SOVEREIGN WEALTH FUNDS, THE IMF AND TRANSPARENCY

Are They All Talking About the Same Thing?

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Abstract

Over the past three decades, transparency has been established as a dominant world society norm (Meyer, Boli, et al 1997). This study first establishes that transparency demands in the transnational space rely on two different normative bases of “information needs of market actors” and “democratic information rights of the public”.

Based on this finding, this study provides an analysis of the soft law development process for transparency and the governance of Sovereign Wealth Funds (SWF), organized by the International Monetary Fund (IMF) in 2008. Through a multi-layer institutional analysis of the sovereign wealth funds, and their behavior during the negotiations, this paper shows how the national institutions condition actors’ interpretations of transparency demands. It then shows how differences between interpretations of transparency demands of different SWFs and the IMF affected the soft law development process for disclosure and its outcome.

With regard to interpretations of transparency demands, this study develops three ideal types: information perceived as power, information perceived as a public right and information perceived as a market need.

Keywords: Sovereign Wealth Funds, transparency, institutionalism, soft laws, disclosure, interpretive accounting, translational
Introduction

On October 8th 2008, following four months of negotiations organized and facilitated by the International Monetary Fund (IMF), a voluntary code was released, primarily to improve the “transparency” and governance of Sovereign Wealth Funds (SWF). The code demanded transparency from SWFs – mostly from the Middle East and Asia – principally on the grounds of facilitating the international movement of capital and improving accountability. This is the study of how that code came to be and how national differences affected the process of its development and content.

In the space of three decades, transparency has emerged as a dominant world society norm (Meyer, Boli et al. 1997:29-35) in global political and economic discourse. Transparency pressures play a key role in the neoliberal restructuring of the world. In response to the indiscriminate push for transparency in the economics, political sciences and management literature, a critical body of literature has recently emerged that questions the unintended ethical, social, political and technical consequences of transparency (Tsoukas 1997; Power 1999; Power 2004; Bessire 2005; Roberts 2009). However, in this literature, national institutions and how they moderate receptiveness to, and consequences of transparency have not received much attention. One key goal of this paper is to explore this particular dimension and to show how transparency is interpreted and reacted to differently by actors from different national institutional and political contexts (Scott 2001).

This study analyzes the effects of organizational and national institutions on the interpretations of transparency and information disclosure within Sovereign Wealth Funds from with diverse nation bases from Asia to the Middle East and Europe. The theoretical perspective
combines world society literature (Meyer, Boli et al. 1997) and multi-level institutional analysis (Djelic and Quack 2008), The paper then provides a study of how these differences affected the IMF’s soft law development process and outcome for improving the transparency and governance of the SWFs.

Leading accounting scholars have highlighted the need for a better understanding of the institutional dynamics of transnational regulation for transparency, audit and accounting. For example, Hopwood recently emphasized that “one additional area that I have always thought of as needing further investigation is that of the politics and institutional contexts of accounting regulation, particularly at the supra-national and international levels” (Hopwood 2009). This paper responds to this gap. In addition, this paper responds to calls for more studies of institutions at multiple levels and how they influence and are influenced by processes of transnational governance (Djelic and Sahlin-Andersson 2006).

Transparency is a concept deeply embedded in Western enlightenment and liberal norms. During the past few decades, demand for transparency has become an integral part of liberal and neoliberal discourse under the general “modernization” (Ramirez and Meyer 1980) frame, both for governments and non-state organizations.

Economic (markets) and political (democracy) liberalism and individualism have been the two fundamental normative bases for the global push for liberal reforms (Thomas and Meyer 1984). As the study of existing transnational transparency codes demonstrates (see Appendix II), these two forces also form the normative bases used for demanding information and transparency. In other words, “needs of markets” for information and the “democratic public right” to information and accountability are the two fundamental rationales used by international organizations to demand transparency.
International organizations, such as the IMF and the World Bank, have been at the heart of the global push for transparency and have devised a wide set of soft laws, rankings and audits to push for more transparency, especially in the peripheral countries.

An interesting, recent example of transnational institution building and soft law development for transparency is the process of soft law development for improving transparency and governance of sovereign wealth funds under the supervision of the IMF. Sovereign wealth funds are investment organizations mostly from Asia and the Middle East, which manage the excess capital of their national governments. This is another instance where an inter-governmental organization with mostly Western norms and values attempts to diffuse a uniform “dominant” norm (Djelic and Quack 2003:324-5) among actors from differing national regulatory, normative and cognitive contexts (Scott 2001).

This paper provides a comparative analysis of the national institutions for the SWFs involved in the negotiations. The analysis includes a comparison of high order institutional logics of the countries, the structure of the different SWFs, their relationship with their national governments and the information practices of each SWF in the past. A study of the negotiation process facilitated by the IMF, which culminated in the Santiago Principles (also referred to as the Generally Accepted Principles and Practices or GAPP) in October 2008, follows. The final section of the paper introduces three ideal types for the attitude of organizations to transparency pressures and audit.

**Theoretical Background**

In this paper, transparency is defined as a norm for information disclosure whereby information is made accessible to all interested parties, and the withholding of information is the exception
rather than the rule. Transparency is a metaphor for being able to see through with no barriers (Bessire 2005). In this paper transparency is differentiated from “targeted disclosure” where information is tailored and disclosed to specific stakeholders but is not made available publicly (Hood and Heald 2006).

The Transparency Culture

The “information rights of citizens” is a topic that emerged during the enlightenment in the Western world with the development of individualism and the self-directed man (Meyer 1990). Rousseau considers transparency free from power, ambiguity and discrimination as a key prerequisite of pure democracy (Starobinski, Goldhammer et al. 1988). Rousseau considered opaqueness, evil and transparency a lost state of nature (Hood and Heald 2006:7) and recommended that “public servants should work in the eyes of public”. According to Kant (Taylor 2010), “publicity” (which is a term used as an equivalent to transparency in earlier texts) provides a “test for justice” in political and intellectual matters and requires all participants to submit to “the judgment of sound common reason”. Jeremy Bentham (1838) – one of the most ardent supporters of transparency as a mode of control – believed that “the more strictly we are watched, the better we behave”. The push for “transparency and rule” based governance was a move against the tradition of “oath and judgment” as cornerstones of public office (Hood and Heald 2006:8-10).

Transparency continues to be cited as a fundamental tool for democratic governance, participation and accountability especially in mainstream, rationalistic political sciences literature (Grant and Keohane 2005; Fung, Graham et al. 2007).
This legacy of states’ transparency has been extended and reinforced by the more recent focus on disclosure and transparency in the economic sphere representing the economic face of Western liberalism and individualism. In mainstream economics (Akerlof 1970; Healy and Palepu 2001), accounting (Bushman, Piotroski et al. 2004) and managerial literature (Lowenstein 1996; Maher and Andersson 2002) transparency is cited as a key instrument for addressing a range of economic issues such as risk evaluation, agency costs and “information asymmetry”.

The following graph illustrates the recent explosive increase in citations of the word transparency in major international media outlets.

*Figure 1- Citations of the term “Transparency” in the top five global newspapers and magazines - 1983 to 2009*

It is important to remember that transparency and “openness” demands underlie important concepts of accountability, commensuration, remote decision-making and audit. Transparency requires generating information and the externalization of accounts of self by individuals and organizations. As a key process of legitimation, the accounts can then be subjected to verification and audit (Power 1999). Transparency also facilitates the commensuration (Espeland and Stevens 2003) of different entities based on standardized and “comparable information” for the purpose of remote and decontextualized decision making (Porter 1995). Consequently studying transparency is fundamental to understanding the societal influences of accounting, audit and management control systems.

In response to the indiscriminate push for transparency as a dominant norm in the mainstream academic literature and Western economic and political public discourse, a plethora of critical literature has emerged. In an interdisciplinary effort, scholars have questioned the moral, social, political and technical issues underlying transparency and the “information society”. Roberts (2009) argues that forcing individuals and organizations to generate information and to build external “accounts” of themselves for comparison with an ideal and “best practice” as the dominant mechanism for accountability results in a flawed effort to achieve the external ideal. This effort is driven by the quest for legitimacy, recognition, and guilt. This endeavor is based on an externalized and decontextualized account of the self and an ideal or “best practice” which is detached from the realities of the local context. In the “Tyranny of Light”, Tsoukas argues that the abundance of standardized information about a phenomenon hides the real complexity and richness of the phenomenon, which means that more information results in less understanding (Tsoukas 1997). Some scholars have questioned the ethical dimensions of the demand for transparency and have highlighted the “ethical gaps” in forcing the
creation of external accounts and decontextualized ideals on the individuals, groups and organizations (Messner 2009). Furthermore, several scholars have decried the demise of trust and the spiral of distrust in the information society (Tsoukas 1997; Power 2007). This obsession with information as the primary mode of control has resulted in the explosion of disclosure and audits, creating what Power (1999) calls the “audit society”.

**Transparency and World Society**

The history of transparency in the transnational space goes back to the First World War and the first doctrine of Woodrow Wilson’s Fourteen Points, released in 1919 (Hood and Heald 2006:11-12). This doctrine set out the goal to achieve “open covenants of peace openly arrived at with no secret international agreements in the future” (consistent with Kant’s argument in “Towards Perpetual Peace” for the openness of public treaties) (Hood and Heald 2006:11-12). As the transnational space expanded after the Second World War, transparency has been a fundamental principle in all important treaties such as GATT (Article 3) and the EU transparency directive (Hood and Heald 2006:11-12). An analysis of some of the most important transnational soft laws for transparency is provided in Appendix II. All these international transparency codes demand transparency based on the democratization and market-based rationales. The figure below provides details of transparency’s normative underpinnings in transnational codes listed in Appendix II.

*Figure 2- Overview of the normative bases for transparency demands in the transnational codes*
Transparency and National Institutions – the Missing Discussion

One key area that has been missing in studies of transparency is the role of national institutions and culture in individuals’ and organizations’ interpretations of and attitudes towards information disclosure and transparency. Most existing conceptualizations of transparency continue to assume that transparency and how it is perceived are “culture neutral”. For example Heald (2006:29-35) offers several classifications of transparency such as outward, inward, upward and downwards transparency, and transparency as openness vs. transparency as surveillance. What is missing in such classifications is the interpretive and institutional dimension. Could it be that the same demand for transparency would be interpreted in quite different ways in different institutional contexts?
By comparing different national institutional logics and their meditating role towards transparency demands, this paper attempts to expose this new dimension of the “transparency culture” in the complex institutional context of the transnational space. This is a space where national norms, cognitive frames and interests collide and compete with each other and transnational organizations’ norms and demands.

