Session 1: Scope and Sources of Security Sector Resources in Southern Africa

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Overview

• Recent Economic Growth Trends

• Importance of Resource Management

• Unpacking the Nexus

• Security for Whom?
Evolving Perspectives

2000

2011

2013
Recent Economic Growth

Note: (e) estimates; (p) projections.
Source: Statistics Department, African Development Bank.

Source: African Economic Outlook (2015)
Growth and Inequality

**Aspirational Africa**
Africa’s middle class, % of population

- South Africa
- Nigeria
- Cameroon
- Ghana
- Kenya
- Sudan
- Sub-Saharan Africa
- Uganda
- Madagascar
- Mozambique
- Tanzania
- Congo
- Ethiopia

Source: EIU Canback
*Excluding South Africa
†$10-20; ‡$20-50, per person per day at purchasing-power parity

Economist.com
<table>
<thead>
<tr>
<th>Country</th>
<th>GDP based on PPP valuation (USD Million)</th>
<th>GDP per Capita (PPP Valuation, USD)</th>
<th>Annual real GDP growth (average 2008-16)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>187,257</td>
<td>7,249</td>
<td>4.30</td>
</tr>
<tr>
<td>Botswana</td>
<td>36,505</td>
<td>15,846</td>
<td>3.82</td>
</tr>
<tr>
<td>Comoros</td>
<td>1,259</td>
<td>1,560</td>
<td>2.30</td>
</tr>
<tr>
<td>Lesotho</td>
<td>6,019</td>
<td>2,786</td>
<td>4.38</td>
</tr>
<tr>
<td>Madagascar</td>
<td>37,491</td>
<td>1,505</td>
<td>2.72</td>
</tr>
<tr>
<td>Malawi</td>
<td>21,227</td>
<td>1,196</td>
<td>5.18</td>
</tr>
<tr>
<td>Mozambique</td>
<td>35,313</td>
<td>1,228</td>
<td>6.61</td>
</tr>
<tr>
<td>Namibia</td>
<td>27,035</td>
<td>10,754</td>
<td>4.01</td>
</tr>
<tr>
<td>Seychelles</td>
<td>2,608</td>
<td>26,877</td>
<td>4.10</td>
</tr>
<tr>
<td>South Africa</td>
<td>736,325</td>
<td>13,393</td>
<td>1.68</td>
</tr>
<tr>
<td>Swaziland</td>
<td>11,061</td>
<td>8,482</td>
<td>1.55</td>
</tr>
<tr>
<td>Zambia</td>
<td>65,174</td>
<td>3,899</td>
<td>5.89</td>
</tr>
</tbody>
</table>

Revenue Sources

• **Domestic**
  • Taxation
  • Borrowing

• **External**
  • Bilateral *(friendly governments)*
  • Multilateral *(international organizations: UN, IMF, World Bank, African Development Bank)*
  • Commercial *(firms operating in the country)*
The Tax Effort

**Tax Revenue**
(percent of GDP, average 2012-14)

Source: IMF Lesotho Consultative Report 2016:
## Some Financials

<table>
<thead>
<tr>
<th>Country</th>
<th>Mineral</th>
<th>Investment</th>
<th>Average Annual Revenue</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ghana</td>
<td>Petroleum</td>
<td>$3.2 bn</td>
<td>$0.85 bn</td>
<td>21 years</td>
</tr>
<tr>
<td>Guinea</td>
<td>Iron Ore</td>
<td>$10 bn</td>
<td>$1.6 bn</td>
<td>21 years</td>
</tr>
<tr>
<td>Liberia</td>
<td>Iron Ore/Petroleum</td>
<td>$4.5 bn</td>
<td>$1.7 bn</td>
<td>20-30 years</td>
</tr>
<tr>
<td>Mozambique</td>
<td>Gas/Coal</td>
<td>$20-30 bn</td>
<td>$3.5 bn</td>
<td>30-50 years</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>Various</td>
<td>$4.6 bn</td>
<td>$0.4 bn</td>
<td>15 years</td>
</tr>
<tr>
<td>Tanzania</td>
<td>Various</td>
<td>$20-30 bn</td>
<td>$3.5 bn</td>
<td>10-12 years</td>
</tr>
</tbody>
</table>

Source: Daniel, Philip, Fiscal Regimes for Extractive Industries: Design and Implementation, IMF, August 2012, pg 8
Categories of IFF

- Globally, commercial activities as accounting for 65 percent of IFFs, criminal activities for 30 per cent and corruption for around 5 per cent. Similar proportions in Africa (Kar and Cartwright-Smith, 2010).

- Commercial
  - Abusive transfer pricing
  - Trade mispricing
  - Mis invoicing of services and intangibles
  - Unequal contracts
  - Tax inversion

- Criminal
  - Money laundering
  - Organized crime
  - Criminal

- Corruption
Effects of IFF


- UNECA’s methodology - trade mispricing
- Kar and Cartwright-Smith (2010) - all IFFs
- Kar and Cartwright-Smith (2010) - trade mispricing only

Source: Based on Ndikumana and Boyce (2008), Kar and Cartwright-Smith (2010), Kar and Freitas (2011) and ECA’s calculations.
Monitor IFF

Source: Africa progress Panel, “Equity in Extractives: Stewarding Africa’s natural resources for all” (2013)
## US Assistance: 2013-16

<table>
<thead>
<tr>
<th>Country</th>
<th>USAID</th>
<th>IMET</th>
<th>FMF</th>
<th>FMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>140,466</td>
<td>2,083</td>
<td>0</td>
<td>200</td>
</tr>
<tr>
<td>Botswana</td>
<td>0</td>
<td>2,279</td>
<td>390</td>
<td>1,739</td>
</tr>
<tr>
<td>Comoros</td>
<td>0</td>
<td>723</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Lesotho</td>
<td>25,600</td>
<td>235</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Madagascar</td>
<td>195,640</td>
<td>458</td>
<td>0</td>
<td>824</td>
</tr>
<tr>
<td>Malawi</td>
<td>282,543</td>
<td>1,169</td>
<td>0</td>
<td>333</td>
</tr>
<tr>
<td>Mozambique</td>
<td>270,665</td>
<td>1,881</td>
<td>0</td>
<td>1,008</td>
</tr>
<tr>
<td>Namibia</td>
<td>0</td>
<td>582</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Seychelles</td>
<td>0</td>
<td>561</td>
<td>0</td>
<td>806</td>
</tr>
<tr>
<td>South Africa</td>
<td>51,309</td>
<td>2,492</td>
<td>2,115</td>
<td>9,356</td>
</tr>
<tr>
<td>Swaziland</td>
<td>20,700</td>
<td>565</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Zambia</td>
<td>174,569</td>
<td>1,527</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

FMS is 2013-15
US Assistance: 2013-16

USAID, 1,161,492
IMET, 14,555
FMF, 2,505
FMS, 14,266
Other, 31,326
Moving Ahead . . .

**DOMESTIC**
- Increase tax effort.
- Expand tax base.
- Review resource contracts.
- Minimize domestic borrowing.
- Address corruption.

**EXTERNAL**
- Align assistance with domestic priorities.
- Reduce redundancies and duplication through effective coordination.
- Mitigate disbursement challenges.
- De-politicize assistance.
Questions/comments?