

**FOR  
AGENDA**

SM/08/66  
Supplement 1

March 17, 2008

To: Members of the Executive Board

From: The Secretary

Subject: **Sovereign Wealth Funds—A Work Agenda—Draft Public Information Notice**

Attached for consideration by the Executive Directors is the background section of the draft Public Information Notice relating to the paper on sovereign wealth funds—a work agenda (SM/08/66, 2/29/08), which is tentatively scheduled for discussion on **Friday, March 21, 2008**.

The staff proposes the publication of the paper after the Executive Board completes its discussion, together with a PIN summarizing the Executive Board's discussion.

Questions may be referred to Mr. Mazarei, PDR (ext. 34902) and Mr. Das, MCM (ext. 36330).

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

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INTERNATIONAL MONETARY FUND

*Public Information Notice*

EXTERNAL  
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Public Information Notice (PIN) No.  
FOR IMMEDIATE RELEASE

International Monetary Fund  
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## **IMF Executive Board Discusses a Work Agenda on Sovereign Wealth Funds**

On March 21, 2008 the Executive Board of the International Monetary Fund (IMF) discussed the issues surrounding Sovereign Wealth Funds and a proposed work agenda.

### **Background**

The Board discussion provided an opportunity for Directors to discuss Sovereign Wealth Funds (SWFs) and ways to move forward on developing a set of voluntary best practices for SWFs.

The staff paper highlighted the economic and financial benefits of SWFs. In their home countries, they may facilitate the saving and intergenerational transfer of proceeds from nonrenewable resources exports and help reduce boom and bust cycles driven by changes in commodity prices. They also allow for a greater portfolio diversification and focus on return than traditionally is the case for central bank managed reserve assets. From the viewpoint of international financial markets, SWFs can facilitate a more efficient allocation of revenues from commodity surpluses across countries and enhance market liquidity, including at times of global financial stress.

The paper also considered issues raised by the growth of SWFs. Official and private commentators have expressed concerns about the transparency of SWFs, including with respect to their size and investment strategies, and that SWF investments may be affected by political objectives. Other issues relate to the expanded role of governments in international markets and industries, how growing SWFs fit into the domestic policy formulation of countries with SWFs, and how their investments might affect asset prices in recipient countries with shallow markets. At the same time, countries with SWFs are apprehensive about possible protectionist restrictions on their investments, which could hamper cross-border investments and the international flow of capital.

The paper argues that a better understanding of the role and practices of SWFs and the development of a set of best practices could help countries with SWFs benefit from the

experience of other countries, and strengthen their domestic policy framework and institutions, and further their macroeconomic and financial interests. Best practices would also ease concerns about SWFs in recipient countries and contribute to an open global monetary and financial system.

The paper looked at the issues surrounding the development of best practices, which would provide guidance on how to improve institutional arrangements, organizational structures, risk management, and information dissemination practices. It also set out ways in which Fund surveillance could better cover SWFs, given their importance for domestic economic policies and their effects on international financial markets.

## Executive Board Assessment

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