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SOVEREIGN WEALTH FUNDS: A CONSEQUENCE OR CAUSE OF ECONOMIC PROSPERITY?***Munashe Matambo^{1,2}, Dominique Emmanuel Uwizeyimana¹**¹*School of Public Management, Governance and Public Policy, College of Business and Economics, University of Johannesburg, P.O Box 542, Auckland Park, 2006, South Africa*²*Graduate School of Business, Bindura University of Science Education, 741 Chimurenga Road, off Trojan Road, Bindura, Zimbabwe**E-mails:*^{1,2} mmatambo@buse.ac.zw (Corresponding author); ² dominiqueu@uj.ac.za*Received 15 January 2026; accepted 23 April 2026; published 30 June 2026*

Abstract. Policymakers in the Southern Africa Development Community (SADC) region are increasingly promoting Sovereign Wealth Funds (SWFs) as essential tools for economic transformation, often citing the success of models such as Norway's Government Pension Fund Global (GPF) and Singapore's Temasek. This paper argues that this perspective is fundamentally misguided. SWFs are not magical toolkits that can miraculously generate prosperity; rather, they are the consequence, not the cause, of sound economic management. Their successful operationalisation is predicated on pre-existing conditions: prudent natural resource revenue management frameworks, robust and stable macroeconomic policies, and sound public sector governance. Through a qualitative analysis of SWF attempts across the SADC region contrasting failures in Angola and Zimbabwe with the relative success of Botswana's Pula Fund this paper demonstrates that establishing an SWF absent these foundational pillars leads to 'premature funds' that fail or become conduits for patronage. The paper concludes that for SADC members, the primary policy focus must be on building the institutional and macroeconomic prerequisites for sustainable development. An SWF may then emerge as a by-product of that success, not as its precursor.

Keywords: Sovereign Wealth Funds; state-owned enterprise reforms; natural resource revenue management; public sector corporate governance; Southern Africa

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1. Introduction

Sovereign Wealth Funds (SWFs) have become a policy fetish within the Southern African Development Community (SADC) (Matambo, 2025). Inspired by the scale and perceived success of global giants such as Norway's GPF (US\$1.45 trillion) and Singapore's Temasek (US\$284 billion), a diverse coalition including Bretton Woods institutions, development agencies, opposition parties, and academics has lobbied regional governments to establish state-owned investment funds (Dixon, Schena & Capape, 2022). The promise is seductive to manage volatile resource rents, catalyse industrialisation, and secure intergenerational equity. Consequently, at least ten SADC member states have either established or seriously considered establishing an

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SWF, positioning Southern Africa as a potential future hub for such funds. Yet, the regional experience, barring Botswana, is one of consistent failure (Matambo, 2025). Funds in Zimbabwe, South Africa, Tanzania, and Zambia have remained stillborn, trapped in the planning stage. Angola's Fundo Soberano de Angola (FSDEA) was looted through institutionalised patronage shortly after its creation. This pattern aligns with what Bauer and Mihalyi (2018) term the "premature fund" a fund established amid over-optimism but lacking the necessary institutional underpinnings for success. This paper posits that this failure stems from a critical misdiagnosis of the role of SWFs. Policymakers are attempting to replicate a symptom (the SWF) while ignoring the underlying disease (poor economic governance) and the prerequisite conditions for health (sound institutions) (Matambo, 2021).

The core argument advanced here is that SWFs are a consequence and not a cause of economic prosperity. They are the by-products of prudent natural resource revenue management frameworks and/or robust macroeconomic policies and sound governance frameworks. Norway did not become prosperous because of its GPF; it established a successful GPF because it was already prosperous, industrialised, and institutionally robust (Ekeli & Sy, 2011). Similarly, Temasek's success is inextricably linked to Singapore's pre-existing world-class regulatory environment, rule of law, and meritocratic governance (Cheng-Han, Puchniak & Varottil, 2015). Emulating the fund without emulating the foundational context is a recipe for waste and failure.

This paper aims to recalibrate the policy debate in SADC by elucidating the prerequisite conditions for a successful SWF. Adopting an interpretivist paradigm and qualitative methodology, the analysis proceeds by first conceptualising SWFs and their typologies. It then delves into the political economy considerations behind their establishment, arguing that the decision is often politically, not economically, driven. Subsequently, it provides a critical survey of SWF attempts across SADC, using case studies to illustrate the consequences of ignoring prerequisite conditions. Finally, it offers targeted recommendations, emphasising that the quest for sustainable development must come first; an SWF may or may not be a later component of that achieved stability.

2. Conceptualising the term Sovereign Wealth Fund

An SWF is a pool of capital derived from net wealth accumulation (i.e., official exchange reserves, excess resource rents accrued because of the adoption of fiscal rules, current account or fiscal surplus and ceding of state-owned enterprises (SOE) to such entities) controlled by a government or government-linked entity that invests assets under its control to reap returns for its sovereign sponsor (Balding, 2012). There are basically three types of SWFs: commodity-based funds, strategic investment funds (SIFs) also referred to as Sovereign Development Funds (SDFs) and surplus savings funds (Dixon et al., 2022). The sub-sections below parse out the SWF types. However, it is imperative to emphasise that although SWF typologies are useful in explaining the origins and policy intent of SWFs, it does not necessarily mean there is within-group homogeneity regarding the investment policy and specific policy purpose of SWFs. Moreover, SWF typologies are not mutually exclusive in some cases. For example, SIFs such as Abu Dhabi's Mubadala are not considered commodity-based funds yet their source of capital is largely derived from hydrocarbon revenues (Dixon et al., 2022).