Studies of world society norms show how dominant norms such as transparency are adopted by national entities in their quest for legitimacy. In their seminal paper, Meyer et al (1997) highlight that there are competing world society normative frames and models, such as diversity vs. standardization, equality vs. liberty, welfare state vs. small government and individualism vs. solidarity and collectivism. Such competing frames are used by different actors to achieve legitimacy and to mobilize political and material resources. Several scholars have captured how the diffusion of world society norms through mediators such as international non-governmental organizations and inter-governmental organizations results in the adoption of dominant norms in diverse national contexts. Examples include democracy (Torfason and Ingram 2010), national educational systems (Ramirez and Meyer 1980), adopting human rights codes (Hafner-Burton, Tsutsui et al. 2008), government downsizing (Lee and Strang 2006) and central bank independence (Polillo and Guillén 2005). While in many of these cases there are potent counter frames to the dominant normative frames, in the case of transparency, there are no potent counter world society frames. Recently, national security has been increasingly used to counter the transparency frame for governments, and “trade secret” is used as a counter frame to the “market transparency” frame. However, such counter frames are not backed by national and transnational movements and organizations in the way that transparency is. It is difficult, for
example, to envision an organization that would be named “Secrecy International”. In addition, these frames are exceptions, rather than alternatives to transparency.

While world society normative frames condition transnational and local actors and push states towards isomorphism through various socialization processes (trickle-down trajectory), national institutional logics are also represented in the transnational space through several mediators, such as national educational systems, media and the national representatives in the transnational organizations (trickle-up trajectory) (Djelic and Quack 2003). Consequently, transnational organizations emerge as institutional fields (Friedland and Alford 1991), where multiple national and world society frames and institutional logics (Thornton and Ocasio 1999) compete and condition the actors and result in heterogeneity and constant evolution and change (Lounsbury 2008). For research to go beyond national path dependency on one hand and World Society isomorphism on the other, Djelic and Quack (2007), suggest studying the transnational and national trickle-up and trickle-down trajectories and the process of co-construction of transnational institutions. This is what they describe as the study of “national path transformation and transnational path creation”

For this type of research to become possible, institutions and how they condition and are conditioned by actors should be studied at multiple levels. It is only by studying the dynamics of the transnational, national, field level institutions, the organizational culture and the “soft” actors that we can achieve an understanding of the complex and increasingly dense, multi-layer organizations of our economic and political lives (Djelic and Sahlin-Andersson 2006; Quack 2007). However, with few exceptions (Kleiner 2003; Quack 2007), such multi-layer studies of institutions remain scarce. As Djelic and Quack (2008:301) point out, “institutional processes
that extend beyond the organizational and sectoral fields or run through vertically layered institutional orders have been largely neglected”.

This study responds to this call by focusing on how national and organizational institutions influence the interpretation of the concept of transparency and disclosure. This paper “combines a study of activities and interest of carriers with an account of their institutional embeddedness (which can have multiple and conflicting sources) … with a transnational scope” (Djelic and Quack 2008 p.306).

The case covered by this study focuses on soft law development as a dominant type of transnational institution building. Soft laws are codes and rules which are not backed by traditional coercive and sanctioning instruments of national governments (Mörth 2004). This case of soft law development for the SWFs is part of a broader trend for soft regulation as a new technology of governmentality (Higgins and Hallström 2007). During the past few decades, the internationalization of social spaces, capital flows and industry supply chains have resulted in a rapid expansion of the scale and scope of the creation of soft laws, voluntary principles and international standards as a tool for governing and organizing in the transnational space. Such laws have been devised through interaction between national and transnational actors such as governments, non-governmental organizations, professional organizations and firms (Ahrne, Brunsson et al. 2007).

The fast expansion of soft regulation both in the national, and especially, in the transnational space has been called the “golden era of regulation” or a “transnational regulatory explosion”. This era of “regulatory capitalism” (Braithwaite 2008) has been described as a move away from national state monopolies on legalization and a shift from statism to pluralism (Hirst and Birkbeck 1997). Such laws, developed through transnational processes of negotiation and
legalization, are very different from their national “hard” counterparts (Abbott, Keohane et al. 2000; Mörth 2004). In the absence of the sanctioning powers of national governments, such laws are diffused, translated and adopted based on a wide range of normative, mimicking or coercive (DiMaggio and Powell 1983) soft mechanisms.

During the past three decades, social studies of standards and standard setting (Brunsson and Jacobsson 2000; Higgins and Hallström 2007) have followed a separate path from soft laws (W. Abbott and Snidal 2000; Djelic and Quack 2003; Mörh 2004). However this trend is changing. Historically, standards were considered “value free” norms for technologies and technical processes only (such as most ISO standards), while soft laws were perceived as normative principles and practices of social behavior. However, the line between the two is increasingly blurred. This is because both soft laws and standards are technologies for norm setting and for the stabilization of institutional fields (Levi-Faur 2005). Both are subject to rituals of audits and verification (Power 1999) and the structures for development bodies, institutional dynamics of norm development and performativity (MacKenzie 2004) of both follow similar socialization paths. Examples such as the International Standardization Organization developing social responsibility standards, further highlights the blurring of this line (Hallström 2008). The code under study, GAPP, is another proof of this blurring line because since it includes a mix of standards and specifications for accounting disclosure on investment returns and portfolio, and principles for governance and disclosure.

In a rich example of an institutional study of norm setting, Hallstrom (2004) studied the negotiations process leading to the International Financial Accounting Standards. By interviewing negotiators, she attempted to understand the role that different epistemic communities and professional bodies played in influencing the standard setting processes and
how actors were influenced by the “several hats” that they carried and their institutional “baggage”. Such institutional accounts of norm setting (Botzem and Quack 2005; Quack 2007; Botzem and Quack 2009; Laux and Leuz 2009) show that the development of soft laws and standards is not ruled by rationality, rather, it is a rich process of muddling through (Quack 2007), embedded in power, conflicts and, competing and conflicting institutional logics.

What is missing in such studies is attention to how cultures and national institutions condition the interpretations and stances of transnational actors. While some scholars hint at such differences and that norm setting is a “multi-level game” (Mattli 2003), none has attempted to conceptualize such differences through the analysis of national institutions at multiple levels, especially where non-Western nations are involved. Due to the increasingly multilateral world, institutional accounts of norm setting processes involving non-Western actors are much needed. This paper also attempts to address these important gaps in soft law and standard setting literatures.

**Methods**

Interpretive accounting methods (Dent 1991; Boland 1993; Kakkuri-Knuuttila, Lukka et al. 2008) have been used as one of the key methodological references for this study. Interpretive studies of accounting and audit explore how actors’ socially-embedded interpretations of accounting and control affect their practices (Sinclair 1995) and how accounting and control processes can work to influence actors’ interpretations as instruments for diffusion of logics of rationality and efficiency (Ansari 1987). Most of these studies have been intra-organizational. In this study, considering that the focus is on how institutions condition individuals’ interpretations
of transparency and disclosure, interpretive accounting methods were found suitable. However, in this case, interpretive accounting methods have been applied to a transnational case.

Interpretive studies of accounting are centered around structuring a narrative based on the subjective interpretations of actors (Czarniawska-Joerges and Sevón 1996; Lukka and Modell 2010). The researcher then attempts to “make sense” of the narrative and explain the relationship between events (Lukka and Modell 2010). This is the point where the actor moves from etic to emic, from focusing on subjects and their interpretations to treating social events as objects and structuring the researcher’s interpretation of events (Boland 1989). Interpretive accounting methods rely on participant observation (Lukka and Modell 2010) and ethnographic approaches as the central method for understanding the field and structuring their narratives. In addition, they rely on wide ranging documentary and archival evidence to supplement their primary data.

For the study of SWFs, the direct study of the field during the negotiations was unfortunately not possible. To achieve an understanding of the different interpretations of the negotiators of the IMF’s transparency demands, the author interviewed nine participants present during the negotiations. In addition, this study utilizes a wide range of qualitative material, including documentary evidence such as IMF discussion papers, SWF websites and annual reports and several third party reports. The dataset of RiskMetrics Group (Now MSCI Group) on SWFs was a key source for achieving a better understanding of the disclosure practices of the SWFs. This dataset includes an analysis of the 10 largest SWFs across 47 indicators on their governance and disclosure.

The author has worked with SWFs of Australia, Lybia, Norway, Singapore and China as part of his previous professional activities. This work included several teleconferences over a period of two years with executives and directors of these SWFs covering their disclosure and
governance. This participant observation has significantly enriched the analysis undertaken in this paper.

Sovereign wealth funds were chosen because of the high level of variability in their approach to transparency and information disclosure. They were also selected because of the diverse high-order institutional logics of their host countries in relation to power structure and the level of integration in global markets (a mix of Western, Middle Eastern and Asian countries).

To study the soft law development process, interviews were conducted with nine participants in the negotiations. The official total number of participants was 84, of which – based on interviewees’ statements – around twenty were actively engaged in the negotiations.

This included six interviews with representatives of the SWFs (two from Norway, one from Singapore, one from Libya, one from New Zealand and one from Canada/Alberta), two representatives from the IMF, and the OECD representative present at the negotiations. The choice of interviewees was based on the key criterion of participation in the negotiations.
Table 1- List of interviewees

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<tr>
<th>Organization</th>
<th>Position held</th>
<th>Role in the GAPP negotiations</th>
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<tr>
<td>The OECD</td>
<td>Senior Economist</td>
<td>Observer</td>
</tr>
<tr>
<td>Temasek (Singapore)</td>
<td>Director of Global Strategy</td>
<td>Active participant</td>
</tr>
<tr>
<td>Norwegian Ministry of Finance</td>
<td>Director General in the Ministry of Finance Asset Management Department</td>
<td>Active participation and in charge of one of the editing committees</td>
</tr>
<tr>
<td>Norwegian Ministry of Finance</td>
<td>Investment Director</td>
<td>Active participant</td>
</tr>
<tr>
<td>New Zealand Superannuation fund</td>
<td>Chief Executive</td>
<td>Active participant</td>
</tr>
<tr>
<td>Ministry of Finance - Canada</td>
<td>Assistant Deputy</td>
<td>Active participant</td>
</tr>
<tr>
<td>Ministry of Finance - Libya</td>
<td>Senior Director</td>
<td>Active participant</td>
</tr>
<tr>
<td>International Monetary Fund</td>
<td>Senior Economist</td>
<td>Active participant - present in the first two sessions</td>
</tr>
<tr>
<td>International Monetary Fund</td>
<td>Senior Director</td>
<td>Active participant</td>
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The number of interviews was constrained by the highly sensitive nature of the negotiations and confidentiality concerns of the negotiators. However, considering that all the interviewees were asked to provide their account of the same negotiations process, while interpretations varied, after the sixth interview, the interviewees’ accounts of the proceedings and behavior of other actors started to saturate and few new examples of behavior or quotes from the negotiations emerged. All the interviews were semi-structured (the guiding questionnaire is provided in Appendix III). The interviews had an average duration of around 45 minutes. The questionnaire
was validated through carrying out mock interviews with two different individuals informed about the sovereign wealth funds (Miles and Huberman 1994), and was constantly adapted to reflect the changes in the theoretical development, as the data was collected and analyzed. The interviews covered the reasons for the funds’ participation in the negotiations, interviewees’ accounts of the negotiations and the type of conflicts that emerged over time, the role played by different SWFs and the way the code evolved during the negotiations.

