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BH24 Business Around the Clock

Sovereign Wealth Fund critical for economic growth: ZEPARU

Posted On 03 Dec 2015 By : Funny Hudzerema Comment: 0

HARARE – Zimbabwe should expedite the establishment of a Sovereign Wealth Fund (SWF) to drive long-term economic growth, Zimbabwe Economic Policy Analysis and Research Unit (ZEPARU) executive director Dr Gibson Chigumira has said.

Dr Chigumira said the SWFs could be used to develop other sectors of the economy, similar to what other countries are doing.

"Zimbabwe has a diverse mineral sector with immense potential to anchor inclusive economic growth and development," he said. "The money from minerals can be saved to create a SWF for future generation use."

He was speaking during a 'Global practice in establishing and managing a sovereign wealth fund validation workshop'.

SWFs are most common in resource rich countries and usually serve two purposes.

The first use of SWFs is for stability of government revenue under fluctuations in commodity prices.

When commodity prices are high, governments set aside some of the money from commodity sales, and when prices are weak; this is injected back into government's fiscal revenues.

The second use of sovereign wealth funds is to have a national savings fund in order to have something left over once the commodity runs out or is no longer in demand. It is done to benefit future generations

Countries like Botswana, Norway and Dubai have introduced the SWF which have helped to develop other economic sectors.

"A major proportion of mineral resource revenues could be accumulated into a stabilisation fund to be drawn down by the fiscus when commodity prices fall below predetermined long-term projections, protecting the budget from revenue shocks.

"This fund could finance the massive investment required for geological survey to acquire a better understanding of the geology and to uncover new exploration targets," he said.

Many countries in South East Asia like, China, Singapore and Hong Kong for example have SWFs funded by budgetary surpluses instead of commodity exports.

The first sovereign wealth fund to be created was in Kuwait in 1953, was funded by oil revenues and today currently holds assets of US$350 billion (Over US$100,000 per capita).

In this fund royalties were administered to this fund, which then invested the money globally. Since then, many countries have created SWFs.

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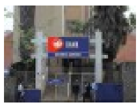

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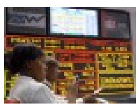

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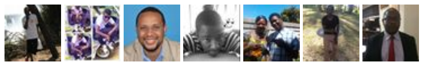

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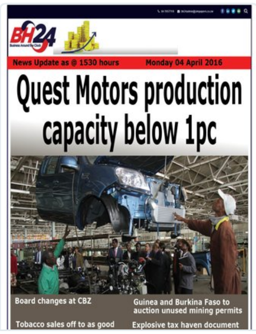

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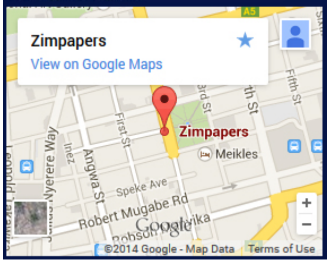

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