

Responsible stewardship models can transform Africa's mineral wealth into prosperity

SE/JSE Indices

Instrument	Price	Move%
0	89618	-1.28
3	97282.3	-1.26
0	78180.6	-1.12
1	137080	-1.13
2	21222.4	-1.56
3	133729	-1.33

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Cover: A man walks past an electronic board displaying movements in major indices at the Johannesburg Stock Exchange (JSE), in Sandton, South Africa, August 1, 2025. REUTERS/Siphiwe Sibeko

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Key takeaways

- As the global race for minerals critical to green energy tech heats up, African nations should manage their mineral revenues with sovereign wealth funds applying best practices from funds like Norway's and Saudi Arabia's.
- Well-structured, credible sovereign wealth funds would lower risk, attract liquid capital markets, and facilitate strategic alliances for African nations.
- By aligning resource wealth management with domestic industrial policy, African countries can move beyond extraction and play a greater role in global supply chains.

The geopolitical rivalry between major global powers—between the United States and China, in particular—over the control of strategic minerals has placed Africa at the center of the international stage. The rapid advancement of green technology and the energy transition are heightening the urgency among to secure reliable sources of the minerals critical to new technologies.

The current global production of critical minerals is largely insufficient to keep up with the rapidly growing demand driven by technological advancements and the green energy transition. According to the United Nations Conference on Trade and Development (UNCTAD), the number of planned mining projects by 2030 is at least ten times lower than what is required to meet global demand.¹ As the rush for metals intensifies, China's dominant position in the industry has become more apparent. The US Geological Survey estimates that China is the leading producer of approximately thirty of the fifty designated critical metals.² China extracts minerals both domestically and abroad, with a model that involves importing raw materials, refining them into metals, and manufacturing a wide range of technologies and equipment.

Rivalries over control of strategic mineral supply chains are driving geopolitical fragmentation, causing disruptions, and escalating tensions. The 2009 rare earth crisis—triggered by Beijing's restrictions on rare earth exports—illustrates this dynamic. The crisis exposed China's dominance in the sec-

tor: It accounted for approximately 80 percent of production and 90 percent of refining, which in turn heightened tensions between Western blocs, particularly the United States and Japan. Today, China also refines approximately 70 percent of the components used in standard batteries. This control over refining gives China substantial market power over both extraction and processing.

Africa holds roughly one-third of the world's metal reserves including copper, cobalt, lithium, and manganese. (See figure 1.) For decades, however, many African countries have struggled to fully capitalize on their natural resources, exporting raw materials with little benefit. If the continent can move beyond extraction to maximize value through refining, it has the potential to become a major global hub for the mining industry.

The critical minerals industry has experienced the most rapid growth since the early 2000s: The World Trade Organization estimates that annual trade in critical minerals has increased from \$53 billion to \$378 in the last twenty years.³ Estimates suggest that by 2040, the copper market could double, nickel could triple, lithium could rise nearly tenfold, and the cobalt market could increase to 2.5 times its current size.⁴ This means the world will be extracting more metals, having already extracted significantly more between 2000 and 2020 than in the previous three decades, with recent UN data revealing that resource extraction has surged by nearly 400 percent since 1970. This is projected to increase an additional 60 percent by 2060.⁵ The world is entering a new era in which the control over critical mineral and metal production capacity will be central to both current and future geopolitical dynamics.

This presents a significant opportunity for Africa to capitalize on this new cycle of large-scale investment currently unfolding in the global mining sector. However, the extreme volatility of natural resource revenues leaves African economies vulnerable to external shocks from fluctuating commodity prices, which can lead to substantial economic downturns. Additionally, the capacity limitations and operational bottlenecks within African governments often hinder the effective conversion of resource revenues into productive investments and long-term

1. Julien Bouissou and Marion Douet, "Du cuivre au cobalt : la course aux trésors stratégiques du sous-sol de l'Afrique," *Le Monde*, February 3, 2025, https://www.lemonde.fr/afrique/article/2025/02/03/du-cuivre-au-cobalt-la-course-aux-tresors-strategiques-du-sous-sol-de-l-afrique_6528771_3212.html.

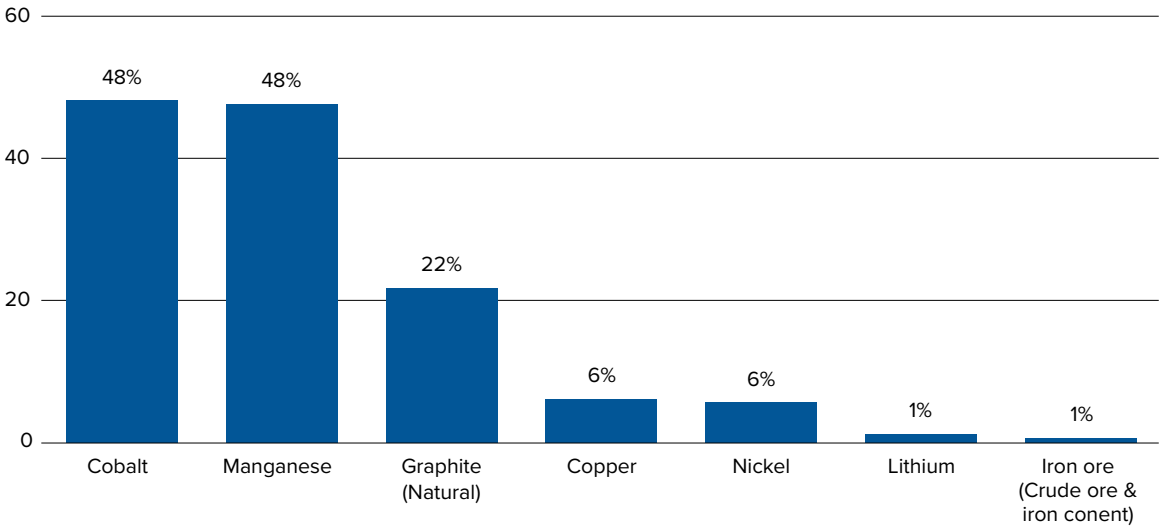
2. US Geological Survey, "U.S. Geological Survey Releases 2022 List of Critical Minerals," Press Release, February 22, 2022.

3. World Trade Organization, "Trade in Intermediate Goods: A 20-year Perspective," January 10, 2024, [https://www.wto.org/english/blogs_e/data_blog_e/blog_dta_10jan24_e.htm#:~:text=Over%20the%20past%20%20years,billion%20to%20US\\$24%20378%20billion.](https://www.wto.org/english/blogs_e/data_blog_e/blog_dta_10jan24_e.htm#:~:text=Over%20the%20past%20%20years,billion%20to%20US$24%20378%20billion.)

4. Emmanuel Hache and Candice Roche, "Les métaux: reflets ou catalyseurs de la fragmentation mondiale?," IRIS, 2024.

5. Fiona Harvey, "Raw Materials Extraction to Rise 60% by 2060, UN Report Warns," *Guardian*, January 31, 2024, <https://www.theguardian.com/environment/2024/jan/31/raw-materials-extraction-2060-un-report>.

Fig. 1: Africa is home to almost half of the world's cobalt and manganese reserves—and many other critical metals



Source: UNCTAD calculations, based on data from the Knoema database, 2023.

benefits. Given that minerals are inherently finite resources, there is a risk of declining trade balances as the surge in mineral earnings may be offset by increased imports of goods and services. Concurrently, other sectors of the economy may experience a decline in exports, particularly those disrupted by the rapid expansion of the critical minerals sector, potentially leading to the phenomenon known as "Dutch disease."

To mitigate these risks, many mineral-rich nations have established sovereign wealth funds (SWFs) as tools for fiscal and financial planning, supporting both short- and long-term policy objectives. The primary purpose of these funds is to manage mineral revenues transparently and sustainably, protecting domestic economies from the volatility of strategic mineral and petroleum revenues while promoting long-term economic stability. SWFs have been adopted by both industrialized and developing nations as a mechanism to stabilize government spending, shield against inflationary shocks, and serve as an intergenerational savings tool for finite resources. Inspired by the Norwegian model but adapted to other national contexts,

the establishment of SWFs has gained momentum since 2000, particularly following the global financial crisis of 2008, leading to the creation of more than fifteen new funds within five years.

In the African context, effective management of natural resource revenues presents a unique opportunity to drive long-term economic development. By adopting best practices, these revenues can be leveraged to invest in human and physical capital, build economic buffers to weather external shocks, and create lasting financial reserves. Transforming mineral resources into financial or physical assets can benefit citizens and foster broad-based economic and social development. This can be accomplished by strategically investing in infrastructure and human capital to maximize economic potential, directing a portion of mineral resource revenues into a domestic sovereign wealth fund to secure long-term benefits for both present and future generations, or implementing a combination of these strategies.

Global players driving investment in Africa

Evolution of the African mining sector: The global context

There is a strong correlation between cycles of low commodity prices and political instability. In the 1980s, Africa’s mining sector faced significant challenges due to the Cold War and industrial crises in Europe, which contributed to a decline in metal prices and the closure of numerous mines and factories. The 1980s and 1990s were further defined by structural adjustment programs implemented in response to the debt crisis of the late 1970s. This crisis was largely driven by mismanagement of surplus revenues generated during the raw material boom following African independence in the 1960s, exacerbated by the neocolonial extraction model “from the pit to ship.” As a result, the collapse in mineral export prices, coupled with widespread disinvestment and underinvestment in the sector, triggered a cycle of political instability. Ultimately, many states faced bankruptcy, leaving them unable to provide basic security or essential social services such as education and healthcare.

