

Public Disclosure Authorized

Money to the People: A Calculation of Direct Dividend Payments in Africa

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Social Protection & Labor Global Practice – Core Course
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Context

1. **Better Technology: We Know 10% of Africa's Riches**
2. **“Quantity Bonanza”: Not Just About China** ▶
3. **Previous Bonanzas Were (Mostly) Wasted** ▶
4. **Literature: Natural Resources Weakens Governance**
5. **Resources to Citizens: Five Degrees of Separation**

Can We Turn People Into Shareholders?

1. **Not Many Actual Cases: Alaska's Permanent Fund; Iran**
2. **Sala-i-Martin & Subramanian (2003): Nigeria**
3. **Sandbu (2006): Give and Tax**
4. **Moss & Young (2009): Ghana**
5. **Segal (2011): Cut Global Poverty in Half**
6. **Arezki et. al. (2012): Better than Public Investment**
7. **Devarajan & Giugale, M. (2013): 8 Illustrations**
8. **Diamond & Mosbacher (2013): Just Do It**
9. **Gelb & Majerowicz (2011): The Uganda Case**
10. **Moss & Majerowicz (2013): The Objection List**
11. **Gelb & Clark (2013): Biometric Revolution**

Why Can't We Do This?

- 1. Identification and Transfer Are Too Costly**
- 2. Public Goods Need Funding** 
- 3. Politicians Have No Incentives**
- 4. Bad Macroeconomic Impact**
- 5. The “Nationalization” Debate**
- 6. Behavioral Economics: Can The Poor Care?**
- 7. You'll Weaken Broader Inst. Devlp. Efforts**

How Would DDTs Actually Look in Africa?

1. Using Natural Resource Rent



2. Using Official Development Assistance



Thank you!

References:

Giugale M. and N. Nguyen, "Money to the People: Estimates of the Potential Scale of Direct Dividend Payments in Africa", Center for Global Development, Policy Paper 043, May 2014

McGuirk E., A. Rajaram, and M. Giugale, "The Political Economy of Direct Dividend Transfers in Resource-Rich Countries – A Theoretical Consideration", World Bank Policy Research Working Paper 7575, February 2016.

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Direct Dividend Payments: Theory

If the production function of public goods shows diminishing returns to scale in fiscal revenue...

