

The Santiago Principles and the Ethiopian Investment Holding

Description

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The Ethiopian Investment Holding (EIH) has joined in May 2022 a global network of sovereign wealth funds, the so called International Forum of Sovereign Wealth Fund (IFSFW). EIH has joined as an associate member. Within three years of joining as an associate member, EIH will assume full membership.

IFSFW was established by the Kwait Declaration of 9 April 2009. IFSFW serves a global role of adherence to the standard of the Santiago Principles. IFSFW creates the platform whereby sovereign wealth funds share knowledge and experiences. IFSFW also serves as a concerted voice for the SWFs in the global finance consortium.

Sovereign wealth funds(SWFs) are defined in the Santiago Principles as special purpose investment funds or arrangements that are owned by the general government. The later term includes both the central government or regional governments. SWFs don't include the normal public enterprises, government employee pension funds or foreign currency reserve assets held by financial authorities. Rather the SWFs are known to be formed out of surpluses of for instance balance of payments, proceeds of privatization or surpluses of fiscal or surplus of commodity exports.

The Santiago principles are generally accepted principles and practices. The Santiago Principles comprise of 24 Generally Accepted Principles and Practices (GAPPS). These GAPPS are arranged in three main core pillars. The first pillar is about legal framework, objectives and coordinations with macroeconomic policies. The institutional framework and governance structure is the second pillar. The third pillar is on investment and risk management framework. See attached for the 24 GAPP.

EIH, with \$150 billion in assets, is ranked the largest sovereign wealth fund in Africa. By joining the IFSFW, EIH will be guided by the Santiago Principles. Thus EIH will receive guidance on appropriate governance, accountability arrangements and learn from the experiences of other sovereign wealth funds.

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