In response to these challenges, African governments began implementing policies in the early 1990s to liberalize their mining sectors and attract foreign investment. Ghana, for example, reformed its mining sector with the Minerals and Mining Law of 1986, which was enacted to promote and regulate the development of the sector. This law and subsequent structural adjustment programs in the 1990s further liberalized the industry and attracted major investment mining activities.⁶ In the late 1990s, Tanzania’s government adopted the Mineral Policy (1997) and accompanying Mining Act (1998), which opened the mining sector to private investment. In the decade following the implementation of these policies, six large-scale gold mines opened in the country, which led to a significant increase in gold production, as major companies like Barrick Gold and AngloGold Ashanti entered the market.⁷ This shift prompted a surge of international interest in Africa—particularly from Australian and Canadian companies that were eager to capitalize on newly accessible resources. As a result, numerous gold mines were opened during this period, especially in Mali, Niger, Guinea, Ghana, and Burkina Faso, driven by high gold prices. Similar developments also occurred in Guinea’s bauxite sector, and in the copper and cobalt sectors in the

Democratic Republic of Congo, particularly with the opening of the Gécamines mining area.

Despite these efforts, Africa was still widely viewed with skepticism by Western investors. This sentiment was epitomized by the Economist, whose May 13, 2000, cover cynically labeled Africa as “The hopeless continent.” However, following a period of stagnation and crisis in the 1990s—sometimes referred to as a “lost decade”—African economies began to experience a steady recovery. From 2000 onward, African countries’ gross domestic product (GDP) grew at an average annual rate of 5 percent, fueled by improved governance and more prudent economic management.⁸

A major catalyst for this growth was China’s escalating demand for raw materials to sustain its rapid economic expansion in the 2000s. By prioritizing economic diplomacy with Africa, China positioned itself as the dominant foreign partner on the continent, capitalizing on Africa’s vast, underexplored, and underutilized mineral reserves. Unlike Western investors, China pursued a pragmatic and opportunistic approach, avoiding interference in internal politics and injecting massive foreign direct investments (FDI) into African economies. This influx of foreign capital led to a surge in foreign currency reserves and state revenues, resulting in a quadrupling of sub-Saharan African economies between 2001 and 2011.

Building on this momentum, the following decade saw African governments marketing their economies to international private investors, particularly for large-scale infrastructure and mining projects. This push was bolstered by collaboration with major international consulting firms such as McKinsey & Company, financial advisory firms like Rothschild, Lazard, JP Morgan, Barclays, Goldman Sachs, as well as prominent US investment funds such as BlackRock. Well-established communication agencies in London, Paris, and New York played a key role in advancing Africa’s investment appeal on the global stage.

A new global narrative and a new era of optimism began to emerge: That of “Africa rising,”—to which the *Economist* devoted a 2011 cover story. This narrative emphasized Africa’s demographic dividend, positioning it as a key emerging market with some of the world’s fastest-growing economies, a large and cost-effective workforce, and a rapidly expanding

6. Minerals Commission of Ghana, *Minerals and Mining Policy of Ghana*, June 2021, <https://www.mincom.gov.gh/wp-content/uploads/2021/06/Mineral-and-Mining-Policy-Ghana.pdf>.

7. Tanzania Export Processing Zones Authority, “Tanzania’s Mining Investment Climate: Reforms That Government Should Take to Attract and Retain New Mining Investors,” Governance and Economic Policy Centre, <https://gepc.or.tz/tanzanias-mining-investment-climate-reforms-that-government-should-take-to-attract-and-retain-new-mining-investors/>.

8. Peter da Costa, “From ‘Hopeless Continent’ to ‘Africa Rising’: Emerging Discourses, Opportunities and Challenges for Development Communication,” *Global Times* no. 22/23 (September 2015).

consumer base with increasing purchasing power. Additionally, a growing middle-class has been a defining trend, with the African Development Bank projecting that by 2060, one billion Africans could be classified as middle class, spending between \$2 and \$20 per day.⁹

Since 2012, Africa’s mining sectors have attracted a more diversified pool of investors, making them increasingly appealing on the global stage. Investment in these sectors has surged, particularly since 2018, driven by growing interest in minerals and metals critical for the global energy transition. FDI in Africa’s mining sector reached \$16.7 billion in 2020, accounting for 30 percent of total FDI on the continent—ranking behind only the energy and transportation sectors.¹⁰ These trends reflect the fluctuating nature of mineral and metal prices. Meanwhile, since 2014, significant oil and gas discoveries have further reshaped Africa’s role in the global energy market. Major projects include a \$9 billion investment by oil company BP and Woodside in Senegal,¹¹ a \$4 billion investment by BP in Mauritania,¹² and a \$23 billion investment in Mozambique led by TotalEnergies, Eni, and Exxon.¹³ Côte d’Ivoire has also attracted \$10 billion from Eni,¹⁴ while Namibia is poised to make a final investment decision (FID) with TotalEnergies in 2025. These developments have introduced new players into Africa’s energy landscape, reinforcing its growing importance in global resource production.

Who are the global players present in Africa driving investment in the mining industry?

Dominance of Western investors: Western companies—particularly those from Canada, Australia, and the United Kingdom—account for approximately 80 percent of investment in African mining. Major multinationals such as RTZ, Glencore, and Trafigura (incorporated in Singapore) have significantly expanded their presence in the base metal sector, with their

activities having tripled since the 2000s.¹⁵ Canada leads as the top investor, followed by the United Kingdom and Australia, though the latter two have roughly equivalent investment levels. However, while Canada and Australia are global mining powerhouses, their African investments are often just one part of broader portfolios, lacking tailored regional strategies. Canadian firms focus heavily on gold, diamonds, and copper—particularly in West and Central Africa, and Australian investors prioritize coal and manganese, primarily in South Africa.

UK focus on Africa: The United Kingdom—despite having smaller overall investments compared to Canada and Australia—prioritizes Africa as its primary mining investment destination. The continent accounts for 36.9 percent of total UK mining investments. Between 2018 and 2022, the United Kingdom led in both investment value and number of active mining projects across Africa.¹⁶

The United States’ limited presence: The United States has a relatively limited presence in African mining, directing only 2.8 percent of its total mining investment to the continent.¹⁷ Its primary interests lie in bauxite, aluminum, gold, and some copper and cobalt, but US firms have previously sold projects to Chinese investors rather than maintaining long-term operations. A notable example is Freeport-McMoRan’s 2016 sale of its majority stake in the Tenge Fungurume Mine in the DRC to Chinese company China Molybdenum (CMOC) for \$2.65 billion.¹⁸ A combination of domestic mining priorities and risk aversion has limited US investment, though rising concerns about Chinese influence may spur greater interest in the sector.

China’s expanding footprint: China has emerged as a major player in African mining, particularly in cobalt, copper, bauxite, and iron ore. Driven by its “Going Out”¹⁹ policy and the need to secure critical raw material for its technology and renewable

9. Rita Abrahamsen, “Africa: No Longer the Hopeless Continent,” Centre for International Policy Studies, December 13, 2011, <https://www.cips-cepi.ca/2011/12/13/africa-no-longer-the-hopeless-continent/>.

10. Philippe Bosse and Julien Gourdon, “Les ressources minières africaines face aux acteurs mondiaux,” *Revue Internationale et Stratégique* 136 (December 2024): <https://doi.org/10.3917/ris.136.0123>.

11. Offshore Technology, “Greater Tortue Ahmeyim Project Commences Gas Production,” *Offshore Technology*, January 2, 2025, <https://www.offshore-technology.com/news/greater-tortue-ahmeyim-Ing/>.

12. Woodside Energy Group Ltd, Woodside Achieves First Oil at Sangomar in Senegal, news release, June 11, 2024, <https://www.woodside.com/docs/default-source/asx-announcements/2024/woodside-achieves-first-oil-at-sangomar-in-senegal.pdf>.

13. Petlong Dakhling, “TotalEnergies’ LNG Restart May Sway Exxon’s \$30B Bet,” African Energy Council, March 27, 2025, <https://africanenergycouncil.org/totalenergies-Ing-restart-may-sway-exxons-30b-bet/>.

14. “5 Factors Driving the Transformation of Ivory Coast’s Upstream Sector,” Energy Capital & Power, June 5, 2024, <https://energy-capitalpower.com/5-factors-driving-the-transformation-of-ivory-coasts-upstream-sector/>.

15. Bosse and Gourdon, “Les ressources minières.”

16. Bosse and Gourdon, “Les ressources minières.”

17. Bosse and Gourdon, “Les ressources minières.”

18. Desmond Egyin, “Addressing China’s Monopoly over Africa’s Renewable Energy Minerals,” Wilson Center, May 2, 2024, <https://www.wilsoncenter.org/blog-post/addressing-chinas-monopoly-over-africas-renewable-energy-minerals>.

19. Initiated in 1999, this policy encouraged Chinese firms, especially state-owned enterprises, to invest and operate abroad, including in the mining sector to secure resources and expand global influence.

energy needs, China has significantly increased its mining investments in Africa. The country is now deeply embedded in cobalt production in the DRC and platinum mining in South Africa, and it has invested heavily in bauxite extraction in Guinea. While Chinese activity noticeably declined after 2014, its strategic positioning in African minerals remains strong.

Indian investment: India has followed a mining investment strategy inspired by China, albeit on a smaller scale. The country has prioritized phosphate mining in Morocco to support its agricultural sector, as well as zinc and copper projects in Zambia, and other materials such as coal and iron ore.

