



SOVEREIGN CLIENT SERIES

Fund Establishment Blueprint

*Establishing a Sovereign Wealth Fund:
architecture, governance, and the founding window*

For governments, ministries of finance, and public institutions

Working framework | 2026 edition

Preliminary working framework - public-domain standards and international practice only.

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ABOUT THIS BLUEPRINT

Purpose, status, and how to use this document

This Blueprint is the working companion to IFB's sovereign wealth fund establishment practice. It sets out, in one document, the architecture, governance standards, and sequencing that international experience associates with durable resource-based funds - from the founding political decision to the first invested dollar.

Three things it is, and three it is not. It is a framework: every structure described here is a reference design to be arbitrated, adapted, and owned by the founding government. It is generic: no state, no project, and no revenue stream is named or implied. It is grounded exclusively in public-domain standards - the Santiago Principles, EITI, FATF recommendations, IFRS - and in the documented record of existing funds.

It is not a legal opinion, not investment advice, and not a substitute for the government's own constitutional, fiscal, and monetary analysis. Every parameter with fiscal consequence is presented as a working hypothesis for sovereign decision, never as a recommendation of fact.

Rules written before abundance protect. Rules written after abundance yield.

The single organising idea follows from that sentence: the interval between the emergence of a major revenue stream and its fiscal plateau - typically two to four years - is the founding window, the period in which institutions can still be designed without contesting an existing spending habit. Everything in this Blueprint is sequenced against that window.

SECTION 01

The founding dilemma: a governance problem disguised as a finance problem

A new resource revenue stream arrives with a paradox attached. The same inflows that can fund generations can destabilise a budget, appreciate a currency against its own exporters, and convert a ministry of finance into a hostage of a single commodity price. The academic name is the resource curse. The practical name is a sequence of avoidable institutional failures.

Forty years of global experience is unambiguous: roughly 80 percent of a sovereign fund's success is determined by governance, 20 percent by investment performance. No poorly governed fund has ever invested well for long. The documented failures of first-generation funds trace to five recurring modes - none of which is an asset-allocation error.

Failure mode	Mechanism	Institutional counter
Discretionary withdrawals	Executive draws outside any rule; the exception becomes the norm	Transfer rule fixed in the founding statute; dual signature; monthly publication
Capture by political projects	Development capital allocated to unbankable, prestige-driven ventures	Mandatory third-party co-investment; committee with independent majority and reasoned veto
Opacity	Unpublished holdings breed permanent suspicion and market discounts	External international audit; public annual report; asset register
Single-risk concentration	Fund invested in the very commodity and economy that feed it	Savings compartment fully offshore; source commodity and correlated assets excluded
Loss of institutional memory	Leadership rotates with politics; expertise leaves with each cycle	Protected mandates; staggered terms; permanent secretariat

The founding government therefore faces a governance problem under time pressure, in front of rating agencies, multilateral partners, and its own citizens. The response is architectural, and it is known.

SECTION 02

Four layers, in strict sequence: statute, institutions, traceability, investment

Establishment work proceeds in layers, each a precondition for the next. Reversing the order - investing before governing, governing before legislating - is the most reliable predictor of early failure.

Layer	Content	Why it comes here
1. Legal foundation	An organic law fixing deposit and withdrawal rules, protecting appointments, defining reporting duties, and making deviation costly and visible	The statute is the fund's true balance sheet; everything downstream inherits its strength or its weakness
2. Institutional architecture	Separation of the state as owner, a supervisory board with an independent majority, and an executive management recruited internationally - no organ holding two functions	Structures, not personalities, must carry the fund across political cycles
3. Revenue traceability	A single collection account, dual signature, reconciliation within 24 hours, EITI-grade reporting from extraction point to fund account	Credibility begins at collection, not at investment; an untraceable inflow poisons every later number
4. Investment governance	A published Investment Policy Statement, a global custodian with segregated accounts, delegated management with mandatory skills transfer, a risk framework tested before the first trade	Capital deployed only once the first three layers can bear its weight

SECTION 03

The three-compartment architecture and the automatic cascade

Resource-based funds succeed when mandates are separated rather than blended. The reference architecture holds three compartments, each with its own horizon, liquidity rule, and benchmark.

