the "E" Component of Environmental, Social, And Governance (ESG), Shifting the Focus from Domestic Development to International Environmental Efforts

ESG as an acronym for "environmental, social, and governance," has become a catch-all phrase to discuss everything from "criteria," "factors," "standards," "strategies," "risks," "issues," "activity," or even "goals."[57] Although ESG is widely discussed in the context of corporate governance and management, this paper uses the term to describe values-based investing.

Trillions of dollars flow into ESG-labeled investment products and governments are designing ESG policies.[58] ESG has "risen from an obscure and niche concept to a widely used term around the world."[59]

Because of the connection between ESG and the United Nations Sustainable Development Goals this paper relies on the Morgan Stanley Capital International (MSCI)'s ESG Sustainable Impact Metrics as a guide for understanding ESG.

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52. *Kuwait Requests Ability to Withdraw From Sovereign Wealth Fund*, REUTERS (Feb. 22, 2021) https://perma.cc/C2UB-YPEY. *See* Sophie Baker, *Moody's Downgrades Kuwait Over Lack of Access to Wealth Fund Assets*, PENSIONS & INVS. (Sept. 23, 2020, 12:53 PM), https://perma.cc/Y2CY-ZF23.

53. *E.g.* Dominic Dudley, *The Shine Comes Off Some Gulf Sovereign Wealth Funds*, FORBES (June 25, 2021, 5:30 AM), https://perma.cc/J7TJ-N8R9.

54. Yousef Saba, *Mubadala Plans International Bond Sale – Sources*, REUTERS (Feb. 8, 2021), https://perma.cc/9DYG-SPUG

55. Attracta Mooney, *Coronavirus Ends 'Golden' Era for Sovereign Wealth Funds*, FIN. TIMES (Aug. 30, 2020), https://perma.cc/88MB-GJV6.

56. Tom Arnold, *Rainy Day Hastens Sovereign Wealth Funds' Refocus to Home*, REUTERS, June 25, 2020, https://perma.cc/3P4D-V4LP.

57. *See, e.g.*, Elizabeth Pollman, *The Making and Meaning of ESG* (Univ. of Penn, Inst for Law & Econ Research Paper No. 22-23, Eur. Corp. Gov. Inst. Working Paper No. 659/2022), https://perma.cc/62TB-3AAD.

58. *Id.*

59. George Serafeim, *ESG: Hyperboles and Reality*, (Harvard Business School Research Paper Series, Working Paper No. 22-031, 2021), https://perma.cc/GR43-CE63 .

MSCI grouped the seventeen broad SDGs into five actionable impact themes: Basic Needs, Empowerment, Climate Change, Natural Capital, and Governance. From there, MSCI developed "a detailed taxonomy of solutions" for private and public capital providers looking for specific ESG governance standards.[60]

Although MSCI includes metrics for each component of ESG, non-African SWFs, like their private sector counterparts, have focused almost exclusively on the environmental aspect of ESG. These environmental airms are often more internationally focused, and take the form of divestment or risk-mitigation, rather than investment in growing sectors of SWF's home economies. The "S" and "G" components, which implicate domestic development, economic growth, and socioeconomic improvement, have largely gone ignored. Amid the current ESG backlash, there is now a time to reassess

A. THE CONTEXT: SOVEREIGN WEALTH FUNDS ADOPT ESG AND LIMIT ESG STRATEGIES TO DIVESTMENTS AND RISK-MITIGATION

From their early days as ESG investors, non-African SWFs have focused almost exclusively on the environmental component of ESG, in the form of divestment and risk mitigation. Following the 2015 Paris Agreement, IFSWF members representing roughly USD 5 trillion began discussing how global efforts to curb greenhouse gas emissions implicated their funds.[61] The group agreed to establish a long-term program committed to developing an ESG framework.[62] In December 2017, the Abu Dhabi Investment Authority, Kuwait Investment Authority, New Zealand Super Fund, Norges Bank, Saudi Arabia Public Investment Fund, and Qatar Investment Authority established the One Planet Sovereign Wealth Fund Working Group (OPSWF).[63] The stated goal of the group is to "accelerate efforts to integrate financial risks and opportunities related to *climate change* in the management of large, long-term asset pools."[64] A year later, the OPSWF published a framework detailing ways SWFs could integrate climate change into decision-making. The framework included twelve recommendations based on three guiding principles:

1. Alignment – Build *climate change* considerations, which are aligned with the SWFs' investment horizons, into decision-making.

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60. *Id.* at 10.

61. *E.g.*, Javier Capapé & Marta Santiváñez, IE Bus. Sch. Sovereign Wealth Lab, *Sovereign Wealth Funds: Sustainable and Active Investors? The Case of Norway*, *in* SOVEREIGN WEALTH FUNDS 2017 61, 62 (Javier Capapé & Javier Santiso eds., IE Found. 2018), https://perma.cc/S7SR-FBPS.

62. *Id.* at 62

63. *Id. See also* ONE PLANET SOVEREIGN WEALTH FUNDS [hereinafter OPSWF], https://perma.cc/9L6U-WREH (last visited Dec. 17, 2021).

64. Joint Communiqué, One Planet Sovereign Wealth Fund Working Grp. (Dec. 14, 2017) (emphasis added) (on file with author), https://perma.cc/XYR7=XAYB. *Accord,* Capapé & Santiváñez, *supra* note 61, at 62.

2. Ownership – Encourage companies to address material *climate change* issues in their governance, business strategy and planning, risk management and public reporting to promote value creation.
3. Integration – Integrate the consideration of *climate-change-related* risks and opportunities into investment management to improve the resilience of long-term investment portfolios.[65]

All are related to climate change. SWFs have prioritized the "E" component of ESG, while the "S" and "G" components have sat by the wayside. Norway's NBIM is the emblematic example of SWFs' approach to ESG: The approach focuses disproportionately on the environmental, or "E," component of ESG. NBIM's efforts are important and deserve recognition. Norway is one example, but certainly not the only. New Zealand's NZ Super Fund extended a low-carbon Climate Change Investment Strategy to its entire portfolio,[66] and South Korea's KIC publicly advocated for the Financial Stability Board's climate disclosure policy.[67]

In 2020, a group of SWFs was surveyed about their commitment to ESG. Twenty-five out of thirty-four SWFs surveyed had ten percent of their holdings in climate-related strategies.[68] Five made divestment decisions related to climate or environmental targets, and four had an explicit climate-change framework in place.[69]

SWFs are hardly alone in their focus on environmentally driven ESG. From the early 2010s through the early days of the pandemic, shareholders pushed firms to be more environmentally responsible, and private investors took advantage of public awareness of corporate responsibility to mobilize funds that would target environmental concerns. A Dutch court made headlines when it held Royal Dutch Shell partially responsible for global warming and ordered the company to

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65. OPSWF WORKING GRP., THE ONE PLANET SOVEREIGN WEALTH FUND FRAMEWORK 7 (2018), https://perma.cc/R3WK-65M3.

66. N.Z. SUPERANNUATION FUND, CLIMATE CHANGE REPORT 4 (2021), https://perma.cc/ZN3B-H8A8 ("Our Climate Change Investment Strategy, announced in 2016, applies across our whole portfolio and is designed to mitigate the significant investment risks presented by climate change.").

67. *See* Yi Whan-woo, *Korea Investment Corp. Committed to Setting World's Counter-Climate Change Model*, S. KOR. TIMES (Oct. 29, 2021, 9:44 PM), https://perma.cc/LGS6-66BS ("The KIC is also Korea's first institutional investor to publicly advocate the Task Force on Climate-related Financial Disclosures (TCFD), which was formed in 2015 at the request of G20 finance ministers and central bank governors to increase reporting of climate-related financial data from global financial institutions."); MICHAEL BLOOMBERG ET AL., FINAL REPORT: RECOMMENDATIONS OF THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (2017), https://perma.cc/826Y-D8FL.

68. IFSWF & OPSWF, MIGHTY OAKS FROM LITTLE ACORNS GROW: SOVEREIGN WEALTH FUNDS' PROGRESS ON CLIMATE CHANGE 3 (2021), https://perma.cc/9JNN=7ECV.

69. *Id.* at 3 ("More than half report undertaking climate-related engagement with portfolio companies, while 14% have divested based on environmental considerations."); *Id.* at 13 (showing twelve percent of thirty-four SWFs surveyed answered affirmatively to the 'We have a specific climate change framework in place' question).

reduce its carbon emissions.[70] In another example, Engine No. 1, an activist investor laser-focused on climate change, launched a proxy battle to win two seats on ExxonMobil's twelve-person board.[71] Likewise, Chevron stockholders bucked management's recommendations and approved a resolution calling for carbon emissions cuts.[72] Buyout giants, including Blackstone and Carlyle, partnered with pension fund clients to share and aggregate ESG data.[73] Others, like KKR and Apollo Global Management, launched dedicated impact funds with environmental aims.[74] Jerome Dodson, Larry Fink, and others acknowledged the need to end common greenwashing strategies.[75]

But ESG was always designed to be broader than greenwashing, divestment from oil and gas, and environmental risk-mitigation.

B. THE DILEMMA: ESG DEPARTS FROM ITS HOLISTIC AIMS AND FACES A GLOBAL BACKLASH

The focus on environmental mandates and the ESG backlash, has taken ESG away from its core aims. ESG evolved from its early roots in the 1960s' "socially responsible investing" movement, which focused on divestment from companies tied to tobacco and South African apartheid, to a holistic aim to improve global development. ESG, as we know it today, grew from the United Nations Sustainable Development Goals.[76]

In January 2004, United Nations (UN) Secretary-General Kofi Annan "wrote to the CEOs of 55 of the world's leading financing institutions inviting them to join in a [new] initiative," under the auspices of the Global Compact, titled "Who

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70. The Hague District Court ordered Royal Dutch Shell plc to reduce its worldwide CO2 emissions by forty five percent by 2030 (compared to 2019 levels). The court reached this decision in three steps. First, the court recognized that Shell has obligation to reduce its emissions; second, the court specified that Shell must lower emissions; and third, the court concluded that Shell may imminently breach its obligation. Milieudefensie et al. v Royal Dutch Shell plc, NL:RBDHA:2021:5339 (The Hague Dist. Ct. 2021), https://perma.cc/389W-ABFU.

71. Matt Phillips *How a Tiny Green Fund Turned the Exxon Tanker*, N.Y. TIMES, June 11, 2021, at B3, https://perma.cc/389W-ABFU. *See also* Jessica Camille Aguirre, *The Takedown of Big Oil*, N.Y. TIMES MAG., June 27, 2021, at 46, https://perma.cc/P5HY-LWD5.

72. Shariq Khan, *Chevron Investors Back Proposal for More Emissions Cuts*, REUTERS (May 26, 2021), https://perma.cc/2GQB-J3ZG. *See also* William Savitt et al., *Carbon, Caremark, and Corporate Governance*, HARV. L. SCH. F. ON CORP. GOVERNANCE (May 30, 2021), https://perma.cc/FB7R-SM68.

73. Sonali Basak, *CalPERS, Carlyle in ESG Data Push for $4 Trillion of Funds*, BLOOMBERG (Sept. 30, 2021, 8:49 AM), https://perma.cc/3ZZN-THQ6.

74. *See KKR Closes $1.3 Billion Global Impact Fund*, BUS. WIRE (Feb. 12, 2020), https://perma.cc/T2QN-YQJ5; Marisol Grandi, Apollo Global Management Launches Impact Investing Platform. S&P GLOB. MKT. INTEL. (Sept. 15, 2020), https://perma.cc/N68M-2ZW5.

75. Lucy Handley, *Larry Fink Fears For The Energy Transition, Warns of Massive 'Market Arbitrage'*, CNBC.com (Nov. 2, 2021), https://perma.cc/A5FE-R7P2 ("Some oil firms are selling their more polluting assets to private companies, creating more of a green narrative for shareholders. But those assets still exist, and are less transparent in private hands, Fink said.")

76. *The Evolution of ESG Investing*, MSCI, https://perma.cc/E6X4-ACTW (last visited Dec. 17, 2021).

Cares Wins."[77] In 2005—the same year the term "SWF" was coined—Annan, alongside the UN Environment Programme Finance Initiative, and UN Global Compact, commissioned a study on ESG investing. The project culminated in the launch of the Principles for Responsible Investing,[78] which define responsible investment as "a strategy and practice to incorporate environmental, social[,] and governance factors in investment decisions and active ownership."[79]

The current ESG investment framework came together in 2015 when the UN launched its Sustainable Development Goals (SDGs): "a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity."[80] The SDGs are nonbinding on both national governments and corporations, and they contain seventeen broad goals and 169 specific targets.[81] See appendix for details. Collectively, the goals aim to create a "world free of poverty, hunger, disease and want, where all life can thrive."[82]

Despite the SDG's focus on an end to poverty, hunger, disease, and want, the ESG dialogue—including its backlash—has focused disproportionately on environmental concerns.[83] To be sure, climate change threatens to impose enormous costs over the next century. The world's real gross domestic product (GDP) per

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77. THE GLOBAL COMPACT, WHO CARES WINS: CONNECTING FINANCIAL MARKETS TO A CHANGING WORLD vii (2004).

78. The SDGs are the successors to the UN's 2000 Millennium Development Goals, which expired in 2015. Press Release, Secretary-General Launches 'Principles for Responsible Investment' Backed by World's Largest Investors, U.N. Press Release SG/2111-ECO/106 (Apr. 27, 2006), https://perma.cc/S4EN-RUDK.

79. UNEP & U.N. Glob. Compact, *Compact Principles For Responsible Investment*s(2021)

80. *The SDGs in Action*, UNDP, https://perma.cc/3374-N545 (last visited Dec. 17, 2021).

