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Zim not yet ready for Sovereign Wealth Fund

December 9, 2015 Business

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SECRETARY in the Office of President and Cabinet, Ambassador Stuart Combabach says Zimbabwe's Sovereign Wealth Fund is ill-timed because the country has no surplus resources to invest in the fund.

The Act setting up the SWF was assented to by President Mugabe on November 6, 2014 and legislation was officially gazetted on June 26, this year. The SWF board was put together on the first of July this year.

Ambassador Combabach said while the concept of a sovereign wealth fund for Zimbabwe was welcome and endorsed, there are question marks over the wisdom and practicality of launching it at this point.

He said, since a SWF functions or is funded on the basis of budget surplus and or trade surplus, Zimbabwe has not been able to attain such a situation for a long time.

Ambassador Combabach said that Finance Minister Patrick Chinamasa's 2016 National Budget provides the timely reminder that the country does not have surplus resources to direct to a SWF.

"Indeed, Minister Chinamasa's 2016 Budget delivered to Parliament and the nation recently was clear in its forecast that expenditure will exceed revenue and the existing trade imbalance is unlikely to ease in the coming year or years," the ambassador said.

However, Ambassador Combabach said since the SWF had already been established, it was the duty of civil servants to implement it, with Minister Chinamasa setting aside \$1 million towards its administrative working capital to operationalise the fund.

He said, to ensure the possibility of attaining budget or trade surplus, Government needs to come up with import control measures or enable industry to ramp up production or produce high quality products.

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At this moment, when the fiscus is stretched so thin and has nothing to spare, the practicality of SWF for Zimbabwe was close to impossible. The Act says 25 percent of proceeds from royalties, duties or fees in respect of specific range of minerals should go to the SWF.

It also says up to 25 percent of the special dividend on the sale of diamonds, gas, granite and other extractable minerals, on behalf of Minerals Marketing Corporation of Zimbabwe, shall go to the SWF.

"We all know the pressures on the fiscus. It is difficult to see how, under such pressures, Treasury can agree to forego those percentages of royalties and special dividends to allocate them to SWF when that same Treasury is struggling to meet basic current expenditure," he said.

As such, even if the Act suggests where the funding to capitalise the fund will come from, reality suggests this is unlikely to materialise in the immediate future in respect of the percentages mentioned in the Act.

If the suggested allocations to the SWF materialise, Ambassador Combabach said, the funds would be

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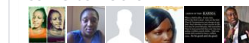
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called upon immediately under the macroeconomic stabilisation fund component of the SWF Act.

Research findings from a study by ZEPARU established that while setting up an SWF was noble, Zimbabwe was not ready as it is battling unsustainable debt levels, low international reserves and budget deficit.

Nonetheless, he said the highly experienced board of the SWF chaired by ex-RBZ governor Dr Kombu Moyana would need to come up with innovative ways to raise attractive funds into the fund.

Ambassador Combabach also concurred with findings from a recent study by Zimbabwe Economic Policy Analysis and Research Unit that it was more a political decision than economic rational that a decision for SWF was made.

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