Other investors: Newer players are also expanding their presence in Africa’s mining sector. The United Arab Emirates has increasingly invested in gold, bauxite, and base metals, with a dual role in both extraction and mineral trading. Russia has had a significant presence in West Africa, particularly in gold through Nordgold, though its investment declined between 2018 and 2022, likely due to international sanctions and the war in Ukraine. South Africa remains a dominant force in its own mining sector with significant investments across the

continent, accounting for 54.3 percent of African mining investments from 2018 to 2022.²⁰ European countries, notably Switzerland via Glencore, and Japanese firms are also present, with varying degrees of activity and focus across different minerals and regions.

Africa’s mining sector has experienced substantial growth, driven by diversified investor interests and an increasing demand for critical minerals and transition metals. While Western countries still hold the largest share of investment, China, India, and other emerging economies are steadily increasing their influence, creating a more competitive landscape. As global demand for critical minerals rises, African nations must strategically leverage their vast natural resources to attract further investment, ensuring that mining revenues contribute to long-term economic development and industrialization.

Although Africa’s share of global FDI has lagged other regions (see table 1), it continues to attract increasing capital in its mineral industry.

Table 1: Global mining FDI distribution by destination (2018–2022)

Destination of mining FDI	Exploration budget		Brownfield investments		Greenfield investments		Total FDI	
	Amount (Millions USD)	Part (%)	Amount (Millions USD)	Part (%)	Amount (Millions USD)	Part (%)	Amount (Millions USD)	Part (%)
Latin America	11,833.40	27	47,524.60	19.3	54,690.10	20.6	114,048.10	20.5
Canada	7,738.40	17.6	25,362.80	10.3	46,896.50	17.6	79,997.70	14.4
Africa	4,700.30	10.7	43,020.90	17.5	29,415.30	11.1	77,136.50	13.9
United States	5,224.30	11.9	29,116.60	11.9	42,244.60	15.9	76,585.50	13.8
Australia	7,502.70	17.1	28,378.70	11.6	36,195.00	13.6	72,076.40	13
Rest of the world	6,909.30	15.7	72,252.60	29.4	56,678.70	21.3	135,840.60	24.4
Total	43,908.40	100	245,656.20	100	266,120.20	100	555,684.90	100

Source: Philippe Bosse and Julien Gourdon, “Les ressources minières africaines face aux acteurs mondiaux,” *Revue Internationale et Stratégique* 136 (December 2024), based on S&P Capital IQ Pro Data.

20. Bosse and Gourdon, “Les ressources minières..”

Challenges in minerals revenue management in Africa

Although mining revenues remain crucial for government financing and foreign exchange, this dependence often undermines long-term development goals. Despite growth in the sector, many African countries continue to struggle with managing resource wealth effectively and leveraging it for sustainable economic benefits, highlighting the need for better management practices and policies.

Political instability

The first obstacle to establishing a sustainable framework for managing natural resources in Africa is political instability, which often leads to corruption, mismanagement, and looting by elites.

When discussing Africa’s resource wealth, the success of some resource-rich Gulf countries is often cited as a contrast: While African nations are endowed with abundant minerals, they have struggled to replicate the Gulf’s economic trajectory.

The key difference lies in their political trajectories, the availability of infrastructure and human capital, and their state capitalism model.

Often mimicking the worst aspects of Chinese state capitalism, most African countries suffer from weak governance in their national oil or mining companies. Politicians exert strong control over the appointment of management and board members in these state enterprises, which represents one of the worst flaws in building strong and resilient mining industries. The main causes of these failures include:

1. a lack of autonomy and long-term strategic planning,
2. corruption and nepotism,
3. financial mismanagement,
4. rent-seeking behavior over competitiveness, and
5. a weak regulatory framework.

Many African states have been trapped in cycles of mismanagement, instability, and short-term policies, which have hindered their ability to transform resource wealth into sustained prosperity.

Botswana stands as a rare example of a resource-rich country that has avoided these traps and effectively managed its natural wealth to foster long-term economic growth and stabi-

lity. Through prudent fiscal management, the government has maintained budgetary surpluses, established financial reserves to cushion against commodity price volatility, and ensured that diamond revenues are spent strategically rather than fueling unsustainable expansion. Its commitment to transparency and accountability, reinforced by strong institutions and inclusive decision-making, has helped prevent corruption and ensure that resource wealth benefits the public. Additionally, the country has prioritized human capital development and investing in education, healthcare, and infrastructure to drive economic diversification and improve living standards. While Botswana’s unique context has contributed to its success, other African nations can look to its model of fiscal discipline, transparent governance, and long-term investment as a roadmap for transforming resource wealth into sustainable and inclusive development.²¹

Economic vulnerabilities

Minerals and hydrocarbons are finite resources, and their extraction can disrupt trade balances. A surge in mineral earnings often drives increased imports of goods and services, while the expansion of the resources sector can undermine exports from other economic sectors. This imbalance risks triggering Dutch disease, where overreliance on mineral wealth weakens broader economic diversification.²²

Structural policy is often overlooked in mineral-rich economies, where the focus tends to be on spending these revenues rather than fostering growth in the nonpetroleum or non-mineral sectors of the economy. In addition to the macro level risks of Dutch disease, at a more micro level, rent-seeking behavior by individuals, driven by efforts to secure economic benefits from mineral revenues, can hinder the efficient allocation of resources and obstruct long-term growth. Capacity constraints and bottlenecks in economies also make it challenging to efficiently transform mineral revenues into productive investments and lasting benefits. This is especially the case in economies where the inflow of revenues is a significant share of the GDP, the need for development is urgent, expectations are high, and the absorptive capacity is limited.

Limited value addition

While mineral extraction generates significant revenue, this revenue is often not fully realized within local economies due

21. Brendan Morey, “Avoiding the Resource Curse: Why Botswana Succeeded Where Others Failed,” *Glimpse from the Globe* (a student-run publication, University of Southern California), August 27, 2018, <https://www.glimpsefromtheglobe.com/regions/sub-saharanafrica/avoiding-the-resource-curse-why-botswana-succeeded-where-others-failed/>.

22. Dutch disease, according to the IMF, refers to the negative economic consequences that can arise from a sudden, large increase in a country’s income, particularly from resource discoveries or price surges. It’s a phenomenon where a booming resource sector leads to a contraction in other, tradable sectors, often due to currency appreciation.

to the lack of value-added processing. According to UNCTAD, African countries only generate an estimated 40 percent of the revenue they could potentially collect from these resources.²³ The absence of local processing industries not only limits job creation but also the opportunities for African economies to capture a larger share of the value chain. Additionally, the reliance on raw mineral exports exposes African economies to the volatility of global commodity prices and makes them vulnerable to price fluctuations.

Diversifying from solely extraction to higher-value activities would encourage investment and provide opportunities to reach new markets, reduce exposure to commodity price fluctuations, generate higher tax revenues, and create employment prospects for local populations. The production of higher-value commodities would allow for more profit retention and enhance local development prospects.²⁴

The absence of local processing and manufacturing industries exacerbates the broader challenges in managing mineral revenues by limiting the economic and developmental potential of mineral extraction. Without addressing the issue of value addition, African nations will continue to struggle with managing mineral revenues in a way that maximizes their potential for inclusive, sustainable, long-term development.

Mineral-rich countries face significant challenges in managing resource revenues. If overcome, these revenues represent a huge opportunity to realize long-lasting benefits. Effective resource management requires that a comprehensive framework be established to ensure sound revenue management of petroleum reserves and strategic minerals. However, structural constraints have often hindered efforts to maximize resource wealth for sustainable development. To address these challenges, many countries have turned to the establishment of a sovereign wealth fund as a mechanism to stabilize economies, channel resource revenues into long-term investments, and ensure intergenerational equity. Strengthening economic cooperation and adopting market-driven strategies could further enhance Africa’s ability to leverage its resources for sustained growth and global economic engagement.

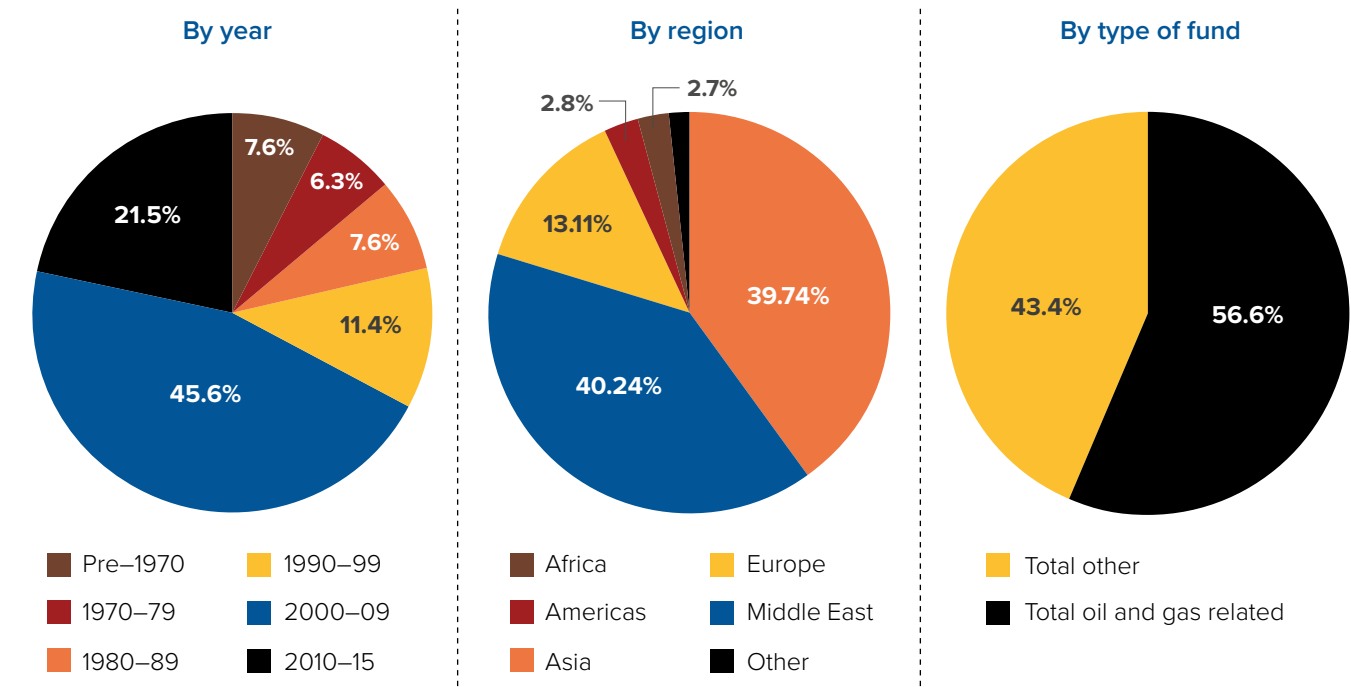
23. Paul Akiwumi, “How Africa Can Harness Critical Mineral Wealth to Revamp Economies,” UN Trade and Development (UNCTAD), 2024, <https://unctad.org/news/how-africa-can-harness-critical-mineral-wealth-revamp-economies>.
24. Karla Cervantes Barron et al., “Value Addition for Who? Challenges to Local Participation in Downstream Critical Mineral Ventures in Zambia,” *Extractive Industries and Society* 20 (2024): <https://doi.org/10.1016/j.exis.2024.101554>.