81. *Id.*

82. Betty Moy Huber, Michael Comstock & Hilary Smith, *UN Sustainable Development Goals—The Leading ESG Framework for Large Companies*, HARV. L. SCH. F. ON CORP. GOVERNANCE (Oct. 4, 2018), https://perma.cc/UV3Q-QAC6.

83. There are three potential explanations for the tension between domestically oriented social and governance concerns, and globally oriented environmental concerns.

The first is theoretical. The lines between public sector and private sector responsibility for public welfare are blurring. The widening scope of social and governance issues reflects the increase in businesses, government, and market codependency.

The second is practical. The "E" branch of ESG is more readily quantifiable because of large datasets on greenhouse gas (GHG) emissions, water usage, and recycling.It is more difficult to measure the soft, qualitative aspects of social responsibility, corporate governance, and related issues.

The third is legal. There is now wide acknowledgment that a company's climate risk management and climate disclosure impacts company valuations, and thus, long-term shareholder value. *See* Caroline Flammer et al., *Shareholder Activism and Firms' Voluntary Disclosure of Climate Change Risk* (Harv. Bus. Sch., Working Paper No. 20-049, 2021), https://doi.org/10.1002/smj.3313 ("We find that companies that voluntarily disclose climate risk information following environmental shareholder activism achieve a higher valuation post disclosure, suggesting that investors value the voluntary disclosure of the firm's exposure to climate risks."); Jessica McDougall & Danielle Sugarman, BlackRock Inc., *Climate Risk and the Transition to a Low-Carbon Economy*, HARV. L. SCH. F. ON CORP. GOVERN. (Mar. 2, 2021) ("Careful consideration and evaluation of a company's GHG footprint may lead to operational efficiencies . . . which can ultimately increase long-term shareholder value."); Letter from John Galloway, Principal & Inv. Stewardship Officer, Vanguard Grp., to Vanessa A. Countryman, Sec'y., U.S. Sec. & Exch. Comm'n [hereinafter SEC] (June 11, 2021) (on file with SEC).

capita will reduce by 7.22 percent by 2100 if global temperatures continue to increase at their current rate.[84] Conservative estimates put the costs of climate change effects at USD 1.9 trillion annually (in today's dollars) by 2100.[85] But few would argue that present social and governance trends are less perilous. More than 6 million people died from COVID-19, which exposed the fragility of the global health systems. Although people are living longer, rates of chronic diseases are rising in even the most powerful nations.[86] Global conflict is on the rise. The number of worldwide refugees has doubled since 2010.[87] Efforts toward gender and racial equality are backsliding.[88] In 2019, income inequality in the U.S.

From a brass tacks perspective, climate change phenomena can damage company assets, which in turn, can hurt the bottom line. Allison H. Lee, Comm'r, SEC, Keynote Address at the 2021 Society for Corporate Governance National Conference: Climate, ESG, and the Board of Directors: "You Cannot Direct the Wind, But You Can Adjust Your Sails" (Mar. 15, 2021), https://perma.cc/8VMK-D9KK ("Because matters such as climate change may bear on the valuation of assets, inventory, supply chain, and future cash flows, board oversight of audits increasingly necessitates engagement on those issues.").

Before the pandemic, corporate governance law did not draw as clear of a line between shareholder value and social and governance factors. Now that the public understands how companies and economies can suffer from unprepared health systems, such laws are likely to be updated.

84. Matthew E. Kahn et al., *Long-Term Macroeconomic Effects of Climate Change: A Cross-Country Analysis*, 4, 32, 44 (Nat'l Bureau of Econ. Rsch., Working Paper No. 26167, 2019), https://perma.cc/2XU3-DFN5.

85. FRANK ACKERMAN AND ELIZABETH A. STANTON, THE COST OF CLIMATE CHANGE: WHAT WE'LL PAY IF GLOBAL WARMING CONTINUES UNCHECKED 2 (Anthony Clark ed., Nat. Res. Def. Council 2018), https://perma.cc/H6D4-UX34("Four global warming impacts alone—hurricane damage, real estate losses, energy costs, and water costs—will come with a price tag of 1.8 percent of U.S. GDP, or almost $1.9 trillion annually (in today's dollars) by 2100.") *Cf.* Gabriel Weil, *Global Climate Governance in 3D: Mainstreaming Geoengineering within a Unified Framework*, 81 U. PITT. L. REV. (forthcoming 2022) (manuscript at 3), https://perma.cc/L5JF-XA35 ("Estimates of the net present value of expected economic damages range from $43 trillion to $99 trillion.")

86. *See, e.g.*, Wei Zheng et al., *Risk Factors and Economic Impacts of Chronic Disease for Middle-Aged and Older People in China*, SWISS RE INST. (Dec. 2022), https://www.swissre.com/dam/jcr:a2c69a83-e9da-4064-acc9-5db01d40bdfc/2022-12-impact-of-chronic-disease-in-china.pdf ("Morbidity of chronic disease in the Chinese population is rising quickly, reaching 34.3% in 2018, the latest available data, from a low of 12.3% in 2003."); McKinsey & Co., *U.S. Disease Burden Expected to Get Heavier Over the Next 20 Years*, MCKINSEY GLOB. INST. (Oct. 21, 2020), https://www.mckinsey.com/featured-insights/sustainable-inclusive-growth/chart-of-the-day/us-disease-burden-expected-to-get-heavier-over-the-next-20-years. *See generally* NCD Countdown 2030 Collaborators, *NCD Countdown 2030: Pathways to Achieving Sustainable Development Goal Target 3.4*, 396 The Lancet 918 (Sept. 26, 2020), https://doi.org/10.1016/S0140-6736(20)31761-X.

87. UNHCR, *Global Trends: Forced Displacement in 2020*, at 16 (June 18, 2020), https://perma.cc/76DA-ATQU.

88. *See* Paula England et al., *Progress Toward Gender Equality in the United States Has Slowed or Stalled*, 117 PROC. NAT'L ACAD. SCI. U.S. 6990, 6990-97 (2020), https://perma.cc/X96D-BXY5 (examining the slowing and stalled rate of change in multiple indicators of gender inequality for the period of 1970 to 2018); Earl Fitzhugh et al., *It's Time For A New Approach to Racial Equity*, MCKINSEY INSTITUTE FOR BLACK ECON. MOBILITY at 5 (Dec. 2, 2020), https://perma.cc/5PUG-AQ4T ("The evidence suggests that while the public, private, and social sectors have engaged in meaningful efforts to combat racial inequity, racial disparities are produced, reinforced, and amplified across sectors.").

reached its highest level since the Gini Index was established.[89] Even before the pandemic, the UN warned that "[r]acism, bigotry, xenophobia, nationalist populism, white supremacy and hate speech" were "on the rise."[90] In 2020, UN Secretary-General Antonio Guterres said, "the pandemic continues to unleash a tsunami of hate and xenophobia, scapegoating and scare-mongering" and urged governments to "act now to strengthen the immunity of our societies against the virus of hate."[91]

Now, amid the ESG backlash, sovereign wealth funds and private investors have an opportunity to reassess the holistic aims of ESG and refocus on the core development aims inherent in ESG, as it was originally envisioned. Because African SWFs are unique for their focus on local and regional development, non-African SWFs and private investors can learn from the ESG experience of these funds SWFs.

C. A SOLUTION: ARE THERE LESSONS TO BE LEARNED FROM THE ESG EXPERIENCE OF AFRICAN SOVEREIGN WEALTH FUNDS?

This paper argues that African SWFs African SWFs have had to manage fundamental tensions between global environmental mandates and local social and governance needs since their inception. African SWFs have operated in a market distorted by colonialism and conflict, in countries with vast unmet basic human needs, nascent to nonexistent safety nets, and continuous climate devastation. Their broad development mandates often tracking SDGs make for a uniquely African approach to ESG investing. African SWFs are ESG funds through and through. These original, or "OG ESG" funds shed light on how the global investment community can pursue mutually reinforcing environmental, social, and governance objectives.

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89. Mike Schneider, *Census: US Inequality Grew, Including in Heartland States*, ASSOCIATED PRESS (September 26, 2019). https://perma.cc/H38S-JRXU ("The gap between the haves and have-nots in the United States grew last year to its highest level in more than 50 years of tracking income inequality, according to U.S. Census Bureau figures released Thursday."). *See also* Bill Chappell, *U.S. Income Inequality Worsens, Widening To A New Gap*, NPR (Sept. 26, 2019, 2:12 PM), https://perma.cc/E6BU-4PEV. *Contra* Phil Gramm & John F. Early, *The Truth About Income Inequality*, WALL ST. J.: OP. (Nov. 3, 2019 3:43 PM), https://perma.cc/G3FW-EQN5. ("Unfortunately, official measures of income inequality, the numbers being debated, are profoundly distorted by what the Census Bureau chooses to count as household income.").

90. Press Release, Third Committee, Third Committee Experts Warn Racism, Hate Speech, White Supremacy to Become Mainstream Unless States Enforce Zero-Tolerance Policies, Prevent Exclusion, U.N. Press Release GA/SHC/4245 (Oct. 29, 2018), https://perma.cc/VEV4-TAJF.

91. @antonioguterres, TWITTER (May 8, 2020, 12:22 AM), https://perma.cc/2374-CSH6.

III. AFRICA IS HOME TO THE NEWEST CROP OF SOVEREIGN WEALTH FUNDS

African SWFs as a sub-category started with the establishment of Botswana's Pula Fund, in 1994.[92] As other African countries discovered oil, gas, and other mineral reserves, they too established their own sovereign funds. Now, twenty-two African countries have at least one SWF. This section provides in-depth analysis of these funds and gleans some generalizations from the common characteristics shared by the SWFs.

A. AN INTRODUCTION TO AFRICAN SOVEREIGN WEALTH FUNDS

These funds vary in size, governance structure, funding source, objective, and level of engagement with the global SWF community.

1. Size

African SWFs manage assets ranging from USD 10 million in São Tomé and Príncipe to USD 67 billion in Libya. With the notable exception of the Libyan Investment Authority (LIA), which ranks among the largest thirty SWFs worldwide, African funds are dwarfed by their peers in Asia, the Middle East, and other regions. African SWFs also have a much smaller AUM to GDP ratio. Except for LIA and the Pula Fund, all African SWFs have AUMs that are less than ten percent of their host country's GDP. Compare that to Hong Kong Monetary Authority, Qatar Investment Authority, and Kuwait Investment Authority, whose AUMs equal 169 percent, 241 percent, and 508 percent of GDP, respectively.[93] This contrast should not be a surprise, given the nascency of African SWFs.

Libya's SWF is an outlier amongst its African peers given its historic size; however, the actual value of LIA's AUM is unknown. In 2011, the United Nations, United States, and European Union blacklisted the LIA because of its control by the family of toppled ruler Muammar Gaddafi.[94] In 2012 LIA's assets

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92. *Pula Fund Hist.*, BANK OF BOTS., https://perma.cc/9ZJD-3QQW (last visited Jan. 14, 2022) ("The fund was established in 1994 with the aim of preserving part of the income from diamond exports for future generations."). *Accord Case Study: Botswana's Management of the Pula Fund Observance of the Santiago Principles*, BANK OF BOTS., https://perma.cc/638T-D7YM (last visited Jan. 12, 2022).

93. Notably, Chinese SWFs AUMs as a percentage of GDP are less than ten percent. Future research may want to evaluate whether there is a statistically significant correlation and if there is, why.

94. S.C. Res. 1973, UN Doc S/Res/1973 (Mar. 17, 2011) 19-21 (blacklisting the LIA because it was "[u]nder control of Muammar Qadhafi and his family, and potential source of funding for his regime."); 31 C.F.R. §570.512 (2011) ("All funds, including cash, securities, bank accounts, and investment accounts, and precious metals of the Libyan Investment Authority ("LIA") and entities owned or controlled by the LIA . . . remain blocked."); Council Regulation (EU) No. 204/2011 of 2 March 2011, 2011 O.J. (L 58/1). *See also Timeline: Libya's Uprising Against Muammar Gaddafi*, REUTERS (July 3, 2011), https://perma.cc/E4PW-EL9U.

were valued at USD 67 billion, but LIA plans to update that number after a review by its financial adviser, Deloitte.[95]

2. Oversight

Of Africa's SWFs, seven are overseen by their national central banks, and seven are independent entities governed by their own boards of directors. Of the latter group, three SWFs have boards appointed by the executive branch, such as the Cabinet or Minister of Finance. In addition, some funds such as the Nigeria Sovereign Investment Authority (NSIA), the Mauritius Investment Corporation, and the Sovereign Fund of Egypt have higher authoritative bodies that provide oversight and counsel to the board. Only one African SWF, the LIA, is self-governing with no oversight.

3. Fund Source

Twenty-six African SWFs source their income from commodity export revenue, and of those, twelve are funded by petroleum export revenue. Governments of the three non-commodity funds serve as controlling shareholders and contribute the majority of the SWFs' AUM.

4. Participation in SWF Governance Bodies

Nine African SWFs are members of the IFSWF with five joining in the last seven years. The Pula Fund, Africa's first SWF, is among the founding members of the IFSWF and was one of the architects of the Santiago Principles.[96]

5. Fund Type

It is challenging to classify African SWFs by fund type because of the discrepancies between their stated goals and actual behavior, evolving mandates over time, and inconsistencies between domestic and external perceptions.[97] For example, Botswana designed the Pula Fund with a savings mandate; yet, in actuality, the SWF functions as a stabilization fund during budget shortfalls. The Libyan Investment Authority is technically a savings fund. But, in 2015, the LIA

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95. Tom Arnold, *Libya Sovereign Fund to Ask UN for Freedom to Invest Billions*, REUTERS (Aug. 14, 2020), https://perma.cc/9ZU4-2R4D.

