

## **Launch of the Forum of Brazilian Sovereign Wealth Funds, a new association that invests in governance for a decarbonized future**

### *Press Release*

Rio de Janeiro, Brazil, November 29, 2022 — With support from the Jain Family Institute (JFI), a non-profit applied research organization, and the Federal Fluminense University (UFF) in Niterói, Brazil, four Brazilian state and municipal governments have established a new Forum of Brazilian Sovereign Wealth Funds. The forum will be launched at a public seminar in Rio de Janeiro on November 30, 2022.

As newly elected president Luiz Inácio “Lula” da Silva prepares to take office with a mandate to preserve Brazil’s threatened natural ecosystems while increasing economic growth, these four governments aim to create a new model for responsible, human-centered development. Over the past five years, they have worked to transform an oil windfall into a permanent foundation for sustainable development: they have all established royalty funds to drive development, sustain transformative social programs, and facilitate intergenerational savings. With the launch of the forum, they are joining forces.

“The great challenge for municipal and state governments benefiting from oil or mining royalties is to work with an intergenerational perspective, ensuring that these resources continue to benefit the communities even after the exploration activities are over,” explain Fernanda Feil, co-director of the Brazilian Sovereign Wealth Funds Forum.

“Brazil and the world have countless examples of cities and regions that were unable to convert revenue from mining or oil extraction into a sustainable base for social and economic development, which could endure after the resource extraction ceased to boom. These situations demonstrate the differential potential of subnational sovereign wealth funds to avoid this ‘resource curse’,” adds Paul Katz, coordinator of the Jain Family Institute’s projects in Brazil.

The seminar marking the launch of the forum, entitled “Sovereign Wealth Funds: Efficiency, Development, and the Creation of Intergenerational Wealth,” will feature internationally renowned experts as well as representatives from Brazilian regulatory and legislative bodies. At the seminar, leaders from Niterói and Maricá in Rio de Janeiro state, Ilhabela in São Paulo state, and the state of

Espírito Santo will sign a declaration of principles, inspired by the “Santiago Principles,” a set of 24 precepts voluntarily accepted by the members of the International Forum of Sovereign Wealth Funds (IFSWF).

During the seminar, an Investment Scenario Modeling Tool (FeMCI) will also be launched. FeMCI was developed over 15 months by JFI in [partnership](#) with Brazilian programmers to serve the Revenue Equalization Fund (FER) of Niterói, which was looking for a tool to support the decision-making process about its investment policy. The tool uses financial-industry-standard mathematical modeling techniques to help public managers weigh risk against return and stress-test hypothetical investment portfolios.

**About the Jain Family Institute (JFI):**

[The Jain Family Institute](#) is a 501(c)(3) nonprofit applied research organization founded in 2014 by Bob Jain. Our mission is to address pressing social problems by identifying and implementing high-impact interventions that will translate to real world progress. At the intersection of economics, politics, information technology, finance, and culture, JFI brings promising ideas from theory to practice. A nonpartisan organization, JFI is focused on building proofs of concept, pilots, and actionable knowledge.

Media contact: [communications@jainfamilyinstitute.org](mailto:communications@jainfamilyinstitute.org)

## Additional Information about the Forum

### Brazilian Sovereign Principles

#### Axis 1 - Legal Framework

1. Guarantee a legal structure enshrined in the organic law of the entity.
2. Make a commitment to the formation of wealth in the territory for the present and future generations.
3. In general, obey the principles of legality, impersonality, morality, publicity, and efficiency.

#### Axis 2 - Management Structure

4. Create an effective governance structure: establish responsibilities and functions in order to contribute to the achievement of the desired goals.
5. Follow best management practices, with good faith, diligence, loyalty, and ethical standards.
6. Establish resource allocation limits by means of an investment policy, using the best market techniques and practices.
7. Act in such a way as to prevent or impede possible conflicts of interest and safeguard privileged information.

#### Axis 3 - Accountability Structure

8. Establish an accountability structure to ensure transparency and responsibility in the management of resources, promote the defense of public assets, and keep citizens informed about transactions.
9. Ensure the transparency of the legal diplomas, governance, investment policy and accountability, guaranteeing secrecy as an exception.
10. Periodically disclose managerial, accounting, financial, operational, equity, performance, monitoring and framework documents.

### About the Forum of Brazilian Sovereign Wealth Funds

The Forum of Brazilian Sovereign Wealth Funds (FFSB) is a permanent channel for the exchange of information and experiences among experts, the academic community and fund managers. Its goal is to monitor, direct and propose best practices in the administration of public financial resources, in favor of sustainable local development. The forum participants include researchers from

the Jain Family Institute (JFI) and the Fluminense Federal University (UFF), in addition to representatives of the sovereign wealth funds from Niterói (RJ), Maricá (RJ), Ilhabela (SP), and the state of Espírito Santo (ES).