Key characteristics and models of sovereign wealth funds

There is no universal definition of an SWF, but they are typically defined **as state-owned pools of money created to achieve macroeconomic objectives**.²⁵ These funds are tasked with holding, investing, and managing assets in line with predetermined investment strategies to achieve financial objectives. According to the Sovereign Wealth Fund Institute (SWFI), approximately \$7.4 trillion in assets are managed by SWFs, with petroleum-related funds overseeing assets of about \$4.2 trillion of this total.²⁶

The establishment of SWFs has accelerated in the last two decades, with two-thirds of the funds created after 2000. The Middle East, predominantly home to petroleum-based funds, and Asia, which hosts a variety of nonpetroleum funds, are the dominant regions for SWF, collectively accounting for four out of five SWFs (see figure 3): Notably, aside from Norway’s Government Pension Fund Global, the largest SWFs in the world are located in these regions (see table 2).

Fig. 2: SWFs by year of establishment, region, and fund type



Source: Sovereign Wealth Fund Institute (SWFI).

25. Vidar Ovesen, *Topics to be Considered When Designing a Sovereign Wealth Fund*, upon request by COS PETROGAS, Republic of Senegal, 2018.
26. “Sovereign Wealth Fund Rankings,” Sovereign Wealth Fund Institute, <https://www.swfinstitute.org/sovereign-wealth-fund-rankings/>.

Table 2: The ten largest SWFs by fund type and assets under management

Fund	Type	Size (in billions of dollars)
Norway (GPFG)	Petroleum	1,000
Abu Dhabi (ADIA)	Petroleum	828
China (CIC)	Noncommodity	814
Kuwait (KIA)	Petroleum	524
Saudi Arabia (PIF)	Petroleum	514
Hong Kong (HKMA)	Noncommodity	457
China (SAFE)	Noncommodity	441
Singapore (GIC)	Noncommodity	359
Qatar (QIA)	Petroleum	320

Source: (SWFI).

SWF revenues typically originate from a country’s budgetary surplus and are often invested internationally to mitigate potential negative impacts on the domestic economy, such as Dutch disease. By allocating funds to international financial markets, SWFs aim to preserve or increase asset value through investment returns. Those SWFs funded by large natural resource revenues are commonly referred to as natural resource funds (NRFs).²⁷ In addition to resource-based revenues, some SWFs receive funds from property sales, privatization of public corporations,²⁸ or have derived from surplus foreign reserves transferred from the central bank when deemed unnecessary for monetary policy support.²⁹

In resource-rich countries, SWFs commonly function either as **stabilization funds**—acting as buffers against international commodity price volatility—or **savings funds** designed to accumulate wealth for future generations. Some countries manage these objectives with a single fund, such as Norway, Timor-Leste, Kuwait, Qatar, and the UAE. Other nations establish SWFs with two or more sub-funds with distinct objectives, like Chile, Ghana, Russia, and Trinidad and Tobago.

Stabilization funds are structured to insulate domestic economies from external shocks and fluctuations in commodity prices. Given their short- to medium-term objectives, these funds typically have liquidity needs similar to those of central banks’ foreign reserves. As a result, they are often allocated

primarily to low-risk, fixed-income securities to ensure capital preservation and liquidity.

Conversely, **savings funds** focus on long-term wealth accumulation, ensuring that natural resource revenues benefit future generations. These funds are usually highly diversified across a broad range of financial assets, including equities or government bonds. Due to their long-term investment horizon, they tend to allocate a higher share of assets to higher-risk, higher-return investments.

In some cases, SWFs have domestic investment responsibilities to support economic development. These **development funds** (also known as strategic funds) prioritize strategic domestic investments, particularly in infrastructure projects. Countries such as the UAE, Iran, Russia, Azerbaijan, Malaysia and Angola have deployed their SWFs in this capacity, with some investing their entire portfolio or a designated portion within their national economies.

Unlike pension funds, which have defined liabilities linked to future payouts, most SWFs do not have specific pension obligations. However, in some cases, SWFs are designed to support long-term public expenditures that may include pension liabilities. For example, Australia’s Future Fund and New Zealand’s Superannuation Fund are structured to help finance future government pension costs. This is particularly the case in countries with an aging population. These funds typically

27. These SWFs were created by Norway, Chile, Timor-Leste, Botswana, Trinidad and Tobago, Abu Dhabi, Kuwait, Kazakhstan, Azerbaijan, and Russia.
28. These are the SWFs of Singapore, Korea, New Zealand, and Australia.
29. This is the SWF of the People’s Republic of China.

follow a long-term investment strategy with a significant allocation to equities to maximize returns over time.

SWFs differ from foreign reserves, which are managed by central banks and primarily serve monetary policy and economic stabilization purposes. While central banks sometimes manage SWFs on behalf of governments—often by establishing independent units within the institution—many governments have created separate sovereign investment authorities to oversee SWF assets. Under both models, the government remains the owner of the assets, delegating investment management responsibilities to a designated entity.

An alternative management model to the conventional **manager model** described above, is the **investment company model**, in which a government-established investment company directly owns and manages SWF assets. This model is more prevalent when the fund’s investment strategy requires active ownership or when the SWF has explicit development objectives alongside traditional financial return mandates. In such cases, the SWF plays a more direct role in economic transformation, leveraging its capital to drive strategic national priorities while balancing financial sustainability.

SWFs in a broader fiscal and macroeconomic framework for African governments: Recommendations and considerations

The volatility, uncertainty, and finite nature of mineral and petroleum revenues present significant challenges for the design of effective fiscal and macroeconomic policies. Establishing an SWF can serve as a critical mechanism to support fiscal stability, mitigate economic fluctuations, and promote long-term financial sustainability. Given the inherent price volatility of natural resource commodities and their potential to trigger macroeconomic instabilities and cyclical “boom-bust” dynamics, an SWF can help smooth expenditures over time, ensuring short- and medium-term economic stabilization.

In recent years, SWFs have become increasingly active across Africa, with many governments recognizing their potential to fill critical financing gaps and catalyze economic growth. The emergence of local African SWFs presents an opportunity to shape and accelerate regional investment dynamics. UNCTAD reported that in 2023, there were approximately fifty-five so-

vereign wealth and public investors based in Africa, including thirty-nine SWFs and sixteen public pension funds (PPF). The thirty-nine SWFs across Africa are geographically diverse and obtain their capital from various sources, such as oil and gas revenues, mining profits, and fiscal surpluses. Collectively, these funds manage approximately \$400 billion—a substantial amount, yet it represents just over 1 percent of all sovereign and public funds worldwide (see table 3). These funds are uniquely positioned to drive domestic economic growth while also attracting investment from international sources.³⁰

Compared to their Middle Eastern counterparts, African SWFs generally have fewer resources, with smaller transaction sizes and limited government surpluses to draw from. The average transaction amount for African SWFs in recent years was \$84 million, compared to \$383 million for Middle Eastern SWFs.³¹

Table 3: Sovereign investors in Africa and globally (2023, by number and value of assets under management in billions of dollars)

African funds			Global funds		Total	
	Number	AuM	Number	AuM	Number	AuM
SWFs	39	154	145	12,356	184	12,510
PPFs	16	244	285	23,618	301	23,862
Total	55	398	430	35,974	485	36,372

AuM = assets under management **SWF** = Sovereign Wealth Funds **PPF** = Public Pension Fund

Source: Global SWF, 2023.

30. UNCTAD, *World Investment Report 2024: Investing in Sustainable Energy for All*, UNCTAD, 2024, https://unctad.org/system/files/official-document/diae2024d2_en.pdf.

31. Boston Consulting Group, “Africa’s Sovereign Wealth Funds Can Spur Growth and Nation Building,” October 10, 2023, <https://www.bcg.com/publications/2023/africas-sovereign-wealth-funds-can-spur-growth-and-nation-building>.