To analyze the impact of the negotiation process on the content of the soft law, the original IMF proposal and the final code were analyzed and compared. In addition, a range of documents related to the negotiations were studied (full list provided in “Primary Sources” under References).

To better understand the role of high order and organizational logics on the “embedded” actors engaged in the soft law negotiation, a comparative analysis (Perrow 1967) of the national and organizational contexts of SWFs was carried out. This comparative analysis is mostly based on secondary sources of information, such as SWF websites, news and national government websites of the three countries under study.

The qualitative material was coded as collected, based on the emerging codes of conflict, transparency perception, motivation for participation, changes in the soft law, trust and information disclosure habits codes (Miles and Huberman 1994). The theoretical question and codes were modified and refined, as data collection progressed and interviews were carried out. The ideal types were developed and theorized as data was collected and analyzed in accordance with the constant comparative method (Suddaby 2006).
Sovereign Wealth Funds and Soft Laws for Transparency

What are Sovereign Wealth Funds?

A sovereign wealth fund is an investment management organization that manages the excess capital of the government, against which the government has no direct liability (unlike public pension funds). They come in various sizes and structures and vary in their investment targets. SWFs are in the unique structural position in which they face state logics (given their relationship to the government) and market logics (considering their international investment management role). Governments assuming an international investor role is not a new phenomenon. State-owned enterprises and state-owned banks investing in capital markets have been prevalent in the West for the past few centuries (Toninelli 2000) and investment bodies owned by resource-rich Middle Eastern states have existed for several decades. The Kuwait Investment Authority has been investing the oil revenues of Kuwait in the global capital markets since 1953. In the following decades, to better manage their foreign exchange, similar institutions also emerged in other commodity rich countries such as Abu Dhabi (1976), Qatar (2000), Norway (1992) and Libya (2007) (RiskMetrics 2009).

Interestingly, the term “sovereign wealth fund” was first coined as recently as 2005 in an article titled “Who Holds the Wealth of the Nations?” (Rozanov 2005). Prior to this, there was no common point of reference and identity attributed to the various types of state-owned investment organizations. The emergence of this category at the transnational level and the associated definition and construction of a common identity has resulted in the increasing exposure of the SWFs to common institutional pressures.
The high oil prices post-2003 and the fast growing trade imbalances between Asia and the West in the same period resulted in a considerable growth in the size of SWFs. Their total size in the 1990s amounted to less than 1% of the global equity markets while in early 2010 their estimated total size of around USD 3.3 trillion made up around 8% (RiskMetrics 2009).

This rapid growth resulted in the emergence of significant East to West flows of capital and buy-outs of Western firms by SWFs. The lack of liquidity in Western markets during the credit crisis further contributed to this process and SWFs such as Qatar Investment Authority, Abu Dhabi Investment Authority and Temasek, in highly visible transactions bought stakes in Western financial institutions, including Merrill Lynch, Citigroup, Barclays and UBS (Monitor-Group 2009).

This was the first time that there were large capital flows from the East to the West, contrary to historical trends. This resulted in increased public opinion and media focus on SWFs. During this period, the dominant public concerns in the West about SWFs centered around the possibility of political objectives underlying their investments (US-Senate 2008).

The following section provides an analysis of the national business systems and government structures of the countries to which the SWFs under study belong. The paper then focuses on the IMF transnational negotiation process for development of SWF soft laws – the “Santiago Principles” or Generally Accepted Principles and Practices (GAPP).

**SWFs and Their Diverse National Backgrounds**

As shown in the below table, SWF’s have diverse national origins and sources of capital. The SWFs can be broken down into SWFs with capital sourced from natural resources especially oil
which are primarily from the Middle East (Saudi Arabia, Qatar and Kuwait) and then Latin America (e.g. Venezuela and Chile) and Africa (e.g. Libya) and those sourced from tariffs and taxes on exports and also currency manipulation which are mostly from Asia (for example China, Singapore and Malaysia). In the West, Norway, Canada (Alberta) and the US (Alaska) are the only resource based SWFs. France and Australia, also have SWFs; the former launched purely for “strategic international investments” and the latter to finance long term public pension obligations of the government (RiskMetrics 2009).

The countries with SWFs have varied types of power structures and information cultures. All middle eastern countries with SWFs are rules by their respective royal families. In these countries, there is no Freedom of Information legislation, government proceedings are not open to public and the government maintains a tight control on the public sphere through censorship.

As for Asian countries, some such as Singapore have institutions resembling western democracies. However the same political party has been ruling Singapore since its independence in 1956. China has a single party system. In all these countries the state plays a central role in controlling the public sphere. For example circulation of The Economist is limited in Singapore for having insulted in the ruling Lee family.

As for their business systems these countries also show a high level of variability. Resource rich countries have systematically low dependence on FDI. Such countries have low level of connectedness to global capital markets (see the below table). In contrast, the Asian countries with SWFs have a high dependency on foreign capital and a high level of FDI as percentage of their GDP. Level of connectedness to international markets and communities has been cited to be a key mediating factor in the way national systems are affected by world society norms. Following the Asian crisis, under the IMF and global investors’ pressure, to increase their
legitimacy in the global capital markets, Malaysia, Singapore and Indonesia all launched transparency initiatives. The goal was to improve both government and corporate disclosure of information of importance to investors. This is consistent with Espeland’s claim (Espeland and Stevens 2003) that information-based controls increase when trust between the actors decreases.

**SWFs and Transparency**

From disclosure perspective, historically SWFs acted like their respective governments. In countries where government information disclosure was low such as Middle Eastern countries, the SWFs did not have annual reporting and did not disclose portfolio or governance information (please see the below table). All the Middle Eastern funds maintain close relationships with their national governments. For example, the Kuwait Investment Authority mentions on its website that (based on Law No. 47 of 1982) that the fund should not make any information public and any annual reporting should be to the National Assembly, only.

In contrast, SWFs from Western nations such as Norway and Australia provide more information for two different reasons (Cohen 2009). In the case of Norway, the SWF is subject to the government’s freedom of information legislation. The Norwegian fund has extensive annual reporting of its portfolio governance and investment process and objectives. The interviewee from the Norwegian SWF stated that:

“We cannot politically survive in Norway without being open and transparent… for us disclosure is primarily for the national political demands rather than international actors”
In contrast the Australian fund’s annual reporting primarily targets the investment community and regulators as its audience. Unlike the Norwegian fund, the Australian SWF is operated as a separate and “independent” entity and is not subject to Freedom of Information legislation.

As for the Asian funds, Temasek from Singapore started annual reporting in 2006 and CIC from China started annual reporting from 2009. However the annual reports of these funds do not include detailed returns and portfolio information. They do disclose information on their governance including executive, board and advisory committee members. The CIC and Temasek recently started an internationalization campaign. Both funds have multiple foreign offices and also several foreign nationals on their boards and executive teams. The Asian SWFs have different levels of integration and structural relationships with their respective national governments. For example, Temasek is a special corporate entity exempt from regular disclosure requirements. Its board members are with one exception all from non-government backgrounds. However, its CEO is has been for several years the wife of the country’s premier. CIC is also a corporate entity with an international advisory board. CIC’s board however comprises several senior government officials.

The below table provides an overview of a representative subset of the SWFs.
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<tr>
<td>CIC</td>
<td>213.6</td>
<td>Exports</td>
<td>Incorporated</td>
<td>Five government officials on the board</td>
<td>Most with government background</td>
<td>Since 2009, policies, governance</td>
<td>China</td>
<td>3.12</td>
<td>Single party</td>
</tr>
<tr>
<td>GIC</td>
<td>330</td>
<td>Exports</td>
<td>Incorporated</td>
<td>Mix of government (e.g. former PM) and non-government members</td>
<td>non-government</td>
<td>Since 2007 - governance - portfolio structure</td>
<td>Singapore</td>
<td>18</td>
<td>Democratic - PAP in power since independence</td>
</tr>
<tr>
<td>Temasek</td>
<td>134</td>
<td>Exports</td>
<td>Incorporated</td>
<td>non-government and highly diversified</td>
<td>non-government</td>
<td>Since 2006, policies, governance</td>
<td>Singapore</td>
<td>18</td>
<td>Democratic - PAP in power since independence</td>
</tr>
<tr>
<td>KIA</td>
<td>264</td>
<td>Oil</td>
<td>Government agency</td>
<td>Mix of government and non-government members</td>
<td>Mixed of government officials and non-government members</td>
<td>None</td>
<td>Kuwait</td>
<td>1</td>
<td>Royal family</td>
</tr>
<tr>
<td>LIA</td>
<td>64.2</td>
<td>Oil</td>
<td>Government agency</td>
<td>4 government officials on Board of Trustees; 2/7 Directors hold current government positions</td>
<td>non-government</td>
<td>None</td>
<td>Libya</td>
<td>2.19</td>
<td>Ruling family (during the case period)</td>
</tr>
<tr>
<td>QIA</td>
<td>60</td>
<td>Oil</td>
<td>Government agency</td>
<td>Strong government presence</td>
<td>Mix of government officials and ruling family</td>
<td>None</td>
<td>Qatar</td>
<td>8.2</td>
<td>Royal family</td>
</tr>
<tr>
<td>ADIA</td>
<td>875</td>
<td>Oil</td>
<td>Government agency</td>
<td>Strong government presence</td>
<td>Limited information - strong government presence</td>
<td>Since 2010 - only policies and governance</td>
<td>United Arab Emirates</td>
<td>1.32</td>
<td>Ruling family</td>
</tr>
<tr>
<td>AGFF</td>
<td>45.8</td>
<td>Privatization</td>
<td>An incorporated body and a government agency</td>
<td>Non-government</td>
<td>Non-government</td>
<td>Since its launch in 2009 - size, portfolio, investment strategy</td>
<td>Australia</td>
<td>2.7</td>
<td>Liberal democracy</td>
</tr>
<tr>
<td>GPFG</td>
<td>322</td>
<td>Oil</td>
<td>Integrated into the Ministry of Finance</td>
<td>Government-appointed members</td>
<td>Non-government – Norges Bank operates as Norway’s central bank</td>
<td>Since its launch - policy, portfolio, proxy votes, governance</td>
<td>Norway</td>
<td>2.8</td>
<td>Liberal democracy (constitutional monarchy)</td>
</tr>
</tbody>
</table>

Table 2 – Overview of national and SWF structure, reporting and governance attributes
The following section outlines the negotiation process for achieving Generally Accepted Principles and Practices (GAPP). It also provides details about how the representatives of the three SWFs under study behaved during the negotiation process and how the content of GAPP evolved.