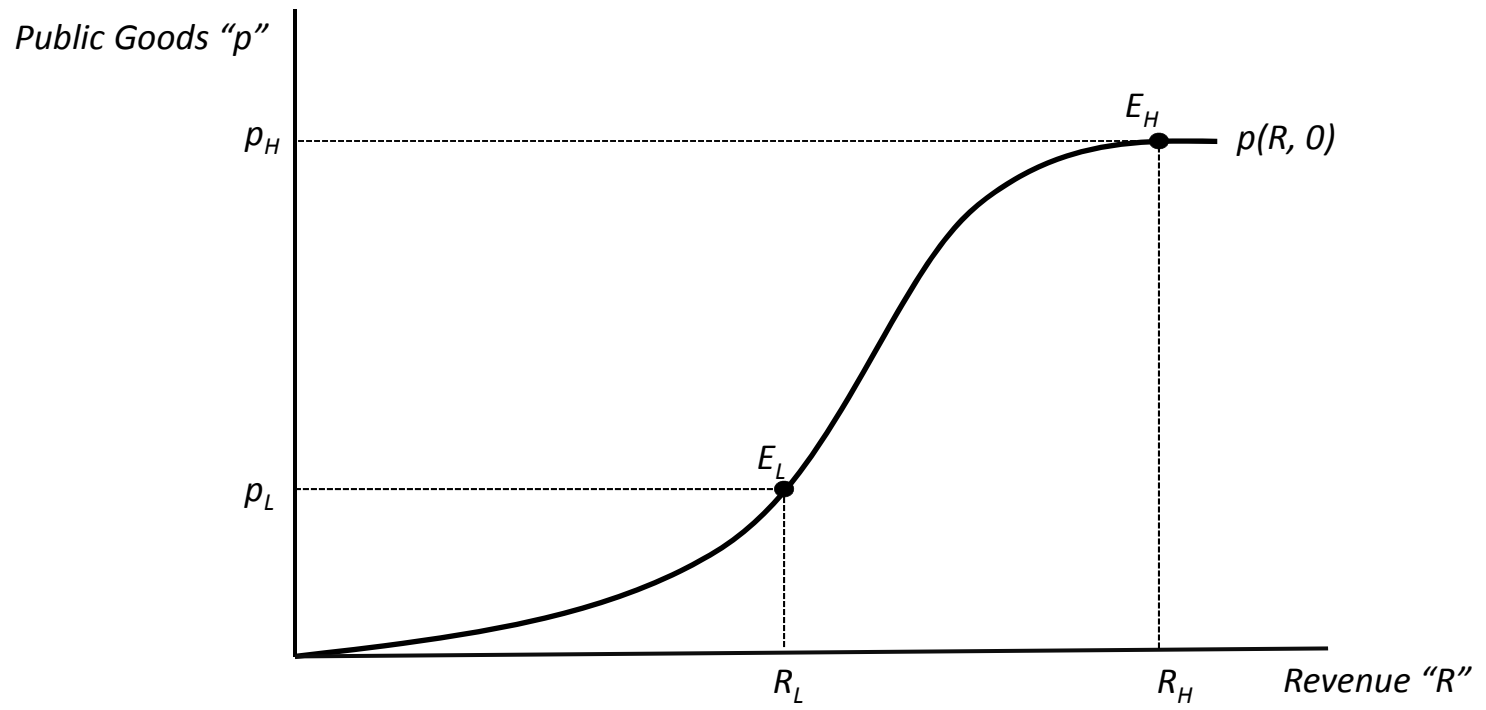
AND

If more citizen scrutiny leads to more public goods per unit of revenue....

