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Boost for Sovereign Wealth Fund

Ndakaziva Majaka, BUSINESS WRITER • 1 December 2015 2:58PM • 0 comments

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HARARE - Government has allocated $1 million to the Sovereign Wealth Fund (SWF), in a bid to kick-start the national resource pool aimed at empowering citizens.

In his 2016 budget statement, Finance minister Patrick Chinamasa said the initiative — set to support macroeconomic stabilisation, including long-term economic and social development objectives — was going to be financed by mining royalties.

“In terms of the Sovereign Wealth Fund Act, the fund will be financed through a charge of up to 25 percent on royalty collections on mineral sales, as well as on special dividend on the sale of diamond, gas, granite and other minerals.

“This, Mr Speaker Sir, will be implemented over time, and to operationalise the fund, I propose to set aside $1 million towards administrative costs related to the setting up of the Sovereign Wealth Fund,” he said.

“The fund will be primarily resourced from 25 percent of all royalties on mineral exports on the sale of diamonds, gas, granite and other minerals through the Zimbabwe Mining Development Corporation.

“This funding strategy is appropriate as it diverts resources away from recurrent expenditures towards capital development projects,” he added.

According to Chinamasa, the SWF will facilitate the harnessing of resources towards broader developmental goals.
Chinamasa also announced that the President’s Office, Treasury and the central bank were currently in the process of operationalising the SWF, and a board and fund manager will soon be appointed.

This comes as senate last month passed the Sovereign Wealth Fund of Zimbabwe Bill that will see the establishment of the country’s SWF.

The proposed fund is supposed to be created through pooling together profits from the exploitation of non-renewable resources, such as minerals, into a savings pot for use by future generations.

However, there are fears that with the Zanu PF-led government’s legacy of corruption, plunder and economic mismanagement, the fund would be abused by officials in the ruling party.

Zimbabwe has vast mineral resources but continues to struggle to realise value from its resources as evidenced by high unemployment, breakdown in social services delivery system and high levels of poverty in the country.

However, analysts say the country must be transparent and accountable to its citizens with the newly-established SWF.

Nesbert Ruwo, an investment banker is on record saying the country needs to engage its people first before it rushes to create the wealth fund.

“The key ingredients to a successful SWF include transparency and accountability. Citizens, who are the ultimate beneficiaries, need to be appraised continuously before and after a SWF is set up. Public awareness and support is of paramount importance,” he said.

Ruwo said Zimbabwe was rushing to create a wealth fund when there are other critical and pressing demands that urgently require huge capital injections — these include investment in social and economic infrastructure.

“My research shows that most countries that set up SWFs were in a budget surplus position. It does not make sense to create a SWF and fund it by increasing the budget deficit,” he said.

- Sovereign-Wealth-Fund
- Patrick-Chinamasa

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