The Transnational Negotiations

In early 2008, in response to public concerns about the intentions of SWFs, several national governments and international organizations were in the process of developing regulations and codes to control SWF transactions. At the national level, the US and Germany developed their own SWF investment scrutiny bodies to respond to public concerns about potential political motives behind SWF transactions. Such bodies examined all SWF transactions to ensure that there were no national security risks related to them (Financial Times 2007).

At the transnational level, the OECD and the IMF were the dominant players. The OECD launched a process for regulating the reaction of the recipient countries towards SWF investments while the IMF created a standing body, the International Working Group on SWFs, to develop a governance and disclosure code (later named GAPP) for SWFs.

The first trace of the GAPP negotiation process in IMF communiqués dates back to October 2007. At that time, a document named “Sovereign Wealth Funds—A Work Agenda” was presented to the board of governors of the IMF to recommend the development of a code for governance and transparency for SWFs. The document highlighted that:

“Transparency is of interest to very different groups - including the general public, markets, counterparties, recipient countries, and regulators - but their needs differ…

The case for such a (transparency) focus is two-fold: First, clear governance
structures will help foster *accountability and a disciplined and stable investment policy* which reduces fiscal risk and promotes financial stability. Second, transparency contributes to the efficient allocation of resources by ensuring that *markets and the public have information* to identify risks and better assess SWF behavior.”

In other words, the basic normative underpinning for transparency in the original proposal is based on market and democratic information rights. In addition, the same document stated:

> “Many features of good corporate governance are universally applicable. For instance, general principles regarding the rights of the shareholder and key ownership functions, the role of stakeholders, disclosure and transparency, the flow of information between management and the governing board, and the composition and responsibilities of the board are all relevant for SWFs.”

This statement also confirms that there is an assumption of global applicability of information-based transaction management and accountability to stakeholders. Overall, in this 38-page document, the word “transparency” is repeated 47 times.

In addition, policy discussion papers released by the IMF in 2008, cite the Norwegian fund whose high level of disclosure is based on a democratic rationale, as a model for other SWFs (IMF 2008).
The IMF board accepted the afore-mentioned proposal and, as a result, the negotiation process started in April 2008. Based on the original proposal, a draft for GAPP was created by the IMF, which was used as the starting point of the negotiations. The negotiation process took place in three sessions in Washington, Singapore and Santiago over a period of four months, culminating in the development and release of the Santiago Principles in October 2008. A drafting session was held in Oslo before the meeting in Singapore focused on finalizing the first draft of the code.

An interesting aspect of this soft law development process was the decreased coercive powers of the IMF in comparison to its usual macroeconomic interventions (Polak and Reisen 1991). In most of the cases, the IMF has historically diffused its monetary and macroeconomic reforms in the target countries through making its financial aids incumbent on the execution of the reforms. However, in this case, especially given that the regulatory process took place at the peak of the economic crisis, the capital rich SWFs were not dependent on the usual IMF services. As a result, in comparison to usual IMF behavior, modes of socialization other than coercion had to play a more central role. Unlike all other IMF guideline development processes, the IMF emphasized in this case that the code was developed by and belonged to SWFs and that the IMF should only play a mediating role and run the secretariat. This hands-off, participatory approach of the IMF also reflects the particular power dynamics of this negotiation process and the absence of regular IMF coercive instruments (Mörth 2004).

*The Negotiators*
The negotiators comprised representatives of 22 SWFs and their respective governments, members from the IMF. The observers included representatives from the Ministries of Finance of European and OECD countries (for a complete list of participants, please refer to Appendix IV).

The IMF International Working Group on Sovereign Wealth Funds was co-chaired by the chairman of the Abu Dhabi Investment Authority and an IMF representative (IWG-SWF 2009). The process was coordinated by a secretariat provided by the IMF and an editorial board in charge of revising the code, headed by David Murray of the Australian Future Fund. Besides the IMF staff, the Western countries’ representatives actively represented in the negotiations included the US Treasury (representing the Alaska Fund) and the Norwegian, New Zealand and Australian SWFs and representatives from the Ministries of Finance of those countries.

The representatives of the three countries under study all combine a high-level of national embeddedness and international experience, i.e. they can be described as “rooted cosmopolitans” (Tarrow 2005).

It should be pointed out that the SWFs and their governments did not influence the negotiation process only through the actions of their representatives in the three GAPP meetings. In between meetings, the SWFs and their governments were involved in editing draft GAPP texts as members of the drafting committee. In addition, all the interviewees confirmed that, during the meetings, the SWFs were constantly in touch with their senior government officials at home for key decisions. Based on the background of the negotiators, the level of their “rootedness” in their respective national logics might be different. However, the multiplicity of mechanisms that national governments used to influence the process increases the possibility of representation of national logics in the transnational soft law development process.
Motives of Participants

The negotiating parties had decided to participate in the negotiation process for different reasons. Based on the official statements made by the Middle Eastern and Asian funds and interviewees, common reasons were “increasing legitimacy in the international investment community”, “maintaining access to investments in Western capital markets” and “avoiding ad hoc national regulatory reactions to SWF investments”. In other words, these sovereign wealth funds had come to believe that a sustained access to resources and investments at the global level would be dependent on the grounding of a certain kind of legitimacy (Meyer and Rowan 1977). Concerning the Norwegian fund, the representative of the Ministry of Finance asserted:

“Being part of a club with lax rules could question the legitimacy of the fund domestically. You have to remember that we are asking the Norwegian public to trust us in managing their money so we need the Norwegian public to be confident. Being part of a group with low standards could constitute a risk and jeopardize the trust placed in us. So for us, risk is about losing local trust in the management of the fund, and not about losing investment opportunities in other countries.”

This signifies how the legitimacy challenge for certain funds (the Asian and Middle Eastern funds) was primarily at the international level, while for others (the Norwegian fund) it was legitimacy in the eyes of the local public that was the key driver for participation. For the IMF, competition for code development for SWFs, as well as meeting the demands of the recipient countries appear to have been the two key underlying motives. In early 2008, the Asian Development Bank, the OECD and several US think thanks were actively exploring the idea of
establishing international standards for SWFs’ disclosure. At the same time, the World Bank offered technical assistance to SWFs. The European Commission was also developing a set of voluntary codes of conduct for SWF governance and transparency. In such an environment, competition seems to have been a major driver for the engagement, as well as the will to urgently release the code just four months after the process was launched. This is an interesting example of marketization of regulation and competition in this area - historically under the monopoly of national governments (Djelic 2006).

Addressing the concerns of the Western recipients of SWF capital (the US, in particular) was mentioned as another key objective of the IMF. The Western recipient countries’ Ministries of Finance were present in the negotiations as observers and the US Treasury actively partook in the negotiations on behalf of the Alaska Oil Fund.

The Negotiation Process

All the interviewees present in the negotiation process stated that the IMF played a key role in the first meeting in Washington from the outset. The IMF staff ran the secretariat and co-chaired the IWG. During the first meeting, the secretariat had an active and consequential role – setting the agenda and directing the process.

Based on the above description, the original design of the negotiation process was Western-dominated, with the IMF and its mostly Western staff leading the secretariat for the meetings. This is consistent with Djelic and Quack’s (2003:325-325) dominancy of one set of logics in the building of transnational institutions. However, during the first meeting in Washington and the second meeting in Singapore, there was mounting dissent, particularly from Middle Eastern SWFs as a group and other individual SWFs such as the Chinese Investment
Corporation. During the first and second meetings in Singapore, participants expressed great skepticism about the role played by the IMF. Several funds – the Middle Eastern funds led by the Abu Dhabi Investment Authority in particular – demanded that the secretariat be run by the SWF hosting the meeting, rather than by the IMF. Two interviewees stated that the Middle Eastern representatives considered the process to be a case of “Western powers imposing their norms” on Eastern nations. One of the negotiators stated that Middle Eastern funds were not prepared to accept any code that would be too prescriptive. Based on interviewee statements, the control of the negotiations was mostly transferred to the SWFs themselves during the latter two sessions, and the role of the IMF secretariat shrunk to bureaucratic functions. The head of one of the interviewed SWFs stated that:

“The IMF provided the forum for the meeting in Washington. They functioned as the secretariat for the group, although there was skepticism by some of the participants who felt that the IMF was too closely associated with the needs of the US and its particularly prescriptive model. Consequently, there was some tension initially and along the way, too, whether it was IMF-related or ‘anti-Western’ related. Occasionally, it was unclear. The ADIA (Abu Dhabi Investment Authority), especially, was skeptical about the IMF secretariat and its members felt that sovereign wealth funds should get together and work something out – but that they should be on their own, on their own premises – they believed the IMF should be given a marginal role, if any at all. The IMF wanted to take the lead at first, although when SWFs got themselves together and took control of the process, the work progressed more successfully.”
This clearly underscores the significant power dimension that was present in the first meeting of the negotiations especially between the Middle Eastern funds/governments and the IMF. Another SWF representative mentioned:

“I think it (the tone) changed slightly, from being dominant in Washington to finding a role that was almost more humble - the tone improved over time.”

This signifies that the IMF realized that its historical attitude and coercive power in such negotiations might not be as effective in this case. One IMF representative stated:

“I completely understand that they were concerned - rightly or wrongly, sometimes there was the sentiment that the fund was being a bit heavy handed. I guess many of these people questioned whether they would be cajoled into something, although they saw over time that that was not the case. The fund has always been very pragmatic and practical in how it can influence sound economic policy and what we generally do is decide, on a case-by-case basis, the best way to intervene and influence processes. Sometimes, this means that we do things by ourselves; sometimes that we try to influence others. We think it is very natural for us not to be in the spotlight and to have a secondary role, if we find that this is more efficient.”
As of the second meeting in Singapore, the negotiations seemed to have shifted from “dominancy” to “negotiated mode” (Djelic and Quack 2003:324-25). In other words, the SWFs began to take more control of the process and the IMF moved further into the background. From this point onwards, most of the discussions focused on the code rather than on the broader political context of the process and the role of the IMF.