96. BANK OF BOTS., *supra* note 92 at 1.

97. External international and regional organizations bodies have characterized the same African SWFs in different ways. *Compare* Eunice Ajambo, U.N. Namib., *Africa's Sovereign Wealth Funds Are A Source of Development Finance* 4 (Sept. 2020), https://perma.cc/ZQM8-H7R2 (characterizing Botswana's Pula Fund as a future generations, or savings, fund), *with* Thouraya Triki & Issa Faye, *Africa's Quest for Development: Can Sovereign Wealth Funds Help?* 23-24 (AfDB Working Paper No. 142, 2011), https://perma.cc/W85M-GQ6E (characterizing the Pula Fund as a development fund), *and* Chelsea Markowitz, *Sovereign Wealth Funds in Africa: Taking Stock and Looking Forward* 14-35 (S. Afr. Inst. Int'l Aff., Occasional Paper 304, 2020), https://perma.cc/6XPY-86XB (characterizing the Pula Fund as a savings fund with a stabilization purpose).

and the Libyan central bank jointly created an LIA sub-fund called the Local Investment and Development Fund for infrastructure investments.[98] There are also SWFs with multiple mandates.[99]

Now, many of the African SWFs are solely or partly focused on social and economic development. In 2011, the African Development Bank Group (AfDB), amongst others, implored African SWFs to expand their focus to domestic development.

> [H]ome grown SWFs can be beneficial for African nations if they are used and structured properly in order to take advantage of their full potential. This implies that African SWFs, at least most of them, would have to go beyond their stabilization and macroeconomic stability motives to position themselves as instruments geared towards achieving economic growth, intergenerational resource transfers, infrastructure financing, financial sector stabilization, deepening and broadening, and regional integration.[100]

The African SWFs founded since that call were almost exclusively strategic development funds.[101]

B. SITUATING AFRICAN SOVEREIGN WEALTH FUNDS WITHIN THE GROWTH AND MATURATION OF SOVEREIGN WEALTH FUNDS

African SWFs, as a whole, came into prominence during the third wave. They can be sorted into two distinct groups based on their founding date and purpose: (1) those stabilization funds founded before 2010, and (2) those development funds founded after 2010.

The earliest African SWFs primarily focused on stabilizing their economies during commodity price declines or after the depletion of non-renewables,

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98. Robert D. Lamb et al., *Sovereign Wealth Funds in Commodity-Rich Fragile States*, CTR. FOR STRATEGIC & INT'L STUD.: COMMENT. (May 13, 2013), https://perma.cc/CCG3-XDJR("When the United States lifted sanctions on Libya in 2004, the Libyan Investment Authority (LIA) allowed Western banks to manage some of the fund's assets. But a 2010 audit by the British firm KPMG showed that those Western banks poorly managed the LIA's nearly USD 40 billion in assets, charging tens of millions of dollars in fees and generating low returns. The LIA also made poor investment choices based on cronyism: the fund invested nearly USD 300 million in a fund headed by the son-in-law of the head of Libya's state oil company.")

99. Ajambo, *supra* note 97, at 2 ("African SWFs often cover stabilisation, intergenerational savings, and economic development purposes, thereby functioning under an "umbrella model" that covers multiple goals.")

100. Triki & Faye, *supra* note 97, at 16.

101. The majority of African countries with SWFs and reserve investment corporations legally classify the latter as a state-owned enterprise. These reserve investment corporations have a narrow range of investing which makes them limited in their investment horizon and portfolio construction. Because SWFs are distinct from state-owned enterprises, the following entities are excluded from this paper's analysis: Ghana Infrastructure Investment Fund (Ghana), Minerals Development Fund (Ghana), Minerals Development Fund (Namibia), Bayelsa Development and Investment Corporation (Nigeria), Royal Bafokeng Holdings (South Africa).

reminiscent of the second-wave SWF activity.[102] These funds have been particularly integral to helping the Continent withstand Covid-19's devastation.

The African SWFs established after 2010 focus on development in infrastructure, health, education, agriculture, small- and medium-enterprise developments, and a host of other areas that fall under the guise of "E," "S," and "G." These funds are government-sponsored vehicles with a dual mandate to support their home countries' economic development *and* deliver competitive financial performance.[103] In contrast to other long-term investors, sovereign development funds hold a more concentrated investment portfolio in local, untraded securities or large projects.[104] Development-focused African SWFs finance infrastructure projects in their host countries and co-invest in Africa-based targets to attract foreign participation.[105]

IV. African Sovereign Wealth Funds as the "OG ESG"[106] Funds

> *"Talk about things that impact locally . . . We think about the benefits of sustainable development, rather than the damage [climate change] does."*[107]

At first blush, African SWFs appear to have a complicated relationship with ESG. As of January 2022, only four African SWFs are formal members of the OPSWF consortium—Angola's FONSIS, Gabon's FGIS, Nigeria's NSIA, and the Sovereign Fund of Egypt.[108] Additionally, one African SWF executive insisted that "Africa sees climate change as a way for the West to keep it subjugated" and that "people don't want to hear [about climate change]."[109] If we pull back from the rhetoric and simply look at the funds' ESG investment track record, African SWFs look quite good. *See* discussion *infra* Sections IV.A-C. Insofar as ESG encompasses environmental, social, *and* governance, all African SWFs are ESG funds by virtue of their commitment to domestic and regional development, made more credible by their governance structures. They are the "OG ESG"[110] funds.

Under MSCI's metrics, these funds are focused on "empower[ing]" and meeting the "basic needs" of their host countries' citizenry. Recognizing that we are already operating in a world with broad development mandates, African SWFs

102. *See* discussion *supra* Section I.B.
103. Peter Bruce-Clark & Ashby H.B. Monk, *Sovereign Development Funds: The Governance and Management of Strategic Investment Institutions*, *in* Oxford SWF Handbook, *supra* note 45, at 63-86.
104. *Id.*
105. Ajambo, *supra* note 97, at 5.
106. *Merriam-Webster.com*, *supra* note 10.
107. IFSWF, Investing for Growth and Prosperity: In Africa Sovereign Wealth Funds Focus on G, S and E 25 (IFSWF & Franklin Templeton eds., 2021), https://perma.cc/LE6N-67DJ.
108. OPSWF, *supra* note 83.
109. IFSWF, *supra* note 107, at 25.
110. *Merriam-Webster.com*, *supra* note 10.

invest in many of the seventeen SDG areas.[111] These funds invest in local businesses and infrastructure projects, thus creating jobs, improving access to schools and hospitals, and minimizing poverty and inequality.

Africa has a series of infrastructure and trade challenges unique to the continent. To start, it is experiencing what some refer to as an "infrastructure paradox."[112] Despite the high demand for projects, sufficient supply of capital from African governments—and, increasingly, China—and a diverse range of potential projects, there is insufficient investment in infrastructure projects within the region. Additionally, the continent continues to grapple with systemic inequality. In 2019, the combined GDP of the African continent's fifty-plus countries, comprising 1.3 billion people, was USD 3.4 trillion.[113] In contrast, the GDP of the United Kingdom, a country of just 67 million people, was USD 2.8 trillion.[114] Sixty percent of Africans live in rural areas, and only roughly five percent have access to modern electricity services.[115]

Yet, despite these realities, African governments and SWFs have stepped in to fill gaps in infrastructure, economic development, and social improvement projects. In the next sections, I show how African SWFs deploy ESG strategies to tackle specific domestic development challenges.

A. ENVIRONMENTAL: AN UNLIKELY GREEN PIONEER, "E"

Because African SWFs' domestic development investing is considered outside the prism of ESG,[116] the funds do not receive ESG credit for their environmental initiatives, especially considering the context in which they operate. Africa is the most exposed region to the adverse effects of climate change despite contributing the least to global warming.[117] Still, commentators criticize the region for its

111. See, *supra* SDGs conversation in Section I.B.

112. Kannan Lakmeeharan et al., *Solving Africa's Infrastructure Paradox*, MCKINSEY & CO. FEATURED INSIGHT (Mar. 6, 2020), https://perma.cc/UY8A-H2FS.

113. WBG, THE AFRICAN CONTINENTAL FREE TRADE AREA: ECONOMIC AND DISTRIBUTIONAL EFFECTS, WBG Rep. No. 151239 (2020), https://perma.cc/E78M-8JLT.

114. *United Kingdom*, U.S. TRADE REPRESENTATIVE, https://perma.cc/9VMT-P89G (last visited Jan. 13, 2022).

115. *See, e.g.*, ARAI MONTEFORTE, TETRA TECH FOR USAID, UNLOCKING AFRICA'S MINI-GRID MARKET FINAL REPORT (Feb. 2021), https://perma.cc/HLU4-T5RZ ("Sixty percent of Africans live in rural areas, only about 5% of which have access to modern electricity services.").

116. *See* Danae Kyriakopoulou, *Turning Value Into Values*, DANAE KYRIAKOPOULOU ET AL., OFF. MONETARY FIN. INSTS. F. LTD., 2021 GLOBAL PUBLIC INVESTOR (OMFIF eds., 2021), https://perma.cc/YSE8-QNSV(limiting discussion of African public investor ESG activity to green bond issuance); *2021 GSR Scoreboard: Governance, Sustainability & Resilience of State-Owned Investors*, GLOB. SWF, https://perma.cc/3HED-K7TZ (last visited Feb. 13, 2022) (rating the Pula Fund a thirty-two percent, FSDEA a forty percent, Ithmar Capital a twenty-four percent, and Ghana Petroleum Funds a thirty-two percent, but NBIM a ninety-six percent; assigning Africa a 3.9/10, Europe a 6.6/10, and North America a 6.0/10 for its "Sustainability" score).

117. Ngozi Okonjo-Iweala, *Africa Can Play a Leading Role In the Fight Against Climate Change*, BROOKINGS (Jan. 8, 2020), https://perma.cc/4HWS-SMKZ.

"unlikely" green energy transition and its fossil fuel dependency.[118] Failure to acknowledge these funds' contributions to ESG finance, while blaming African governments disproportionately for global companies' petrochemical extraction in Africa is disingenuous and damaging.[119] This failure also ignores the scale of climate change's threat to the continent.

1. Climate Change's Threat to Africa

Africa has contributed the least to GHG emissions but suffers the most from the impact of climate change. Africa accounts for the smallest share of global greenhouse gas emissions, at just 3.8 percent, in contrast to 23 percent in China, 19 percent in the US, and 13 percent in the European Union.[120] Nevertheless, the region faces frequent extreme weather.[121] Across the continent, the annual temperature has more than doubled to 32.54°F (0.3°C) since 1981.[122]

Long-term forecasts predict regions too hot for habitation; the disappearance of Africa's few remaining glaciers; and a water shortage that will create food insecurity, poverty, and mass population displacement. [123] Many African countries are highly vulnerable to climate change due to high dependencies on rain-fed agriculture and natural resources, high levels of rural poverty, and a low adaptive capacity to deal with these expected changes.[124] Increased frequency of droughts has led to increased wild animal and livestock mortalities.[125]

2. Linking Green Projects to Domestic Development

Given these threats, African SWFs have made strides in green investing that also support local development. For example, African SWFs prefer to invest in

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118. Matt McGrath, *Climate Change: Africa's Green Energy Transition 'Unlikely' This Decade*, BBC NEWS (Jan. 11, 2021), https://perma.cc/K363-Z9ER.

119. *See* Gary Fuller, *Pollutionwatch: Africa Increases Its Reliance on Fossil Fuels*, GUARDIAN (Nov. 7, 2019), https://perma.cc/UT2F-X6EJ ; *Accord* Alexandra Wexler & Gabriele Steinhauser, *South Africa Can't Afford to Quit Coal. Will Rich Countries Pay for the Transition?*, WALL ST. J., (Nov. 11, 2021), https://perma.cc/4FKA-2JPV; Steven Mufson, *South Africa Has One of the Most Coal-Intensive Economies in the World. Can It Change?*, WASH. POST (Oct. 31, 2021), https://perma.cc/5L7Y-G92C. *Cf. South Africa to Get $8.5 Bln From U.S., EU and UK to Speed Up Shift from Coal*, REUTERS (Nov. 2, 2021), https://perma.cc/2F5E-N4T6.

120. *See generally Climate Change Triggers Mounting Food Insecurity, Poverty and Displacement in Africa*, WORLD METEOROLOGICAL ORG., https://perma.cc/Y4TP-NUTX (last visited Feb. 13, 2022); Marc Santora, *A Warning That Africa's Last Glaciers Will Soon Vanish*, N.Y. TIMES (Oct. 20, 2021), https://perma.cc/HH9S-T229.

121. Albert G. Zeufack et al., WBG, *Climate Change Adaptation and Economic Transformation in Sub-Saharan Africa*, 24 AFR,'S PULSE: AN ANALYSIS OF ISSUES SHAPING AFR/'S FUTURE (2021), https://perma.cc/ZQ7A-KN8M.

122. *Id.* at 49.

123. *Id.* at 57.

124. Oduetse Koboto et al., *Botswana Climate Change Response Policy, Draft—Version 2*, at 8 (Dec. 17, 2021); *accord* MacKenzie Dove, WBG, *Botswana*, *Climate Risk Country Profile Botswana* (Jan. 2021), https://perma.cc/H353-C529.

