

# INSIGHT

E C A - S A

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The Economic Commission for Africa, Southern Africa Office (ECA-SA) is one of the five ECA subregional offices (SROs) serving as vital links between policy-oriented analytical work generated at headquarters and policy making at the subregional level.

The office monitors the evolution of regional integration in support of the African Union Commission's regional integration agenda with a special focus on activities vital to the regional integration process. It seeks to strengthen capacity and provide technical assistance to institutions driving the regional integration agenda most importantly SADC and COMESA. The Office undertakes subregional preparation on programmes addressing Africa's special needs and emerging global challenges such as the MDGs, and spearheads subregional follow-up of global conferences. The Office also serves as a sub regional hub for the dissemination of ECA's policy analytical work-employing extensive public information and outreach activities including workshops, training and publication of the quarterly newsletter.

## About the ECA-SA Office

*"To Leverage on our multidisciplinary analytical skills, convening power and consensus building strength to facilitate the harmonisation of policies and strategies for harnessing regional resources to meet the development priorities of the Southern Africa Subregion"*



## Enhancing Domestic Resource Mobilization: Challenges and Opportunities in Southern Africa

Southern Africa's drive to mobilize its vast domestic resources for development is not a new initiative. Indeed, the push for marshalling the mineral, water, forestry and human resources were targeted and key drivers for industrialization and socio-economic development of the sub-region and the continent. What gives reasons to revisit these past decisions are the various recent economic shocks that have been buffeting the sub-region. These shocks consist of sharp rises in food and fuel prices, and the global financial and economic turmoil that set in from mid-2008. The economic fallout is impacting the sub-region negatively, slowing or even reversing economic growth, raising unemployment levels and reducing foreign investments and aid flows. If prolonged, these effects may reverse the notable socio-economic gains that the sub-region has made in recent years.

Southern African countries remain economically vulnerable as a result of over-reliance on official development assistance, foreign direct investments, and other forms of external sources of finance. These resources of financing development have also had the inadvertent effects of entrenching dependency and taking attention away from the need to design equitable trading systems. Finally, such sources of development finance have not proved adequate

and sustainable to meet the socio-economic development needs of the sub-region.

There is now a realization that the sub-region needs to diversify beyond the traditional sources of development, including the taxes, to also look at how the sub-regional can marshal all its natural and human resources to serve as a buffer against future external economic shocks, and accelerate its economic development. A failure to do so will doom the sub-region to perpetual vulnerability due to over-reliance on external sources of finance that are unpredictable and inadequate for financing development.

To be sure, external resources should continue to play an important, but essentially complementary role in development financing while domestic resources should take the lead. The current crisis therefore offers an opportunity to mobilize the sub-region's substantial financial, natural and human resources in a big push towards industrialization and socio-economic development. In this regard, ECA-SA prepared a policy brief that outlined the challenges of Domestic Resource Mobilization in Southern Africa and proposed recommendations aimed at addressing them.

### **Key Challenges for Domestic Resource Mobilization in Southern Africa**

1. The public sector has not been effective in mobilizing and managing domestic resources. There is need to enhance the commitment to implementing national and regional strategies for enhancing domestic resource mobilization, even though several policies and strategies have already been articulated and agreed.
2. The need exists for the formal financial institutions to effectively mobilize savings and allocate them efficiently across the wider spectrum of society. Focus is predominantly on a small segment of the population in the corporate world and high-value taxpayers while paying only a passing attention to the rural, urban poor, women and small and medium scale enterprises. This means that a substantial amount of wealth, including what is held in non-monetized state, is left out of the formal financial system.
3. The proper exploitation and sound management of natural resources, especially for the resource rich countries, remain a challenge. Multinational enterprises usually extract and export minerals in their

raw form with no domestic value addition, while the environmental impact of their activities also receives less attention than it deserves. On local participation, indigenous enterprises are in many instances bypassed for investments, including mining outsourcing activities. Most countries do not have the skills to negotiate effectively the mining contracts to ensure that more benefits accrue to the citizens, and they also lack the capacity to monitor and influence the activities of multinational enterprises. There are also several trans-boundary resources such as water, wildlife and forests that have to be managed regionally for the benefit of all countries sharing such resources.

4. The sub-region suffers from outflows of financial resources through financial capital flight, debt servicing, human capital flight and a rudimentary financial management and enforcement systems. Political instability also makes the holding of domestic assets risky and thus leads to a search for a safer home for these assets elsewhere.
5. Limitations in tax policies and administration, the narrow tax base and inequitable tax systems lead to overtaxing of the few and leaving out the hard-to-tax segments such as the self-employed professionals, the consultant industry and the informal sector. Tax evasion, corruption and lack of transparency also constitute a source of serious leakages of resources with the potential to undermine the effectiveness of the entire tax system.