Commodity-based funds

SWFs whose source capital is derived from natural resource revenue are referred to as commodity-based funds (Qobo & Soko, 2022). They are the oldest, and less controversial type of SWF. Non-renewable natural resources have three attributes. First, they are finite, and the revenue derived from them is temporary. Second, commodity prices are volatile compared to other income streams. Thus, revenue derived from commodities is inherently unreliable. Third, windfall revenues are inflationary on domestic prices and the exchange rate a phenomenon known as Dutch disease (Jiang & Cheng, 2025). This inflationary pressure constrains the development of other sectors in the economy, limiting the buffer that economic diversification of the economy would bring. If properly established, commodity-based SWFs can be used as a tool to address the problems (Botlhale, 2024). The fund can be used to keep resource rents out of the domestic economy thus addressing absorptive capacity issues and

inflationary effects associated with such. It can also be used as a stabilisation fund to smoothen resource rents across the commodity cycle (Boubakri Fotak & Yasuda, 2023). However, a commodity-based SWF is not necessarily a savings vehicle for future generations. For example, it makes sense for Norway to sequester resources as long-term savings for future generations because Norway is highly industrialised and developed. Moreover, it does not need the resources now. In contrast, in developing countries where capital is scarce the population can benefit more from spending on education, health and better infrastructure or the repayment of public debt (Ahmadov, Althuis, & van den Dijssel, 2025). For example, Ghana's Heritage Fund and Stabilisation Fund have yielded an annual net return of one percent per annum since they were established in 2011. However, during the same period government borrowed US\$3 billion in Eurobonds and is paying more than nine percent interest on its latest Eurobond issuance. The overall impact of this policy decision is a net loss running into millions. Had the government allocated resource rents to debt reduction rather than saving, it would have paid less interest and less money would have left the country (Matambo, 2021).

Strategic Investment Funds

SIFs are a result of two processes. First, they are funds that emerge as holding companies of SOEs and other productive assets, which are founded during periods of significant state economic planning. They operate on comparable terms and norms expected of cognate private investors such as private equity funds. Thus, they are market-conforming. Examples include Singapore's Temasek, Bahrain's Mumtalakat, Kazakhstan's Samruk-Kazyna, and Malaysia's Khazanah Nasional Berhad. The broad mandate of this type of SIF is to oversee and drive better corporate governance, operational and financial performance of SOEs in line with global market conditions and management norms, and subsequently, if required to restructure them in pursuit of privatisation and monetisation (Dixon et al., 2022). Second, SIFs emerge when governments realise the need to actively support economic development. Through such funds governments seek to address market failure, or in the case of developing countries, seed capital in strategic sectors or projects particularly when domestic capital markets are underdeveloped, shallow, or repressed. Examples include the Ireland Strategic Investment Fund (ISIF), Rwanda's Agaciro Development Fund (ADF), Russian Direct Investment Fund (RDIF) and Senegal's Fonds souverain d'investissements strategiques (FONSIS) (Braunstein, 2022).

Surplus Savings Funds

Taxonomies of SWFs distinguish two additional types of SWF (i.e., reserve funds and pension funds). Though the policy purpose of the two is different eminent SWF scholars such as Dixon, Schena and Capape combine them into a single category known as surplus savings funds. Countries such as Australia, Korea, Singapore, and China have established SWFs financed by fiscal surpluses or proceeds from state asset privatisation. For example, in 1981 the government of Singapore established Government of Singapore Investment Corporation later renamed Government Investment Corporation (GIC) to manage its budget surpluses. Similarly, government fiscal surpluses and proceeds from the privatisation of Telstra a state telecommunications company resulted in the establishment of the Australia Future Fund in 2006. Concomitantly, China Investment Corporation (CIC) was established from China's large current account surpluses derived from its booming exports to the rest of the world. Furthermore, countries such as New Zealand have established surplus savings funds to cover deficits in social security from demographic ageing (Dixon et al., 2022).

3. Political economy and policy considerations

SWFs are an international symbol of modernity and prosperity through finance (Clark & Monk, 2012). Countries across the income spectrum i.e., developed to developing economies are looking at establishing SWFs as an economic policy tool to manage natural resource rents or catalyse domestic industries to bolster economic development. As previously alluded to in the preceding section, commodity-based funds and surplus savings funds are established to manage macroeconomic challenges associated with resource abundance such as inflation, Dutch disease, and commodity-price volatility. However, countries with significant reserves notably Switzerland

