



**MINISTRY OF FINANCE**

**STATEMENT BY HON. IPUMBU SHIIMI**

**MINISTER OF FINANCE**

**ON THE LAUNCH OF THE WELWITSCHIA FUND**

**13 MAY 2022**

**WINDHOEK**

*Check Against Delivery*

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*Director of Ceremonies,  
Your Excellency, Dr. Hage Geingob, President of the Republic of Namibia  
and Madam Geingos,  
Your Excellency, Nangolo Mbumba, Vice President of the Republic of  
Namibia  
Right Honourable, Saara Kuugongelwa-Amadhila, Prime Minister of the  
Republic of Namibia,  
Honourable Ministers and Deputy Ministers,  
Honourable Members of Parliament,  
Your Excellences Members of the Diplomatic Corps,  
Mr. Johannes !Gawaxab, Governor of the Bank of Namibia,  
Board Members of the Bank of Namibia,  
Executive Directors of Ministries,  
Staff Members of the Ministry of Finance and the Bank of Namibia,  
Distinguished Invited Guests,  
Members of the Media,  
Ladies and gentlemen,  
All Protocols Observed.*

1. It is my distinguished honour and privilege to oversee the establishment of a Sovereign Wealth Fund for Namibia, christened as the *Welwitschia Fund*. This is an important institutional reform for our country, and I am delighted to provide stewardship for the Welwitschia Fund from its infancy.
2. At the onset, I would like to express my sincere gratitude and thanksgivings to the people who conceived and performed the necessary midwifery work for the baby, called the Welwitschia Fund, that we are welcoming into the world today.
3. Some 13 years ago in 2009, in the thick of the global financial crisis, the Financial Markets Department of the Bank of Namibia undertook a study titled: "*Sovereign Wealth Fund – A Proposal for Namibia*". This proposal started a discussion between

the Bank of Namibia and the Ministry of Finance on the need for establishing a sovereign wealth fund in Namibia. These discussions did not yield much fruits.

4. A few years later in 2018, the Bank of Namibia again, this time around through the Research Department, commissioned a study titled: “*The viability of establishing a Sovereign Wealth Fund in Namibia*”. The findings of this paper were subjected to several technical debates between the Bank of Namibia and the Ministry of Finance, but the discussions also did not go far.
5. The High Level Panel on the Namibia economy also made similar recommendation for the establishment of a Sovereign Wealth Fund in 2020. Subsequently, the President instructed the Ministry of Finance to start the groundwork for the establishment of the Fund. After much back-and-forth discussions, the findings of the Bank of Namibia study were dusted off and afterwards approved by Cabinet in June 2020.
6. Consequently, on direction from Cabinet, a cross institutional Task Team consisting of staff members from the Ministry of Finance, Bank of Namibia, Ministry of Industrialisation and Trade, National Planning Commission and Ministry of Public Enterprises was put in place to draft the Policy Framework for the proposed sovereign wealth fund. This framework laid out the key tenets of the Welwitschia Fund that we are launching here today.
7. We would, therefore, like to thank the Task Team members, under the leadership of Mr. Penda Ithindi, for drafting the policy framework which facilitated the establishment of the Fund, designing an appropriate institutional structure, and henceforth ensuring the readiness of the Welwitschia Fund.
8. The establishment of the Welwitschia Fund is enshrined under *Goal 1: Optimizing Stewardship of Natural Resources* of the Economic Advancement Pillar of the

Harambee Prosperity Plan II. Undoubtedly, we would not have come this far in the establishment of the Welwitschia Fund without the push and support of our President.

9. Your Excellency, Comrade President, you have always been an astute advocate of creating strong institutions, with sound governance systems and processes. We envisage the Welwitschia Fund to be one such institution that will play an important role in contributing to the socio-economic development and macroeconomic stability of our country. We would therefore like to thank you *Your Excellency* for championing the course of the Fund.

*Your Excellency,*

*Ladies and gentlemen,*

10. The foundation of the Welwitschia Fund, which we are launching here today, is underpinned by two primary objectives. The two objectives will be achieved through two separate and dedicated sub-accounts of the Fund, namely the Intergenerational Account and the Stabilisation Account.
11. The first objective, which will be served by the Intergenerational Account, is **saving for future generations**. In this regard, the key rationale for establishing the Fund is to promote intergenerational prosperity for all Namibians by ensuring that the distribution of benefits flowing from exploiting the country's natural resource endowments are shared across generations.
12. In other words, we would like to put aside a portion of the revenue we collect from the present exploitation of mineral resources for future generations of Namibians to also enjoy the fruits of the resource endowment of their country. The diamonds we are mining today, are non-renewable resources, at some point they will be depleted from our shores. What are we then to bequeath to the next generations of Namibians as a representation that they are citizens of a country that was once blessed with such mineral resources?