The IMF team developed the first draft of the code. A number of experts in various IMF departments were responsible for different clauses in the code. Following the first meeting in Washington, the IMF had less control over the code. From this point, three drafting subcommittees, comprised of SWF representatives, took over the work. A Norwegian, an Australian and a representative of the government of Singapore, headed the drafting subcommittees. During the detailed negotiations, a few key contentious points arose, namely transparency of investment policy and practices (GAPP 18), transparency of policies and practices in the exercise of ownership rights (GAPP 21) and verification and audit processes for compliance with the code (GAPP 24). Two types of concerns on transparency clauses appeared to have emerged for the SWFs. The Middle Eastern funds, including the Kuwait fund, seem to have been primarily concerned about local public’s access to information, if disclosed. One negotiator from a Western fund affirmed that:

“I was just describing what I did, that is, how we view the need to provide information to our people and a representative from a Gulf state said, ‘but I don’t understand: if we provide that information to the people, they might ask questions’.”
This statement highlights the existence of a second power dimension, in which information disclosure demands conflict with the national power and information hierarchies. This occurs in represented countries with centralized power structures and a history of low disclosure to their local public. The representative of one of the Western SWFs stated:

“I would say most of the concerns were about access of the local public to information. In our context, the people are fund’s owners, as well, so they need to know. In some other places, it is not very clear whether they (the people) have any right to this information … to what extent (local) citizens of the country have a need to know; well, there were different opinions on that.”

However, the concerns of the Singaporean funds about investment policy disclosure and practices seem to have been of a different nature. They were primarily concerned about the impact of those on the business operations of the fund and their returns. The Temasek representative affirmed:

“We have historically provided all the information demanded by Western regulators, such as the US Treasury, on an engagement basis. We see no value in public disclosure. Disclosure should have a known user and reason.”

When asked about transparency on disclosure of returns, one interviewee replied:
“From my understanding, it (the problems of the Singapore funds with transparency clauses) was from a professional perspective. Up until recently, they would publish average annual returns over 18, 19 or 20 years, which meant that you didn’t get public attention on short term losses. When you’re a long term investor, you need to focus on the long term - disclosing quarterly and annual results is going to make you nervous and can disrupt investment activities.”

The Singapore representatives rejected certain transparency clauses, which posed risks for their mode of business operations and returns. These included quarterly disclosure of returns or disclosure of proxy voting stances of the fund. However, such issues were purely based on practical business logic. The fund did not wish to disclose quarterly returns because it would increase the pressure to pursue short-term returns – whereas the fund focuses on long-term investments.

The Norwegian SWF emphasized that they were present in the negotiations to “share their experiences” and to be a “good global citizen”, which is important for their government. The Norwegian SWF affirmed that open access to information is a public right based on the Freedom of Information Act (Regjeringen 2010). The Norwegian SWF’s representative stated that fund “owners” meant something different to each SWF representative. For the Norwegian fund, for instance, “owners” meant the people of Norway. For other funds, it implied the national government. This is an interesting manifestation of the differences in the social contract between the state and its public among the countries represented in the negotiations. All the above statements signify that the Norwegian fund is run primarily with the Norwegian public in mind as the primary stakeholder.
It should be pointed out that during the three sessions of negotiations, the attitude of several funds evolved significantly. This was particularly the case with regard to the political concerns of the Middle Eastern funds, visible during the first meeting. These fears were mainly assuaged in the following sessions. This might have been the result of a combination of factors. For instance, during the first sessions, the IMF appeared domineering, while in later sessions there was a significant shift of control to the SWFs. The funds’ increasing acquaintance during the negotiations with each other and the mediating role of several participants (the Australian fund chairman, David Murray, for example) are other important factors that explain the change in attitudes. Additionally, a number of SWFs had initially expressed concern about the impact of the disclosure demands on their operations and local politics. However, in later sessions they began to realize that the development of the code was a key milestone. After its introduction and the subsequent appeasing of Western stakeholders and removal of political issues and pressure, they could move on without any actual change in practice. As one of the interviewees asserted:

“They felt that the moment the principles were prepared, published and adhered to, most of the work was done. That was a key milestone and hopefully the attention to this would subside over time – the political need would be off the table, if you like.”

During the negotiation process, several technical details of disclosure clauses were dropped and most of the requirements became broader. In addition, several “public disclosure” requirements were removed from the codes. Furthermore, GAPP 24 (which covers verification process for adherence) was relaxed. There was much resistance from a large number of funds to the
verification process (GAPP 24), which introduces auditing as well as the potential for peer pressure and other types of coercion. One participant stated:

“It was hard to reach an agreement on verification… the early drafts tried to include it one way or another; you know, something that the IMF could undertake as part of some consultation or other. One could hire someone else, like an external auditor, to do it, but it ended up as type of a political document – a voluntary set of principles that one adheres to. I think that if too much emphasis is put on verification, then the principles would be generally too weak and not meet the kind of needs that one would hope for…. The other path would be to get principles that everybody could sign up to and use as a useful model. Particularly those countries that have not yet set up their funds; they could use it as a manual, if you like, but without a strict verification process.”

The final version of GAPP 24 reads: “A process of regular review of the implementation of the GAPP should be engaged in by or on behalf of the SWF”. This leaves the verification to the discretion of the SWF and it can be carried out internally.

Following the release of the GAPP on October 13th 2008, the United Arab Emirates Finance Minister stated on behalf of all Middle Eastern SWFs:

“In view of the voluntary and consensus-based character of the initiative, we are not convinced of proposals to monitor the implementation of the Principles. We have
previously cautioned against ‘voluntary’ initiatives by the Fund (International Monetary Fund) from developing into ‘mandatory’ practices, which would detract from the ownership of these Principles by the SWFs. In addition, given the tight budgetary constraints that the Fund is operating under and the competing priorities in light of the ongoing financial turmoil, we would not be in favor of further Fund involvement beyond this stage.”

This is consistent with Abbot’s proposed soft law content where there is reciprocity between the level of technical detail and the coercive power integrated in the code (Abbott, Keohane et al. 2000). All the interviewees present at the negotiations emphasized the decrease in technical requirements, especially the public disclosure aspects of the code and the verification process.

Despite the high level of dissent during the first two sessions in Washington and Singapore, and the differences in the SWF’s viewpoints on transparency, by the end of the third meeting a consensus was achieved on a set of 24 principles, released on October 8th 2008. The final code is provided in Appendix V of this paper. This set of soft laws for SWFs is known as Generally Accepted Principles and Practices (GAPP) or the Santiago Principles. According to the interviewees, the urgency for achieving a consensus for both the IMF and the SWFs helped compromise on certain points and rapidly finalize the code. The IMF had committed to present the GAPP to the board meeting of the International Monetary and Financial Committee on October 11th, 2008. For the SWFs, considering that several Western countries (including Italy, Germany and the US) were in the process of introducing their own regulatory processes for SWF investment, it was in their best interest to achieve a consensus on a code with minimum delay (according to interviewee statements). Out of the 24 principles, 16 recommend increased
disclosure of information. Of the remaining eight clauses, seven prescribe governance and procedural changes at the SWFs, and one is a prohibitive clause about the use of government information in the SWF’s investment process. The word “transparency” is not mentioned even once in the 24 clauses of the code, which is in stark contrast to the original IMF proposal released in November 2007 in which the word transparency was used 47 times.

Following the release of the Santiago Principles, the IMF facilitated the formation of a standing body – the International Forum of Sovereign Wealth Funds – headed by the CEO of the Australian SWF, David Murray, and co-chaired by the Kuwaiti and Chinese SWFs. The forum has met several times over the past two years. In addition, interestingly, during 2009 and 2010, SWFs in Korea, Kuwait and Singapore (Temasek), for instance, started to coordinate their investments in several cases. The International Forum could possibly emerge as a potent socialization mechanism – leading in the medium to long term to the structuration of a “transnational community” of sovereign wealth funds (Djelic, Quack 2010). As a result and in the long run, the normative frames and alignment of sense-making and meanings of this “community” can induce more consistent disclosure and investment behavior among SWFs. In the absence of effective coercive instruments, longer-term socialization processes have been cited as the most important enablers of adoption and translation of soft laws (Djelic and Sahlin-Andersson 2006) and their intended and unintended impact on practices, i.e. “performitivity” (MacKenzie, Muniesa et al. 2007).
Cultural Interpretations of Transparency

A close look at this story shows that there was no hero, and no single rationalistic “entrepreneurial” actor (Beckert 1999) who shaped the process and its outcome for his/her own interest. Ultimately, it was the distributed agency (Garud and Karnøe 2005; Quack 2007) of all actors with different interpretations and agendas who were engaged at different levels, bi-lateral discussions and deal making and a significant amount of improvisation and muddling through that led to the final code.

This case is not about the birth of a new transnational norm. Transparency is already well established and its sense and framing in the transnational space have been institutionalized. Rather, this case represents an attempt to apply an existing world society norm with Western origins to new non-Western actors.

The case of SWFs vividly shows how non-Western, historically peripheral transnational actors, are increasingly vocal and how they carry their national and organizational norms and values with them in the transnational space. Boundary actors between different layers of institutions, be it transnational, national or at the field level engage in carrying and translating meanings. With the growing power of historically peripheral countries world society norms are bound to be contested, influenced and transformed with more frequency and intensity. In this case, the transnational code was edited from its point of departure which was based on democratic and public disclosure where-in Norway was projected as the model for the SWFs, to a code in-which the word transparency is not mentioned even once (compared to 47 times in the original IMF proposal). This is a major departure from the isomorphism assumptions of the
world society literature and shows how different kinds of non-Western national institutional frames increasingly influence the construction of world society frames.

Significant focus has been placed on deconstructing and understanding the social implications of the “transparency” culture, the information society, information-based accountability, and the shift from knowledge and trust to information, etc. This case sheds light on a new dimension of the global “transparency drive” which is how actors from different national institutional contexts interpret and react to transparency demands. As Quack (2007:645) highlights, the ambivalence in institutional setting and praxis are accentuated “by the multiplicity of actors at various levels of inclusion and with different interpretative mindsets”. In such situations, ideas that the IMF actors seem to perceive as self-evident, such as democratic and market based transparency, might be perceived differently by different SWF actors. Some SWF representatives might perceive the same transparency demands as openness and the others as surveillance. Some SWF representatives might perceive the same transparency demands as horizontal exchanges with the IMF while the others might perceive it as “vertical” demands (Hood and Heald 2006) and exercise of power.

Based on the emerging attitudes of the actors under study, three ideal types for institutionally-embedded interpretations of transparency emerge. The level of exposure to international markets and the type of governance structure the actors are embedded in seems to mediate their interpretation of transparency pressures. In a centralized power structure, the actors who have historically lived in societies where the state holds a monopoly over information seem to perceive information demands of the IMF differently from countries and organizations where access to information has been decentralized. Also Additionally, in organizations such as Temasek, which is run as a private firm dominated by market and financial logics, the material
and “rationalistic” role of information seems to dominate the ideational and symbolic meaning of information disclosure.