Table 4: African sovereign wealth funds reflect diverse national priorities and growing financial influence

Country	SWF(s)	Stabilization	Savings	Strategic	AuM \$b
Algeria	RRF	X			13.3
Angola	FSDEA	X	X	X	2.2
Botswana	Pula Fund	X			3.8
Djibouti	FSD			X	0.2
Egypt	TSFE			X	2.0
Ethiopia	EIH			X	46.3
Equatorial Guinea	FRGF, FSRB	X	X	X	0.2
Eswatini	FTN	X			0.5
Gabon	FSRB, FRGF, FGIS	X	X	X	1.9
Ghana	GPF, GIIF, MIIF	X	X	X	2.4
Guinea	FSI	X			0.7
Libya	LIA		X	X	68.4
Mauritius	MIC			X	1.2
Morocco	Ithmar			X	1.8
Nigeria	NSIA, ECA, Bayel-sa	X	X	X	2.5
Rwanda	Agaciro			X	0.3
Senegal	FONSIS			X	1.2
South Sudan	South Sudan ORSF	X			0.2
Tunisia	CDC TN			X	3.4
Zimbabwe	Mutapa IF	X			1.1
Total		11	6	14	153.6

Source: Global SWF, 2023.

Despite the fact that African funds aren’t particularly large, some, including Ethiopia’s Investment Holdings (EIH), Nigeria’s Sovereign Investment Authority (NSIA), and Egypt’s Sovereign Fund (TSFE), are actively leveraging partnerships with foreign investors to unlock private-sector growth and strategically deploy capital.³² Additionally, several African nations have either taken steps toward or expressed interest in establishing new SWFs to support national development goals, including:

- Kenya passing a bill to establish an SWF, setting the stage for more effective management of its hydrocarbon and minerals resource wealth.
- Tanzania, which has an active PPF, seeking to set up an SWF to manage natural gas revenues.
- Zambia seeking to emulate its neighbor Zimbabwe and setting up a small savings fund.
- South Africa discussing the creation of an SWF in addition to its government pension funds.

32. Boston Consulting Group, “Africa’s Sovereign Wealth Funds.”

- Malawi evaluating the best SWF mechanism for the country.³³

If African funds can be designed more effectively, they offer tremendous opportunities to enhance long-term, sustainable economic development. To maximize these opportunities, African governments should consider the following six recommendations to effectively structure their fiscal policy frameworks:

Establish a strong fiscal framework that separates critical mineral and petroleum revenues from public expenditures.

A well-designed SWF framework should aim to decouple critical mineral and petroleum revenues from public expenditures. During periods of high international commodity prices and revenue surges, excess earnings should be set aside for future stability and to build fiscal buffers. Conversely, during downturns, these savings can be drawn upon to cushion the impact of declining revenues. This fiscal policy approach would help regulate public spending across economic cycles, reducing vulnerability to external shocks and enhancing overall macroeconomic resilience.

At the same time, the fiscal policy framework must acknowledge the fact that mineral and petroleum revenues are finite and exhaustible.

Structure the SWF to provide long-term savings that can benefit future generations, bearing in mind that increased resource revenues are a result of reallocation of wealth, from minerals and petroleum in the ground to financial assets. Designing proper transfer and withdrawal rules would enable the SWF to act as a long-term savings instrument, providing for fiscal sustainability and ensuring that future generations can benefit from the mineral and petroleum revenues.

The sovereign wealth fund of Nigeria, managed by the Nigeria Sovereign Investment Authority (NISA), is an example of a fund designed with an emphasis on long-term savings for future generations. The fund was created to address long-standing concerns about the management of Nigeria’s oil wealth and the nation’s vulnerability to commodity price fluctuations. Prior to establishing an SWF, Nigeria relied on the excess crude account (ECA), created in 2004 to save excess oil revenues. The ECA was poorly managed, however, and concerns over transparency, corruption, and fiscal instability led to the establishment of Nigeria’s SWF in 2011. When the initial SWF was created by the NISA, it was valued at \$1 billion, which increased to approximately \$2.3 billion by December 2022.³⁴

The NSIA operates three primary funds:

1. The Stabilization Fund: Acts as a buffer to support the national budget in times of economic shocks.

2. The Future Generations Fund (FGF): Aims to ensure wealth accumulation for future generations. A long-term savings mechanism, this fund is invested in a diversified portfolio of global assets, including equities, private equity, and fixed income.
3. The Nigeria Infrastructure Fund (NIF): Focuses on domestic infrastructure development.

The Future Generations Fund is specifically designed to preserve wealth beyond immediate fiscal needs, ensuring that Nigeria’s oil revenues benefit future generations even when petroleum resources are depleted. When Nigeria’s SWF was created, the NISA allocated 40 percent of the seed capital to the FGF, although this amount was reduced to 30 percent in 2018. This structure ensures that a portion of petroleum revenues are saved and invested rather than being entirely consumed in the short term. Nigeria’s SWF illustrates how a well-structured fiscal policy can help convert exhaustible resource revenues into financial and physical assets that ensure intergenerational benefits.³⁵

Establish a clear fiscal policy rule as the foundation of an effective fiscal framework. A well-defined fiscal rule, imposes constraints on a government’s ability to tax and spend while promoting fiscal responsibility and stability, provides a structured approach to managing petroleum and mineral revenues over short-, medium-, and long-term horizons. By imposing clear guidelines on the allocation of resource revenues, fiscal policy rules help “tie the hands” of the policymakers, ensuring discipline in decision-making and reducing risks of excessive spending or misallocation.

The formulation of a fiscal policy framework for resource-rich economies must account for country-specific conditions. Key conditions may include:

- The net present value of future expected petroleum and minerals revenues.
- Long-term fiscal sustainability.
- Short- and medium-term stability.
- The need for domestic investments and economic development.
- The economy’s absorptive capacity.
- The government’s ability to select, implement, and monitor domestic investments projects.

Ensure the fiscal policy framework has an appropriate balance between savings, current expenditures, and long-term investments based on the structural characteristics of the economy. For instance, countries with more abundant

petroleum or critical mineral reserves that are expected to generate revenue over an extended period may allocate a larger share of revenues to current expenditures. However, a trade-off must be carefully managed between accumulating savings for future generations and financing growth-enhancing investments that support economic development.

For developing economies with significant resource endowments, fiscal policy may initially prioritize scaling up growth-enhancing expenditures, rather than strictly adhering to long-term strategies. However, weak institutional capacity and absorptive constraints may hamper the effectiveness of large-scale domestic investments, potentially leading to wasteful expenditure and high inflationary pressures. To mitigate these risks, investment expenditures should be phased over time, ensuring that public spending remains sustainable and efficient.

A well-designed fiscal framework should be anchored in principles of long-term sustainability.

Align fiscal policy with the permanent income hypothesis (PIH), which is meant to smooth resource revenues over time to ensure intergenerational equity.³⁶ In developing countries, however, moderate deviations from the PIH may be justified to accelerate poverty reduction and enhance human and physical capacity building. By strategically investing in sectors that drive productivity growth and economic diversification, governments can expand future fiscal space, maximize national wealth, and reduce long-term dependency on resource revenues.

Case study | Timor-Leste’s (East Timor) Experience with the PIH Rule:

One of the most prominent examples of the PIH rule in practice is Timor-Leste. Inspired by the Norwegian model, Timor-Leste established one of the most well-governed SWFs among resource-rich countries. Its fund ranks sixth of forty-four SWFs, as assessed by the Peterson Institute for International Economics; most of these SWFs are in industrialized nations, with high marks for governance, transparency, and fiscal discipline. In 2008, it scored 80 out of 100³⁷ in the Truman ranking³⁸ of sovereign wealth funds, placing it among the top-rated funds globally.

Safeguarding long-term sustainability:

- Timor Leste’s 2005 Petroleum Fund Law ensures that all petroleum revenues are deposited into a SWF managed by the central bank and overseen by the minister of finance.
- The government is legally required to finance annual expenditure primarily through the investment returns generated by the fund.
- Any withdrawals exceeding that amount are discouraged, reinforcing a saving-first approach to resource revenue management.
- By limiting public spending to the interest generated by the fund, the Petroleum Fund Law aims to preserve the fund for future generations.

At the core of the Timor Leste’s Petroleum Fund Law is the concept of **estimated sustainable income (ESI)**, which sets a benchmark for the maximum amount that can be withdrawn annually without eroding the fund’s future value. If the ESI is accurately calculated and adhered to, the fund can, in theory, generate wealth indefinitely, ensuring long-term economic stability after resources are exhausted. This model has drawn criticism.

Balancing the preservation of resource wealth with the immediate need for socioeconomic development:

- In a low-income country like Timor-Leste, with significant human capital deficits, there is an urgent need for investments in education, healthcare, and infrastructure.
- Allocating more petroleum revenues to development expenditures could yield higher long-term returns than international financial investments.
- This debate underscores a broader challenge for developing economies: balancing the preservation of resource wealth with the immediate need for socioeconomic development. While a PIH-based fiscal policy framework may promote fiscal responsibility and intergenerational equity, its strict implementation may limit economic growth in contexts with high immediate development needs.

Consider modifying the permanent income hypothesis rule to support growth-enhancing investments. Some resource-rich countries opt to front-load public expenditures, thereby modifying the PIH rule. However, this approach requires

33. UNCTAD, *World Investment Report 2024*.

34. NISA, *2022 Annual Report*, 2022, <https://nsia.com.ng/investor-relations/2022-annual-report/>.

35. NISA, *2022 Annual Report*.

36. PIH implies that the annual spending of petroleum revenues should equal the real return on the petroleum wealth leaving the real value of the wealth unchanged. Thus, equal withdrawals may take place in perpetuity.

