

SOVEREIGN WEALTH FUNDS: GREEN INSTRUMENTS OF STABILITY AND SUSTAINABILITY

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ABSTRACT

Sovereign Wealth Funds (SWFs) are Sovereign-state investment vehicles, and have become substantial players in the global financial landscape. They manage more than \$8113.46 trillion assets under management (AUM) (SWF Institute, 2018). They are, truly, a force in the financial world to reckon with. They can become a significant opportunity both for sponsor and recipient countries if properly managed. The prime motive of all sovereign wealth funds, by their sheer nature of inception, has been stabilization and sustainability of sovereign assets. The characteristics of having long investment horizon, high-risk appetite and having no apparent and earmarked liabilities in the immediate future make them most eligible investors to invest for sustainability and stabilization within and without. They can, thus, be the possible instruments for supporting and buffering sustainable investments, inclusive growth, most notably with specific reference to emerging economies and commodity-export driven economies. Lately, the volatility and unusual jitters in the commodity markets on the international level have made the role of SWFs more prominent and, at the same time more challenging. This paper aims to illustrate various practices by SWFs to contribute for stability and sustainability. The prime achievement of this paper is that it shows SWFs as prominent and strong partners for sustainable development and inclusive growth in times of volatility, risk, and uncertainty. Many pieces of evidences have been noted that there is no price for being moral in the markets: it is, in fact, being 'priceless' to invest in such firms and avenues as contribute to the sustainable developments, and divest from such companies as are involved in environmental degradation or insensitive human values, dignity and freedom. No loss of financial return has been documented while being sensitive to environmental and ethical issues. But the basic antagonism embedded in the very origin of these species is something that the world has to live with. And with their greater participation in stabilizing and sustaining the wealth of the world in other various and varied roles is something that can somewhat condone their original sin. With more vocal voices for transparency and standardization of their processes, they are helping the financial climate of the universe to be more salubrious and sublime and sustainable. Given that sustainability is not just a mere function of hardcore financials, the scene of SWFs changing and contributing in kind seems more beautiful.

Keywords: Green Investments, Sustainability, stability, Sovereign Wealth Funds (SWFs)

1. INTRODUCTION

SWFs are a unique creed of global financial institutions; public in nature but they do operate similar to private funds- primarily for purely financial profits. They are (nowadays) the romance of the world markets: substantial, sensitive and, of course, uncertain. They are by their very operational definition supposed to be the instruments of public interest. And lately, the public has been very vocal about socially responsible investment (SRI) through, maybe, stabilization and sustainability. They are thought to be the most appropriate institutions to be the torchbearers in sustainable development continuum. Sustainable development or sustainability aims to scuttle "unfettered economic exploitation of nature(al resources) by ensuring consumption of renewable resources within their rate of regeneration, limiting waste and pollution to the assimilative capacity of the biosphere, and conserving the biodiversity of the plane"(Herman Daly, 2015). The conundrum between financial and social interests has lately been the focus of the academia and economists alike.

Humans activities-conscious and collateral- have caused such an imbalance in the Earth's ecosystems that now seem so frail and fragile. Too strained to sustain the natural function of the system. The very sustenance of the future generations can no longer be taken for granted (MEAB, 2005). The world is, perhaps, looking up to SWFs to deliver the 'moral merchandise'. They can be very instrumental in restoring the right of the humans-present and future, to use the cradle of the earth for a sweet and sustainable life. They have long term investment horizons and have great risk tolerance. With no immediate liabilities in sight, SWFs are very unique in their own way: their ownership by a sovereign state can render them instruments of public policy (Benjamin J. Richardson, 2011). These characteristics make them more eligible to invest in such avenues as are helping in sustainability and stability in the long run.

1.1 : Defining SWFs

Defining who Sovereign Wealth Funds (SWFs) really are is not only important for savvying the concept and the connotations thereof, but it will also set out the limits of the current study. SWFs are fundamentally government-backed investment vehicles who invest the wealth of the sovereign state in a portfolio of diverse