The three ideal types for institutionally-conditioned interpretations of transparency and information disclosure are described below:

I- Information as a Public Right (Democratic Information Logics)

This ideal type refers to organizations that have decentralized and participative power structures, whose dominant information logics are based on the democratic right to information. At the state level, as discussed, the Freedom of Information Act is the explicit representation of the constitutional relationship between citizens and the state. In addition, such organizations refer to their beneficiaries and, in the case of states to their public as the primary owner of information. Norway’s government and its SWF seem to be a good example of this type of attitude to information, which can also affect the behavior of the actors representing such organizations.

The type of information disclosure perceived as normatively justified is “public disclosure” as an enabler for more accountability and informed participation. Compared to targeted disclosure, public disclosure has a more significant political dimension with regard to the relationship of states to their public. While in the case of the Norwegian state it is indispensible for legitimacy and political survival, for those countries with a centralized state, public disclosure risks disturbing the status quo. In addition, Temasek is concerned about the business implications of certain types of public disclosure.

The Norwegian SWF is deeply embedded in the state and the Ministry of Finance outlines its strategies. This contributes to the influence of the state’s institutional logics on the
operations of the Norwegian SWF. National organizations dominated by this ideal type will have minimum conflict with both marketization-based and democratization-based transnational information demands. While democratization forces are compatible with the logics of such an organization, the marketization-based information demands that are usually targeted and not public are less challenging compared to democratization information demands, in both content and the audience for the information.

II- Information as a Market Instrument (Market Information Logics)

This set of logics dominates organizations with high levels of interdependency and exposure to international capital markets. In organizations engaged in under-socialized transnational economic transactions, in particular, information replaces other modes of socialization (such as trust and/or peer pressure) as an important instrument in maintaining stability, assessing investment risks and valuation. Such information demands usually follow the capital/agency hierarchy and the capital provider (or potential capital provider) demands information from the agent. Asian funds, especially those operated as a corporate entity with non-government management such as Temasek of Singapore seem most consistent with this ideal type. The stated lack of belief in the need for public disclosure and the instrumental approach to information disclosure is consistent with market-based information demand logics. In the case of Singapore, the high dependency on inbound capital flows and the competition for foreign capital following the Asian crisis, especially, seems to have resulted in a shift towards more compliance with international market logics. This is an example where more integration in the transnational investment space has trickled down towards national business systems and into a more favorable attitude to information disclosure on the part of the government. As previously mentioned, the
Temasek representative stated that information disclosure was needed to build trust and allay ad hoc regulatory actions in the market place. However, he also affirmed that information disclosure should not be public, but targeted and aimed at its specific users. Furthermore, he asserted that his fund was against any information disclosure that could have negative commercial implications. This aversion to public disclosure but positive attitude towards targeted information disclosure is consistent with the information practices of the Singapore state, described earlier in this paper. The corporate structure of Temasek further accentuates the dominancy of market logics at Temasek.

III- Information as Power (Centralized-Power Information Logics)

Power in these organizations is centralized. In these states or organizations, there is a low level of access to data by the subjects (i.e. low public information rights). The actors exposed to such institutional logics are predisposed to perceiving information as power and information demands as a challenge to their power, especially where information demands directly conflict with the perceived or desired power hierarchy (Foucault and Sheridan 1977).

In the case of the Middle Eastern SWFs, two types of power dynamics emerged. The first type was “external” and related to the power dynamics between the fund/government and the IMF/West. As previously mentioned, during the first session of the negotiations, the Middle Eastern funds, especially, were critical of the role played by the IMF and they considered the transparency demands as another case of the West imposing its standards on the East. The second power dynamic was related to the role of information and the power dynamic between the Middle Eastern SWFs and their local public. During the second and third sessions, when
Public disclosure requirements were discussed, the concerns were more about access of the local public to information rather than that of the international market actors. Organizations dominated by this type of information logics have difficulty accepting both marketization and democratization transnational information demands for public disclosure. In such organizations, given that information is perceived as power, both types of transnational disclosure demands are considered as political and as forms of domination. The fact that the Kuwait Investment Authority is a government agency with a board of directors populated by ministers and an executive management team with government experience, contributes to the influence of the state’s logics on the SWF’s information disclosure logics.

Table 4- Ideal types for attitude to transparency

<table>
<thead>
<tr>
<th>Ideal types</th>
<th>Institutional setting</th>
<th>Fund closer to this ideal type</th>
<th>Primary disclosure target/type</th>
<th>Example of quotes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Information as a Public Right (Democratic Information Logics)</td>
<td>Decentralized and democratic governance</td>
<td>Norwegian Government Pension Fund - Global</td>
<td>Local public – public disclosure</td>
<td>“We cannot survive politically in Norway without being open and transparent … The fund belongs to the public; we cannot survive politically without being open.”</td>
</tr>
<tr>
<td>2. Information as a Market Instrument (Market Information Logics)</td>
<td>High level of dependence and interaction with capital markets</td>
<td>Asian funds such as Temasek - Singapore</td>
<td>Markets – targeted disclosure</td>
<td>“We have historically provided all the information demanded by western regulators such as the US Treasury on an engagement basis. We see no value in public disclosure. Disclosure should have a ‘known user and a reason.’” “We will disclose information as long as it does not jeopardize our returns.”</td>
</tr>
<tr>
<td>3. Information as Power (Centralized/Power Information Logics)</td>
<td>Centralized power structure and governance</td>
<td>Middle Eastern SWFsKuwait Investment Authority</td>
<td>None</td>
<td>“For the Middle Eastern funds, it was another case of the West imposing its standards on emerging markets.” “I don't understand. If we provide that information to the people they might ask questions.”</td>
</tr>
</tbody>
</table>
Based on the examination of the national and organizational logics and the behaviors of the national actors from the three countries under study, the following graph presents the positioning of each of the three SWFs with reference to the three ideal types.

No organization falls completely under one single ideal type. As inherent in the definition of ideal type by Max Weber (Weber 1904:90):

“An ideal type is formed by the one-sided accentuation of one or more points of view, according to which ‘concrete individual phenomena are arranged into a unified analytical construct’. In its purely fictional nature, it is a methodological utopia [that] cannot be found empirically anywhere in reality.”

Although one ideal type dominated each SWF, the ideal type was always combined with other institutional logics. For example, in the case of Singapore, while market-based concerns were dominant, the fund representative did mention that public disclosure of fund portfolios and operations might cause political issues inside the country. This signifies that Temasek’s information logics were a mix of information as a market need as the dominant logic, combined with concerns related to the local public’s access to information, i.e. “information as power”.

The mix of the above ideal typical logics that an organization is exposed to has a significant impact on their information disclosure practices and perspectives. As described in the transnational soft law development process, the difference between the perspectives of national
actors can result in conflict about certain types of information disclosure demands. A summary of the conflicts of each of these ideal typical organizations with the transnational marketization and democratization-based information demands is provided below.

It should be emphasized that an organization’s attitude to information disclosure and transparency is dynamic and changes over time. Singapore is an interesting example of change of information attitude following the Asian crisis, to re-establish its legitimacy in global markets, given its high level of dependence on FDI.
Table 5- The three ideal typical organizations and transnational information demands

<table>
<thead>
<tr>
<th>Transparency logic</th>
<th>Marketization transnational information demands</th>
<th>Democratization transnational information demands</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. <strong>Information as a Public Right</strong> (Democratic Information Logics)</td>
<td>No conflict because democratic logics demand full openness based on the democratic social contract</td>
<td>No conflict because democratic logics demand full openness based on the democratic social contract</td>
</tr>
<tr>
<td>2. <strong>Information as a Market Tool</strong> (Market Information Logics)</td>
<td>No conflict</td>
<td>Conflict with public disclosure demands that might have potential negative business implications Disclosure is instrumental, so most types of public disclosure are not aligned with the organization's logic</td>
</tr>
<tr>
<td>3. <strong>Information as Power</strong> (Centralized/Power Information Logics)</td>
<td>Conflict - Concerns about dominancy seeking behavior of the regulator Concerns about access of local public to information in case of public disclosure</td>
<td>Conflict - concerns about dominancy seeking behavior of the regulator Public disclosure and information rights go against the power structure and social contract – concerns about access of local public to information in case of public disclosure</td>
</tr>
</tbody>
</table>

What is special in this the case of soft regulation is that the actors had spent little time with each other prior to the first session of the negotiations in Washington. Consequently, they had little time to understand other actors’ interpretation schemes or to develop common ground and common ways for sense-making (Djelic and Quack 2007) of the transparency demands and negotiations. As a result, during the first session, ideational differences in interpretation of meanings dominated the negotiations. In this session, information demands had strong symbolic meanings for the Middle Eastern funds as a form of domination. In the following sessions, the
conflicts shifted to more technical and “rational” implications of information disclosure demands.

In studies of demands for disclosure be it individual, group or organizational accounts, attention to the institutional background of actors can help scholars make sense of actors’ reactions and interpretations. The mix of institutional and interpretive approaches used in this study can enrich interpretive studies of accounting, audit and management control. Currently in such studies, the actors’ interpretations and their relationship with practices play a central role. By adding an institutional dimension at multiple levels, the interpretation of actors can be better situated and the cultural influences underlying them can be exposed.

**Conclusion**

We live in an “information society” where information is perceived as the tool for controlling everything. Information is considered apolitical and actionable for remote decision-making and control. Information is the basis for the comparison and commensuration of different entities in very different contexts. In such a world, as non-Western countries are increasingly participating in the transnational dialogue and norm setting, conflicts emerge; conflicts that remind us that the transparency norm might not be perceived in the same way across different cultural, social and political boundaries.

As described in this paper, both at the country and organizational level, there are wide varieties of power structures, types of economic organization and levels of marketization and financialization. While the democratic information rights and market-based disclosure demands might be consistent with the values and perspectives of actors from democratic and marketized
organizations, they are in conflict with the logics of organizations with centralized power structures or organizations that are less integrated into the global capital markets.

Historically, transnational inter-governmental organizations, such as the IMF, had significant coercive power to assist them with the diffusion and translation of practices at the national level. As described in this case, the coercive power of such inter-governmental organizations seems to have been eroded due to the improved capital/political standing of Middle Eastern and Asian countries against the Western nations. Consequently, as in the case of SWFs, more participative processes are used for soft law development to maximize the chances of adoption and compliance.

In the case of the IMF and SWFs, as described, the conflict of logics between the negotiating parties resulted in the dilution of the technical details of the code and also a significant decrease in the “public disclosure” demands of those soft laws inconsistent with the information perspectives and practices of national actors.