37. Edwin M. Truman, *Sovereign Wealth Funds: New Challenges from a Changing Landscape*, testimony before the Subcommittee on Domestic and International Monetary Policy, Trade and Technology, Financial Services Committee, U.S. House of Representatives, September 10, 2008, Peterson Institute for International Economics, <https://www.piie.com/sites/default/files/publications/papers/truman0908.pdf>.

38. In 2008, American Economist Edwin M. Truman developed a SWF scoreboard to assess the transparency and accountability of funds and encourage funds to improve their public images.

careful design, as a fiscal framework based on a modified PIH rule presents challenges in maintaining long-term fiscal sustainability while fostering short-term growth. The effectiveness of this strategy depends on multiple factors, including the government’s capacity to identify and implement high-return investment projects, as opposed to “white elephants.” Additionally, economic constraints such as bottlenecks in infrastructure, labor markets, and institutional capacity can diminish the economic impact of increased spending (i.e., Dutch disease). As such, selecting an appropriate fiscal policy rule necessitates a comprehensive assessment of how public spending influences macroeconomic stability and sustainable development.

A fiscal policy rule can take various forms, ranging from rigid numerical constraints to more flexible guidelines that allow for short-term deviations. These rules are structured to regulate debt accumulation, budget balances, and expenditure levels. Key approaches include:

- **Debt rule:** Establishes a ceiling on public debt as a percentage of GDP, ensuring that borrowing remains within sustainable limits.
- **Budget balance rule:** Imposes constraints on the overall or current budget balances, promoting fiscal discipline.
- **Expenditure rule:** Restricts government spending in absolute terms, as a fixed growth rate or a share of GDP, preventing excessive fiscal expansion.
- **Revenue rule:** Caps the proportion of resource revenues that can be allocated for public spending, often incorporating mechanisms to account for volatility in commodity prices.

Many resource-rich countries adopt a combination of these approaches, combining multiple fiscal rules to enhance economic stability and long-term sustainability. The integration of these rules varies—some are integrated into the legislative framework of the SWF, while others are incorporated into a medium-term fiscal framework approved by the parliament.

Senegal, ahead of its first oil and gas production in 2024, developed an SWF model based on lessons from Norway, Ghana, Timor-Leste, and Trinidad and Tobago. The country established a legal framework based around four core principles:

1. Prohibition of the anticipated sale of hydrocarbon resources.
2. Comprehensive budgeting of all fiscal and nonfiscal revenues derived from hydrocarbon extraction.
3. Transparency in revenue management.
4. Accountability for all decisions and actions taken in managing these revenues.

Senegal’s fiscal framework mandates a structured allocation of hydrocarbon revenues into three key categories:

- A maximum of 90 percent of annual revenues directed toward education, healthcare, and infrastructure projects. The law explicitly prohibits their use for state operating expenses.
- A minimum of 10 percent is set aside for intergenerational savings to ensure long-term wealth distribution across future generations.
- Any quarterly surplus revenues—the difference between projected and actual collected revenues—are invested in liquid assets to cushion against economic stocks, serving as a stabilization fund.

Both the Intergenerational Savings Fund and the Stabilization-Fund are managed under Senegal’s Sovereign Wealth Fund for Strategic Investments (FONSIS), which operates with principles of transparency and flexibility to stimulate economic growth.

Prior to establishing its fiscal rules, the government of Senegal undertook an extensive national consultation process, organizing rounds of national meetings presided over by the president to foster broad-based support for its resource management strategy. These meetings brought together key stakeholders from all sectors of civil society organizations, socioeconomic organizations, the national and international private sector, development partners (donors), academics, political opposition parties, the National Assembly, and affected communities. This inclusive approach was designed to transcend political divisions and partisan interests, ensuring that the management of natural resources remained a transparent, accountable, and collectively endorsed national priority. In prioritizing consensus building, Senegal laid the foundation for a robust and sustainable resource governance model balancing short-term needs with long-term sustainability.

For countries with significant public debt, the decision whether to pay down public debt or save budget surpluses in an SWF requires careful consideration. While accumulating liquid assets through an SWF can provide financial security, particularly in periods of tight global liquidity, the opportunity cost of holding such assets is high when the cost of debt servicing remains high. What ultimately matters for future generations is not merely the size of the SWF, but rather the government’s overall net fiscal position. Therefore, before establishing an SWF, a comprehensive assessment of the government’s total balance sheet is necessary. This assessment should determine the optimal allocation of budget surpluses—whether they should be directed toward debt reduction or invested in an SWF to generate future returns.

Beyond its financial function, an SWF can play a crucial role in enhancing fiscal transparency and credibility. By clearly allocating a designated portion of resource revenues into long-term savings, governments can provide greater visibility into how revenues are being managed. Additionally, when managed under a well-defined investment policy, an SWF can maximize returns on public funds, ensuring revenues are not only preserved, but also grown for future generations.

Developing SWFs: Key considerations for African governments and the role of development partners

Regardless of the institutional framework, successful management of mineral and petroleum revenues ultimately requires political commitment to implement the fiscal policy framework. While a fiscal policy rule may impose some level of discipline, it is only effective if adhered to. Compliance with the agreed-upon framework is paramount to prevent mismanagement and policy reversals. Thus, the fiscal policy rule should be kept as simple and intuitive as possible to ensure that it is broadly understood, and to ensure that policy makers can be made accountable if it is breached.

When governments design a SWF, they should carefully consider their objective(s), governance structure, investment policy, transparency rules and oversight regime. While interlinked, the SWF’s overall objective in particular influences the strategy for the three other areas. Given these considerations, particular focus should be given to the transfer and withdrawal rules guiding the inflows and outflows of the SWF.

The design of the transfer and withdrawal rules must take proper account of the fiscal framework and support the objectives of the SWF. The rules vary from country to country, subject to country-specific factors (described in Section 4), such as the sustainability of fiscal policy, the size of the in-flow of revenues, the economy’s absorptive capacity, and government institutions’ ability to plan, spend, and monitor spending properly. If the SWF is primarily a medium-term stabilization vehicle, the transfer and withdrawal rules must support the accumulation of an economic buffer whenever revenues are high, and that can be drawn down when revenues are low and resources are required to finance budget deficits. On the other hand, if the SWF is a savings fund for future generations, more emphasis should be put on long-term sustainability aspects.

In some countries, the best strategy may be to spend resource revenues to promote economic growth and social development rather than investing in foreign funds for future generations. Morocco’s Mohammed VI Investment Fund exemplifies this approach, as its primary focus is investing in domestic projects to stimulate growth, such as in infrastructure, job creation, and strengthening the role of the private sector in financing the Moroccan economy.³⁹ Established in 2020, the fund currently holds \$1.6 billion in assets⁴⁰ and operates largely as a fund of funds, with a plan to allocate \$5 billion from investment partners into a series of thematic portfolios.⁴¹ These portfolios aim to support the growth of strategic sectors, including infrastructure and small to midsize businesses with high potential, reinforcing the country’s long-term development strategy. By directing revenues into key sectors of the national economy, the fund seeks to directly improve conditions for future generations through domestic investment, rather than accumulating large foreign reserves. However, the effectiveness of such an approach depends on careful management to ensure that increased domestic investment does not exceed the economy’s absorptive capacity or lead to inefficiencies.

Investing in the domestic economy may improve the conditions for future generations more than financial savings abroad, but it is paramount that these investments are strategically managed to prevent adverse economic impacts. It is also highly important to ensure that the investments are allocated to the domestic investments with the highest possible socioeconomic return. The trade-off between savings and spending must be carefully considered, depending on the specific characteristics of the economy and national priorities. In this context, an SWF should be an integrated part of the fiscal policy framework to ensure long-term stability and effectiveness.

39. African Development Bank, “African Development Bank, Mohammed VI Investment Fund Join Forces to Strengthen Investment Financing in Morocco,” Press Release, October 10, 2023, <https://www.afdb.org/en/news-and-events/press-releases/african-development-bank-mohammed-vi-investment-fund-join-forces-strengthen-investment-financing-morocco-65761>.

40. Sovereign Wealth Fund Institute, “Fonds Mohammed VI pour l’Investissement (Mohammed VI Investment Fund Morocco),” 2025, <https://www.swfinstitute.org/profile/644af3abf026a27e393768cc>.

41. Boston Consulting Group, “Africa’s Sovereign Wealth Funds.”

Table 5: Africa’s abundant green mineral resources position the continent as a key player in the global energy transition

Mineral	Clean energy technology	Share of global reserves in Africa	African countries with reserves
Platinum group metals	Green hydrogen	92%	South Africa, Zimbabwe
Cobalt	EVs	56%	DRC, South Africa, Zambia, Madagascar
Manganese	EVs, wind	54%	Gabon, South Africa, Côte d'Ivoire, Ghana
Chromium	Geothermal, solar, wind	36%	South Africa
Bauxite	Wind, solar	24%	Guinea
Graphite	EVs	22%	Madagascar, Mozambique, Tanzania
Zirconium (ores and concentrates)	Green hydrogen	15%	South Africa, Senegal, Mozambique
Vanadium	Steel, batteries	13%	South Africa
Copper	EVs, wind, solar	6%	DRC, Zambia
Lithium	Batteries	4%	DRC, Zimbabwe, Mali
Nickel	EVs, wind	4%	Madagascar, South Africa
Tellurium	Solar	3%	South Africa
Rare earth	Wind	1%	Tanzania, South Africa, Madagascar, Burundi

Source: UNCTAD, Critical Minerals and Routes to Diversification in Africa, 2023; USGS, Mineral Commodity Summaries, 2023; UNEP, Environmental aspects of critical minerals in Africa in the clean energy transition, 2023; IRENA, Geopolitics of the Energy Transition: Critical Materials, 2023.