13. With the ongoing developments around green hydrogen and oil exploration, I believe the establishment of the Welwitschia Fund is timely to ensure that we have a solid framework in place to preserve revenues from the present and future exploitation of both renewable and non-renewable resources.
14. The second objective of the Fund, which will be served by the Stabilisation Account, is **fiscal and official reserve stabilization**. This is borne out of the need to enhance national resilience by insulating the socio-economic structure against cyclical shocks as well as contributing to the macroeconomic stability objectives. It is important for a country to have fiscal buffers to stave off vulnerabilities arising from business cycles and shocks. This is one of the key lessons demonstrated by the ongoing COVID-19 pandemic, that it is imperative to put some savings aside to cushion the economy in the event of unpredictable catastrophes. Having fiscal buffers in place can help to lessen the impact of such unpredictable events on the day-to-day livelihoods of Namibians.
15. Furthermore, as one of the driest countries on the continent, if not globally, our country is highly susceptible to climatic shocks, specifically drought events. We have declared a national state of emergency on several occasions in recent years, due to drought and the resultant job losses, water scarcity, losses of crops and livestock, and food insecurity, among other significant economic implications. As a result of these developments, the objective of this Fund is to have a buffer, which will ensure the resilience of Government operations in particular and the Namibian economy broadly, against such severe climatic shocks.
16. In addition, as a SACU member state, one critical challenge of fiscal management in Namibia has been the procyclicality and volatility of receipts from the SACU Customs Revenue Pool. SACU revenues, which constitutes more than 20 percent of our total revenues, rises and falls in tandem with economic activities in the sub-region. In bad times when the economy needs support, SACU revenue also tend to decline and thereby worsen an already fragile fiscal position. Such volatility has often times forced

Government to implement painful fiscal consolidation measures to ensure fiscal sustainability, when SACU receipts decline abruptly.

17. Against this background, we are establishing the Welwitschia Fund to have an automatic mechanism for us to preserve a portion of SACU receipts in good times, so we can withdraw from that Fund to sustain Government operations when SACU revenues are low, and the fiscal position needs a boost. The Welwitschia Fund will therefore serve as an automatic shock absorber and enable us to maintain rather stable expenditure patterns over time.
18. Lastly, the adequacy of our stock of international reserves as a country has customarily been a matter of concern with our reserves generally hovering around the international benchmark. This Fund will further enhance our reserves thereby helping to shore up investor confidence and broadly contribute to meeting macroeconomic stability and public finance management objectives.

*Your Excellency,*

*Ladies and gentlemen,*

19. One of the critical success factors for any sovereign wealth fund lies in its governance framework. To support the smooth operations of the Fund, we need a clear framework that outlines the responsibilities of the various parties, including the funding rules as well as the circumstances under which withdrawals can be made from the Fund. In following best practices, as outlined in the Santiago Principles of sovereign wealth funds, it is ideally for such a framework to be enshrined in law. Accordingly, we have resolved to develop a Sovereign Wealth Fund law, which I intend to table before parliament in the near future, once all the requisite consultations and approvals are completed.
20. As I indicated earlier, the Task Team is ceased with developing this Draft Bill and will undertake stakeholder engagements to seek inputs from relevant parties and the public on the proposed provisions to be contained in the law. This is a national Fund,

and we will therefore encourage all interested members of the public to provide their comments on the draft law to ensure that all inputs are duly considered when that time comes.

*Your Excellency,*

*Ladies and gentlemen,*

21. History has taught us over and over again that prosperous nations are those that have taken the time and effort to make the necessary investments and build capacity as well as institutions in preparation for an unknown destiny. We expect the Welwitschia Fund to be one such institutions that will help us to not only bequeath something to our children but also to weather whatever storms may come our way in future.
  22. As I wrap up my remarks, I wish to call on the Bank of Namibia, as the dedicated administrator of the Welwitschia Fund, to do the needful to maintain the operations of the Fund. The delegation of this responsibility to the Bank is not only in line with international practices but is also a demonstration of our trust in the technical capacity of the Bank to safeguard our investments.
  23. I believe we will all work together in this regard as we endeavour to strengthen the institutional capacities of our country and bring to life the aspirations of the Namibian people – to be a prosperous nation enjoying peace and stability.
  24. I thank you
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