have resisted calls to establish SWFs (i.e., Switzerland has more than US\$1.1 trillion export led reserves). This suggests that the decision to establish an SWF is not solely determined by the need to manage abundant resources (i.e., surplus reserves, or commodity price booms) but by political decisions about the allocation of wealth (Braunstein, 2022). For example, over the past decade countries whose resource rents are small, distant and uncertain have also joined the bandwagon of countries establishing SWFs (Trudelle, 2024). This is a result of the manifestation of the “presource curse” (i.e., over expectation by politicians, citizens, and bureaucrats at multi-lateral organisations such as the Bretton Woods institutions upon the discovery of mineral resources) (Cust & Mihalyi, 2017). In turn, the presource curse has led to the establishment of premature funds. For example, Ghana’s savings and stabilisation fund (i.e., Ghana Stabilisation Fund and Ghana Heritage Fund) have yielded a net return of 1 percent since they were established in 2011. Conversely, over the same period, the Ghanaian government borrowed US\$ 3 billion in Eurobonds and is paying more than 9 percent interest on its latest Eurobond issuance. The net effect is a net loss running into billions of dollars. Had government used resources saved to minimise or pay off its debt it would have remained better off (Bauer & Mihalyi, 2018).

Notwithstanding the potential usefulness of this policy toolkit, commodity-based funds and surplus savings funds are not a panacea to the multiple challenges daunting resource rich economies. They do not replace the need to foster and stimulate a capable workforce, replace effective regulatory oversight and the rule of law. Furthermore, the establishment of these funds will not on its own improve fiscal and monetary outcomes. In fact, the SWF solution to the complicated problem of resource management is complicated (Matambo, 2021). These organisations are modelled along the lines of high performance Western institutional investors. So, for an SWF sponsor to realise the benefits of such a fund, the establishment of an SWF must be part of a broader package of institutional reforms designed to improve a country’s capacity for abundant resource management (Dixon et al., 2022). For example, Norway’s GPFG and its accompanying institutional and fiscal frameworks resulted from a long process that started by asking the right economic question: how can Norway achieve sustainable growth and development? Norway addressed this question by implementing the Hartwick rule which requires sound fiscal policy and public investment management. Though Norway was already developed and industrialised when it started producing oil in 1971, it used its resource rents to expand social welfare system (i.e., lowered the pension age and reduced taxes) and support the expansion of public services and employment (i.e., increased agricultural subsidies and widened industrial policies). Thus, unlike many natural resource rich developing economies stability oriented macroeconomic policies, low levels of taxation, significant spending in research and development, adequate training and development, productivity, and a high degree of exposure to foreign trade account for the country’s phenomenal economic growth. Since 2001 GPFG has been hinged on the four percent bird-in-the-hand rule which stipulates that four percent of the value of the fund at the end of the previous year must be used as reference for how much is extracted from the fund and used to fund government’s non-oil deficit. The fund is fully integrated with the national budget and builds on existing institutions to strengthen the budget process (Ekeli & Sy, 2011).

Furthermore, as previously alluded to in the preceding section, SIFs are established to either promote sound corporate governance in SOEs or bolster economic development. For example, Singapore’s Temasek was established to promote sound corporate governance in Government Linked Companies (GLCs) and Government-linked Real Estate Investment Trusts (GLREITs) (Sim, Thomas & Yeong, 2013). GLCs were established to jumpstart industrialisation and compensate for the absence of a robust private sector in the years following Singapore’s independence from Britain in 1965. Early GLCs include Neptune Orient Lines (shipping industry), and Keppel, Sembawang, Jurong Shipyards (ship building and repair industry) (Price Waterhouse Coopers, 2015). However, government believed that it was not the business of government to run such enterprises (Nee, 2014). In 1972, Dr Goh Keng Swee, Singapore’s first Minister of Finance post-independence lamented that “one of the tragic illusions that many countries of the Third World entertain is the notion that politicians and civil servants can successfully perform entrepreneurial functions. It is curious that, in the face of overwhelming evidence to the contrary, the belief persists” (Temasek, 2024).

To ameliorate the challenge, the government of Singapore established Temasek in 1974 to separate the fiscal policy function of treasury from the management of GLCs (Dixon, 2020). In his remarks during Temasek's 40th anniversary dinner in 2014, the then President of Singapore Dr. Tony Tan Keng Yam (2011-2017) attributed Temasek's success to the clear separation between government's role as a policymaker and regulator and that of Temasek as a shareholder and commercial owner of companies under its portfolio as well as the shared commitment to meritocracy, commercial discipline, and accountability in those companies (Nee, 2014). Moreover, to obtain geopolitical legitimacy over its overseas investments, Temasek avoids buying or possessing a controlling stake in foreign firms that are of sentimental value to a country. Secondly, it often co-invests with local partners. Thirdly, it does not seek board seats on its investee companies (Dixon, 2020). Furthermore, beyond Temasek's robust governance framework, effective governance has been the key to Singapore's success. For decades, the Bretton Woods institutions have recognised Singapore as having the best regulatory and economic conditions for doing business in the world. Secondly, Transparency International (TI) consistently ranks Singapore among the five least corrupt countries globally. Thirdly, the Asian Corporate Governance Association consistently ranks Singapore as having the best corporate governance in Asia (Cheng-Han et al, 2015). In other words, macroeconomic and political variables beyond Temasek promote sound corporate governance in GLCs in Singapore.