Attribute	Stabilisation	Savings	Development
Horizon	0-3 years	10 years and beyond	3-10 years
Mandate	Absorb the commodity cycle so the budget does not have to	Perpetual intergenerational endowment	Co-finance bankable domestic infrastructure
Liquidity	Fully liquid within 30 days	Predominantly liquid	Illiquidity accepted, capped as a share of the fund
Geography	Global reserve assets	Entirely outside the home economy	Domestic and regional projects
Key exclusion	Credit and equity risk	The fund's own commodity and correlated assets	Any project without a third-party capital share
Reference practice	Botswana Pula Fund; Chilean ESSF	Norway GPFG	NSIA Nigeria; Mubadala

The cascade

A single automatic sequence connects the compartments to the budget. First, the budget is served a reference fraction of revenues computed on a smoothed multi-year commodity price - never the spot price. Second, the stabilisation compartment fills to its target, expressed in months of public expenditure or as a share of GDP. Third, the development compartment draws a capped fraction of residual revenues under an annual commitment ceiling. Fourth, the savings compartment receives the entire remaining balance - a protected residual, never an adjustment variable. Crisis drawings are permitted from stabilisation only, triggered by a defined revenue shortfall, with priority repayment.

Automation is the point. Virtue that depends on annual discretion is not virtue; it is a queue. The percentages themselves are sovereign decisions - the architecture's role is to make deviation from them costly and visible.

SECTION 04

Triple-separation governance: the state mandates, the board oversees, management executes

No organ holds two functions. Authority descends; accountability ascends.

Organ	Composition	Powers and duties
State as owner	Presidency, government, parliament	Fixes the mandate through the organic law: deposit and withdrawal rules, protected appointment procedures. Receives annual accountability
Supervisory board	7-9 members, independent majority, staggered protected terms	Approves the investment policy, appoints the chief executive, reports to parliament. Chairs of the three committees are independents
Investment committee	5 members: 3 independents including the chair, CEO, CIO	Qualified majority including two independents; reasoned veto of the independent chair on development transactions; mandatory counter-analysis above threshold; post-investment review at 12 and 36 months
Risk committee	Reports to the board, never to the investment function	Continuous limit monitoring per compartment; conservatory suspension power within 48 hours; quarterly stress tests - the first before any investment
Audit committee	Independents only, including an international accountant	External audit with mandatory rotation; supreme audit institution review published annually; protected whistleblowing channel
Executive management	Chief executive recruited by international search	Executes within approved limits; quarterly accountability; selects delegated managers under competitive procurement

SECTION 05

Financial architecture: one entry point, sealed compartments, one rule-governed exit

Treasury chain

All revenues enter through a single collection account at the central bank under dual signature. Compartments are held in segregated accounts - stabilisation with the central bank, savings and development with a global custodian. No payment is initiated and validated by the same person; movements above threshold carry triple time-stamped validation (initiation, control, authorisation); reconciliation across fund, central bank, and custodian runs daily, with any discrepancy older than 24 hours notified to the audit committee. A single beneficiary master file, maintained on the four-eyes principle with out-of-band verification, closes the most common public-institution fraud channel: payment-detail substitution.

Custodian selection

Criterion	Weight	Non-negotiable contract clause
Financial strength	25%	Minimum single-A rating; accounts segregated in the fund's name, insolvency-remote
Legal segregation	25%	No securities reuse without express consent
Market coverage	15%	Custodian liable for its sub-custodian network
Reporting and performance measurement	15%	GIPS-consistent measurement; daily positions feed
Operational security	10%	On-site audit rights for the fund and the supreme audit institution
Cost	10%	Governing law and arbitral forum stipulated

Investment Policy Statement

The IPS is the written contract between the state and the fund, published in full: objectives and horizon per compartment, authorised and excluded universe, public benchmarks, risk budget, delegated-management rules, responsible-investment policy, and a derogation procedure that is exceptional, motivated in writing, and published. Its stability is itself a signal.

