

RERF Withdrawal Policy – A policy to Govern the withdrawals from the Revenue Equalisation Reserve Fund (RERF).

1. The Purpose of the RERF Withdrawal Policy

The vision behind the policy is to ensure sustainability of the Fund, maintain growth and ensure transparency on the use of public funds for effective development purposes. Presently, there are no official set of rules or policies that govern the withdrawals from the RERF. There are no rules governing how much the Government can withdraw from the RERF at any one time, what types of activities or projects that can be funded using the RERF neither any set or agreed growth rates that the RERF should achieve annually.

2. Introducing a Rule-Based Withdrawal policy to ensure Fund sustainability

This Withdrawal policy introduces a rule-based policy that ensures withdrawals from the RERF are consistent with the following objectives:

- ✓ The Capital value of the RERF over time is protected;
- ✓ The RERF to be used more effectively for development purposes; and
- ✓ Intergenerational equity is not compromised.

3. The approved RERF Withdrawal policy is: the excess return over the target real growth rate of 5% can be withdrawn

- This drawdown policy sets a benchmark on the rate of return, in this case the government has set a rate of return in real terms of 5% that the RERF must achieve annually. This targeted rate of return from the RERF of 5% every year takes into account Inflation and population growth rate.
- This means that only any returns in excess of 5% can be withdrawn for development purposes.
- This policy limits the growth rate of the RERF to 5% per annum in real terms but allows the excess returns to be deployed for development purposes. In doing so, it ensures that the Capital value of the fund is protected.
- The policy does not allow for withdrawals when returns are equal to or below 5%, to ensure an acceptable level of growth in the fund is allowed to protect capital value.

4. RERF Withdrawal process

- Annual Returns are to be calculated at the end of any one year, to be validated by the Custodian and the World Bank Treasury.
- Excess return over the 5% growth rate of the RERF in any one year can be drawn for development purposes but only with the approval of the Cabinet.
- The specific development purpose needs to be specifically approved to be taken from the RERF by Cabinet. Noteworthy that there is no qualification criteria at the moment on the type of development project that qualify to be entitled to use RERF funds as a last resort as a funding source available to Government.
- If the rate of return is equal to or below 5% in real terms in any one year, there would be no drawdowns from the RERF.
- The administration of the RERF is overseen by the Honorable Minister of Finance and Economic Development who chairs the RERF Investment Committee. The technical operations of the RERF are managed by the RERF team in the National Economic Planning Office under the oversight of World Bank Treasury.