One aspect of this impact not studied in this paper is how the conflict of logics can influence the translation and adoption of such soft laws. Measuring the translation of the soft laws and their impact on the SWFs’ “action identity” (Brunsson and Adler 1989) is empirically difficult, and it is still too early in the process of adoption of the Santiago Principles to attempt such a measurement (the code was finalized in October 2008). However, it can be argued that disclosure clauses that conflict with national information attitudes will be very difficult for the SWFs to adopt. This includes the public disclosure clauses of the Santiago Principles, which are inconsistent with the centralized power structures (such as that of the Kuwait Information Authority). In such cases, the conflict can result in the decoupling of the political and action identity of the organizations, and organizational hypocrisy (Brunsson and Adler 1989). Audits
have already been carried out to gauge the level of the SWFs’ compliance with the Santiago Principles (RiskMetrics 2009). The audits indicate that most of the SWFs have undertaken minor or no changes in their public disclosure levels following the introduction of the code. In 2008 and 2009, many SWFs, including the Chinese Investment Corporation, the Abu Dhabi Investment Authority and the Qatar Investment Authority, expanded their communications departments, hired Western communications managers (PR-Week 2007) and launched international advisory boards (WSJ 2009). These observations are not definitive. However, they can be considered indicative of change primarily in the political identity of the SWFs rather than their action identities (Brunsson and Adler 1989) a result of the introduction of the code. Adoption of such codes will have intended and unintended consequences in the organizations, and the “performativity” (MacKenzie, Muniesa et al. 2007) of such transnational codes and subsequent ratings, audits and measurements is an underexplored area demanding more research.

One limitation of this study is that the analysis has not covered the variations in actors’ perceptions towards different types of information. Demanding disclosure about processes might elicit diverse reactions compared to disclosure of outcomes (Hood and Heald 2006:30-31). For example, disclosure of governance structure might face more or fewer challenges compared to disclosure of investment portfolios, both for symbolic and practical reasons. Further empirical studies are needed to develop a more granular model, which addresses the different types of information demanded.

This paper provides a starting point towards a better understanding of the impact of national logics on the transnational soft law development process. More research is needed to take into consideration the perspectives of national actors and the role of national high order logics on the soft laws development process. In the new world of fast-expanding Middle Eastern
and Asian significance and economic clout, where conditionality-type coercive instruments are increasingly ineffective, there is also a rapidly growing practical need for a greater number of studies such as this one.

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### Appendix I – Exploratory study of SWFs actively involved in the IMF negotiations for sampling

<table>
<thead>
<tr>
<th>SWF</th>
<th>Type of legal entity</th>
<th>Role of government in board</th>
<th>Role of government in senior management</th>
<th>Reporting procedure</th>
<th>Audit procedure</th>
<th>Foreign Direct Investment % of GDP</th>
<th>Type of national government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abu Dhabi Investment Authority</td>
<td>Government agency</td>
<td>Strong government presence</td>
<td>Limited information - Strong government presence</td>
<td>Reports to the government</td>
<td>No information</td>
<td>4%</td>
<td>Centralized - ruling family</td>
</tr>
<tr>
<td>Australian Future Fund</td>
<td>Government agency</td>
<td>Totally independent board</td>
<td>The CEO is the former head of the Central Bank</td>
<td>Annual report and quarterly portfolio updates available online</td>
<td>Internal Audit committee and external Australian National Audit Office</td>
<td>4%</td>
<td>De-centralized constitutional democracy</td>
</tr>
<tr>
<td>Chinese Investment Authority</td>
<td>Corporation</td>
<td>Strong government presence</td>
<td>All members of the executive committee have/have had government positions.</td>
<td>No information beyond the requirement to be accountable to the State Council</td>
<td>The Internal Audit Department and National Audit Office</td>
<td>10%</td>
<td>Single party system</td>
</tr>
<tr>
<td>Singapore Government Investment Corporation</td>
<td>Corporation</td>
<td>Mix of government and independent members</td>
<td>Independent</td>
<td>Publishes publicly available annual report, as well as quarterly update reports to the Ministry of Finance</td>
<td>Auditor-General of Singapore</td>
<td>17%</td>
<td>Constitutional democracy - PAP the ruling party since the country’s independence</td>
</tr>
<tr>
<td>Authority</td>
<td>Structure</td>
<td>Mix of government and independent members</td>
<td>Transparency and independence</td>
<td>Reporting structure and frequency</td>
<td>External audit and oversight</td>
<td>Government type</td>
<td></td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>--------------------------------</td>
<td>------------------------------------------</td>
<td>-------------------------------</td>
<td>-----------------------------------</td>
<td>-------------------------------</td>
<td>--------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Kuwait Investment Authority</td>
<td>Government agency</td>
<td>Independent</td>
<td>The KIA reports directly to the Kuwaiti Council of Ministers on an annual basis. This report is not available to outside parties</td>
<td>State Audit Bureau</td>
<td>Centralized - ruling family</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Libyan Investment Authority</td>
<td>Government agency</td>
<td>Senior board members government officials</td>
<td>No information</td>
<td>No information</td>
<td>No information</td>
<td>Centralized - ruling family</td>
<td></td>
</tr>
<tr>
<td>Libyan Investment Authority</td>
<td>Government agency</td>
<td>Senior board members government officials</td>
<td>No information</td>
<td>No information</td>
<td>No information</td>
<td>Centralized - ruling family</td>
<td></td>
</tr>
<tr>
<td>Norwegian Government Pension Fund Global</td>
<td>Integrated into the Ministry of Finance</td>
<td>Government appointed members</td>
<td>Independent – Norges Bank operates as Norwegian central bank</td>
<td>Quarterly and annual reports to the Ministry of Finance which are made public through the fund's website</td>
<td>Deloitte AS, as well as internal audits conducted by the Central Bank. Both parties submit audit reports to the supervisory board, then final audit by The Office of the Auditor General</td>
<td>Constitutional monarchy – democracy</td>
<td></td>
</tr>
<tr>
<td>Norwegian Government Pension Fund Global</td>
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<td>Constitutional monarchy – democracy</td>
<td></td>
</tr>
<tr>
<td>Qatar Investment Authority</td>
<td>Government agency</td>
<td>Strong government presence</td>
<td>No information available</td>
<td>The QIA does not report publicly on financial information through any official channels.</td>
<td>The State Audit Bureau</td>
<td>Centralized - ruling family</td>
<td></td>
</tr>
<tr>
<td>Temasek (Singapore)</td>
<td>Corporation</td>
<td>Mainly independent - some have held government positions in the past</td>
<td>Independent</td>
<td>Publishes annual report including a financial summary, as well as highlights from the year’s activity</td>
<td>Financial statements are externally audited by an international audit firm</td>
<td>Constitutional democracy - PAP the ruling party since the country's independence</td>
<td></td>
</tr>
</tbody>
</table>
### Appendix II – Analysis of Transnational Codes for Transparency

<table>
<thead>
<tr>
<th>Name of transparency code</th>
<th>Organization</th>
<th>Year</th>
<th>Statement of principle</th>
<th>Target</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Nations Transparency in Armaments (UNTIA) – FAS</td>
<td>The United Nations</td>
<td>1991</td>
<td>The United Nations Register of Conventional Arms established by the TIA is widely available so that public pressure can be brought to bear on states which appear to implement irresponsible or destabilizing arms transfers.</td>
<td>Governments</td>
<td>Democratic</td>
</tr>
<tr>
<td>UN Pearl Initiative</td>
<td>United Nations</td>
<td>2005</td>
<td>A private sector-led program aimed at improving corporate governance, accountability and smart CSR practices in business activities across the six countries of the Gulf Cooperation Council (GCC).</td>
<td>Private sector in the GCC</td>
<td>Market-based and democratic</td>
</tr>
<tr>
<td>Pacific Plan Regional Accountability Initiatives</td>
<td>United Nations</td>
<td>2005</td>
<td></td>
<td>Governments</td>
<td>Democratic</td>
</tr>
<tr>
<td>Technology and Transparency Network</td>
<td>The World Bank</td>
<td></td>
<td>Transparency is essential to allow citizens and markets to hold institutions accountable for their policies and performance, to foster trust in government and minimize corruption.</td>
<td>Governments</td>
<td>Market based and democratic</td>
</tr>
<tr>
<td>Open Budget Initiative</td>
<td>OBI - non profit</td>
<td>2006</td>
<td>The aim of the International Budget Partnership (IBP) is to ensure that government budgets are more responsive to the needs of poor and low-income people in society and, accordingly, to make budget systems more transparent and accountable to the public.</td>
<td>Governments</td>
<td>Democratic</td>
</tr>
<tr>
<td>Extractive Industries Transparency Initiative Plus Plus</td>
<td>The World Bank</td>
<td>2003</td>
<td>We recognize that a public understanding of government revenues and expenditure over time could help public debate and inform choice of appropriate and realistic options for sustainable development. We underline the importance of transparency by governments and companies in the extractive industries and the need to enhance public financial management and accountability.</td>
<td>Extractive industries</td>
<td>Democratic</td>
</tr>
<tr>
<td>CommGAP</td>
<td>The World Bank</td>
<td>2006</td>
<td>CommGAP, a global program at the World Bank, promotes the use of communication in governance reform programs and supports the building of democratic public spheres.</td>
<td>Governments</td>
<td>Democratic</td>
</tr>
<tr>
<td>Treaty on access to information, the Council of Europe Convention on Access to Official Documents</td>
<td>The European Union</td>
<td>2008</td>
<td>Considering that the exercise of a right to access to official documents: i provides a source of information for the public; ii helps the public to form an opinion on the state of society and on public authorities; iii fosters the integrity, efficiency, effectiveness and accountability of public authorities, so helping affirm their legitimacy;</td>
<td>Governments</td>
<td>Democratic</td>
</tr>
<tr>
<td>Code of Good Practices on Transparency in Monetary and Financial Policies</td>
<td>The IMF</td>
<td>1999</td>
<td>The case for transparency of monetary and financial policies is based on two main premises. First, the effectiveness of monetary and financial policies can be strengthened if the goals and instruments of policy are known to the public and if the authorities can make a credible commitment to meeting them. In making available more information about monetary and financial policies, good transparency practices promote the potential efficiency of markets. Second, good governance calls for central banks and financial agencies to be accountable, particularly where the monetary and financial authorities are granted a high degree of autonomy.</td>
<td>Central Banks</td>
<td>Market-based and democratic</td>
</tr>
</tbody>
</table>
The Code of Good Practices on Fiscal Transparency (the Code) identifies a set of principles and practices to help ensure that governments are providing a clear picture of the structure and finances of government. Implementation of the Code thus provides assurance to the public that the soundness of fiscal policy can be reliably assessed.

Recognizing that, in the field of the environment, improved access to information and public participation in decision-making enhance the quality and the implementation of decisions, contribute to public awareness of environmental issues, give the public the opportunity to express its concerns and enable public authorities to take due account of such concerns, Aiming thereby to further the accountability of and transparency in decision-making and to strengthen public support for decisions on the environment, recognizing the desirability of transparency in all branches of government and inviting legislative bodies to implement the principles of this convention in their proceedings, Recognizing also that the public needs to be aware of the procedures for participation in environmental decision-making, have free access to them and know how to use them.

