

# AS BIG AS IT GETS

## TWO YEARS AGO, THE PUBLIC INVESTMENT FUND (PIF), THE SOVEREIGN WEALTH FUND OF SAUDI ARABIA, AND THE RUSSIAN DIRECT INVESTMENT FUND (RDIF), THE SOVEREIGN FUND OF RUSSIA, ANNOUNCED THEIR PARTNERSHIP, AS WELL AS AN INTENTION TO INVEST \$10 BILLION IN RUSSIAN PROJECTS. IT WAS A RECORD DEAL NOT ONLY FOR THE TWO COUNTRIES, BUT FOR SOVEREIGN WEALTH FUNDS GLOBALLY. IN MAY THIS YEAR, SAUDI ARABIA SIGNED AND MEMORANDUM OF UNDERSTANDING THAT IT WOULD INVESTMENT IN RUSSIA'S TUSHINO PROJECT. THE ANNOUNCEMENT WAS MADE AS SAUDI FUNDS AND RUSSIAN COMPANIES ENTERED INTO A PARTNERSHIP THAT ALLOWED RUSSIAN BUSINESSES TO ENTER THE SAUDI MARKET. THE SCOPE OF MUTUAL INVESTMENT MAY GROW FURTHER FOLLOWING THE TRANSFORMATION OF THE PIF, WHICH INTENDS TO BECOME THE WORLD'S LARGEST SOVEREIGN WEALTH FUND.

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SAUDI ARABIA KNOWS HOW TO MAKE TIMELY RETURNS ON ITS INVESTMENTS

In March 2015, the asset management function was transferred from the Ministry of Finance to the Council of Economic and Development Affairs, which is implementing Vision 2030. Currently, the two funds are reviewing more than 25 projects in infrastructure, manufacturing, retail and logistics sectors. According to RDIF, a number of deals have been made for a sovereign wealth fund globally.

history of Russia-Saudi relations, but it was the largest investment for agriculture sectors. The PIF invested \$10 billion as part of the partnership, the largest investment not only in the history of Russia-Saudi relations, but it was the largest investment for a sovereign wealth fund globally.

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To facilitate the entry of the Russian business into the Saudi market, RDIF in June 2015 signed a partnership agreement with the Saudi Arabian General Investment Authority (SAGIA). Unlike the PIF, its primary mission is to attract foreign investments. "We plan to support Russian com-

According to the Sovereign Wealth Fund Institute, the total assets under the management of the world's sovereign wealth funds have reached \$7.4 trillion — almost twice the amount a decade ago. Of that amount, \$4.2 trillion is attributed to oil and gas exporting countries.

At the moment, the world's largest SWF is the Norwegian Pension Fund with total asset of about \$1 trillion, followed by funds from the UAE, China and Kuwait. However, the PIF, whose assets are estimated at \$183 billion, may take the lead as early as next year.

The PIF was established by a Royal decree in 1971 to contribute to the country's economic development. The fund's primary purpose was to provide support to commercial projects of strategic significance for the economy, which could not be supported by private investors due to insufficient financial resources or experience. The PIF invested in a number of strategic sectors of the country's economy, including oil refinery, petrochemicals, construction of pipelines and oil-storage facilities.



THE ART OF SEARCHING FOR BUSINESS OPPORTUNITIES IN THE GULF HAS BEEN REFINED OVER THE COURSE OF CENTURIES

supply their products to Saudi Aramco", he added.

Finally, the Russian investors may also participate in the planned IPO of Saudi Aramco. As the Russian Minister of Energy, Aleksander Novak, said at the St Petersburg International Economic Forum: "Russia and Saudi Arabia will be enhancing their collaboration in various sectors, including energy, technology as well as oil exploration, production and refining. The agreement on oil production cuts will end one day, but the relationship with Saudi Arabia will continue."

A strong foundation has already been laid for new, non-oil related deals between Russia and Saudi Arabia. The first visit of the Saudi king to Russia will be possibly followed by more agreements. ■