125. *Id.* at 9.

large-scale solar plants that can have a material effect on the economy, rather than mini-grids common in development literature.[126] The SWFs also fund the type of agricultural sector growth that is critical for poverty reduction and resilience.[127] Three African SWFs, in particular, are prominent in making green investments in Africa: Senegal's FONSIS, Morocco's Ithmar Capital, and Nigeria's NSIA.

FONSIS executives consider renewable energy investments as an integral component of its overall strategy. A representative from the fund stated that "since inception, the energy sector has been a key focus for FONSIS given the importance of power for stimulating economic growth."[128] One of FONSIS's stated goals is "to expand the supply and diversification of Senegal's energy sources, and increase investment in the renewable energy sector."[129] To date, FONSIS has invested in four major solar energy projects—Senergy, Ten Merina, Kael Solar, and Kahone Solar—that constitute over fifty percent of Senegal's solar capacity.[130] The four solar farms will supply nearly a million households with energy.[131] FONSIS has also partnered with Morocco's Ithmar Capital to fund solar projects and share green investing expertise.[132]

At the 2016 Finance Summit of COP22, the World Bank and Ithmar Capital entered into a memorandum of understanding to launch a Green Growth Infrastructure Facility (GGIF). The goal of the GGIF is to catalyze Africa's green transition by supporting low-carbon clean energy, low-carbon transportation, and the efficient utilization of water resources.[133] GGIF is the first pan-African fund dedicated to green investment in the continent.[134] Recently, Ithmar included agriculture investment as part of its growth strategy. In one of the SWF's reports, Ithmar Capital highlighted the role that agriculture plays in its development mandate:

> Ithmar Capital, as a sovereign investment fund, acts as a relay between long-term national/regional priorities and private investors. It seeks to achieve an attractive return on investment while meeting the socio-economic development requirements. The agricultural value chain fits perfectly into this investment

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126. *See generally* AFR. UNION COMM'N., AGENDA 2036 (2015), https://perma.cc/4E2B-YDAU.

127. *See generally* Luc Christiaensen et al., *The Role of Agriculture in Poverty Reduction: An Empirical Perspective* (WBG Pol'y Rsch. Working Paper; No. 4013, 2006), https://perma.cc/B6RF-B52K.

128. IFSWF, *supra* note 107, at 19.

129. *Id.*

130. *Id.*

131. *Id.*

132. Javier Capapé & Marta Santiváñez, *Sovereign Wealth Funds: Sustainable and Active Investors? The Case of Norway*, SOVEREIGN WEALTH FUNDS 2017, 61, 69–70 (Javier Capape & Javier Santiso eds., 2017), https://perma.cc/989U-6SXW.

133. *Ithmar Capital and World Bank Enter Into an MoU to Establish the First Green Fund Dedicated to Africa*, PR NEWSWIRE (Nov. 18, 2016), https://perma.cc/WJ65-664C.

134. *Id.*

> philosophy given its importance for African economies, and the development perspectives the sector presents.[135]

In 2019, Ithmar Capital announced its plan to invest in the agriculture small- to medium-sized businesses to support the Moroccan government's food security strategy.[136]

Nigeria's NSIA similarly ties green energy investment to the country's development aims. For example, the NSIA recently funded the Kano Solar project, a ten-megawatt solar power plant and solar farm, to provide energy to up to 5,000 Nigerian households. Additionally, the NSIA provided USD 50 million in seed capital for a USD 200 million agriculture fund, designed to invest in commercial farming, agri-food processing, food security, and import substitution. Subsequently, NSIA took over and expanded the 450-hectare farm to a 2,000-hectare farm filled with maize and soya crops for chicken feed.

B. SOCIAL: DOMESTIC INVESTMENT IN SOCIOECONOMIC PRIORITIES, "S"

African SWFs with a development or stabilization purpose deploy distinct but non-mutually exclusive social investment strategies.

1. Social Investor by Virtue of Design and Practice

Unlike their global peers, African SWFs with development mandates have followed socially responsible investing principles from their founding, through direct investing and project de-risking. African countries designed these development-focused SWFs to invest in roads, sewage systems, schools, hospitals, and other areas within the scope of socially responsible investing—the "S" of ESG.

Around forty percent of infrastructure funding on the continent comes from governments who often turn to their SWFs for infrastructure and social development financing.[137] For example, Angola's FSDEA dedicates up to 7.5 percent of its total capital, or USD 233.5 million to the government's "Social Charter" program, which focuses on rural development.[138] In 2019, FSDEA, Angola's only debt-free infrastructure investment option, invested USD 2 billion towards building classrooms, improving medical facilities, and finishing road improvements.[139]

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135. IFSWF, *supra* note 107, at 21.

136. *Ithmar Capital Reveals Capital Hand*, SWFI, https://www.swfinstitute.org/news/76108/ithmar-capital-reveals-capital-hand.

137. *See* Lakmeeharan et al, *supra* note 112, at 4.

138. *See* SEEDWELL HOVE, QUANTUM GLOB. RSCH. LAB, SOVEREIGN WEALTH FUNDS AS A DRIVER OF AFRICAN DEVELOPMENT 7, 23 (Quantum Glob. Rsch. Lab Ltd. eds., 2014) ("Angola's FSDEA allocates 7.5% of its SWF assets towards activities that support socio economic development through its Social Charter.").

139. Candido Mendes, *Angola Plans to Continue Wealth Fund After $2 Billion Withdrawal*, BLOOMBERG (July 1, 2019), https://perma.cc/G8VC-5QZ5 ("Angola's sovereign wealth fund may have to continue running with fewer funds than its initial $5 billion capital after the southern African nation withdrew $2 billion to invest in infrastructure projects, President Joao Lourenco said.").

In another example, Senegal's FONSIS co-invests in infrastructure projects it hopes will have a knock-on effect on the country's development.[140] FONSIS also invests in small- and medium-sized enterprises pursuant to Senegal's national development plan.[141]

In addition to direct investments, SWFs play an important role in decreasing the risk profile of infrastructure projects, including much-needed social development projects. As with any project financing, if one particular clause within the reams upon reams of agreements, contracts, and reports do not fit together perfectly, the project is likely to fail. There is little margin for error. If the project fails, there is one asset with a fixed capacity of output over a set period of time.[142] The suite of documents must also show that the project will be bankable, which means the overall costs, timelines, parties involved, return on investment, and other factors outweigh the risk profile.[143] Without a sovereign wealth fund, projects in Africa must rely on costly penalties for delays or take-or-pay provisions, which appear as contingent liabilities on a sovereign's balance sheet and, in turn, increase the costs of capital for future projects.[144] Alternatively, SWF countries can increase the likelihood of bankability by relying on the institution to co-invest in the project upfront, provide sovereign guarantees, or backstop the risk through put-call agreements.[145]

Such is the case in Nigeria, where the infrastructure-arm of the SWF, the Nigerian Infrastructure Fund (NIF), directly invests, co-invests, and provides institutional support for market infrastructure. NSIA operates in a infrastructure investment space that is largely government-funded. Most infrastructure investment on the continent comes from host governments, bilateral partners—primarily China—and multilateral institutions.[146] Less than five percent of infrastructure

140. *See* Håvard Halland & Michel Noel, *Development Finance Frontline: Senegal's Strategic Investments Fund*, WBG BLOGS: PRIV. SECTOR DEV. BLOG (Apr. 22, 2016), https://perma.cc/KTY5-5LMH (summarizing interview with Amadou Hott, CEO of FONSIS).

141. *Id.*

142. *See* DENTONS, A GUIDE TO PROJECT FINANCE (Dentons eds., 2013), https://perma.cc/M9VB-4DXH. .

143. Bankability refers to a lender's determination to finance the construction and operation of a project on a limited recourse basis after assessing the project's structure, affiliated parties, underlying asset, market, governing law, and contracted documentary terms. *See generally* JOHN DEWAR, INTERNATIONAL PROJECT FINANCE (Oxford Univ. Press eds., 3rd ed. 2019).

144. *See generally* WORLD BANK TREASURY – PUB. DEBT MGMT. ADVISORY, ASSESSING AND MANAGING CREDIT RISK FROM CONTINGENT LIABILITIES: A FOCUS ON GOVERNMENT GUARANTEES, WBG Rep. No. 148189 (2019), https://perma.cc/JHW3-YEQV . *See also* Aliona Cebotari, *Contingent Liabilities: Issues and Practice* (IMF, Working Paper No. WP/08/245, 2008) (discussing contingent liability in public-private-partnership, or P3, project financing).

145. *See generally* Katja Juvonen et al., *Unleashing the Potential of Institutional Investors in Africa* (AfDB Working Paper, No. 325, 2019), https://perma.cc/HD3U-8B9E; Rep. of Dev. Co-op Directorate, Cécile Sangeré, *Mobilising Institutional Investors for Financing Sustainable Development in Developing Countries*, (OECD Doc. DCD(2021)11 2021), https://perma.cc/PZQ4-N36B.

146. Africa Forward, *Financing Africa's Future*, FOREIGN POL'Y, at 29:30 (Feb. 17, 2021), https://perma.cc/94FT-576X (featuring a roundtable discussion between FP's Carol Pineau; Alain Ebobissé,

investment on the continent stemmed from the private sector.[147] This means that even the smallest government misstep could raise the risk profile and interest rates of all projects. Now, the NIF, as a long-term investor separate from the government, can mitigate those concerns, or take on all the financing. To date, NIF has directly invested, co-invested, or established projects such as the Mambilla Hydropower Project, Fund for Agricultural Finance in Nigeria, the NSIA-UFF Agriculture Fund, the Innovation and Digital Technology Fund, and cancer diagnostics and radiology centers.[148] Nigeria Sovereign Investment Authority established the Infrastructure Credit Guarantee Limited to facilitate local financing for major projects,[149] such as the Family Homes Funds for affordable homes and mortgages.[150] NSIA has also provided operational support to the Development Bank of Nigeria to build a stronger small business ecosystem.[151]

2. Social Development-Linked Stabilization

African SWF with a stabilization mandate should also be considered through the prism of ESG, especially now as they bear tremendous costs to support Covid-19 recovery efforts when few else could or would. [152] In what is referred to as a "triple drain" on assets, African SWFs are (1) liquidating assets to shore up government budgets for crisis response, (2) losing money on investments as

CEO of Africa50; Acha Leke, chairperson of McKinsey's Africa Region; and Ibukun Awosika, chairperson of First Bank of Nigeria) ("If we step back and first look at, 'Where does the infrastructure financing in Africa come from?' Today of that roughly, call it, $100 billion, about forty percent actually comes from African governments, about thirty to thirty-five percent comes from our bilateral partners—these days about twenty percent of that comes from China and that's very fast growing—and about five to ten percent comes from the private sector." – Acha Leke).

147. *Id.*

148. *Nigeria's NSIA Surges to US$3.5bn, Looks to Infra Partnerships and VC for Growth*, GLOB. SWF (Sept. 2, 2021), https://perma.cc/CTL5-S4XC (outlining the National Infrastructure Fund, which comprises half of NSIA, strategy).

149. *Nigeria: InfraCredit Unlocking Long Term Infrastructure Finance in Nigeria*, INFRACO AFR., https://perma.cc/7U7K-W7QR (last visited Jan. 12, 2022) ("In a bid to enable pension funds and insurance companies to diversify their portfolios and to unlock finance for vital infrastructure development, PIDG company GuarantCo worked with the Nigeria Sovereign Investment Authority (NSIA) to establish the Nigerian Infrastructure Credit Enhancement Facility (InfraCredit).").

150. NIGERIA SOVEREIGN INVESTMENT AUTHORITY, Taking Steps and Touching Lives, 2019 ANN. REP. & ACCTS. 11, https://nsia.com.ng/~nsia/sites/default/files/downloads/NSIA%20Annual%20Report%202019_0.pdf.

151. GLOB. SWF, *supra* note 148.

152. *African Sovereign Wealth Funds Could Lose at Least $19 Billion Due to COVID-19*, KONFIDANTS (May, 2020), https://perma.cc/F8K9-CFST("Experts at advisory firm Konfidants – which publishes the African Sovereign Wealth Funds Index – are projecting that COVID-19 could result in African SWFs suffering combined losses of $19 billion in a best-case scenario and about $27 billion in the worst-case scenario. Soaring COVID-19- related public expenditure and plunging global oil prices is severely crushing the fiscal health of the oil exporting countries that hold 74% of African Sovereign Wealth Funds' assets.").

global corporate profits sink, and (3) losing much of the annual funding allocations they receive in normal times due to a price collapse in commodities that source African sovereign wealth. The sizes of government withdrawals and asset liquidation have been substantial, but so too are Africa's fragile economies impacted by Covid-19.

African SWFs have, indeed, been stretched to their capacity. African SWFs were projected to lose between USD 19 billion and USD 27 billion due to the pandemic. As of April 2020, Ghana's central government withdrew USD 218 million, or forty-three percent of the fund's total AUM, from the Ghana Stabilization Fund to close the pandemic-linked financing gap.[153] The Government of Nigeria withdrew USD 150 million from the Nigerian Stabilisation Fund in April 2020, which reduced the total AUM from USD 351 million to USD 201 million.[154] The Government of Botswana also made withdrawals from the Pula Fund to address significant revenue shortfalls.[155] As a result, the Pula Fund declined from twenty percent of GDP in 2011 to seven percent of GDP in 2020—or, in other words, a roughly seventy percent decline from USD 1.69 billion to USD 510 million.[156]

At the same time, the region faced severe economic consequences. Covid-19 plunged Africa into its first recession in over twenty years, with per capita GDP shrinking by five percent.[157] Economic recovery in the region remains fragile as the slow pace of vaccination continues to expose the region to emerging strains

153. *See, Ghana Request for Disbursement Under the Rapid Credit Facility—Press Release; Staff Report; and Statement By the Executive Director For Ghana,* INTERNATIONAL MONETARY FUND (April 2020), https://www.imf.org/~/media/Files/Publications/CR/2020/English/1GHAEA2020001.ashx ("[The Ministry of Finance authorities] intend drawing on the Oil Stabilization fund for a total amount of about US$218 million in accordance with the provisions of the Petroleum Revenue Management Act . . ."). *See also* Tom Arnold, *Sovereigns Raid Rainy Day Funds for $100 Billion After COVID-19 Storm*, REUTERS (Sept. 14, 2020), https://perma.cc/6LFW-QJBU ("Withdrawals have meanwhile been restricted to the stabilisation portion of some funds . . . Ghana has used money from its Petroleum Fund but left its Heritage Fund intact . . . .").