**Source:** Respective websites of the issuing bodies
Appendix III – List of IWG Meeting Participants

IWG Secretariat (International Monetary Fund)

Wouter Bossu
Norma Cayo
Udaibir S. Das (Head of IWG Secretariat)
Antonio Galicia-Escotto
Robert Heath
David J. V. Hofman
Francine Koch
Peter Kunzel
Thomas Laryea
Ross Leckow
Laura Lipscomb
Yan Liu
Yinqiu Lu
Adnan Mazarei
Christian B. Mulder
William Murray
Michael Papaioannou
Iva Petrova
Jukka Pihlman
Jon Shields
Alison Stuart
Amadou Nicolas Racine Sy
Mauricio Villafuerte

Representatives from the IWG Countries, SWFs, and Institutions

Co-Chairs

Hamad Al Hurr Al Suwaidi - Abu Dhabi Finance Department
Jaime Caruana - International Monetary Fund

Member Countries

AUSTRALIA
Ian Beckett - The Treasury
Felicity McNeill- Department of Finance and Deregulation
David Murray (Chair, IWG Drafting Group) - Australian Future Fund

AZERBAIJAN
Ruslan Alakbarov - State Oil Fund of the Republic of Azerbaijan
Azer Mursagulov - Ministry of Finance

KINGDOM OF BAHRAIN
Mohamed Mubarak Al Sulaity - Ministry of Finance
Yousif Abdulla Humood - Ministry of Finance
Talal M. Kazim - Ministry of Finance

BOTSWANA
Linah K. Mohohlo - Bank of Botswana
Oduetse A. Motshidisi - Bank of Botswana

CANADA
Arvind Bhatia - Department of Finance
Wayne Foster - Department of Finance
Rod Matheson - Alberta Finance and Enterprise

CHILE
Amelia Huerta Bertrand - Ministry of Finance
Eric Parrado - Ministry of Finance
Juan Carlos Piantini - Central Bank of Chile
Patricio Sepulveda - Ministry of Finance

CHINA
Wang Jianxi - China Investment Corporation
Wang Shuilin - China Investment Corporation
Zhang Hong - China Investment Corporation
Wu Xueling - China Investment Corporation
Liu Haoling - China Investment Corporation

ISLAMIC REPUBLIC OF IRAN
Abdelalii Jbili - International Monetary Fund
Jafar Mojarrad - International Monetary Fund

IRELAND
Eileen Fitzpatrick - National Treasury Management Agency
Dermot Keane - Department of Finance
KOREA
Yi Tae Kim - Ministry of Strategy and Finance
Byunghoon Nam - Ministry of Strategy and Finance
Jeyoon Shin - Ministry of Strategy and Finance
Ik Ho Suh - Korea Investment Corporation
KUWAIT
Bader Mohammad Al-Sa'ad - Kuwait Investment Authority
Mahmoud Ahmed Mahmoud - Kuwait Investment Authority
Nadeya Mohamed - World Bank
LIBYA
Mohamed H. Layas - Libyan Investment Authority
MEXICO
José Gabriel Cuadra García - Banco de México
Alfonso Guerra - International Monetary Fund
Gerardo Rodríguez - Ministry of Finance
Marco Oviedo - Ministry of Finance
NEW ZEALAND
Yuong Ha - International Monetary Fund
Brian McCulloch - New Zealand Treasury
Adrian Orr - New Zealand Superannuation Fund
NORWAY
Thomas Ekeli - Ministry of Finance

Ola Peter Krohn Gjessing - Norges Bank Investment Management

Martin Skancke - Ministry of Finance

QATAR

Ahmed M. Al-Sayed - Qatar Investment Authority

Tariq M. Muslih - Qatar Investment Authority

Kenneth Shen - Qatar Investment Authority

RUSSIA

Peter Kazakevitch - Ministry of Finance

Roman Shiyko - Ministry of Finance

Yulia Snizhkova - Bank of Russia

SINGAPORE

Vivien Chen - Government of Singapore Investment Corporation

Hasan Jafri - Temasek Holdings

Laurence Lien - Ministry of Finance

Siong Guan Lim - Government of Singapore Investment Corporation

Ashok Srinivasan - Temasek Holdings

TIMOR-LESTE

Abraão F. De Vasconselos - Banking and Payments Authority

Emilia Pires - Ministry of Finance

TRINIDAD AND TOBAGO

Allison Lewis - Ministry of Finance

Ewart S. Williams - Central Bank of Trinidad and Tobago
UNITED ARAB EMIRATES

William J. Brown - Abu Dhabi Investment Authority
Euart Glendinning - Abu Dhabi Investment Authority
Saeed R. Al-Hajeri - Abu Dhabi Investment Authority
Robert E.B. Peake - Abu Dhabi Investment Authority

UNITED STATES

Michael J. Burns - Alaska Permanent Fund Corporation
Robert Kaproth - U.S. Department of the Treasury

Permanent Observers to the IWG

Oman: State General Reserve Fund
Saudi Arabia: Saudi Arabian Monetary Agency
Vietnam: State Capital Investment Corporation
Organization for Economic Cooperation and Development
World Bank
Recipient Countries (All EU Countries and Japan)
Appendix IV - IWG-SWF Mission and Generally Accepted Principles and Practices

In furtherance of the “Objective and Purpose”, the IWG members either have implemented or intend to implement the following principles and practices, on a voluntary basis, each of which is subject to home country laws, regulations, requirements and obligations. This paragraph is an integral part of the GAPP.

GAPP 1. Principle: The legal framework for the SWF should be sound and support its effective operation and the achievement of its stated objective(s).

   GAPP 1.1 Subprinciple The legal framework for the SWF should ensure the legal soundness of the SWF and its transactions.

   GAPP 1.2 Subprinciple The key features of the SWF’s legal basis and structure, as well as the legal relationship between the SWF and the other state bodies, should be publicly disclosed.

GAPP 2. Principle: The policy purpose of the SWF should be clearly defined and publicly disclosed.

GAPP 3. Principle: Where the SWF’s activities have significant direct domestic macroeconomic implications, those activities should be closely coordinated with the domestic fiscal and monetary authorities, so as to ensure consistency with the overall macroeconomic policies.
GAPP 4. Principle There should be clear and publicly disclosed policies, rules, procedures, or arrangements in relation to the SWF's general approach to funding, withdrawal, and spending operations.

GAPP 4.1 Subprinciple The source of SWF funding should be publicly disclosed.

GAPP 4.2 Subprinciple The general approach to withdrawals from the SWF and spending on behalf of the government should be publicly disclosed.

GAPP 5. Principle: The relevant statistical data pertaining to the SWF should be reported on a timely basis to the owner, or as otherwise required, for inclusion where appropriate in macroeconomic data sets.

GAPP 6. Principle: The governance framework for the SWF should be sound and establish a clear and effective division of roles and responsibilities in order to facilitate accountability and operational independence in the management of the SWF to pursue its objectives.

GAPP 7. Principle: The owner should set the objectives of the SWF, appoint the members of its governing body(ies) in accordance with clearly defined procedures, and exercise oversight over the SWF's operations.

GAPP 8. Principle: The governing body(ies) should act in the best interests of the SWF, and have a clear mandate and adequate authority and competency to carry out its functions.
GAPP 9. Principle: The operational management of the SWF should implement the SWF’s strategies in an independent manner and in accordance with clearly defined responsibilities.

GAPP 10. Principle: The accountability framework for the SWF's operations should be clearly defined in the relevant legislation, charter, other constitutive documents, or management agreement.

GAPP 11. Principle: An annual report and accompanying financial statements on the SWF’s operations and performance should be prepared in a timely fashion and in accordance with recognized international or national accounting standards in a consistent manner.

GAPP 12. Principle: The SWF’s operations and financial statements should be audited annually in accordance with recognized international or national auditing standards in a consistent manner.

GAPP 13. Principle: Professional and ethical standards should be clearly defined and made known to the members of the SWF's governing body(ies), management, and staff.

GAPP 14. Principle: Dealing with third parties for the purpose of the SWF's operational management should be based on economic and financial grounds, and follow clear rules and procedures.
GAPP 15. Principle: SWF operations and activities in host countries should be conducted in compliance with all applicable regulatory and disclosure requirements of the countries in which they operate.

GAPP 16. Principle: The governance framework and objectives, as well as the manner in which the SWF’s management is operationally independent from the owner, should be publicly disclosed.

GAPP 17. Principle: Relevant financial information regarding the SWF should be publicly disclosed to demonstrate its economic and financial orientation, so as to contribute to stability in international financial markets and enhance trust in recipient countries.

GAPP 18. Principle: The SWF’s investment policy should be clear and consistent with its defined objectives, risk tolerance, and investment strategy, as set by the owner or the governing body(ies), and be based on sound portfolio management principles.

GAPP 18.1 Subprinciple The investment policy should guide the SWF’s financial risk exposures and the possible use of leverage.

GAPP 18.2 Subprinciple The investment policy should address the extent to which internal and/or external investment managers are used, the range of their activities and authority, and the process by which they are selected and their performance monitored.

GAPP 18.3 Subprinciple A description of the investment policy of the SWF should be publicly disclosed.
GAPP 19. Principle: The SWF’s investment decisions should aim to maximize risk-adjusted financial returns in a manner consistent with its investment policy, and based on economic and financial grounds.

GAPP 19.1 Subprinciple If investment decisions are subject to other than economic and financial considerations, these should be clearly set out in the investment policy and be publicly disclosed.

GAPP 19.2 Subprinciple The management of an SWF’s assets should be consistent with what is generally accepted as sound asset management principles.

GAPP 20. Principle: The SWF should not seek or take advantage of privileged information or inappropriate influence by the broader government in competing with private entities.

GAPP 21. Principle: SWFs view shareholder ownership rights as a fundamental element of their equity investments’ value. If an SWF chooses to exercise its ownership rights, it should do so in a manner that is consistent with its investment policy and protects the financial value of its investments. The SWF should publicly disclose its general approach to voting securities of listed entities, including the key factors guiding its exercise of ownership rights.

GAPP 22. Principle: The SWF should have a framework that identifies, assesses, and manages the risks of its operations.

GAPP 22.1 Subprinciple The risk management framework should include reliable information and timely reporting systems, which should enable the adequate monitoring and management of relevant risks within acceptable parameters and levels, control and
incentive mechanisms, codes of conduct, business continuity planning, and an independent audit function.

GAPP 22.2 Subprinciple The general approach to the SWF’s risk management framework should be publicly disclosed.

GAPP 23. Principle: The assets and investment performance (absolute and relative to benchmarks, if any) of the SWF should be measured and reported to the owner according to clearly defined principles or standards.

GAPP 24. Principle: A process of regular review of the implementation of the GAPP should be engaged in by or on behalf of the SWF.