4. Methodology

This study used a qualitative approach based entirely on desk research. The researchers did not collect primary data or conduct interviews. Instead, existing literature was reviewed to examine SWF experiences in Southern Africa. The analysis drew from multiple sources: peer-reviewed journal articles, books, policy reports from institutions such as the IMF and Natural Resource Governance Institute, government documents including budgets and legislation, and investment climate reports from the US State Department. News articles helped fill gaps where official documents were unavailable. The researchers focused on ten SADC countries that have either established a sovereign wealth fund or seriously considered doing so: Angola, Botswana, DRC, Mauritius, Mozambique, Namibia, South Africa, Tanzania, Zambia, and Zimbabwe. For each case, the type of fund proposed, the policy rationale, and the actual outcomes were examined. Botswana's Pula Fund served as a regional benchmark. The analytical approach was comparative and thematic. The material was systematically reviewed to identify recurring patterns across cases, paying particular attention to how institutional conditions and governance quality influenced fund performance. This allowed the researchers to assess the central argument that SWFs tend to succeed only where sound macroeconomic management and institutional capacity already exist. The evidence is presented qualitatively, but the conclusions are drawn from a structured comparison of multiple cases.

5. The State of Sovereign Wealth Funds in the SADC Region

As previously alluded to, SWFs in the SADC region are dwarfs in comparison with funds in other parts of the world. Only Botswana's Pula Fund owns assets more than a billion dollars. The rest have either failed or never developed beyond the planning phase. The sub-sections below discuss the circumstances of every country that has established or considered establishing an SWF in the region.

Angola

Angola's Fundo Soberano de Angola (FSDEA) which was looted to the brink of collapse due to institutionalised patronage and poor governance is a classic example of SWF failure in the SADC region. In 2012, the then President of Angola, Jose Eduardo dos Santos appointed his son and preferred successor the inaugural board chairman of FSDEA (Bybee, 2013). In turn, the chairman of FSDEA appointed Quantum Global an asset management company owned by lifelong friend and business associate Jean-Claude de Morais as sole fund manager without going to tender. Unsurprisingly, the fund invested millions of dollars in projects affiliated to

Morais. In one instance, it invested US\$157 million in a star hotel owned by Morais (Markowitz, 2020). In addition, Morais was paid an obscene sum of US\$750 million for managing the fund US\$250 million more than what was publicly state. In 2019, the Lourenco administration announced that it had recovered US\$3 billion stolen from FSDEA by Dos Santos and Morais. FSDEA is still finding its feet under the Lourenco administration (Emi, 2019).

Botswana

Botswana's Pula Fund is a leading example of how policy makers in the SADC region can establish SWFs (Matambo, 2025). Botswana's use of natural resources has not been associated with conflict or divisive politics as it has elsewhere in Southern Africa, where minerals have brought more pain than joy. A political culture characterised by democracy and stability has ensured the successful and peaceful exploitation of natural resources in the country (Sebudubudu, 2021). When Botswana attained independence from Britain in September 1966, it was one of the poorest countries in the world and labelled the "basket case of Africa" with a meagre Gross Domestic Product (GDP) per capita of US\$80 per capita. The economy was virtually rural. Over 90 percent of the population lived in traditional huts known as rondavels without electricity piped water, tarred roads, hospitals, schools, and a sewer system. Fortunately, diamonds were found soon after independence. Using a non-statutory fiscal rule premised on the Hartwick-Solow rule of fiscal sustainability (i.e., the Sustainable Budget Index [SBI]), the government of Botswana has largely invested its resource rents in other forms of capital (i.e., human, physical, and social) that replace its depleting natural capital base. Consequently, the country has made significant progress in terms of human, physical and social development since independence (Leith, 2005). Any resources government fails to invest in the domestic economy due to absorptive capacity constraints are invested in the Pula Fund. The fund is used to cushion the economy against unexpected shocks in the global economy and save for future generations (IMF, 2012). In short, the Pula Fund is a by-product of a prudent natural resource management framework and robust macroeconomic policies. Moreover, it adheres to Generally Accepted Principles and Practices (GAPPs) of governing state-owned investment funds such as institutional coherence, merit based human resource management practices, organisational independence and possession of highly developed decision-making frameworks and risk mitigation strategies (Matambo, 2025). As of 31 December 2025, the fund was valued at approximately US\$4 billion. However, in September 2025 the government of Botswana established an SIF to drive diversification, manage SOEs and create jobs (Reuters, 2025).

Democratic Republic of Congo (DRC)

According to the US Department of State (2020): "The DRC does not have any reported SWF, although the 2018 Mining Code refers to a Future Fund (FOMIN) that is to be capitalised by a percentage of mining revenues. In October 2021, the Technical Secretariate of the Extractive Industries Transparency Initiative (EITI) organised a workshop to develop the FOMIN decree, as well as tools to manage the shares of mining royalties accruing to provinces and local entities. The FOMIN invited the EITI and the Makuta wa Maendeleo Consortium – which is a platform of civil society organisations specialising in natural resources, including the Centre Carter, Justice for All, Resource Matters- to the workshop held in Kinshasa at the end of November 2022 to improve the regulatory framework of the FOMIN decree to make proposals that can ensure good governance of the fund."