### **What are Sovereign Wealth Funds?**

Sovereign Wealth Funds are investment funds created and directed by governments with the objective of managing resources for the well-being of future generations. In the case of Brazilian funds, the resources are paid to municipalities and states adjacent to petroleum, gas, and mineral extraction. Because this financial compensation is a temporary inflow intended to mitigate the local impact of resource extraction, the administration of these funds requires that future gains be generated in order to maintain capacity for funding and implementing policies.

### **Participating Sovereign Wealth Funds**

**Maricá Sovereign Wealth Fund (FSM):** Created in 2017, this fund's goal is to enable investments to ensure the progress of the municipality's public policies. Among the rules for the use of the resources, it is stipulated that 30% will be reserved as a guarantee fund for the execution of projects and activities that stimulate regional development. In 2020, a portion of the resources were used to strengthen the Fomenta Maricá Program, an initiative that has helped more than 700 companies in the municipality through three credit lines: Microcredit, MEI, and Emergency Business.

**Sovereign Fund of the Municipality of Ilhabela (FSMI):** Created in 2018, this fund is designed to mitigate the effects of economic cycles and foster projects of strategic interest to the municipality. Its major goal is to maintain the profitability of its resources and build strategic relationships with the other existing funds.

**Niterói Revenue Equalization Fund (FER):** Created in 2019 in order to save 10% of the resources from the "special participation" royalty stream, this fund intends to be an instrument to maintain essential public services, social policies, and investments, in addition to saving resources for future generations.

**Sovereign Fund of the State of Espírito Santo (FUNSES):** Created in 2019, its purpose is to be an intergenerational savings mechanism and to promote the sustainable economic development of the state of Espírito Santo.

## Confirmed Speakers

**Adam Dixon** - Associate Professor Technology & Society Studies, Faculty of Arts and Social Sciences, Maastricht University and one of the world's most important references on sovereign wealth funds.

*Discussion in English with simultaneous translation: Sovereign Wealth Funds in a changing world.*

**Victoria Barbary** - Director of Strategy and Communications at the International Forum of Sovereign Wealth Funds (IFSWF). The IFSWF is a voluntary organization of 38 sovereign wealth funds that work together to promote good governance and best investment practices.

*Discussion in English with simultaneous translation: Sovereign Wealth Funds in a changing world.*

**Bruno Sobral** - Professor at the School of Economics at the State University of Rio de Janeiro and Undersecretary of Strategic Planning at the State Secretariat for Planning and Management - SEPLAG of Rio de Janeiro.

*Topic: Development Funds - use of oil resources for development.*

**Ernani Torres** - Professor at the Institute of Economics and at the Graduate Program in International Political Economy of the Federal University of Rio de Janeiro (UFRJ), he was chief economist of the BNDES and worked at the Central Bank as a consultant and researcher.

*Topic: Sovereign Wealth Funds as an instrument to promote structuring investments.*

**Paula Nazareth** - Auditor at the Audit Court of the State of Rio de Janeiro.

*Topic: Development Funds - use of oil resources for development.*

**Washington Quaquá** - Federal Congressman (PT)

*Topic: Legal and regulatory aspects involving Sovereign Wealth Funds.*

## Contacts for interviews

**Jain Family Institute (JFI):**

**Paul Katz - JFI project coordinator in Brazil**

+1 (917) 287-0918

[paul.katz@jainfamilyinstitute.org](mailto:paul.katz@jainfamilyinstitute.org)

**Forum of Brazilian Sovereign Wealth Funds (FFSB):**

**Leandro Ferreira - co-director of FFSB**

+55 (11) 98470-9392

[leandrogpp@gmail.com](mailto:leandrogpp@gmail.com)

**Fernanda Feil - co-director of the FFSB**

+55 (21) 99363-2167

[nandafeil@yahoo.com](mailto:nandafeil@yahoo.com)

**Federal Fluminense University (UFF):**

**Fábio Waltenberg** - coordinator of the FFSB project, professor of the Graduate Program in Economics at UFF.

+55 (21) 98677- 7050

[fdwaltenberg@id.uff.br](mailto:fdwaltenberg@id.uff.br)

**More Information**

<https://fundos-soberanos.org.br/>

<https://www.jainfamilyinstitute.org/>

**Registration for the seminar:**

<https://www.fundossoberanos.sinteseeventos.com.br/>

Registration will be held free of charge **until 11/25/22.**