However, while domestic investment can drive growth, essential sector spending—such as health, infrastructure, and education—should be managed through the national budget process rather than directly by the SWF. International best practice suggests that SWFs should not be tasked with domestic investment objectives. Although both developing countries and capital-scarce countries need domestic investments in health, education, and infrastructure to promote economic growth, best practices suggest that these investments should be decided upon as a part of the national budget process.

Botswana ensures that ongoing expenses are financed by nonresource (i.e., nonmining) revenues, while mining revenues are either invested—particularly in human capital—or saved in the nation’s SWF, the Pula Fund. Established in 1994 and ma-

naged by the Bank of Botswana, the Pula Fund is structured as a savings and investment vehicle for future generations, using the country’s revenues from diamond and mineral exports. Unlike typical SWFs, the government does not have direct access to these resources and there are no formal operational rules governing deposits and withdrawals. Instead, the government has an indirect claim through its Government Investment Account (GIA), a savings account in Pula at the central bank. The value of the Pula fund fluctuates based on the overall balance of payments and returns on investment, including valuation gains. At the end of 2023, total Pula Fund assets stood at 20 percent of GDP.⁴²

42. International Monetary Fund, African Department, “Botswana: Selected Issues,” *IMF Staff Country Reports* 2024, 287 (2024): <https://doi.org/10.5089/9798400288258.002>.

Botswana’s approach:

- Botswana uses a sustainable budget index (SBI)⁴³ to determine the proportion of non-mining revenues allocated to recurrent government expenses, excluding those related to health and education.
- Botswana implemented fiscal rules to maintain financial stability. The government follows a debt ceiling of 40 percent of GDP, with foreign debt capped at half this amount.
- By separating recurrent expenditures from volatile resource revenues and maintaining fiscal discipline through mechanisms like an SBI, Botswana has taken steps to mitigate the risks associated with commodity dependence.
- However, as the country’s diamond production declines, the government has recognized the need to adapt its resource wealth management strategy to ensure continued financial resilience.
- Despite these safeguards, public financial wealth has declined over the past two decades.

Botswana has recognized the need to adapt its resource wealth management strategy to these shifting economic conditions and is considering creating a new SWF that would be directly owned by the government and have formal deposit and withdrawal rules.⁴⁴

Botswana’s approach demonstrates that a sovereign wealth fund can be an essential part of a country’s broader fiscal policy framework, ensuring long-term stability while complementing domestic investment priorities.

While Botswana has prioritized fiscal sustainability by maintaining a separation between resource revenues and recurrent spending, there also is an opportunity to strategically leverage resource wealth for long-term economic transformation. **Allowing SWFs to invest domestically—when managed prudently—can support industrial development and value addition in resource-rich economies.**

Indonesia has emerged as the leading force in the nickel industry and offers insight into how strategic domestic invest-

ment through policy interventions can add value to natural resource wealth. Possessing 42 percent of the world’s nickel reserves, Indonesia has established a dominant position in the nickel market by prohibiting the export of unprocessed ore. The country first banned the export of nickel ore in 2014, and then again in 2020 to boost domestic processing and spur economic development and job creation. The nickel ban caused a sharp increase in FDI, in turn fueling a rapid expansion in midstream smelting and refining capabilities.⁴⁵ From 2019 to 2022, investment in Indonesia’s mineral-processing sector soared from \$3.6 billion to \$11 billion, increasing the value of the country’s nickel exports from \$3 billion to \$30 billion.⁴⁶

Indonesia’s output of nickel ore has surged, more than tripling from 51.3 million tons in 2020 to 175.6 million tons in 2023. Such rapid growth, however, has led to an excess of processed nickel, flooding the global market and driving down prices worldwide. The expansion of nickel processing facilities in Indonesia has introduced new challenges, particularly in securing sufficient raw nickel ore to meet processing demands. The Indonesian Chamber of Commerce and Industry revealed that since late 2023, early signs of a supply shortage have emerged as the swift growth of refining and processing operations outpaces the availability of nickel ore.⁴⁷

Indonesia’s model underscores the importance of adding value to generate domestic economic benefits, but ensuring those domestic policies align with broader market considerations to maximize long-term benefits. While accelerating investment in Indonesia’s nickel sector is paramount for economic growth and job creation, it is equally important for the government to prioritize sustainability. African countries considering similar strategies can learn from Indonesia’s experience by ensuring adequate market demand, implementing phased policies, and maintaining flexibility to adjust regulations as needed.

Resources such as bauxite in Guinea, cobalt in the DRC, gold in the Sahel, and oil in Nigeria, as outlined in table 5, present significant opportunities for economic transformation in Africa. Implementing appropriate public policies, inspired by the successes seen in other southern African nations, is crucial to fully realize these potentials.

43. The Sustainable Budget Index (SBI), defined as the ratio of noninvestment spending to non-mineral revenues. An SBI value of more than 1 means that noninvestment spending is being financed in part from mineral (nonrecurrent) revenues. A value of less than 1 means that mineral revenue is either being saved or spent on public investment while recurrent spending is being financed from nonmineral (recurrent) sources, which is interpreted as being sustainable.

44. IMF, “Botswana: Selected Issues.”

45. “Diversifying Investment in Indonesia’s Mining Sector,” CSIS, July 11, 2024, <https://www.csis.org/analysis/diversifying-investment-indonesias-mining-sector>.

46. Bradford Simmons and Julien Marcilly, *Resource nationalism and downstreaming: What African Producers of Critical Minerals Can Learn from Indonesia’s Experience*, Atlantic Council, last updated January 31, 2025, <https://www.atlanticcouncil.org/in-depth-research-reports/report/what-african-producers-of-critical-minerals-can-learn-from-indonesias-experience/>

47. “Smelters Squeeze Indonesia’s Nickel Ore Supply,” *East Asia Forum*, September 14, 2024, <https://eastasiaforum.org/2024/09/14/smelters-squeeze-indonesias-nickel-ore-supply/>.

Enhancing sovereign wealth fund governance and management

Africa’s development partners, both multilateral and bilateral, could explore technical partnerships or assistance aimed at supporting the organizational development of robust and credible SWF governance structures. This would help foster co-investment with foreign capital in domestic projects that focus on transforming strategic minerals into critical metals, thereby enhancing Africa’s ability to harness its mineral wealth for sustainable development.

Governance structure

Many countries have established teams of financial experts to assist their governments in addressing issues related to specific investment strategies and broader management concerns. One approach for this team is to act as an independent investment board, tasked with determining whether the investment mandates are in accordance with the overarching investment policy established in legislation or by government directive. Alternatively, the team may serve as an investment advisory board, offering guidance to the government, in which the government ultimately makes the decisions on the investment strategy. Regardless of the structure, the board members must be independent experts in economics, finance, law and other relevant disciplines and their decisions or advice must remain free from political influence.

Operational independence in managing SWFs is crucial for maintaining accountability and effective checks and balances. A clear division of responsibilities must exist between the owner, the finance ministry, and the appointed operational manager responsible for implementing the overall investment strategy set by the owner. This division is particularly important to prevent political interference in the operational management of the SWF.

A strong example of operational independence in SWF governance is the Government Pension Fund of **Norway**, which is managed by Norges Bank Investment Management (NBIM). The fund’s governance structure ensures that investment decisions remain independent of political influence while adhering to a legally defined framework. NBIM is tasked with executing investment strategies within the guidelines set by the Norwegian Ministry of Finance, but politicians do not directly control day-to-day management decisions. This model ensures financial discipline while shielding the fund from short-term political pressures that could undermine long-term sustainability.

Similarly, African countries establishing SWFs can benefit from strong governance structures that promote transparency, minimize political interference, and enhance public accountability. Norway’s SWF model emphasizes legal frameworks, institutional independence, and strict oversight to prevent mismanagement and corruption. African nations could adopt similar go-

vernance mechanisms to strengthen fund operations, thereby maximizing long-term economic stability and ensuring that resource revenues are managed responsibly.

In many cases, the central bank has been designated as the operational manager due to its existing experience in managing the country’s foreign reserves. While not all central banks in African markets are free from political control, a central bank’s operational independence from the government often enables it to manage funds without direct political interference. While foreign reserves and long-term investments of an SWF generally have different investment horizons and strategies, there are similarities that make the central bank suitable for the task. However, in some countries with a highly developed private financial sector, the responsibility for managing the SWF may be delegated to an independent authority, especially where investments are more complex or include other objectives beyond purely financial returns.

Parliament normally holds the legislative power to enact legislation required to establish an SWF. In some countries, notably in Gulf Arab states such as Abu Dhabi, Saudi Arabia, and Qatar, the legislation detailing the SWFs operations is characterized by a high level of granularity, including the expected risk/return profile and the allowable asset classes. In contrast, countries like Norway, Trinidad and Tobago, Nigeria, Ghana, Senegal, Botswana, and Timor Leste tended to enact more general legislation, leaving more flexibility for the government to determine and implement policies through secondary legislation. This variation reflects different legislative traditions, constitutional requirements, and the extent to which delegation of authority is accepted within each country.

The legislation establishing an SWF should clearly define its legal structure—whether it is a pool of assets owned by the government without a separate legal identity or a distinct legal entity with full capacity as a state-owned corporation. The legal form chosen can significantly impact the SWF’s tax status and the immunity of its investments. Typically, a central bank, as the operational manager, would benefit from sovereign immunity and may also be granted tax privileges in countries where investments are made. In contrast, other management models may depend on the SWF’s classification within the broader scope of government financial management and the applicability of bilateral tax agreements to the fund’s investments.