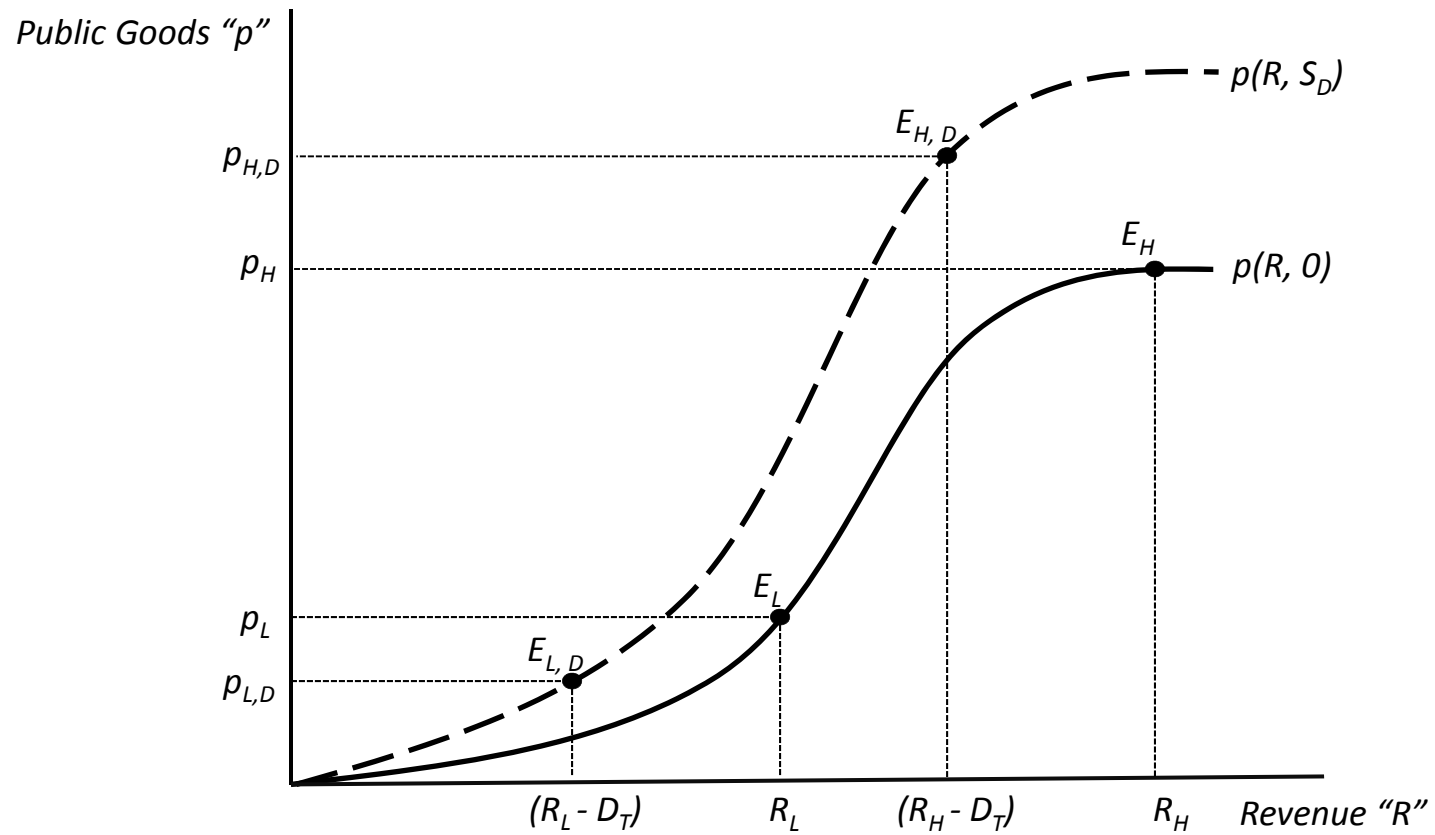
AND

If more information on revenue leads to more scrutiny...

THEN...



...Dividend Payments Can Increase both Private Consumption and Public Goods



Direct Dividend Payments From Natural Resources

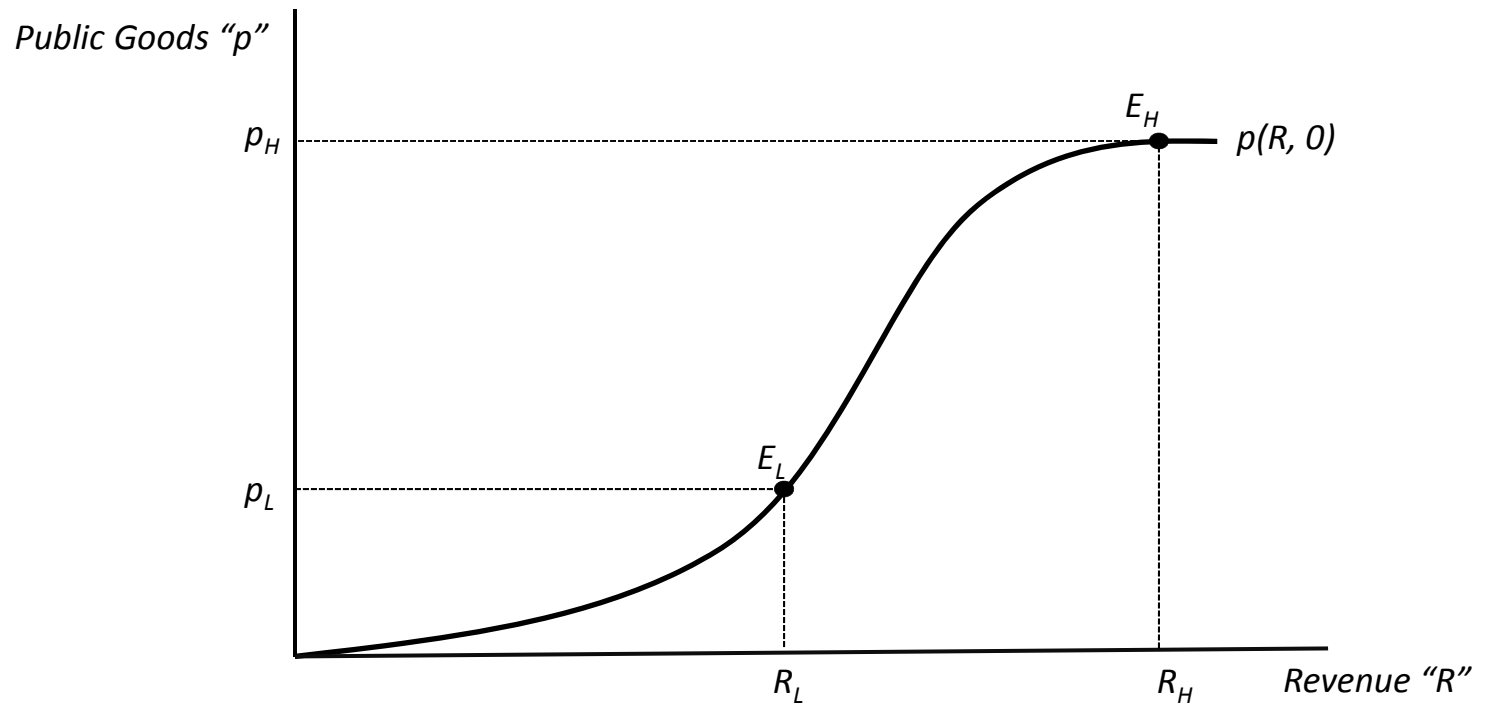
Poverty Line Type	Covers Half Or More of the Average Poverty Depth		Covers a Tenth or More of the Average Poverty Depth		% of Resource Revenue Needed to Lift Everyone up to the Poverty Line	
	10% DDP to All	10% DDP to Poor	10% DDP to All	10% DDP to Poor	10% or Less	A Third or Less
National Poverty Line	Angola EQG Gabon	Angola EQG Gabon Rep. of Congo Nigeria	Angola Botswana Chad Rep. of Congo EQG Gabon Nigeria South Sudan	Angola Botswana Chad Rep. of Congo Cote d'Ivoire EQG Gabon Namibia Nigeria South Sudan South Africa Sudan	Angola EQG Gabon	Angola Botswana Chad Rep. of Congo EQG Gabon Nigeria South Sudan
International Extreme Poverty Line	Angola Rep. of Congo Gabon	Angola Cameroon Republic of Congo Gabon South Africa	Angola Cameroon Chad Rep. of Congo Gabon Nigeria Sudan	Angola Cameroon Chad Rep. of Congo Cote d'Ivoire Ghana Mauritania Namibia Nigeria South Africa Sudan	Angola Cameroon Rep. of Congo Gabon	Angola Cameroon Rep. of Congo Gabon South Africa Sudan