Despite possessing one of the largest mineral deposits on earth with an estimated value of US\$24 trillion, greater than the world's largest economy i.e., the US which has a US\$20 trillion GDP (Baraza, 2020), the Congolese government has failed to operationalise a commodity-based fund because it cannot adequately capture and account for its resource rents. This is largely due to armed conflict, state-led corruption, weak macroeconomic policies and neocolonial corporate extraction (BBC, 2013). Natural resources have fuelled civil wars and bolstered authoritarian regimes since the attainment of independence from Belgium in June 1960 (IMF, 2019). After overthrowing Soviet backed Patrice Lumumba, the first democratically elected Prime Minister of Congo a few months after independence, the Central Intelligence Agency (CIA) helped the then commander of the Congolese army Desire Mobuto to topple President Kasavubu in 1965. For three decades, Mobuto's kleptocratic

rule pillaged an estimated US\$5 billion largely from resource rents. At the time he was overthrown (1997), he was richer than the world's richest tycoons at the time Rupert Murdoch, and Ross Perot. His wealth had the same assessed value as many 500 Fortune corporations (Dahlburg, 1997). Mobuto's successors Laurent and Joseph Kabila took over and replaced Mobuto's patronage network backed by the US, Rwanda, Uganda and Angola. When Rwanda attempted to topple Laurent Kabila in 1998, Angolan, Zimbabwean and Ugandan troops intervened and took the opportunity to ransack and pillage minerals in the eastern region of the country. By 2016, the Kabila family had amassed a US\$750 million fortune, owned diamond permits covering 450 miles of territory and racked up ownership of companies across various sectors of the economy (Baraza, 2020). The current President Felix Tshisekedi has accused Rwanda and the European Union of looting resources in the DRC and clandestinely supporting the M23 rebels thus destabilising the resource rich eastern region of the country (Bonny, 2024). The DRC has the potential to possess one of the most successful commodity-based funds in the world because of its abundant natural resource base. However, before Congolese policymakers can seriously consider operationalising a commodity-based fund government needs to adequately capture and account for its resource rents. Thus, peace must prevail, the rule of law needs to be upheld, and state-led corruption must be tackled.

Mauritius

According to the US Department of State (2024a): "The Government of Mauritius does not have an SWF. However, in October 2020, the Mauritius Investment Corporation (MIC), an investment vehicle set up under the aegis of the Bank of Mauritius to financially assist companies impacted by COVID-19, officially announced that it had become an associate member of the IFSWF, and indicated that, through its membership, it was demonstrating commitment and willingness to uphold the IMF Santiago Principles based on good governance, accountability and transparency. In May 2023, the MIC announced that it was working on becoming an SWF." From the foregoing it is not clear what type of SWF Mauritius intends to establish. However, policymakers need to take into cognisance factors that underpin the successful operationalisation of this institution (i.e. prudent natural resource revenue management frameworks, and/or robust macroeconomic policies and a sound governance framework) as they consider transforming the MIC into a SWF.

Mozambique

The government of Mozambique established a commodity-based stabilisation and intergenerational savings fund in January 2024 to manage resource rents from the newly discovered gas in the Rovuma basin. The enabling legislation stipulates that the fund adheres to the Santiago Principles which promote organisational independence and transparency (US State Department 2024b). For the first 15 years, 60% of projected resource rents in a financial year will be allocated to the national budget and the remaining 40% to the SWF. The current split allows government to improve public service and invest in infrastructure. Thereafter, the allocation will revert to a 50/50 split (Sarmiento, 2024). This will only make sense and yield meaningful results if Mozambique adequately captures and accounts for its resource rents. Furthermore, the government of Mozambique should consider gradually deploying SWF types. A stabilisation fund should be the established first because commodity-price volatility is one of the greatest challenges plaguing resource rich economies such as Mozambique. It makes little sense for an impoverished economy such as Mozambique to save for future generations. Resource rents are better use by investing in social and physical capital that can create a healthier economy for future generations (Matambo, 2025).

Namibia

Known for its gem-quality diamonds, gold and uranium, Namibia has considered establishing a commodity-based fund since 2009 (Aljazeera, 2022). Inspired by Article 95 of the Constitution of Namibia which stipulates that "the state shall actively promote and maintain the welfare of the people" the Bank of Botswana established a commodity-based stabilisation, saving and development fund dubbed the Welwitschia fund in May 2022 (Bank of Namibia, 2022), months after oil discoveries by oil giants Total Energies and Shell off its coast (The Namibia Economist, 2022). The fund is divided into two distinct accounts i.e., the stabilisation account and the