154. Press Release, Nigerian Sovereign Inv. Auth., Nigerian Government to Withdraw US$150 Million From the Stabilisation Fund (SF) of the Sovereign Wealth Fund (SWF) to Contain Emerging Fiscal Risks (Aug. 4, 2020) (on file with author), https://perma.cc/W2RS-44A5

155. Brian Benza, *Botswana Central Bank Seeks Law to Preserve Shrinking Sovereign Wealth Fund*, REUTERS (July 14, 2020), https://perma.cc/E42B-FQEM. ("Botswana, a southern African country of 2.2 million, has over the years [channeled] excess diamond revenues into the Pula Fund, managed by the central bank. But recurring budget deficits in recent years has forced the government to tap into the fund to support its spending.").

156. *Id.*

157. Albert G. Zeufack et al., WBG, *Assessing the Economic Impact of COVID-19 and Policy Responses in Sub-Saharan Africa*, 21 AFRICA'S PULSE: AN ANALYSIS OF ISSUES SHAPING AFRICA'S ECON. FUTURE (2020) https://perma.cc/QXZ3-J25H ("Economic growth in Sub-Saharan Africa is projected to decline from 2.4 percent in 2019 to -2.1 to -5.1 percent in 2020, the first recession in the region in 25 years. The coronavirus is hitting the region's three largest economies—Nigeria, South Africa, and Angola— in a context of persistently weak growth and investment.").

of coronavirus, as evidenced by the onset of the Omicron variant.[158] While some may criticize the government for such withdrawals, African countries had few alternatives. Shortly before the pandemic, the UN reported that declining levels of official development assistance and rising levels of debt impeded resulted in a USD 2.5 trillion financing gap in fulfilling the SDGs in Africa alone. The private sector has also pulled money out of Africa.[159] Thus, African countries face a Hobson's choice: search for more aid that could lead to decreased private investor confidence or tap their natural resources to demonstrate resiliency and support their countries through one of the worst pandemics in history but face criticism of mismanagement.

Despite the dire economic condition, African sovereign wealth funds that invested domestically experienced a "boon" during the pan.

By holding African SWFs to the standard of ESG rather than first-wave or second-wave SWFs, it becomes clear that stabilization-focused African SWFs were a natural and necessary source of Covid-19 recovery financing. It is entirely consistent with ESG principles for these stabilization funds to contribute substantially to "good health and well-being" and "reduced inequality."[160]

C. Governance: Governance Improvement and Public Internal Accountability, "G"

According to one executive of a leading African SWF, there is a general perception that investments in Africa are "exotic, risky, or humanitarian" or subject to government corruption.[161] To be sure, there are some extreme examples of misuse and mismanagement of SWF AUM. Algeria's SWF, in particular, has suffered due to a poor governance framework. Between 2014 and 2017, the Algerian government withdrew the largest amount of SWF assets of all African governments. Fonds de Régulation des Recettes (FRR) decreased from over USD 50 billion in 2012[162] to USD 37.36 billion in

158. Just three percent of the almost eight billion doses given globally have been administered in Africa, and only around 8% of Africans are fully vaccinated, compared with more than sixty percent in many high-income countries. *Key Lessons from Africa's COVID-19 Vaccine Rollout*, WHO Africa (Dec. 24, 2021), https://perma.cc/K54L-XCCJ.

159. *See* Chibuike Oguh, *Carlyle's Africa Dealmakers Leave to Start Their Own Buyout Firm*, Reuters, May, 27, 2020, https://www.reuters.com/article/us-carlyle-group-africa/carlyles-africa-dealmakers-leave-to-start-their-own-buyout-firm-idUSKBN2331MQ (describing Carlyle, KKR, and Blackstone, respectively, exiting from their Africa-based investments).

160. *See* MSCI, *supra* Figure 1.

161. IFSWF, *supra* note 107, at 10. *See also CPI 2020: Sub-Saharan Africa*, Transparency Int'l (Jan. 28, 2021), https://perma.cc/RQ7C-X7SS. ("With an average score of 32, Sub-Saharan Africa is the lowest performing region on the [Corruption Perception Index] . . .").

162. *2021 Investment Climate Statements: Algeria*, U.S. State Dept., https://perma.cc/84CD-K8CT (last visited Jan. 12, 2022) ("The Finance Ministry's website shows the fund decreased from 4408.2 billion dinars (USD 37.36 billion) in 2014 to 784.5 billion dinars (USD 6.65 billion) in 2016. The data has not been updated since 2016."). *But see* Ewa Cieslik, *African Sovereign Wealth Funds: Facts and*

2014[163] to USD 6.65 billion in 2016.[164] Algerian media reported the FRR was spent down to zero as of February 2017.[165] On the whole, African SWFs have made strides in fine-tuning their governance apparatus.

1. Promising Signs of Governance Improvements

African SWFs with a development mandate are showing promising improvements in their governance structures. In 2012, all African SWFs except for Botswana's Pula Fund scored below average in Edwin Truman's SWF Scoreboard. The Scoreboard's metrics include governance, transparency, and accountability.[166]

Over a three-year period, strategic development funds raised their scores substantially. In 2012, African SWFs with stabilization or dual-savings-and-stabilization funds outperformed their development-focused peers. By 2015, that landscape changed. The Fundo Soberano de Angola increased its rating by fifty-two points, and the Nigeria Sovereign Investment Authority increased its score by fifty-eight points. Now, in 2019, all African SWFs have raised or maintained their score, with development funds increasing their score considerably.

Figures, 274 GOSPODARKA NARODOWA [POL. J. OF ECON.] 110, https://perma.cc/8VAQ-HSF2 (estimating USD 77.2 billion AUM in 2012).

163. U.S. STATE DEPT., *supra* note 162. *Accord* Jose R. Lopez-Calix & Irum Touqeer, *Algeria: Comparing the Last Two Oil Shocks and Policy Responses*, 18 TOPICS MIDDLE E. AND AFRI. ECONS. 121. *But see* Andrew Bauer, Perrine Toledano & Malan Rietveld, MANAGING THE PUBLIC TRUST: HOW TO MAKE NATURAL RESOURCE FUNDS WORK FOR CITIZENS (Andrew Bauer, Perrine Toledano & Malan Rietveld eds., 2016), https://perma.cc/BR5Z-8GTZ (estimating USD 77.2 billion AUM in 2013).

164. U.S. STATE DEPT., *supra* note 162. Samy Injar, Le Fonds de régulation des recettes (FRR) va s'épuiser dès la fin de l'été 2016 (experts) [*Algeria: The Revenue Regulation Fund (FRR) will be exhausted from the end of summer 2016 (experts)*], MAGHREB EMERGENT (Mar. 5, 2016, 10:56 AM), https://perma.cc/GE8P-7ES ["The balance of the FRR, Algeria's budget revenue regulation fund, will become zero in August or next September at the latest. This is a new estimate established in an article analyzing the situation by two Algerian economic experts to be published in the coming days. Government forecasts, based on an average barrel price of 50 dollars, projected a balance of 1.797 billion dinars at the end of 2016."].

165. U.S. STATE DEPT., *supra* note 162. ("Algerian media reported the FRR was spent down to zero as of February 2017.") *Accord* Andrew Bauer, *How Have Governments of Resource-Rich Countries Used Their Sovereign Wealth Funds During the Crisis?*, NAT. RES. GOV. INST. (Aug. 21, 2020), https://perma.cc/J3CV-ZBCH ("Algeria, Nigeria and Venezuela each had a large SWF that officials emptied during the good years."). *Cf.* Injar, *supra* note 164.

166. TRUMAN, *supra* note 14, at 69-106.

2. Public Internal Accountability

s		2015 Score		2019 Score	
SWF Average	***49***	***SWF Average***	***62***	***SWF Average***	***66***
Pula Fund, Botswana	56	Sovereign Investment Authority, Nigeria	76 (+58)	Sovereign Investment Authority, Nigeria	83 (+6)
National Oil Account, São Tomé & Principe*	48	Fundo Soberano de Angola, Angola	67 (+52)	Fundo Soberano de Angola, Angola	77 (+10)
Petroleum Funds, Ghana	47	Pula Fund, Botswana	59 (+3)	Pula Fund, Botswana	62 (+3)
Revenue Regulation Fund, Algeria	29	Agaciro Development Fund, Rwanda	57	Agaciro Development Fund, Rwanda	58 (+1)
Sovereign Investment Authority, Nigeria	18	Petroleum Funds, Ghana	45 (−2)	Petroleum Funds, Ghana	47 (+2)
Oil Revenue Stabilization Account, South Sudan*	18	Revenue Regulation Fund, Algeria	26 (−3)	Revenue Regulation Fund, Algeria	26 (−)
Fundo Soberano de Angola, Angola	15	Fund for Future Generations, Equatorial Guinea	11 (+9)	Fund for Future Generations, Equatorial Guinea	11 (−)
Fund for Future Generations, Equatorial Guinea	2	*Oil Revenue Stabilization Account, South Sudan**	*N/A*	*Oil Revenue Stabilization Account, South Sudan**	*N/A*
Agaciro Development Fund, Rwanda	*N/A*	*National Oil Account, São Tomé & Principe**	*N/A*	*National Oil Account, São Tomé & Principe**	*N/A*

Truman et al. were unable to find any public information about the funds from Sudan/South Sudan and São Tomé & Principe.
Between 2012 and 2015, Libya adopted a strategic development mandate.[167]
Stabilization Funds and/or Savings Funds
Development Funds
Stabilization, Savings, and Development Funds

167. Maire, Mazarei & Truman, *supra* note 46(containing 2019 scores); Sarah E. Stone & Edwin M. Truman, *Uneven Progress on Sovereign Wealth Fund Transparency and Accountability* 8-9 (Peterson Inst. for Int'l Econ., Pol'y Brief No. PB 16-18 2016), https://perma.cc/2MKR-E7L4 (containing 2015 scores); Allie E. Bagnall & Edwin M. Truman, *Progress on Sovereign Wealth Fund Transparency and Accountability: An Updated SWF Scoreboard* 4-6 (Peterson Inst. for Int'l Econ., Pol'y Brief No. PB 13-19, 2013), https://perma.cc/BNG4-DKKU (containing 2012 scores).

Many African SWFs are all too familiar with the concept of public internal accountability, which Anna Gelpern describes as "SWFs' duties as state actors at home—as custodians of public funds answering to their domestic citizenry at large."[168] Those SWFs lacking public internal accountability are unlikely to survive political transition or even minor pressure to bend the rules.[169] Some African countries sought public buy-in *before* establishing their SWFs to decrease the risk of such failure. For example, in advance of the 2011 Petroleum Revenue Management Act, the Ghanaian government carried out extensive public consultations to give Ghanaians a sense of stewardship.[170] Additionally, the central government established an independent Public Interest and Accountability Committee made up of representatives from a large swath of civil society, including local financial business owners, lawyers, NGO workers, trade union representatives, journalists, and religious leaders.

Sometimes support for starting a SWF comes directly from civil society rather than the central government. Such was the case in Mozambique where NGO N'weti[171] launched a public relations campaign to support the Banco de Moçambique's SWF idea.[172] Led by N'weti, extractive industry representatives, journalists, and religious leaders launched a series of SWF consultations and town hall discussions in eleven provinces.[173] The consortium is in the process of assembling a larger multi-stakeholder coalition to "ensure Mozambicans have a say in how their resources are managed."[174]

* * * *

In sum, by industry-acknowledged standards.[175] African SWFs are ESG funds by definition. They have been ESG funds from their founding and have an impressive ESG track record to boot. In every way, African SWFs are OG ESG funds. What, if anything, does this mean for the broader SWF and broader asset management community as they adapt to ESG investing?

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168. Gelpern, *supra* note 7, at 295.

169. Andrew Bauer, *Sovereign Wealth Funds—The Keys to Success*, IMF PUB. FIN. MGMT. BLOG (June 20, 2014), https://blog-pfm.imf.org/pfmblog/2014/06/sovereign-wealth-fundsthe-keys-to-success.html.

170. IFSWF, *supra* note 107 at

171. *About N'weti*, N'WETI, https://perma.cc/QMD2-RZ4S (last visited Jan. 12, 2022), ("(É) pioneira na comunicação para mudança social e de comportamento em Moçambique.") ["(A) pioneer in communication for social change and behavior change in Mozambique."].

172. Press Release, U.S. Embassy in Mozam., U.S. Embassy and N'weti Consortium Support for the Gov't of Mozambique's Sovereign Wealth Fund Proposal (Nov. 2, 2020), https://perma.cc/8BY9-XF3Q.

173. *Id.*

174. Public participation and in SWF management is rare. To be sure, Alaska's SWF is known for its unique citizen-engagement procedures and citizen-oversight procedures. No other SWF is known to have such a robust tradition. *See generally* ANGELA CUMMINE, CITIZENS' WEALTH: WHY (AND HOW) SOVEREIGN FUNDS SHOULD BE MANAGED BY THE PEOPLE FOR THE PEOPLE (Yale Univ. Press eds., 2016).