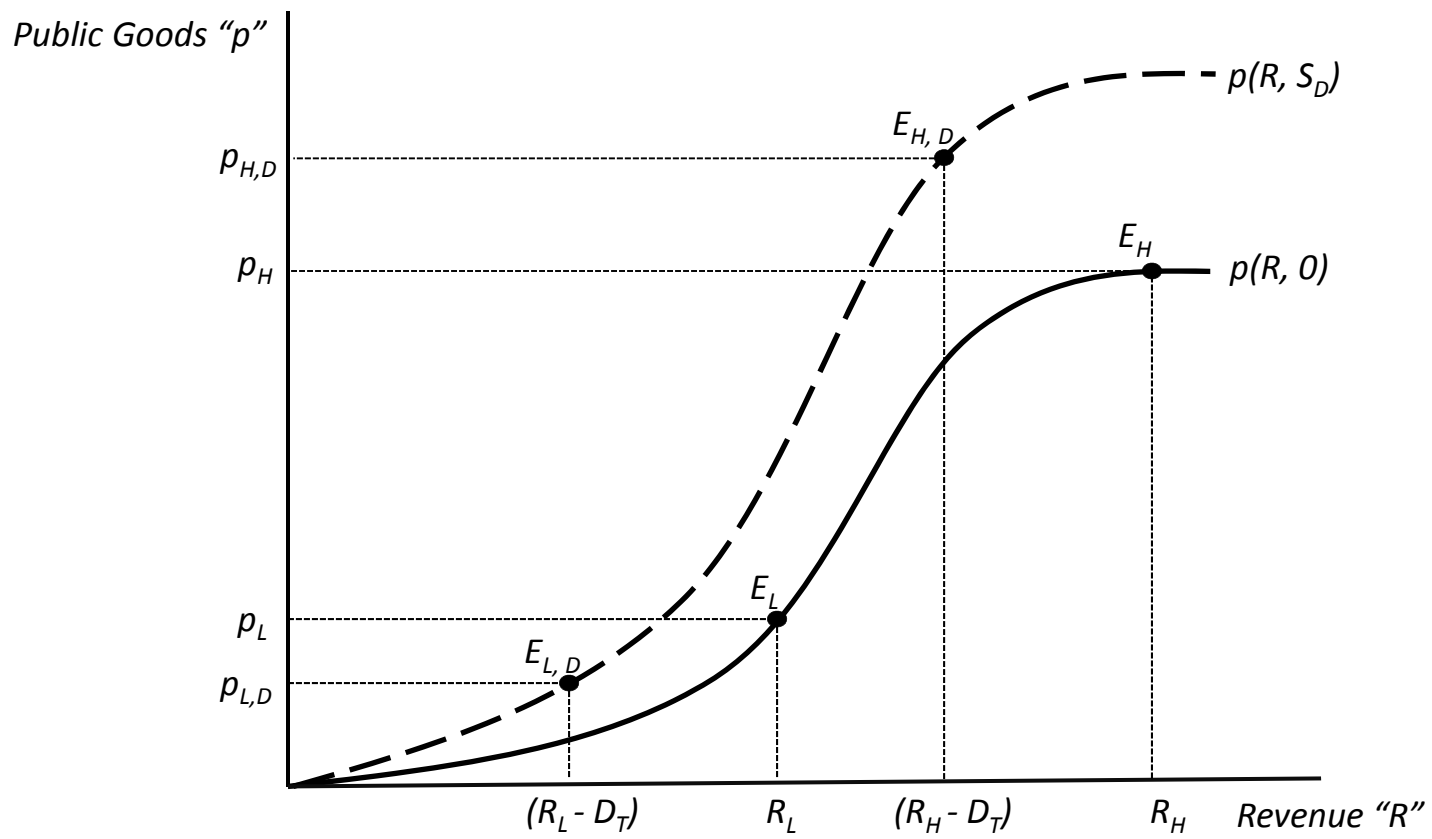


Direct Dividend Payments From Official Development Assistance

Poverty Line Type	Covers Half Or More of the Average Poverty Depth		Covers a Tenth or More of the Average Poverty Depth		% of ODA Needed to Lift Everyone up to the Poverty Line	
	10% DDP to All	10% DDP to Poor	10% DDP to All	10% DDP to Poor	Half or Less	100% or Less
National Poverty Line	Sao Tome & Principe	Cape Verde Rwanda Sao Tome & Principe	Cape Verde Cote d'Ivoire Rwanda Sao Tome & Principe Sierra Leone Tanzania	Benin Burkina Faso Cape Verde Cote d'Ivoire Ethiopia Ghana Liberia Malawi Mali Mauritania Mauritius Mozambique Namibia Rwanda Sao Tome & Principe Sierra Leone South Sudan Tanzania Uganda	Benin Cape Verde Cote d'Ivoire Ethiopia Mauritius Namibia Rwanda Sao Tome & Principe Sierra Leone Tanzania Uganda	Benin Burkina Faso Cape Verde Cote d'Ivoire Ethiopia Ghana Liberia Malawi Mali Mauritania Mauritius Mozambique Namibia Rwanda Sao Tome & Principe Sierra Leone Tanzania Uganda
	No Country	Cameroon Cape Verde Gabon Mauritania Sao Tome & Principe Seychelles	Cape Verde Gambia Liberia Mauritania Sao Tome & Principe Seychelles	Benin Burkina Faso Cameroon Cape Verde Cote d'Ivoire Ethiopia Gabon Gambia Ghana Guinea-Bissau Kenya Lesotho Liberia Mali Mauritania Mozambique Namibia Niger Rwanda Sao Tome & Principe Senegal Seychelles South Africa Sudan Swaziland Togo Uganda	Cameroon Cape Verde Cote d'Ivoire Ethiopia Gabon Ghana Mauritania Namibia Sao Tome & Principe Senegal Seychelles South Africa Togo	Benin Burkina Faso Cameroon Cape Verde Cote d'Ivoire Ethiopia Gabon Gambia Ghana Guinea-Bissau Kenya Lesotho Liberia Mali Mauritania Mozambique Namibia Niger Rwanda Sao Tome & Principe Senegal Seychelles South Africa Sudan Swaziland Togo Uganda







10% Universal Distribution Would Pay For....

- **154% of the Poverty Depth in Equatorial Guinea**
- **52% in Gabon**
- **44% in Angola**
- **42% in the Republic of Congo**
- **21% in Nigeria**



A Perfectly-Targeted Cover of the Poverty Depth Would Cost....

- 5% of the Government's Resource-related in Equatorial Guinea**
- 6% in Gabon**
- 8% in Angola**
- 12% in Republic of Congo**
- 15% in Mozambique**
- 26% in Nigeria**



A Perfectly-Targeted Cover of the Poverty Depth Would Cost....