intergenerational savings account. The stabilisation account is capitalised by a dedicated portion of Southern Africa Customs Union (SACU) receipts, budget surpluses and resource rents. In years where SACU receipts rebound to over 9.5% of GDP, at least 2.5% of the receipts are channelled to the fund. Furthermore, in years when there are positive adjustments to SACU receipts at least a third of the positive adjustment is channelled to the stabilisation fund. In addition, in years of fiscal surplus owing to increased SACU revenue, 50% of the surplus is channelled to the stabilisation fund. Moreover, 10% of resource rents inclusive of income from green energy is directed to the fund (Republic of Namibia Ministry of Finance, 2022). The stabilisation account invests the resources “in offshore fixed income accounts with a focus on low-risk liquidity and a medium-term investment horizon of three years (Bank of Namibia, 2022:4). The intergenerational savings account is capitalised by mining royalties (i.e., 15% of mining royalties are deposited into the fund), proceeds from the divestiture of state assets (i.e., at least a third of such assets are accrued to the account) and fiscal surpluses (in years of fiscal surpluses owing to increased resource rents, 50% of the surplus is channelled to the fund) (Republic of Namibia Ministry of Finance, 2022). The intergenerational savings account invests in riskier asset classes such as equity and infrastructure over a longer investment horizon of ten years. Provision is also made to invest in domestic infrastructure projects with socio-economic benefits for future generations (Bank of Namibia, 2022). Due to the investment strategies, the fund’s investment returns have grown from an initial seed capital of NAD\$262 million (US\$14.5 million) to NAD\$425 million (US\$23.5 million) as of March 2024 (Republic of Namibia, 2024). In comparison with the region’s most successful SWF the Pula Fund, the Welwitschia Fund is a dwarf. However, it is on the right track to become an established SWF. The government of Namibia considers gradually deploying SWF types. A stabilisation fund should be deployed first because commodity-price volatility is one of the greatest challenges bedevilling resource rich developing economies such as Namibia. Once the stabilisation fund has enough resources to stabilise the economy in the event of an unexpected external shock policymakers can move on to establish a development fund. Once the development fund has developed the economy to optimal levels, policymakers may consider establishing an intergenerational savings fund (Dixon & Monk, 2011). However, it makes little sense for capital starved, underdeveloped economies such as Namibia to follow the Norwegian SWF model. “Leaving future generations with a healthy and robust economy and society is better than leaving them with a bank account (Matambo & Dixon, 2021).”

South Africa

In 2013, the newly formed Economic Freedom Fighters (EFF) led by Julius Malema a former ruling African National Congress Youth League (ANCYL) President expressed its intention to establish an SWF should it ever come to power. Its founding manifesto reads “Owing to surpluses and many sustainable developmental considerations that will be generated as a result of the South African state’s control and ownership of strategic sectors of the economy, government should establish an SWF, which will prudently invest in the development of the African economy. This fund will also assist in the insulation of the South African economy whenever there are volatilities in resource-sector prices and when non-renewable resource are exhausted. Most countries including China, USA, Saudi Arabia, Norway, Libya, Nigeria, Chile, France and many others, have SWFs for these purposes. As we speak, despite massive resource riches, South Africa has no SWF mainly because South African do not own their resource” (Economic Freedom Fighters, 2013).

From the foregoing it can be deduced that the EFF’s intention is to establish a commodity-based stabilisation and savings fund. To the delight of the EFF, during his State of the Nation Address (SONA) in 2020 President Cyril Ramaphosa highlighted that his administration had decided “to establish an SWF as a means to preserve and grow the national endowment of our nation (South Africa) giving practical meaning to the injunction that the people shall share the country’s wealth” (South African Government, 2020:2). Concomitantly, in his 2020 national budget speech, the then Minister of Finance Tito Mboweni announced the establishment of a commodity-based savings and stabilisation fund with seed capital that amounted to US\$2 billion. He also highlighted that a relevant bill will be submitted during the 6th Parliament, but this never materialised (National Treasury Republic of South Africa, 2020). During his opening of Parliament address in July 2024, President Ramaphosa announced that “the

establishment of a state-owned SOE holding company (a SIF) will give us (South Africa) greater capacity to build an SWF. This has been successfully done by other countries whose SWFs have built up capital from the performance of SOEs rather than the fiscus” (South African Government, 2024). Unfortunately, South Africa’s 715 SOEs are loss making entities except for the South African Forestry Companies Limited (Parliament of the Republic of South Africa, 2020). With each passing financial year, these entities are experiencing more financial woes, worsening mismanagement and weakening balance sheets. Thus, posing a risk to the country’s debt profile (Phillip, 2021). From the foregoing it can be deduced that South Africa put the cart before the horse. Successful SIFs such as Temasek’s Singapore inherited high performance SOEs. The rationale behind establishing Temasek was to separate government’s role as regulator and owner of SOEs. Thus, establishing an SIF in South Africa will not miraculously turn around the fortunes of South African SOEs.

Tanzania

In 2012, the then President of Tanzania Jakaya Kikwete announced plans to establish an SWF after the discovery of natural gas offshore by Norway’s Statoil, US group ExxonMobil and Britain’s BG Group and its partner Ophir Energy. Kikwete said the government’s intention was to ensure natural gas revenues were used to speed up development (Ng’wanakilala, 2012). However, the intention never materialised largely because Tanzania cannot adequately capture and account for its natural gas revenue. Tanzanian policymakers need to be able to do so before they can seriously consider establishing a commodity-based SWF.

