

# The Challenges of Setting Up a SWF: When, Why, How & Size?

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**Dr. Ghiyath F. Nakshbendi**

American University

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Funds**

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# Outline\*

1. What is the right environment for the creation of a SWF?
2. When does it make sense to set up a SWF?
3. How do we do it? (the How?)
4. Operational model, investment objectives and vehicles;
5. Cash flow projections for the fund - how much can (or should) it grow? (the How Large?).

\* Questions were advanced by the moderator. Each panel member was supposed to react to these questions in sequence.

# 1. What is the right environment for the creation of a SWF?

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- The need to separate decision-making on investment from government bodies to more autonomous entity.
- Desire to isolate the operation from political meddling
- Encourage other SWFs to co-finance in domestic markets

## 2. When does it make sense to set up a SWF?

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- Proper management of the excess finance-concern about return on investment
- Indirectly impact the management of macroeconomic issues
- Accountability and rewards
- Best training grounds for human capital

# 3. How do we do it? (the How?)

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- Mission formulation is crucial
- Related to the degree of development of the political process
- Short term vs. long term
- Citizens awareness regarding the value of such funds
- The best time is when there are stable economic conditions
- Stable political environment

## 4. How do we do it? (the How?)

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- Start with the objective(s)
- Start with one
- Shop for the closer to you
- Assess local capabilities -hire expatriates- train locals
- Learning curve

## 5. Cash flow projections for the fund - how much can or should it grow? (the How Large?)

- The growth depends on the available cash allocated...after satisfying the budgetary requirements.
- The final results depends on population characteristics, age, etc.
- The size should not be established in advance? Why? Norway with 5.5 million and 840 billion, should they stop?

# The Questions Were?

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1. What is the right environment for the creation of a SWF?
2. When does it make sense to set up a SWF?
3. How do we do it? (the How?)
4. Operational model ; investment objectives and vehicles
5. Cash flow projections for the fund - how much can or should it grow? (the How Large?).



# The Questions Were?

## (Some Quick Answers)

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- Separate decision-making
- Best training grounds for human capital
- Mission formulation is crucial
- Shop for the fund which is closer to you
- The final form depends on population characteristics, age, etc.
- The size should not be established in advance?  
Why? Norway with 5.5 million and USD 840 billion, should they stop?

# Conclusions and Final Thought

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- Create a fund by emulating one which is closer to your needs and objectives
- Hire locals to be trained by the expats
- Ensure separate decision-making
- Size should NOT be an issue

*Grazie*

**Thank you**

**Dr. Ghiyath F. Nakshbendi**

**[nakshben@american.edu](mailto:nakshben@american.edu)**

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