175. *Supra* I.B.2.

V. Implications and Conclusion

The global pandemic has forced a reassessment of the respective roles of public and private capital in all spheres of human activity. Early ESG was a catch-all label for all manner of financing that aspired to social impact. As market participants developed ESG frameworks and taxonomies, the "S" and "G" pillars took a backseat to their "E" counterpart. In the wake of COVID-19, private and public capital providers must reconsider this "E"-focused ESG approach. The account I offer in this article suggests that African SWFs have been there from the start.

African SWFs have had to manage fundamental tensions between global environmental mandates and local social and governance needs since their inception. African SWFs have operated in a market distorted by colonialism and conflict, in countries with vast unmet basic human needs, nascent to nonexistent safety nets, and continuous climate devastation. Their broad development mandates often tracking SDGs make for a uniquely African approach to ESG investing. African SWFs are ESG funds through and through. These original, or "OG ESG"[176] funds shed light on how the global investment community can pursue mutually reinforcing environmental, social, and governance objectives.

A. Implications for Investment in Africa: Shifting the Frame

By framing African SWFs as OG ESG investors, African sovereigns, private investors, and other stakeholders can rewrite the "development aid" narrative surrounding African investments to one of ESG investing. Africa is a rare and fitting investment opportunity for this post-COVID moment. According to a recent study by Moody's, Africa has one of the lowest project default rates in the world: lower than the United States, Asia, and Latin America.[177] Africa's real GDP tripled from 2000 to 2016, with improved investment environments and rising global demand for Africa's valuable resources.[178] Estimates for the total value of African business opportunities by 2025 are as high as USD 5.6 trillion.[179] More than one hundred African companies have revenues over USD 1 billion.[180] Against this background, public and private ESG capital plays a catalytic role.

176. *Merriam-Webster.com*, *supra* note 10.

177. *Default Research: Default and Recovery Rates for Project Finance Bank Loans, 1983-2016*, 2018 Moody's Investor Servs. 24, https://perma.cc/CZG4-E8GH.

178. OECD & African Union Comm'n, *Africa's Integration Into the Global Economy*, *in* Africa's Development Dynamics 2018: Growth, Jobs and Inequalities, at 35, OECD ISBN No. 9789264302501, https://perma.cc/7AXX-WV9Z.

179. Colin Coleman, *This Region Will Be Worth $5.6 Trillion Within 5 Years - But Only If It Accelerates Its Policy Reforms*, World Econ. F. (Feb. 11, 2020), https://perma.cc/HW5M-6MD6 (citing Jacques Bughin et al., McKinsey & Co., *Lions on the Move II: Realizing the Potential of Africa's Economies*, McKinsey Glob. Inst., Sept. 14, 2016).

180. Acha Leke et al., McKinsey & Co. *Africa's Overlooked Business Revolution*, McKinsey Q. (Nov. 15, 2018), https://perma.cc/96KH-Z9LX.

Building on African SWFs' experience can help dislodge the narrative of poverty, corruption, and political instability that has kept African economies from reaching their potential. Nigeria is a case in point. Its SWF has reported growth of 250 percent in six years to USD 3.5 billion while battling perceptions of corruption reinforced by international financial institutions. In 2019 the IMF ranked the NSIA as the second-to-worst SWF for corporate governance and transparency.[181] The Nigerian government's response highlights the need to reframe African SWFs as ESG funds.

> The IMF has a fundamental aversion to the philosophy of people using their own money to invest in their domestic economy. There is no point putting money in a foreign reserve account when you have clear needs to meet at home. Every country needs to develop its own ideology that serves its own purposes. The truth is, we (Nigeria) know our problems, and we are solving them directly. [182]

To be sure, data discrepancies matter, but the IMF assessment misses the forest for the trees: it holds African SWFs like NSIA to the standard of first and second wave SWFs, when they are in the vanguard of the third wave.[183] Only a month after the IMF report ranked the NSIA at the bottom of its governance and transparency scale, and called on SWFs to abide by the Santiago Principles, the IFSWF—the custodian of the Santiago Principles—cited Nigeria's fund as a leading example of a well-managed SWF. [184] An IFSWF official elaborated on their assessment, highlighting the challenges that NSIA had to overcome to achieve this exemplary status:

> So I think it would surprise people that the Nigeria Sovereign Investment Authority is as well managed as it is given Nigeria's history, through the Excess Crude Account, of less than optimal resource money management. The NSIA was set up in 2012. It has three ring fenced separate accounts, one for saving, one for stabilization, and one for domestic infrastructure spending. And those have been, you know, managed well within their means and have actually been very well-managed over the over the past six years. [I] think that it would surprise people to hear that Uche Orji's team has done such a great job in managing that money.[185]

181. IMF, *Curbing Corruption*, Fiscal Monitor, at 56 (Apr. 2019) (ranking NSIA as the second-to-last SWF for corporate governance and transparency), https://perma.cc/J5JP-KCCD.

182. Bassey Udo, *Nigeria Rejects 'Flawed'IMF Report*, PREMIUM TIMES (Apr. 12, 2019), https://perma.cc/J5JP-KCCD; Bassey Udo, *IMF Clarifies Report on Nigeria's Sovereign Wealth Fund*, PREMIUM TIMES (Apr. 13, 2019), https://perma.cc/NX8D-HLH9.

183. IMF, *supra* note 181 at 56.

184. *Id.*

185. Interview by Åsa Borssén, Host, Highgrade Media RAW Talks, with Victoria Barbary, Dir. of Strat. & Comm, IFSWF (Apr. 17, 2019), https://perma.cc/X28W-AREV.

By April 13, 2019, the IMF backtracked and praised Nigeria's SWF governance practices.[186] The IMF added that the NSIA had "worked extensively with development partners to ensure it is applying transparency practices that are aligned with the Santiago Principles of transparency, good governance, accountability and prudent investment practices."[187]

If international officials and market participants were to consider African SWFs from an ESG perspective, rather than as conventional SWFs, they could well find unexpected investment opportunities and new, more effective ways of pursuing them.

B. IMPLICATIONS FOR ESG INVESTMENT: BROADENING THE FRAME

Norway is not the only model for ESG investing. Soon, SWFs will face domestic pressure to meet financial objectives in a rising interest rate environment alongside external and domestic pressure to meet global ESG expectations. To those who have held up NBIM as the sole example of responsible SWF investing, it would come as a surprise to learn that African SWFs have more experience in managing these challenges.

While most SWFs in theory have long-term horizons,[188] the economic, political, and social forces shaping African SWFs have brought these theories closest to reality. For example, Norway's divestment approach to ESG investing makes sense when the SWF has the social, political, and economic option to exit, and a near-infinite range of investment opportunities. Few African SWFs have the luxury of exit. As a result, they must use their voice to achieve ESG objectives. Furthermore, the imperative of using their voice makes it much harder for African SWFs to pursue "E" to the exclusion of "S" and "G."

Botswana is a case in point. Even before the pandemic, Botswana had its share of social challenges. Pre-pandemic learning levels were far below grade-level expectations. A 2017 analysis of fifth-grade learning levels found that over eighty-five percent of students could not divide, and half of students could not read a simple story.[189] Botswana continues to experience high unemployment rates, relatively high levels of poverty, and persistent income inequality despite

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186. Bassey Udo, *IMF Clarifies Report on Nigeria's Sovereign Wealth Fund*, PREMIUM TIMES (Apr. 1, 2019), https://www.premiumtimesng.com/business/business-news/325207-imf-clarifies-report-on-nigerias-sovereign-wealth-fund.html ("[T]he figure in the IMF's Fiscal Monitor reports a score prepared by the Natural Resource Governance Institute (NRGI), which assesses the corporate governance and transparency of SWFs around the world using a methodology outlined in the referenced NRGI publication. For Nigeria, [. . .] IMF's reference to sovereign wealth fund focuses on the excess crude account, which requires greater transparency on the rules governing deposits, withdrawals, and investment.").

187. *Id.*

188. PATRICK BOLTON, ET AL., SOVEREIGN WEALTH FUNDS AND LONG-TERM INVESTING 122-160 (Colum. Univ. Press eds., 2011).

189. Gabby Arenge & Jenny Perlman Robinson, *Taking Education 'Back-to-the-Basics' At Scale in Botswana*, BROOKINGS I NST: EDUC. PLUS DEV. (Oct. 31, 2019), https://perma.cc/SSJ4-NZ65.

rising income levels.[190] The pandemic has exacerbated these challenges and led to a GDP contraction of 7.9 percent in 2020, the largest in the country's history.[191] To help address these issues, the government implemented efforts to transform Botswana from an upper middle-income country to a high-income country by 2036, and the Pula Fund has been instrumental in that process.[192] The government tapped the Pula Fund to support government intervention and Covid-19 relief. Botswana is now one of the six African countries to reach the WHO global target of fully vaccinating forty percent of its population by the end of December 2021.[193] While some have criticized the Pula Fund withdrawals, without it, Botswana could have been in a far worse position than it is today.

As the global pandemic has forced a reassessment of the respective roles of public and private capital in all spheres of human activity, ESG investments and SWF growth are salient. The newest crop of SWFs includes African SWFs, which are distinguished by their focus on local and regional development. There is much to learn from experience of African SWFs tackling global, domestic, environmental, social, *and* governance challenges. Private investors and other SWFs can learn from this experience and would benefit from collaborating with them on infrastructure finance and ESG standard setting. Not only would this catalyze much-needed investment in Africa, but it would also make space for more creative, inclusive, and much-needed new thinking in the ESG space.

190. *See, e.g.*, WBG, *The World Bank in Botswana*, WBG: WHERE WE WORK (Ovt. 7, 2022) https://perma.cc/WZZ3-9RJY (, 2022) ("Inequality in Botswana remains among the highest in the world, job creation lags, and unemployment is structurally high at 26% at the end of 2021. Economic growth rebounded to an estimated 12.1% in 2021. As the base effects from the pandemic shock fade, the World Bank projects moderate in 2022 of about 4.1%, driven by improvements in the global demand for diamonds, the easing of restrictions on mobility, and an expansionary fiscal stance, all supported by extensive rollout of COVID-19 vaccines").

191. *See* IMF African Dept., IMF*, Botswana: 2021 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Botswana*, IMF COUNTRY REPORT 21/098, AT 6 (JUNE 2, 2021), https://perma.cc/HVL3-54S2 ("On annual basis, GDP growth stood at -7.9 percent, making Botswana one of the hardest hit countries in Sub-Saharan Africa.").

192. *See generally* MINISTRY FIN. & ECON. DEV., BOTS. REPUBLIC, NATIONAL DEVELOPMENT PLAN 11 VOLUME 1: APRIL 2017 – MARCH 2023 (2017) https://perma.cc/WT7D-E3JY About Botswana Vision 2036, BOTS. VISION 2036, https://perma.cc/LAC3-AS85 (last visited Feb. 14, 2022).

193. *Key Lessons from Africa's Covid-19 Vaccine Rollout*, WHO AFRICA (Dec. 24, 2021), https://perma.cc/9XYT-3HLB.

Appendix I

		AUM (millions USD)	Fund Type	AUM as percentage of GDP or reserves	Founding Year	Funding Source	Governance Oversight Body	Operational Oversight Body	Santiago?
Pula Fund[194]	Botswana	4,125.3	Stabilization and Savings	26.14	1994	Minerals	Board Representing the Ministry of Finance and Economic Development)	Investment Committee of the Bank of Botswana	Yes
Fonds de Régulation des Recettes (FRR)[195]	Algeria	0[196]	Stabilization	0	2000	Oil and Gas		Banque d’Algerie	No

194. Benza, *supra* note 155.

195. *See Fond de Regulation des Recettes*, SWFI, https://www.swfinstitute.org/profile/598cdaa60124e9fd2d05bcfe (last visited Dec. 17, 2021) (“Fond de Regulation des Recettes is a Sovereign Wealth Fund located in Algiers Algeria, Africa, and was founded in 2000.”). But see Algeria does Greg Auclair et al., IMF, *Algeria: Selected Issues*, IMF Country Report No. 17/142 (June 2017), at 6 (“Unlike many other commodity exporters, Algeria does not have a sovereign wealth fund. Moreover, once the FRR is completely depleted, Algeria will no longer have any liquid assets with which to finance future deficits.”).