### **Recommendations**

#### **1. Enhancing the role of the public sector in domestic resource mobilization**

Review existing fiscal policy with a view to incorporating needed improvements in both revenue collection and expenditure. On the revenue side, the tax base must be broadened to embrace hard-to-tax sectors including the informal sector. The tax administration must be more efficient, transparent and equitable in order to encourage compliance. The tax systems must be strengthened in order to increase capacity to collect more taxes that are due but are not collected. The expenditure of tax revenues also need to be well targeted to address key challenges and development priorities; and must be transparent, which will further encourage compliance. To ensure greater tax compliance, citizens should be able to link

their taxes to public services that they receive. Public policy should usher in an environment and institutional mechanisms that will attract the private sector to buttress public sector efforts. Governments have a critical role to ensure good governance that will address citizens in the Diaspora to bring resources home for real investments. In the framework of introducing efficiency in the tax administration for simplification, compliance, accountability and transparency, the public sector application of e-government through the use of information, communication and technology should be encouraged.

### 2. Mobilizing private savings and investment

Governments should work with financial institutions in order to provide incentives for institutions to develop a wide range of products that can service excluded sectors of society. Non-bank financial institutions and other financial intermediaries capable of servicing the population segments and informal business sector currently not serviced by commercial banks should be developed. Other supporting measures include fostering second tier institutions that operate as wholesale providers of capital, refinancing other financial intermediaries that currently face capital constraints and establishing credit rating agencies and credit guarantee schemes to mitigate the risks and costs of borrowing. In addition, it is necessary to address the high costs of existing financial services. Reforms to the banking regulatory framework, viable capital markets and microfinance institutions can all contribute to higher savings and investments.

### 3. Better harnessing the wealth of natural resources

Strengthen national frameworks and institutional capacity to manage and exploit natural resources, including by (i) reviewing existing mineral exploitation regimes, (ii) building capacity to be able to negotiate more favorable contracts, (iii) prioritizing value addition through fostering downstream industries and enhanced local content, and (iv) taking a regional collaborative approach especially for the management of trans-boundary natural resources.

### 4. Containing capital outflows

Member States should strive to entrench policies and induce the right domestic environment that discourages the repatriation of profits and dividends, and encourages more foreign direct investment. They should also encourage good political and economic governance, sound banking system that are user-friendly to attract remittances and encourage the exchange of skills and expertise.

Further recommended measures to contain capital outflows include sustaining improvements in debt positions resulting from the heavily indebted poor countries' completion and multilateral debt relief initiatives by avoiding accumulation of new unsustainable debt.

Member States should strive to plough resources freed by debt relief into productive investments and stem leakages from corrupt practices. Countries should develop capacities to audit multinationals and monitor their accounting and revenue reporting practices. Mining contracts should also contain provisions for the employment of local labour and value-addition before export. The international community should also support the anti-corruption measures by for example supporting the United Nations resolution against corruption.

### 5. Harnessing the contribution of the Diaspora

Since the remittances have grown to exceed official development assistance in many cases, the sub-region should strive to reverse the negative effects of human capital flight by developing coherent national and regional policies on migration, develop mechanisms and incentives to facilitate remittances and channel them into savings and investments. Countries should also foster the development of sub-regional skills and more knowledge exchange through establishing skills networks; including using virtual networks to access professionals in the Diaspora and establishing short-term return schemes.

### Conclusion

To ensure that the above recommendations are implemented, the role of national parliaments is of paramount importance. The effective participation of parliaments at all levels of the development process will ensure that the natural resources are harvested to benefit all the citizens. They will also safeguard against impropriety either by the governments or private sectors participants.

### Recent Events.....

#### 1. ECA-SA holds 15th Intergovernmental Committee of Experts (ICE) Meeting

The United Nations Economic Commission for Africa, Southern Africa Office (ECA-SA) held the 15th Meeting the Intergovernmental Committee of Experts (ICE) from 23-25 June 2009 in Lusaka, Zambia. The meeting was organized around the theme “*Enhancing Domestic Resource Mobilization: Challenges and Opportunities for Southern Africa*”. The meeting extensively discussed ways of harnessing domestic resources mobilization and proposed a number of measures to deepen domestic resource mobilization beyond the conventional economic and monetary stability.

The meeting attracted participation of representatives from the governments of Angola, Malawi, Mozambique, Namibia, South Africa, Swaziland, Zambia and Zimbabwe. Also in attendance were the African Union (AU) Commission, the Bank of Zambia, the

attended the meeting included: the Private Sector Development Association of Zambia, Women and Law in Southern Africa based in Zambia, Non-Governmental Organization Coordinating Council of Zambia, the Southern African Enterprise Network, the University of Eduardo Mondlane, the Media Institute of Southern Africa based in Zambia, and the Zambia Business Forum.