SECTION 06

Standards built in from day one, not retrofitted

Standard	What compliance means in practice
Santiago Principles (GAPP)	The 24 principles designed into the statute and governance manual from inception; self-assessment published; full compliance attested within five years
IFSWF membership	Application prepared alongside the founding statute; peer-review participation from year one
EITI	Revenue reporting across the full extraction-to-account chain; quarterly reconciliation of volumes, prices, and payments; deviations beyond tolerance trigger joint verification
FATF recommendations	Counterparty identification and beneficial ownership before any relationship; daily automated screening against UN, EU, UK, and US lists; reinforced approval for politically exposed persons - with no exception for nationals
IFRS	Multi-currency accounts; double certification of financial statements and internal control; external audit rotation every six financial years
Responsible investment	Exclusion list; ESG integration; carbon footprint measured and trajectory published; project-level impact reporting for the development compartment

These are not ornaments. They are the access conditions to international capital, custody, and co-investment partners - and the cheapest reputational insurance a new institution can buy.

SECTION 07

The 30-90-180 sequence and the five decisions that create irreversibility

The first ninety days require no major financial commitment - only decisions. Five of them, taken early, make the institution politically difficult to unwind.

#	Decision	Effect
1	Founding political act at the highest level: principle, scope, and a mandate to draft the organic law on a constrained calendar	Anchors the project before the revenue plateau
2	Restricted interministerial steering committee and a single project lead with a public mission letter	One hand on execution
3	International search for the board chair and the chief executive	The two appointments that sign the fund's credibility
4	Arbitration of the fund's working hypotheses in a government workshop	Stabilises the foundations of all downstream work
5	Public commitment to Santiago compliance and IFSWF membership	Immediate credibility at negligible cost

Phase	Window	Exit milestones
Days 1-30	Mobilisation	Steering committee installed; project lead mandated; hypothesis register tabled
Days 30-90	Decisions	Five founding decisions taken; drafting of the organic law commissioned; executive searches launched
Days 90-180	Construction	Draft statute delivered; governance manual and IPS in draft; custodian and fiduciary-manager procurement opened
Months 6-24	Standing up	Law enacted; board installed; CEO in office; accounts opened; first revenues received and invested per the cascade

Execution principle for the first 180 days: no courtesy hires, no supplier without competition, no announcement without verifiable substance.

SECTION 08

The engagement: we advise, the state decides

IFB acts as institutional architect for the founding phase - the design work between political decision and first invested dollar. We do not replace the multilateral institutions that publish the standards; we convert those standards into an operating institution, at the speed a founding window demands.

Working method

- Every parameter with fiscal consequence is presented as a working hypothesis for sovereign arbitration, never as a fait accompli
- All third-party appointments - custodian, delegated managers, auditors - pass through competitive procurement designed by the client, with IFB in a strictly advisory role
- Skills transfer is embedded in every workstream: a fund that depends permanently on its advisers has merely outsourced its fragility
- Fees are transparent, time-and-deliverable based, and independent of any transaction - IFB takes no success fees on investments and no positions in the fund's assets
- All work is documented for audit survivability: hypothesis registers, decision logs, and versioned deliverables

What we ask of the client

A single empowered counterpart; access to the interministerial steering committee; and the complete legal, settlement, custody, valuation, accounting-recognition, prudential and audit evidentiary package for any asset or revenue stream the fund is to recognise. Establishment on evidence, or not at all.

Deliverables of a standard establishment mandate

Deliverable	Form
Hypothesis register and arbitration workshop materials	Working documents and facilitated sessions
Draft organic law and implementing decrees (with counsel)	Legislative drafting support
Governance manual: board, committees, charters, conflict rules	Institutional documentation
Investment Policy Statement and risk framework	Board-ready policy set
Treasury, custody, and reconciliation architecture	Operating procedures and selection files
30-90-180 roadmap with milestones and owners	Sequenced implementation plan

NEXT STEP

Request your Fund Establishment Blueprint session

If your mandate involves converting a new resource revenue stream into a durable national institution, IFB will prepare a tailored establishment framework: legal foundation, three-compartment architecture, revenue cascade design, and a sequenced founding roadmap - delivered against the 30-90-180 structure described in this document.

Channel	Detail
Sovereign videoconference	calender.ifcifb.com/government-sovereign
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Deposits produce revenues. Only institutions produce durable wealth.

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