- 18% of net ODA in Tanzania**
- 23% in Uganda**
- 32% in Republic of Congo**
- 70% in Mozambique**
- 112% in Gabon**
- 265% in Equatorial Guinea**



Bigger and Better Deals

- **Africa is demanding better deals and getting them.**
 - New terms and renegotiations; e.g. Guinea \$700million up front payment
- **Size of the investments can be transformational**
 - Guinea: \$20 billion in Iron Ore and Bauxite
 - Mozambique: \$10 Billion in Coal, \$10 Billion in Gas
 - Cameroon: \$7 Billion in Iron Ore and Bauxite
 - Ghana: \$8-10 Billion in Oil and Gas +\$40 billion in export revenue
 - Uganda: \$8-10 Billion in Oil, \$50 billion in export revenue
- **Africa's top growing economies are in extractive industries**
 - e.g. Ghana 2011, Sierra Leone 2012

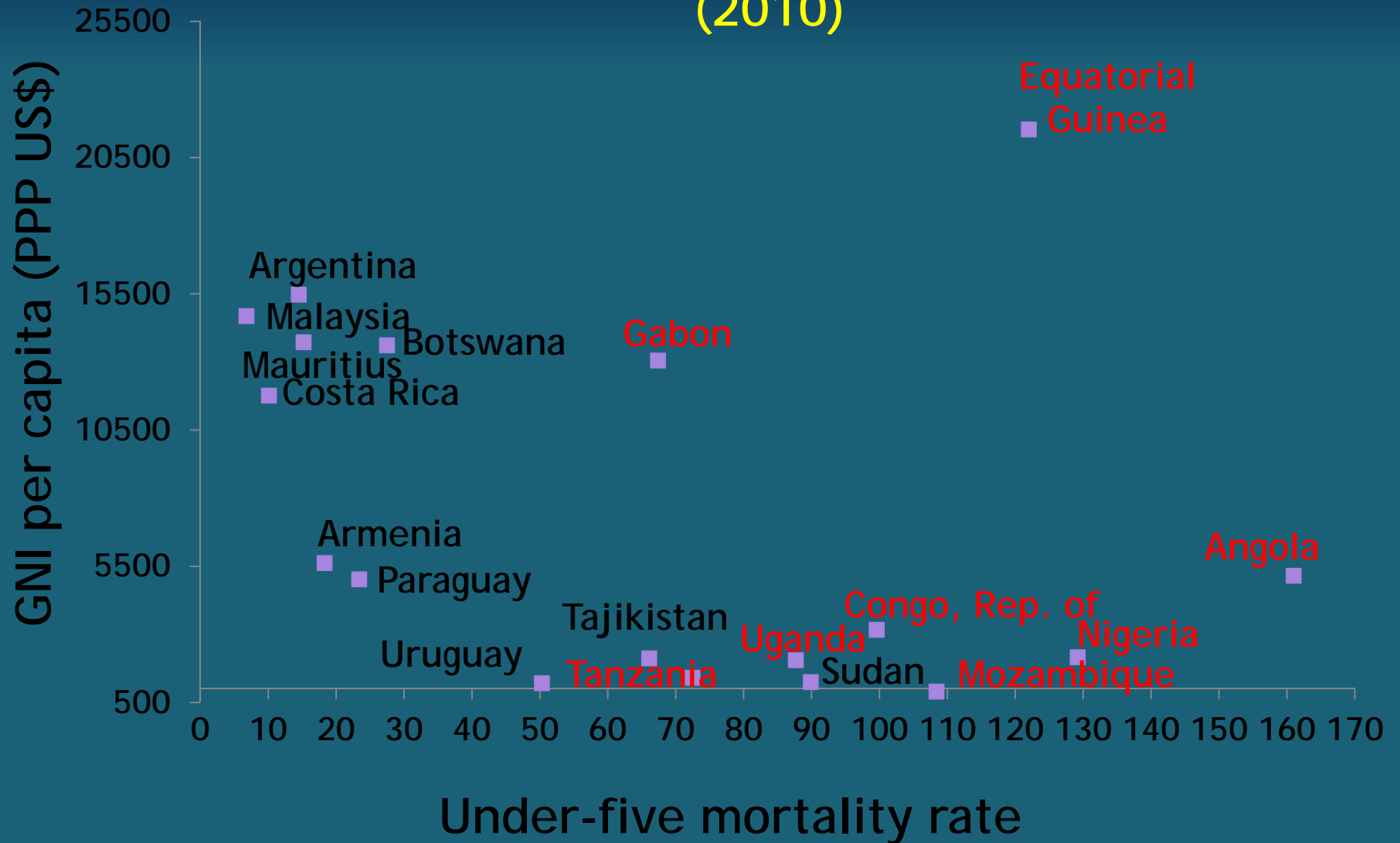


Advances in the Governance Environment for Extractives

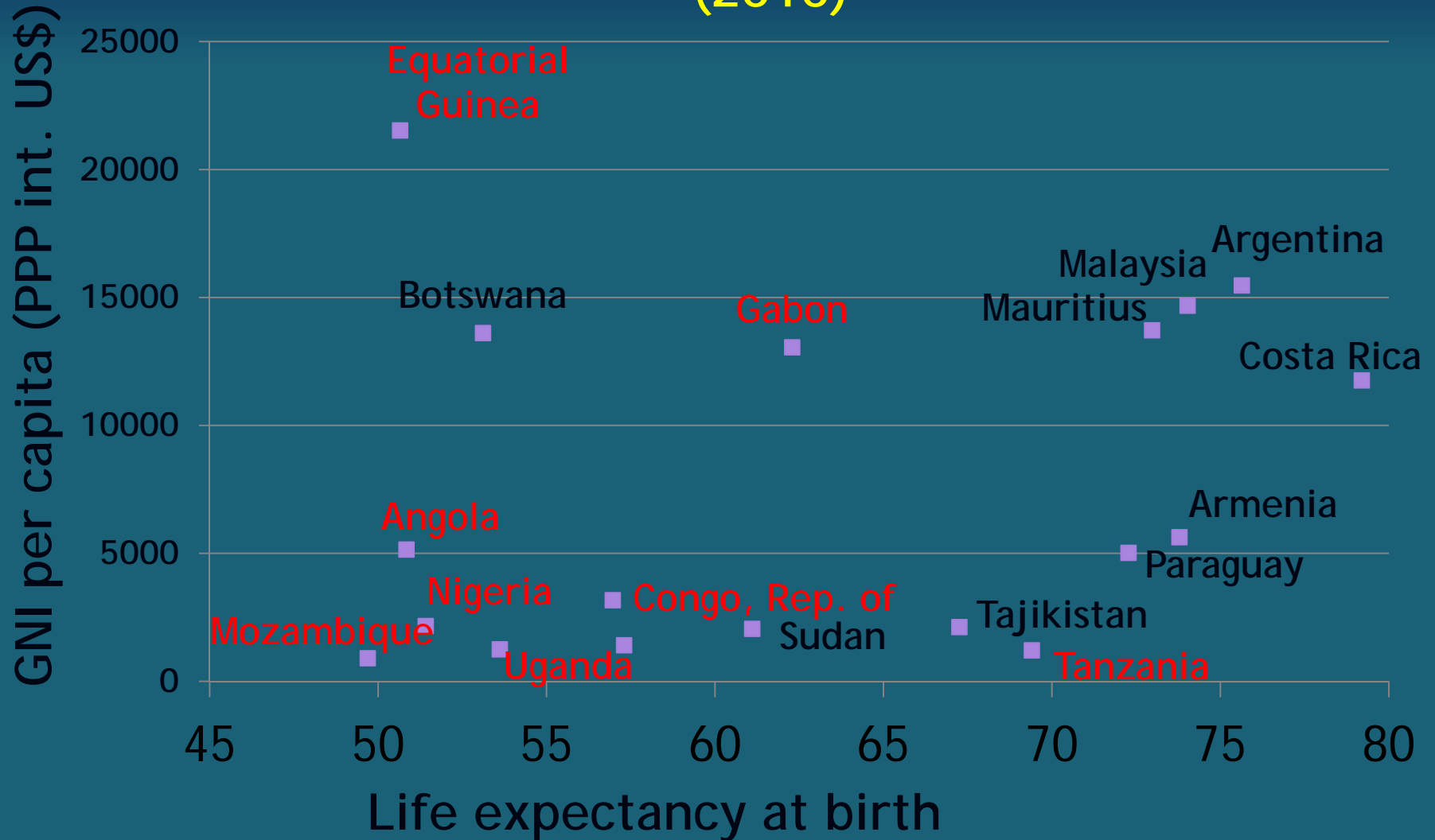
- Recent developments toward creating a better environment for good sector governance include establishment of sovereign wealth funds and related fiscal rules,
- Acceptance of international norms and standards (particularly the EITI) with 7 countries certified and over 30 countries engaged.
- Firms show willingness to review their investment agreements