196. As of 2016, the FRR’s AUS was estimated at USD 56.7 billion. Samuel E. Wills et al., *Sovereign Wealth Funds and Natural Resource Management in Africa*, 25 J. AFRICAN ECON. ii3, ii3-ii18 (2016), https://perma.cc/WT67-W5VW. Some estimate that it reached 65 billion in 2013 and 66.7 billion in 2014 before it began declining in 2015. *E.g.* Benamara Dalila & Cherif Touil Noreddine, Performance of Sovereign Wealth Funds Under the Current Oil Price Shock for the Period (2014-2017): Case Study of the Algerian Sovereign Wealth Fund (RRF), 9 STRATEGY & DEV. REV 43, 47 (2019), https://perma.cc/T5Z2-DFKQ. The revenues were completely exhausted in February 2017. *Le Fonds de Régulation des Recettes Épuisé Depuis Février [The Revenue Regulation Fund Exhausted Since February]*, LE MATIN D’ALGÉRIE (Sept. 8, 2017, 8:37 PM), https://perma.cc/7N2P-8WW6 (“Les réserves de change de l’Algérie étaient à 105 milliards de dollars (mds USD) en juillet 2017 alors que le Fonds de Régulation des Recettes (FRR) s’est totalement épuisé en février, révèle le document portant Plan d’action du Gouvernement . . .”) [“Algeria’s foreign exchange reserves were at USD 105 billion in July 2017 while the Revenue Regulation Fund (FRR) was totally exhausted in February, reveals the document on the Action Plan of the Government . . .”]; Nacima Hadj Moussa, *Fonds de régulation des recettes algérienne entre nécessité et gaspillage des ressources rares de l’État (2000-2020) [Algerian Revenue Regulation Fund between necessity and waste scarce state resources (2000-2020)]*, 4 REVUE INTERNATIONALE DE LA PERFORMANCE ÉCONOMIQUE 19 [INT’L REV. ECON. PERFORMANCE] (Dec. 2021), https://perma.cc/8EN8-H62C (“Asséché en février 2017, en conséquence à la crise pétrolière de 2014-2015, le Fonds de régulation des recettes (FRR) est de nouveau alimenté en deux ans, affichant ainsi un solde positif de 305.5 milliards de dinars en 2018 et 2019.”) [“Dried up in February 2017 as a result of the 2014-2015 oil crisis, the Fonds de revenue regulation (FRR) was again funded in two years, thus posting a positive balance of 305.5 billion dinars in 2018 and 2019.”].

Fonds de Réserves pour Générations Futures (FFG)[197]	Equatorial Guinea	165.6	Savings[198]	1.65	2002	Oil and Minerals	N/A	"Tight-knit group of family and ethnic group members"[199]	No
Conta Nacional de Petróleo[200]	São Tomé and Príncipe	10	Stabilization	2.11	2004	Oil[201]	National Oil Agency, Ministry of Infrastructure, Natural Resources and Environment[202]	Banco Central de S. Tomé e Príncipe	No
Fonds de Stabilisation des Recettes Budgétaires[203]	*Republic of Congo*	*1,640*	*Stabilization*	*15.07*	*2005*	*Oil*			*No*
Fonds de Stabilisation des Recettes Budgétaires[204]	Chad	30	Stabilization		2006	Oil			No

197. *See generally* Anthony Goldman, *Poverty and Poor Governance in the Land of Plenty: Assessing an Oil Dividend in Equatorial Guinea,* CTR. FOR GLOB. DEV. (Dec. 2011), https://perma.cc/S2NM-KME9. *Accord* Ashby Monk, *When Sovereign Funds Don't Work*, INSTITUTIONAL INV.: CORNER OFF. (Jan. 6, 2012), https://perma.cc/T3XA-GS4T.

198. *Contra* Ajambo, *supra* note 97, at 4.

199. Goldman, *supra* note 197, at 5

200. *See generally* Fundamental Law on Petroleum Operations (Law No. 16/2009) (São Tomé & Príncipe), https://perma.cc/ZL7Q-775Z

201. Includes oil exploration and production fees from oil joint ventures. *See 2020 Investment Climate Statements: São Tomé and Príncipe*, U.S. DEPT. OF STATE, https://perma.cc/WG2W-SEWD (last visited Jan. 11, 2022) ("STP does not have a traditional sovereign wealth fund (SWF). It does have a small National Oil Account (NOA). The NOA was previously funded by signing bonuses paid by energy and oil companies to gain rights to conduct exploration and production activities.")

202. *See São Tomé & Príncipe-Petroleum*, INT'L TRADE ADMIN.: COUNTRY COM. GUIDES (Nov. 11, 2021), https://perma.cc/P5EC-4JZQ ("The Ministry of Infrastructure, Natural Resources and Environment houses the Agência Nacional de Petróleo (National Oil Agency—ANP). ANP is the public body with authority to regulate, supervise, control, and promote the activities of the oil and gas industry.").

203. *See generally* SEEDWELL, *supra* note 138; Wills et al., *supra* note 196, at 4. *Contra 2020 Investment Climate Statements: Republic of the Congo*, U.S. DEPT OF STATE, https://perma.cc/7RBH-NHG5 (last visited Jan. 11, 2022) ("ROC maintains no formal Sovereign Wealth Fund (SWF). An ROC law envisages the establishment of an SWF at the BEAC and acquiring mostly risk-free foreign assets. The sovereign wealth fund is not operational.")

204. *See generally Chad: Oil & Gas 2017*, NAT. RES. GOV. INST., https://perma.cc/UXG9-GYNJ (last visited Jan. 12, 2022); HOVE, *supra* note 138, at 7, 23. *Contra 2018 Investment Climate Statements: Chad*, U.S. DEPT. OF STATE, https://perma.cc/K86G-26WL (last visited Jan. 11, 2022) ("The GOC does not currently maintain a Sovereign Wealth Fund. In 2016, it indicated intentions to create a "stabilization fund" funded by additional taxes on diesel fuel and Jet A-1 fuel. However, to date there has been no progress on establishing the fund.")

Libyan Investment Authority[205]		Libya	67,000.0	Savings	263.59	2006	Oil	Board of Directors (internally appointed)[206]		Yes
Fonds National des Revenus des Hydrocarbures[207]		Maurita-nia	74.0	Stabilization	2.04	2006	Oil and Gas		Banque Centrale de Mauritanie	No
Reserve Funds[208]	Oil Revenue Stabilizati-on Account	South Sudan	N/A	Stabilization		2011	Oil	Minister for Finance and Economic Planning	Bank of South Sudan	No
	Future Generations Fund		0	Savings						
Ghana Petroleum Funds[209]	Ghana Stabilizati-on Fund	Ghana[210]	199.9	Stabilization	0.28	2011	Oil		Bank of Ghana	No
	Ghana Heritage Fund		44.8	Savings	0.89					

205. *Investment to Guarantee a Prosperous Future for the Next Libyan Generation,* LIBYAN INV. AUTH., https://perma.cc/7ZCN-F4Z8 (last visited Jan. 11, 2022). *See generally Libyan Investment Authority*, IFSWF, https://perma.cc/3RZU-CQZ2 (last visited Jan. 11, 2022).

206. *Board of Directors – Libyan Investment Authority*, LIBYAN INV. AUTH., https://perma.cc/8Q2L-QDAB (last visited Jan. 22, 2022).

207. Ordonnance n°2006 008 du 04 Avril 2006 portant création d'un Fonds National des Revenus des Hydrocarbures [Ordinance n ° 2006 008 of April 04, 2006 establishing a National Hydrocarbon Revenue Fund], JOURNAL OFFICIEL DE LA RÉPUBLIQUE ISLAMIQUE DE MAURITANIE [OFFICIAL GAZETTE OF THE ISLAMIC REPUBLIC OF MAURITIANA] 1121, June 30, 2006, pp. 396-398, https://perma.cc/3YNC-9DRP. *See generally* HOVE, *supra* note 138, at 7, 23; IMF, *Islamic Republic of Mauritania: Fifth Review Under the Extended Credit Facility Arrangement, and Request for Augmentation of Access*, IMF Country Repport No. 20/274, https://www.imf.org/external/pubs/ft/dsa/pdf/2020/dsacr20274.pdf ("Staff cautioned against drawing on the limited resources of the national hydrocarbon revenue fund (currently about $74 million, 1 percent of GDP) . . . to finance the deficit so as to preserve much-needed FX reserve buffers.")

208. THE TRANSITIONAL CONSTITUTION OF THE REPUBLIC OF SOUTH SUDAN, July 7, 2011, ch. 4, art. 176,; Petroleum Revenue Management Bill, 2012 (Bill No. 61/2012) (Sudan).

209. This paper excludes the Ghana Infrastructure Fund because Ghana's State Interests and Governance Authority defines the Fund as a State-Owned Enterprise rather than a SWF. *See Ghana Infrastructure Investment Fund*, STATE INTERESTS AND GOVERNANCE AUTHORITY https://siga.gov.gh/sector/ghana-infrastructure-investment-fund/; S*tabilisation Fund reaches all-time low. . .faces collapse*, PUBLIC INTEREST & ACCOUNTABILITY COMMITTEE (June 17, 2017), https://perma.cc/H6RL-YXE2.

210. Ghana Petroleum Revenue Management Act, 2011, (Act No. 815) (Ghana), *See also Ghana Petroleum Funds Investment Objectives*, BANK OF GHANA, https://perma.cc/3NPC-DVF3 (last visited Jan. 12, 2021). *See generally* Francis Kwesi Otoo, *A Review of Ghana's Heritage Fund Under the Ghana Petroleum Revenue Management Act 2011 (Act 815)*, 39 J. L. POL'Y & GLOBALIZATION 1 (2015).

<table>
<tr><td colspan="2">Ithmar Capital[211]</td><td>Morocco</td><td>1,500.0</td><td>Strategic Developme-nt</td><td>1.33</td><td>2011</td><td></td><td>Board of direc-tors (govern-ment officials)[212]</td><td></td><td>Yes</td></tr>
<tr><td colspan="2">La Caisse des Dépôts et Consignations Tunisie (CDC TN)[213]</td><td>Tunisia</td><td></td><td>Strategic Development</td><td></td><td>2011</td><td></td><td></td><td></td><td></td></tr>
<tr><td rowspan="3">Nigeria Sovereign Investme-nt Authority Funds</td><td>Nigeria Stablisation Fund</td><td rowspan="3">Nigeria</td><td rowspan="3">2,560.3</td><td>Stabilization</td><td rowspan="3">0.59</td><td rowspan="3">2011</td><td rowspan="3">Oil</td><td rowspan="3"></td><td rowspan="3">Nigeria Sovereign Investment Authority[214]</td><td rowspan="3">Yes (2015)</td></tr>
<tr><td>Nigeria Future Generation Fund</td><td>Savings</td></tr>
<tr><td>Nigeria Infrastruct-ure Fund</td><td>Strategic Development</td></tr>
</table>

211. ITHMAR CAP., https://perma.cc/4E5Q-JV9K (last visited Jan. 12, 2022) ("Ithmar is a strategic investment fund established in 2011, with the primary mission to support the economic development of the Kingdom of Morocco.").

212. ITHMAR CAP. GOVERNANCE, https://perma.cc/US65-EPWR (last visited Jan. 12, 2022).

213. *Identity*, CAISSE DES DÉPÔTS ET CONSIGNATIONS, https://perma.cc/Q8HJ-RRS6 (last visited Jan. 12, 2022) ("Caisse des Dépôts et Consignations (CDC) is a public institution, created in 2011, with the main objective of supporting state policies. The CDC distinguishes itself by its unique economic model characterized by its mode of governance, its investment doctrine and its risk management Its status gives it the role of key player in the economic and social development of Tunisia to serve the interest on a long-term horizon.").

214. *NSIA represents a new era of fiscal discipline,* NIGERIA SOVEREIGN INV. AUTH.,("The Nigeria Sovereign Investment Authority [. . .] is an agency of the Federation set up to manage funds in excess of budgeted hydrocarbon revenues. Its mission is to play a leading role in driving sustained economic development for the benefit of all Nigerians . . ."); *Fund Mandates*, NIGERIAN SOVEREIGN INV. AUTH., https://nsia.com.ng/about-us/fund-mandates (last visited Jan. 12, 2022).

Fundo Soberano de Angola (FSDEA)[215]	Angola	3,249.1	Strategic Developmen-t, Savings, and Stabilization (Partial[216])	5.21	2012	Oil	Autonomous Executive Committee; Angola Parliament (an-nual performance assessment)		Yes (2015)
Fonds Souverain d’Investissements Stratégiques S.A. (FONSIS)[217]	Senegal	846.0	Strategic Developme-nt [adding Savings and Stabilization mandate[218]]	3.40	2012	Non-com-mod-ity[219]	Board of Directors (pri-vate sector)		Yes

215. Presidential Decree, 2011 (No. 48/2011, (Angl.) (creating the Oil Fund as “a legal person, endowed with legal personality, with administrative, financial and asset autonomy.”). *See generally Santiago Principles 2019 Self-Assessment: Fundo Soberano de Angola*, IFSWF, https://perma.cc/25D6-REF2 (last visited Jan. 12, 2022); FUNDO SOBERANO DE ANGOLA RELATÓRIO E CONTAS (2020), FSDEA ANN. REP., 2020, https://perma.cc/LP2T-52M6 *See also* FUNDO SOBERANO DE ANGOLA, https://perma.cc/Z7ZK-A343 (last visited Jan. 12, 2022).

216. *FAQs: About FSDEA*, FUNDO SOBERANO DE ANGOLA, https://perma.cc/TK4W-3N8S (last visited Jan. 12, 2022) *Accord* Markowitz, *supra* note 97, at 14.

217. *LOI n° 2012-34 du 31 décembre 2012 autorisant la création d’un Fonds souverain d’investissements stratégiques (FONSIS) [LAW No. 2012-34 of December 31, 2012 Authorizing the Creation of a Sovereign Fund for Strategic Investments (FONSIS)],* JOURNAL OFFICIEL DE LA RÉPUBLIQUE DU SÉNÉGAL, [OFFICIAL GAZETTE OF SENEGAL], (Dec. 31, 2012), https://perma.cc/85TK-XKB2 (“Le FONSIS, qui est essentiellement un fonds de développement, investira dans des industries stratégiques orientées vers la substitution des importations par la production locale et l’exportation et dans des projets porteurs (énergie, infrastructures, agriculture, industries, tourisme, mines, immobilier, etc.), en s’appuyant sur l’avantage comparatif de notre pays par rapport au reste du monde.”) [“FONSIS, which is essentially a development fund, will invest in strategic industries oriented towards the substitution of imports by local production and exp orts and in promising projects (energy, infrastructure, agriculture, industries, tourism, mining, real estate, etc. etc.), building on our country’s comparative advantage over the rest of the world.”]. *See also* FONSIS, https://perma.cc/BPJ9-7LC9 (last visited Jan. 12, 2022).