Zambia

Zambia does not have an SWF (US Department of State, 2024c). However, in 2014, the then President Michael Sata announced that Zambia would establish a SIF through the Industrial Development Corporation to oversee the country’s SOEs (Business Day, 2014). However, the fund never materialised because Zambia’s 36 SOEs are largely loss-making entities. In more recent years, election manifestos across the political divide have proposed the establishment of a commodity-based stabilisation fund (Samuel, 2021). A stabilisation fund is more realistic and attainable because the Zambian economy depends on copper. However, government needs to adequately capture and account for its copper revenue if it’s to successfully operationalise a commodity-based stabilisation fund.

Zimbabwe

The Sovereign Wealth Fund of Zimbabwe Act (Chapter 22:20) was enacted in November 2014 and a commodity-based fund named the Sovereign Wealth Fund of Zimbabwe (SWFZ) whose mandate was to promote intergeneration savings and support government’s development, and macroeconomic stabilisation objectives was established. However, in practice the fund was never operationalised in any serious manner because the government of Zimbabwe cannot adequately capture and account for its resource rents. Resource rents are largely looted by the ruling elite. For example, during the Government of National Unity (GNU), the then Minister of Finance, Tendai Biti accused Zimbabwe African Nation Union Patriotic Front (ZANU-PF) of running a parallel. In 2012 he had to revise the budget downwards from US\$4 billion to US\$3.6 billion because of the underperformance of the diamond revenue head. A mere US\$43 million was remitted against a projection of US\$400 million even though the country had exported diamonds more than US\$500 million (Biti, 2012:74). In September 2023, through Statutory Instrument 156 of 2023 President Mnangagwa amended the Sovereign Wealth Fund of Zimbabwe Act (Chapter 22:20) and renamed the SWFZ the Mutapa Investment Fund. He also transferred government’s shareholding in 22 entities (Defold mine, Kuvimba mining house, Zimbabwe United Passenger Company (ZUPCO), Silo Investments, National Oil Company of Zimbabwe, Petrotrade, Netone, Tel One, Powertel, Telecel, Zimbabwe Power Company, Allied Timbers, Air Zimbabwe, Cottco Holdings, Hwange Colliery, Cold Storage Commission, People’s Own Savings Bank, National Railways Holdings, National Railways of Zimbabwe, ARDA, Industrial Development Corporation of Zimbabwe, AFC Limited) in the energy, telecommunication, transport, mining, agriculture, and banking sectors to the fund thereby establishing a SIF. In March 2024 through Statutory Instrument 51 of 2024 the President added seven SOEs (Aurex Private Limited,

ZESA Holdings Private Limited, Export Credit Guarantee Corporation of Zimbabwe, ZESA Enterprises Private Limited, Homelink Finance, Fidelity Gold Refinery, Homelink Private Limited) to the initial capital of the Mutapa Investment Fund. Furthermore, the amendment empowered the fund to transfer funds into and out of Zimbabwe without restrictions and delay.

In his 2024 national budget statement Zimbabwe’s Minister of Finance Professor Mthuli Ncube alluded to the fact that the board and management of the Mutapa Investment Fund are mandated to demand and implement turnaround strategies for SOEs under their portfolio (Ncube, 2024:180). Unfortunately, Zimbabwean policymakers put the cart before the horse. Zimbabwe’s 107 SOEs are perennial lose making entities that are constantly bailed out by the state thus draining the fiscus (Matambo, Moyo, Mukonza and Chigova, 2022). In 2016 alone, 38 SOEs ran cumulative losses more than US\$270 million. Moreover, the Auditor General argues that 70 percent of SOEs are technically insolvent after running huge losses for decades (The Standard, 2023). Professor Tony Hawkins a leading Zimbabwean economist argues that “the inclusion of loss-making parastatals is just one attempt to hide public finances from parliamentary scrutiny (The Standard, 2023).” For example, the Sentry (2024) alleges that the government of Zimbabwe clandestinely borrowed US\$1.9 billion to recapitalise the Mutapa Investment Fund. Sadly, four-fifths of the debt i.e., US\$1.6 billion (5% of Zimbabwe’s GDP) was used to buy out private investors that held 35% equity in Kuvimba Mining House a mining conglomerate linked to Kudakwashe Tagwirei, President Mnangagwa’s advisor, and the ruling party’s benefactor accused of corruption. The money paid was triple the valuation given to the shares by government in 2022. Professor Mugano another leading Zimbabwean economist argues that the policy decision would only make sense “if parastatals are profitable and they declare their dividends with their shareholder.” Furthermore, opposition leader Professor Welshman Ncube argues that the policy decision will not solve anything if government fails to address issues affecting its ailing economy which include widespread poverty, declining industrial capacity utilisation, and high unemployment (The Standard, 2023). In short, the Mutapa Investment Fund was poorly conceptualised and has no meaningful benefit to the ordinary Zimbabwean. Synthesis of central argument is provided below in Table 1.