Under-five mortality rate vs. GNI per capita (2010)

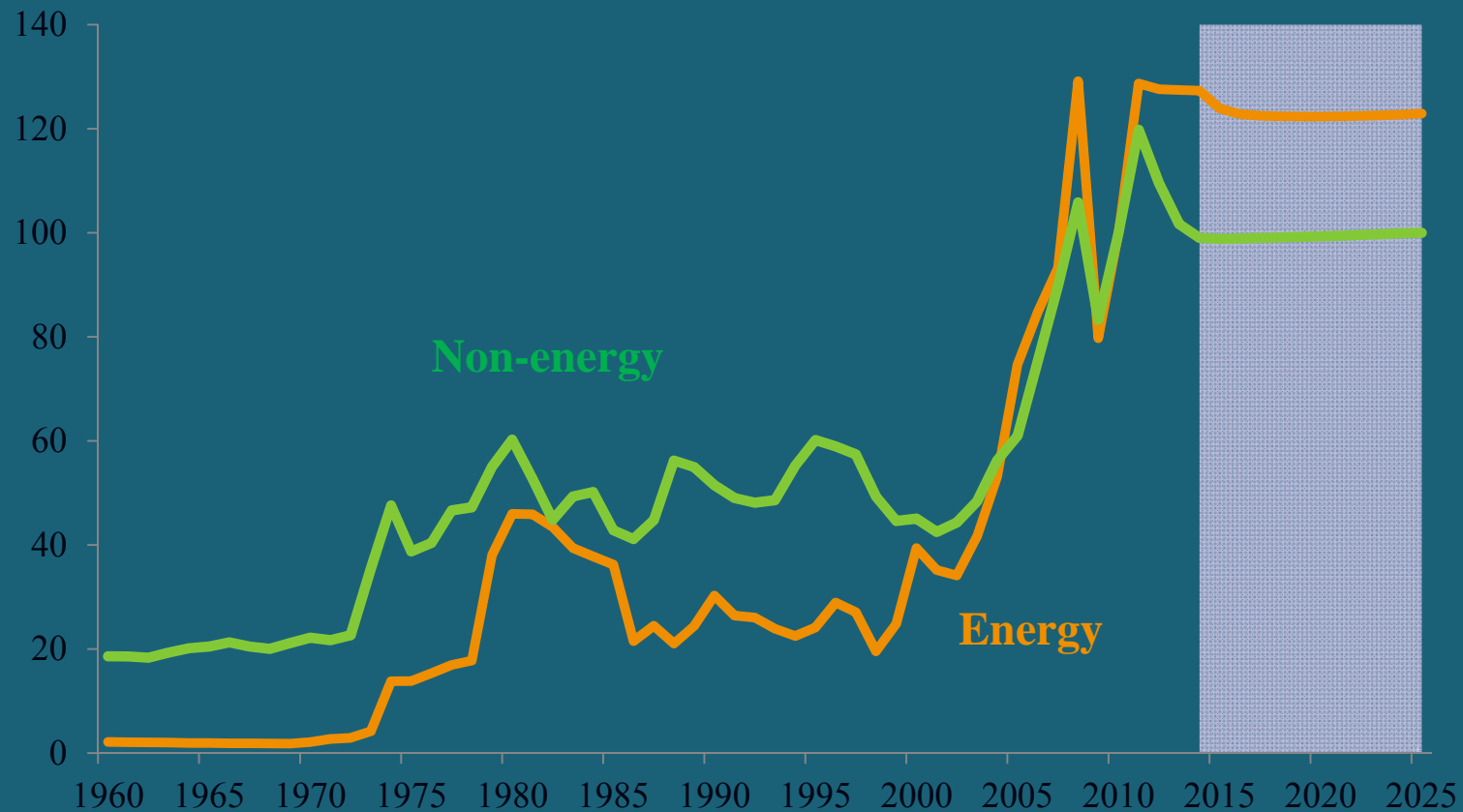


Life expectancy at birth vs. GNI per capita (2010)



Pricey Commodities

World Bank Commodity Price
(annual price indices, 2010=100)



Source: The World Bank's Development Prospects Group