Energy Policy
Volume 129, June 2019, Pages 161-167

Brazilian Social Funds: The lessons learned from the Norway fund experience

Isabela Morbach Machado e Silva; Hirdan Katarina de Medeiros Costa

https://doi.org/10.1016/j.enpol.2019.01.062

ABSTRACT

Since the middle of the last century, the world has seen the emergence of Sovereign Wealth Funds (SWF). According to the Sovereign Wealth Funds Institute (2012), these legal entities can be defined as “a state-owned investment fund or entity that is commonly established from balance of payments surpluses, official foreign currency operations, the proceeds of privatizations, governmental transfer payments, fiscal surpluses, and/or receipts resulting from resource exports.” The SWFs are governed by the Santiago Principles, a document constructed by the IMF'sInternational Working Group of Sovereign Wealth Funds (IWG) to recommend and to standardize the applications and investments of this kind of fund. SWFs are created in order to meet macroeconomic demands, using a series of investments strategies, which including foreign assets acquisitions. For instance, the Norwegian Government Pension Fund is one of the world's model SWFs. Its revenue is obtained from petroleum exploitation and is considered a savings fund, although part of the financial return can be applied in budget deficit. Following this example, Brazil created the Pre-Salt Social Fund to invest pre-salt petroleum revenues, and consists of a savings fund, according to the IMF classification. The present article focuses on the analysis and comparison of the legal structures of the Norwegian Government Pension Fund (GPF) and the Brazilian Pre-Salt Social Fund (SF), aiming to understand if the Brazilian fund applies the Norwegian standards.

Keywords: Sovereign wealth funds; Oil revenues; Resource curse; Developing countries; Energy law principles