Table 1. Sovereign Wealth Fund Initiatives in the SADC Region: A Comparative Assessment

Country	Fund Name	Type	Year Established	Status	Foundational Considerations Present	Key Outcomes
Botswana	Pula Fund	Commodity-based	1994	Operational (US\$4 billion)	✓ Prudent fiscal framework ✓ Political stability ✓ Sound governance ✓ Transparent revenue management.	Regional benchmark, fully adheres to Santiago Principles, effective stabilising and savings vehicle
Namibia	Welwitshia Fund	Commodity-based (stabilisation and intergenerational)	2022	Operational (US\$23.5 million)	✓ Gradual deployment approach. ✓ Clear fiscal rules ✓ Offshore investment	Growing steadily, appropriate focus on stabilisation before savings
Angola	FSDEA	Commodity-based	2012	Near collapse (looted)	✗ Institutionalised patronage ✗ Lack of transparency ✗ Political interference	US\$3 billion recovered after looting, fund still finding its feet.
Zimbabwe	SWFZ→Mutapa Investment Fund	Commodity-based→SIF	2014 restructured 2023	Stillborn/poorly conceptualised	✗ Inadequate revenue capture ✗ Loss making SOEs (107 entities) ✗ Opaque governance	US\$1.6 billion questionable debt; no public benefit; hides finances from public scrutiny.

South Africa	Proposed SWF	Commodity-based and SIF	Proposed in 2020 and 2024	Planning stage only	X 715 loss making SOEs X Weak SOE performance X No enabling legislation	Cart before the horse, SIF cannot fix fundamentally unsound enterprises.
Zambia	Proposed IDC (SIF)/Stabilisation Fund	SIF/commodity-based	Proposed (2014,2021)	Not materialised	X Loss making SOEs X Inadequate revenue capture	Stabilisation fund more realistic; must first capture copper revenue.
Tanzania	Proposed SWF	Commodity-based	Proposed (2012)	Not materialised	X Inadequate gas revenue capture	Cannot operationalise without proper revenue accounting.
DRC	FOMIN (Future Fund)	Commodity-based	Proposed (2018 mining code)	Not operationalised	X Armed conflict X State-led corruption X Weak macroeconomic policies	Must first achieve peace, rule of law and revenue capture.
Mozambique	Rovuma Basin SWF	Commodity-based (stabilisation and savings)	2024	Newly established	± Adheres to Santiago Principles (legislated) ✓ Clear allocation rules ✓ Revenue capture capacity uncertain	Will only succeed if government adequately captures resource rents.
Mauritius	MIC→Potential SWF	Undetermined	2020 MIC	Associate IFSWF member, considering SWF status	✓ Strong governance context ✓ Stable macroeconomy	Well-positioned, if it proceeds; must clarify fund type and purpose.

6. Conclusions

This paper has argued that SWFs are often misinterpreted as catalysts for development when, in reality, they are the products of it. The regional experience within SADC, with the notable exception of Botswana, demonstrates a consistent pattern of failure. Attempts to establish SWFs in Angola, Zimbabwe, and elsewhere have resulted in "premature funds" that either collapse, become instruments of patronage, or remain stillborn on the drawing board. These failures stem from a fundamental misdiagnosis: policymakers seek to replicate the visible institution (the SWF) while neglecting the foundational context that makes it viable. True success stories, like Norway's GPF or Singapore's Temasek, did not create prosperity from scratch. They were built upon pre-existing bedrock of robust institutions, sound macroeconomic management, effective governance, and, in many cases, already-industrialised economies. The Botswana Pula Fund stands as a regional proof of concept precisely because it emerged from and is supported by such a stable, prudently managed environment. For most SADC members, the primary obstacle to development is not the absence of a sovereign investment vehicle, but the absence of the conditions that would allow one to function successfully and for the benefit of the public.

7. Recommendations

For policymakers in the SADC region, the path forward requires a recalibration of priorities. The focus must shift from the fund itself to building the foundations that could eventually sustain one. First, the primary policy objective must be to strengthen the fundamental pillars of economic management: transparency, the rule of law, effective regulatory oversight, and anti-corruption frameworks. Without these, any pool of sovereign capital risks being misappropriated. Institutional reforms that ensure the proper capture, accounting, and transparent management of natural resource revenues are a non-negotiable first step. Second, before creating a savings fund for future generations, governments must achieve fiscal discipline and macroeconomic stability. This involves

implementing sustainable fiscal rules, managing debt prudently, and building credible monetary policy. As the case of Ghana illustrates, it is economically irrational to save small returns in a fund while paying high interest on sovereign debt. Third, not all SWFs are alike, and the Norwegian model is often inappropriate for capital-starved, developing economies. For most resource-rich SADC countries, the most logical and attainable first step is a stabilisation fund designed specifically to manage commodity price volatility and smooth government expenditure. Only once this is successfully operational and broader development gains are secured should the more complex goals of intergenerational savings or strategic development funding be considered. Fourth, The experience of Zimbabwe and the challenges in South Africa show that creating a Strategic Investment Fund (SIF) to manage underperforming, loss-making SOEs is putting the cart before the horse. The Temasek model works because it inherited viable companies. Therefore, the priority must be comprehensive SOE reform i.e. improving governance, commercial discipline, and profitability before consolidating them under a sovereign fund structure. An SIF cannot magically cure deeply rooted inefficiency. In essence, the recommendation is to exercise policy patience. Sustainable development, driven by good governance and sound economics, must be the foremost goal. A SWF may then naturally emerge as a by-product and tool of that success, rather than a poorly conceived and ultimately futile attempt to shortcut it.

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