

‘Sovereign Equity’ Launched as a Solution to Sovereign Debt and Financial Inequality in Davos Debate

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With the need to address entrenched inequalities firmly on the ‘Globalization 4.0’ agenda, investment migration advisory firm [Henley & Partners](#) launched the concept of ‘sovereign equity’ in Davos this week.

Sovereign equity is a means for governments to achieve fiscal balance and economic growth without increasing their debt — meaningfully addressing the growing imbalances and inequalities inherent to traditional sovereign debt financing by engaging with the global community of high-net-worth investors.

In a multi-stakeholder public discussion that brought together government heads and ministers, leading academics, and renowned experts, panelists considered the transformative effects that well-regulated investment migration programs have on the economy and society at large, supporting growth and creating employment opportunities.

Explaining the potential for sovereign equity to bring about a fundamental change in sovereign funding, foreign direct investment, and government spending, [Dr. Christian H. Kälin](#), Group Chairman of Henley & Partners, said: “Sovereign equity is both self-evident and revolutionary. The 2008 financial crisis and its continuing aftermath makes it evident that constantly increasing sovereign debt is not a sustainable solution. In particular, sovereign states without abundant natural resources or the ability to raise significant revenue from taxation must find an alternative – one that will allow them to compete in global markets and avoid the dangerous levels of debt that are serious threats to their economies and societies.”

Dr. Kälin added that “well-managed investment migration programs help drive non-debt liquidity into countries, in addition to attracting significant foreign direct investment as well as valuable skills and experience. This combination – launched in Davos as the concept of ‘sovereign equity’ – can create fiscal independence and opportunities for a society at every level, which also benefits the international community.”

Sovereign Equity: Innovative Access to Capital for Governments

There is also an urgent need to redress the imbalances caused by globalization. The panelists – including international relations specialist and best-selling author [Dr. Parag Khanna](#) and nation brands expert and founder of [The Good Country](#) Simon Anholt – examined how sovereign states without natural resources or the ability to raise significant funds through taxation or capital markets

can attract capital and investment that creates societal value and economic opportunity, without adding to the burden of sovereign debt.

Speaking about the extraordinarily positive impact that Antigua and Barbuda's citizenship-by-investment program has on the country, the Hon. Gaston Browne, Prime Minister of Antigua & Barbuda, said that the program constitutes 15% of the Treasury's annual revenue and has become a significant source for the repayment of debt — both domestic and international. "Sovereign equity is about investors 'buying into' Antigua. It has helped us pay off our IMF debt in full, develop multiple industries that create employment opportunities for our citizens, and make strategic investments that will benefit everyone on our islands — be that through infrastructure or pensions provision."

Similarly, the Hon. Prof. Edward Scicluna, Malta's Minister of Finance, commented that investment migration programs have had a profound impact on his country, pointing out that just four years after the launch of the Malta Individual Investor program (IIP), Malta had one of the highest GDP growth rates and one of the lowest unemployment rates of any EU member state. "Our economy has proved remarkably strong, to the point where we have a budget surplus with or without the IIP. For us, sovereign equity is as much about the global skills and experience that are invested in Malta and that create significant value. The capital raised through sovereign equity allows us to make strategic investments that will enhance the lives of Maltese citizens for many years to come."

Redressing Imbalances by Connecting Global Citizens with Sovereign States

Following the discussions held in Davos this week, Dr. Kálin says that he looks forward to engaging with governments and international institutions about the extraordinary potential for sovereign equity to assist countries in achieving real fiscal autonomy and growth: "While essential for smaller countries, sovereign equity is also a means for larger economies to fund growth and employment creation in economically underdeveloped regions, and we have no doubt that we will see much more of this in the coming years. Sovereign equity is the future, not further sovereign debt."

"We have a shared global responsibility. Investment migration programs offer a way for states to stimulate economic growth and job opportunities without increasing their sovereign debt. In addition, governments understand that these programs act as a very effective foreign direct investment platform, attracting significant and much-needed capital and skills to their economies. While it is not a tradeable asset, there is also a clear and very positive return for investors: enhanced mobility, access, and security, all of which are increasingly important for global families today."

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Notes to Editors

About Henley & Partners

Henley & Partners is the global leader in residence and citizenship planning. Each year, hundreds of wealthy individuals and their advisors rely on our expertise and experience in this area. The firm's highly qualified professionals work together as one team in over 30 offices worldwide.

The concept of residence and citizenship planning was created by Henley & Partners in the 1990s. As globalization has expanded, residence and citizenship have become topics of significant interest among the increasing number of internationally mobile entrepreneurs and investors whom we proudly serve every day.

The firm also runs a leading government advisory practice that has raised more than USD 8 billion in foreign direct investment. Trusted by governments, the firm has been involved in strategic consulting and in the design, set-up, and operation of the world's most successful residence and citizenship programs.

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