218. *See* Chris Wright, *Senegal’s Fonsis Is Ready To Build On Its Development Fund Origins*, EUROMONEY (Nov. 17, 2021), https://perma.cc/782B-FG4Y s (“Papa Demba Diallo, CEO [Fonsis], explains that under the proposed law, proceeds from the oil and gas industry in Senegal will go into three baskets. One is the national budget; another is the stabilization fund, which is what exists today; and the third is a new generation fund, which invests in a diversified range of assets for the future.”)

219. The resources of FONSIS consist of share capital, initially set at a minimum of CFAF 500 billion, mostly released in kind from the transfer of certain State assets.

Fonds Gabonais d'Investissements Stratégiques (FGIS)[220]	Gabon	142.9	Strategic Developm-ent[221]	0.92	2012	Oil	Board of Directors[222]	Banque des Etats de l'Afrique Centrale	Yes (2022)
Agaciro Development Fund[223]	Rwanda	205.9	Strategic Development	1.99	2013	Non-com-modity	Board of Trustees (appointed by the Cabinet)		Yes (2016)
Sovereign Wealth Fund of Zimbabwe[224]	Zimba-bwe	97.5	Strategic Developme-nt, Savings, and Stabilization	0.58	2015	Oil	Board of Directors appointed by the Minister of Finance		No

220. *About*, FONDS GABONAIS D'INVESTISSEMENTS STRATÉGIQUES, https://perma.cc/4D8R-QQAQ (last visited Jan. 12, 2022) ("As the exclusive manager of the Sovereign Wealth Fund of the Gabonese Republic and of the non-attributed assets of the Gabonese government's portfolio, the FGIS mobilizes the government's resources from its portfolio and from oil exploitation for the benefit of Gabon's infrastructure, economic fabric and social sectors.").

221. The fund is shifting to a savings focus. *E.g.* Leanne de Bassompierre, *Wealth Fund With Climate Focus in Its DNA Looks Beyond Gabon*, BLOOMBERG (Sept. 22, 2021, 7:53 AM), https://perma.cc/S44X-NHEX ("After focusing on domestic investments over the past three years, the fund is looking abroad to diversify its portfolio, Chief Executive Officer Akim Daouda, 39, said in an interview in the capital, Libreville.")

222. *Our Governance*, FONDS GABONAIS D'INVESTISSEMENTS STRATÉGIQUES, https://fgis-gabon.com/en/notre-gouvernance (last visited Jan. 12, 2022).

223. *Itegeko N°20/2013 ryo kuwa 25/03/2013 Itegeko rigenga ishyirwaho ry' ibigega by' ubwizerane n' abacunga iby' abandi b' umwuga [Law N° 20/2013 of 25/03/2013 Law Regulating the Creation of Trusts and Trustees]*, OFFICIAL GAZETTE n° 25 of 24/06/2013 (Mar. 25, 2013), https://perma.cc/7FC8-NA35 (regulating the creation of trusts and trustees as a sovereign wealth fund wholly owned by the people of Rwanda). *See generally About Us*, AGACIRO DEVELOPMENT FUND, https://perma.cc/4W2C-D85S (last visited Jan. 12, 2022).

224. Sovereign Wealth Fund of Zimbabwe Act, 2014 (Act No. 7/2014) (Zim.)

Petroleum Revenue Investment Reserve [a/k/a Petroleum Investment Fund][225]	Uganda	120.4[226]	Strategic Developme-nt	0.24	2015	Oil	Minister of Finance, Planning and Economic Development	Bank of Uganda	No
The Sovereign Fund of Egypt[227]	Egypt	12,700.0	Strategic Developme-nt	3.50	2018		Independent board of direc-tors and general assembly (ma-jority private sector)		Yes (2019)
Mauritius Investment Corporation[228]	Mauriti-us	24.4	Strategic Developme-nt	0.22	2020		Independent investment committee; Asset manage-ment committee	Bank of Mauritius	No

225. The Public Finance Management Act, 2015 (Act No. 2/2015) (Uganda),. *See* WBG, UGANDA OIL REVENUEMANAGEMENT CLOSING GAPS IN THE FISCAL AND SAVINGS FRAMEWORKS TO MAXIMIZE BENEFITS (IBRD eds., 2021), https://perma.cc/73UP-6LBS ("The Public Finance Management (PFM) Act 2015 stipulates that all oil-related revenues will be deposited into aholding account, the Petroleum Fund, overseen by the Parliament. From the Petroleum Fund, resources are to be allocated to the Uganda Consolidated Fund (UCF) to finance the government budget, with the balance going into the Petroleum Revenue Investment Reserve (PRIR), which is to operate as a sovereign wealth fund (SWF)."). *But see 2021 Investment Climate Statements: Uganda*, U.S. STATE DEPT., https://www.state.gov/reports/2021-investment-climate-statements/uganda ("Uganda does not have a sovereign wealth fund, but plans to establish a fund called the Petroleum Revenue Investment Reserve (PRIR) to ensure responsible and long-term management of revenue from Uganda's oil resources when oil production begins. In 2019, Uganda inaugurated PRIR's investment advisory committee. The committee is meant to advise the Ugandan government on how to invest proceeds from oil revenue and establish fund governance, but that work is ongoing.")

226. *Petroleum Revenue Investment Reserve (Uganda Petroleum Fund)*, SWFI, https://perma.cc/JB3B-2PJH (last visited Jan. 12, 2022). The parent fund, the Petroleum Fund, was depleted in 2020. *See Petroleum Fund Exhausted – Minister Bahati*, INDEPENDENT (Jan. 9, 2020), https://perma.cc/7S5Z-SD9Y ("The government has exhausted resources in the Petroleum Fund, Parliament has learnt.").

227. THE SOVEREIGN FUND OF EGYPT, https://perma.cc/C6AJ-ZGPB (last visited Jan. 12, 2022). See Patrick Werr & Aidan Lewis*, Egypt's Sovereign Wealth Fund Looks to Kickstart Revamp of Downtown Cairo* REUTERS (Oct. 4, 2021), https://perma.cc/ZC3Y-TYKL, discussing example of the SWF economic development efforts.

228. Statement of Harvesh Seegolam, Governor, Bank of Mauritius, to Press: Measures of the Covid-19 Support Programme and Setting Up of the Mauritius Investment Corporation 3 (May 29, 2020), https://perma.cc/8E5H-77T9 ("Mauritius Investment Corporation Ltd (MIC) [. . .] will support and accelerate economic development and build a value base for the current and future generations of our country. The MIC is being set up as a fully-owned subsidiary of the Bank of Mauritius.").

Fonds Souverain de Djibouti (FSD)[229]	Djibouti	120.0	Strategic Development	3.55	2020	Non-commod-ity[230]	Presidency of Republic of Djibouti		No
Fundo Soberano de Cabo Verde[231]	Cape Verde	123.8	Strategic Development	7.27	2021		Verde	Bank of Cape	No

229. Loi N° 75/AN/20/8ème L portant création du Fonds Souverain de Djibouti [Law N ° 75 / AN / 20 / 8ème L establishing the Sovereign Fund of Djibouti], Mar. 29, 2020, https://perma.cc/9NCG-JA2G; *The Sovereign Fund of Djibouti*, MINISTER E BUDGET, https://perma.cc/4V7U-BZ47 (last visited Jan. 12, 2022) ("Le premier objectif du FSD est d'accélérer la mise en œuvre de la vision 2035, en investissant ou en co-investissant dans des projets structurants et stratégiques, porteurs d'une réelle û plus-value ý pour le pays.") ["The first objective of the SFD is to accelerate the implementation of the 2035 vision, by investing or co-investing in structuring and strategic projects, bringing real "added value" for the country."] *See also* Sophie Baker, *Djibouti Creates Sovereign Wealth Fund*, PENSIONS & INVS (June 25, 2020 12:01 PM), https://perma.cc/XP7X-LJB4 ("The Republic of Djibouti has created a sovereign wealth fund as part of the country's efforts to become an international commercial, logistics and digital hub. Investments will target Djibouti itself and countries with economic connections to the republic, focusing on the Horn of Africa region, the easternmost part of northeast Africa."); *Djibouti Sets Up Sovereign Wealth Fund, targets $1.5 Billion in 10 Years*, REUTERS (June 25, 2020), https://perma.cc/R2ND-ARNM ("Djibouti is setting up a sovereign wealth fund for domestic and regional investment, aiming to fund it to the tune of $1.5 billion over the next decade, the government said on Thursday.").

230. The initial resources of the FSD consist of:

> (i) the transfer of the following State holdings in the capital of the companies referred to below within three (3) months following the date of entry into force of this law and in accordance with the terms and conditions which are fixed by decree: a) forty (40) percent of the shares of Great Horn Investment Holding;b) all the shares of Djibouti Télécom company held by the State; andc) all the shares of the Société de Gestion de la Jetée du Terminal Pétrolier de Doraleh held by the State; it being specified that the proceeds of any sale of the aforementioned State holdings will be paid in full to the FSD, on the date on which said sale is made;
> (ii) a monetary endowment of between fifteen billion (15,000,000,000) Djibouti Francs and thirty billion (30,000,000,000) Djibouti Francs, the terms of which are set by decree; and
> (iii) as soon as the necessary legal framework has been adopted, transfer of all the securities in the capital of the company which will come under the rights of the public establishment.

Électricité de Djibouti. Loi N° 75/AN/20/8ème, *supra* note 229, at art. 7.

231. Nota de Esclarecimento [Note of Clarification], Ministério das Finanças [Finance Minister], Fundo Soberano de Cabo Verde [Sovereign Fund of Cape Verde], (Feb. 17, 2021), https://www.mf.gov.cv/web/mf/-/fundo-soberano ("De se clarificar que, os recursos do Trust Fund, contrariamente ao divulgado, não são propriedade do BCA ou do BCV, ou de qualquer outro detentor de TCMFs, pelo que com a determinação da extinção do Trust Fund, nos termos da Lei, o Estado de Cabo Verde procedeu à alocação dos ativos líquidos do mesmo, em conformidade, distribuindo os fundos para os programas do Fundo Especial de Estabilização e Desenvolvimento (FEED), tendo sido dividido em dois Fundos mais alinhados com os desafios atuais de desenvolvimento de Cabo Verde: o Fundo Soberano de Garantia do Investimento Privado e o Fundo Soberano de Emergência.") ["It should be clarified that, contrary to what has been disclosed, the Trust Fund's resources are not owned by BCA or BCV, or by any other holder of TCMFs, so with the determination of the Trust Fund's extinction, under the terms of the Law, the State of Cape Verde proceeded to allocate its net assets accordingly, distributing the funds to the Special Stabilization and Development Fund (FEED) programs, having been divided into two Funds more in line with Cape Verde's current development challenges: the Sovereign Private Investment Guarantee Fund and the Sovereign Emergency Fund."].

Welwitschia Fund	*Sovereign Fund of Namibia – Short-Term Fund*[232]	*Namibia*	*N/A*	*Stabilization*	*N/A*	*2021*	*Minerals*			*No*
	Sovereign Fund of Namibia – Long-Term Fund			*Savings*		*2021*				
Sovereign Wealth Fund of Mozambique		*Mozambique*								*N/A*
Ethiopian Investment Authority		*Ethiopia*								*N/A*

232. *See generally* Kaula Nhongo, *Namibia Plans to Establish A Sovereign Wealth Fund This Year*, BLOOMBERG (Oct. 27, 2021), https://perma.cc/RC8L-MLVQ (“Namibia plans to establish a sovereign wealth fund by the end of this year that will be used to serve as a buffer against future economic shocks . . . The government plans to invest about 2.5% of the intergenerational fund in infrastructure projects . . .”); *Namibia’s SWF: What Do We Know About Africa’s Newest Fund?* GLOB. SWF (Oct. 27, 2021), https://perma.cc/M7NY-RQX5 (“The establishment of the fund is one of the first goals of the Harambe Prosperity Plan II (HPPII), a medium-term economic development action plan spanning 2021-25. The fund will be seeded with asset sales and royalties collected from mineral extraction, such as diamond mining.”). While some literature refers to the Minerals Development Act as Namibia’s first SWF, the State-owned Government Enterprises Act classifies the entity as an SOE. State-Owned Enterprises Act, 2006 (Act No.2/2006) (Namib.).

APPENDIX II

Area	SDG Goals
People	1. No Poverty. End poverty in all its forms everywhere. 2. Zero Hunger. End hunger, achieve food security and improved nutrition and promote sustainable agriculture. 3. Good Health & Well-Being. Ensure healthy lives and promote well-being for all at all ages 4. Quality Education. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all 5. Gender Equality. Achieve gender equality and empower all women and girls.
Planet	6. Clean Water and Sanitation. Ensure availability and sustainable management of water and sanitation for all. 7. Affordable and Clean Energy. Ensure access to affordable, reliable, sustainable and modern energy for all. 13. Climate Action. Take urgent action to combat climate change and its impacts. 14. Life Below Water. Conserve and sustainably use the oceans, seas and marine resources for sustainable development. 15. Life on Land. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.
Prosperity	8. Decent Work and Economic Growth. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. 9. Industry, Innovation & Infrastructure. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation. 12. Responsible Consumption & Production. Ensure sustainable consumption and production patterns.
Peace	10. Reduced Inequalities. Reduce inequality within and among countries. 11. Sustainable Cities and Communities. Make cities and human settlements inclusive, safe, resilient and sustainable. 16. Peace, Justice and Strong Institutions. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
Partnership	17. Partnership for the Goals. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development.