The Ministry of Finance, acting on behalf of the government, typically serves as the owner of the SWF. The owner determines the SWF’s risk/return profile and the overall investment policy, in accordance with the legislation passed by parliament. The owner also provides general guidance and instructions to the operational manager, the entity responsible for the day-to-day management of the fund. The operational manager’s role in-

cludes implementing the SWF’s investment policy, establishing and maintaining risk-management systems, and appointing custodians and external investment managers.

Investment policy

The investment policy of an SWF should be clearly defined, aligning with its stated objectives and risk tolerance, and based on sound portfolio management principles. The primary goal of the SWF’s investment decisions should be to maximize risk-adjusted financial returns in a manner consistent with its investment policy. Furthermore, the investment policy must account for the SWF’s broader goals, such as maintaining liquidity while striving for sustainable, long-term returns.

For resource-rich African countries, allocating all resource revenues to immediate spending presents challenges, including absorptive capacity constraints and the risks of inefficient expenditure. A well-structured SWF, guided by prudent investment policy, can mitigate these risks by balancing short-term development needs with long-term financial sustainability.

While some SWFs may focus solely on cash deposits and debt instruments to minimize investment risks, other SWFs may include a broader range of asset classes in their portfolio, such as equities, real estate, private equity, hedge funds, and alternative investments with higher risks and expected returns. Many SWFs also choose to incorporate additional criteria into their investment policy, including minimum credit-rating requirements and provisions for use of derivative instruments, among other factors. Notably, Norway’s Government Pension Fund has spread its investments across most markets and currencies to diversify risk and capture global value creation to the greatest extent possible. Most of the fund (70 percent) is invested in equities, approximately 30 percent is invested in bonds, a smaller portion (7 percent) may be invested in unlisted office and retail properties and in logistics properties, and a final 2 percent can be invested in renewable energy infrastructure, particularly wind and solar projects.⁴⁸ Norway’s investment diversification approach provides a comprehensive blueprint for other SWFs aiming for a balance between risk management, growth, and sustainability. It demonstrates the value of a multiasset strategy that incorporates equities, bonds, real estate, and emerging sectors like renewable energy, which can collectively contribute to the long-term financial health of the fund while supporting broader developmental goals.

Managing a diverse portfolio of international assets requires significant capacity and expertise. In many cases, countries must develop these skills over time, adjusting the investment policy to existing experience and capacity. Some funds like the Government Pension fund of Norway and the Public Investment Fund (PIF) Saudi Arabia have taken a more conservative

investment policy initially, limiting investments to lower-risk assets, and gradually including riskier assets including major tech companies in their portfolio (Tesla, Apple Inc., Microsoft Corp., Nvidia Corp, Alphabet Inc, Amazon.com Inc and Meta Platforms Inc) as experience and management capacity develop. Under no circumstances should the assets of an SWF be used as collateral for borrowing, nor should future revenue streams be encumbered. The value of future petroleum or strategic mineral resources and revenues is highly uncertain and leveraging them as collateral for borrowing introduces considerable risk to the fund’s financial strategy.

Transparency and oversight

Ensuring regular and transparent disclosure of information is vital for fostering trust and confidence in the management of the SWFs, both domestically and in the countries where the financial investments are made. It is common practice for the operational manager of an SWF to produce regular public reports detailing the performance of the SWF, its inflows and outflows, and other relevant operational matters. Additionally, the owner of the SWF typically prepares an annual report that is often submitted to the parliament and made publicly accessible.

Independent audits of the relevant financial accounts and fund management are crucial to ensuring appropriate checks and balances. These audit reports should be made publicly available to reinforce transparency. In many cases, the Office of the Auditor General (OAG) conducts audits of the SWF’s management, but some countries also engage external independent auditors, either in conjunction with the OAG or as a stand-alone measure. Internal audit units of the operational manager also play an important role, conducting regular reviews of the day-to-day operations.

In **Senegal**, ensuring proper management and transparency of hydrocarbon revenues is prioritized through the tracking of expenditures funded by these revenues:

- Annual performance plans outline budget programs that identify expenditures funded by hydrocarbon revenues, ensuring alignment with national priorities.
- Quarterly budget execution reports are shared with members of the parliament and the public, offering regular updates on revenue usage and expenditure allocation.
- Regulatory law annexes detail the execution of hydrocarbon revenues and associated expenditures for the general state budget, the intergenerational fund, and the stabilization fund.

Given the strong public demand for oversight and audits, Senegalese law also provides a transparent system for monito-

48. Norges Bank Investment Management, “Investments,” *Norges Bank Investment Management*, last modified February 2025, <https://www.nbim.no/en/investments/>.

ring and controlling the management of hydrocarbon revenues. Both funds will be subject to the state’s oversight and audit bodies, including the Court of Accounts and the General State Inspectorate (IGE). An annual audit is to be conducted for each fund’s accounts, ensuring compliance and financial integrity.

For maximum transparency and accountability, adherence to the **Santiago Principles** is crucial. Adopted in Santiago, Chile,⁴⁹ in 2008, these principles outline internationally accepted practices for governance, accountability, and prudent investment management by SWFs. The principles emphasize the need for publicly available information on the SWF’s objectives, governance framework, investment policies, financial performance, and risk-management strategies.

One key measure to ensure transparency is the implementation of competitive and transparent procurement procedures for all SWF transactions, including the hiring of custodian and external managers. This ensures that the management of the fund is conducted on the basis of fair and open practices.

Timor-Leste has established an oversight mechanism—the Petroleum Fund Consultative Council—with representatives from civil society, the business community, religious groups and former politicians. The Consultative Council is responsible for assessing the government’s management of petroleum revenues, evaluating the performance of the Petroleum Fund, and providing advice on broader petroleum revenue mana-

gement. The Council plays an important role in disseminating information to parliament and in the public at large, organizing outreach activities across the country to build capacity and share knowledge about the fund’s operations.

The Parliament of Timor-Leste plays a crucial role in approving the state budget. The minister of finance, who oversees the fund’s operations, enters into a management agreement with the central bank, which is responsible for the operational management of the fund. The central bank recommends the appointment of private managers, ensuring that investment decisions comply with the directives set by the minister of finance. Additionally, the Board of Governors provides advisory support to the minister, defining performance objectives, assessing external investments, and recommending actions regarding the appointment or removal of managers.

A useful mechanism for enhancing transparency and good governance is the Extractive Industries Transparency Initiative (EITI), which provides a global framework and verification mechanism to improve transparency and accountability in the management of revenue from natural resources. Countries that sign up for EITI commit to public disclosure of revenue management practices, further strengthening oversight and public trust in the management of SWFs and related natural resource revenues.

49. The Santiago Principles were written by the International Working Group of Sovereign Wealth Funds (IWG). The IWG member countries included Australia, Azerbaijan, Bahrain, Botswana, Canada, Chile, China, Equatorial Guinea, Iran, Ireland, Korea, Kuwait, Libya, Mexico, New Zealand, Norway, Qatar, Russia, Singapore, Timor-Leste, Trinidad and Tobago, the United Arab Emirates, and the United States.

Conclusion

Geoeconomically and geopolitically, Africa holds a crucial position in the global race to secure strategic minerals and rare metals essential for the energy transition and evolving digital economy. The Atlantic coast, in particular, offers a logistical advantage, as it does not require control over key waterways or pose significant security risks like piracy or high transportation costs associated with circumnavigating major capes.

To fully capitalize on this potential, strategic alliances must be forged at both political and economic levels, taking into account evolving global power dynamics and shifting spheres of influence. With rising mineral insecurity among major economies and a surging global demand for base metals and critical minerals, Africa is increasingly attractive for mining investment. With the notable exception of South Africa, much of the continent’s mining sector remains relatively untapped, offering immense potential for development.

For the United States, supporting the stability and security of resource-rich African nations is not only a geopolitical imperative but also an economic necessity. Strengthening local production chains—from extraction to refining—can create wealth within African economies by creating jobs, thereby addressing key challenges like irregular migration. Simultaneously, it ensures a stable and diversified supply of critical minerals for US manufacturing, reducing reliance on dominant actors like Russia and China.

To maximize the benefits of resource wealth, African nations should establish domestic sovereign wealth funds, modeled on global best practices but tailored to their specific economic contexts to enhance investments in the development of their mineral value chains.

Saudi Arabia, the UAE, Qatar, Oman, and China have successfully leveraged SWFs to transform their economies, demonstrating how strategic state intervention can catalyze private-sector growth and long-term prosperity.

By tailoring these recommendations to their specific national contexts, African nations and their international partners can establish resilient, mutually beneficial frameworks that drive sustainable economic growth and secure a stable supply of critical minerals essential for the global clean energy transition and technological advancement.

A well-structured, credible SWF would derisk Foreign Direct Investments, attract liquid capital markets, and facilitate strategic alliances with the United States, which boasts the world’s deepest and most dynamic financial markets. This mutually beneficial partnership would promote a more equitable distribution of the wealth across the entire value chain, ensuring that resource-rich African nations play a central role in the future of the global mining economy.

About the author

Mamadou Fall Kane is a nonresident senior fellow at the Atlantic Council’s Africa Center. He also is the deputy secretary of Senegal’s Strategic Orientation Committee for Oil and Gas, a committee created by the president to strengthen the management of natural resources following Senegal’s accession to the Extractive Industries Transparency Initiatives. He has served in that role since November 2016. In addition to his duties as deputy secretary, he was energy advisor to the Senegalese president from 2016 to 2024. He also set up the National Institute of Oil and Gas in 2017, the first training center in Senegal for the country’s engineers, researchers, and energy professionals. Prior to that position, Kane joined the office

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