Major recommendations were made on how to enhance the role of the public sector in domestic resource mobilization; how to mobilize private savings and investment; how to better harness the wealth of natural resources; how to contain capital outflows; and how to harness the contribution of the Diaspora.

The meeting also considered other issues including: the macroeconomic related issues focusing on the economic and social conditions in Southern Africa; Mainstreaming Regional Integration in National Development Plans; the Programme of Work for UNECA-SA for the period 2010-2011; and the United Nations System-wide Support to the AU and its New Partnership for Africa’s Development Programme.

#### 2. ECA holds meeting to Assess Implementation of Multiyear Programme

An Ad-hoc Experts Group Meeting organised by the United Nations Economic Commission for Africa, Southern Africa Office (ECA-SA) was held in Lusaka, Zambia on 22nd June 2009 to discuss how best to strengthen the implementation of the ECA-SA and SADC Multiyear Programme (MYP) and enhance the long history of the collaborative relationship between the two institutions.

The implementation of the MYP is being assessed in order to provide a progress report to the General Assembly on implementing the Secretary General’s report on the strengthening of Sub-Regional Offices of ECA. The review is also expected to improve the implementation of the Cooperation Agreement through the identification of challenges and constraints and proposals for the way forward.

The collaboration is guided, *inter-alia*, by the deepening of ongoing UN reforms, ECA’s support to the implementation of AU/NEPAD programmes through the RECs, the Secretary General’s Report (A/61/471) to the 61st General Assembly on enhancing the role of Sub-Regional Offices of the Economic Commission for Africa and ECA’s own repositioning programme in which the RECs are central to achieving



(Right to left) Mr. Ndopu, Ministry of Finance, Zambia, Ms. Kargbo, Director ECA-SA office and Mr. Dhliwayo, SEAO ECA-SA during the proceedings of the ICE meeting

Common Market of Eastern and Southern Africa, the Development Bank of Southern Africa, the United Nations Fund for Women, the International Organization for Migration, the Southern Africa Customs Union, the Zambia Revenue Authority, the Zambia Development Agency, and the Delegation of the European Union Commission. Organizations from the private sector, civil society, academia and research institutions that

Africa's regional integration programme. The impetus for strengthening the ECA and SADC collaborative relationship is also supported by the SADC New Partnership Framework outlined in the Windhoek Declaration and the General Assembly resolution A/RES/61/51, which requests the UN system to "continue providing financial, technical and material assistance to the Community to support its efforts to fully implement the Regional Indicative Strategic Development Plan".

The meeting reviewed the progress achieved in implementing programmed activities under the MYP from 2007 to date. The activities included in the review comprised, among others:



*Prof. Olaniyan, AU Regional Delegate to SADC presenting his statement at the MYP meeting*

the Forum on "Progress and prospects in the implementation of protocols and treaties", the e-SADC Initiative, mainstreaming regional integration in national development plans, assessment of macroeconomic policy and institutional convergence in the SADC Region, the joint AfDB-AUC-ECA

Prospectus, the workshop on population and migration, the human development report, the harmonization of mining policies standards, legislative and regulatory frameworks in the SADC Region, gender activities and the vehicle axle overload control programme.

The participants highlighted a number of challenges that have been encountered in the course of implementing the MYP. These included the absence of an ECA wide coordinating mechanism and weak capacity to manage all aspects of the programme, the little joint programme planning, monitoring, evaluation and reporting activities and the lack of a single entry point for MYP activities, the absence of a subregional coordination mechanism for the work of the United Nations at the sub regional level creating multiple entry points for UN support to SADC despite the "One UN" approach and the limited involvement of member States in the identification, preparation, appraisal and supervision of the implementation of regional projects and programmes.

The meeting emphasized the need to develop plans to address the above aspects:

**(i) Low level of resources:** The MoU envisaged joint resource mobilisation campaigns. The two institutions need to define a coordinated resource mobilization strategy for financing MYP activities.

**(ii) Need to move from an activity to a multi year rolling programme based approach** anchored around specific medium to long term goals rather than short term activities.

**(iii) Extend the partnership to other institutions:** Potential partners include international cooperating partners (ICPs), national, subregional and international organisations.

**(iv) Need for an effective ownership of the programme by SADC:** The MYP needs to be fully owned by SADC as envisaged by the Windhoek Declaration and in accordance with shifts in development cooperation which emphasise ownership, coordination and alignment to the priorities of the member States and in which SADC exercises a full leadership role for programme coordination. The role of ECA and other cooperating partners will be to provide technical support and not own the MYP.

In order to improve the implementation rate of the MYP, the meeting made the following recommendations:

- A Coordination mechanism needs to be put in place at the SADC Secretariat and sufficiently resourced to strengthen the relationship between the ECA and SADC and to manage the implementation of the MYP programme. The office will play the role of Strategic Coordinator going beyond liaison activities and include: planning and coordinating ECA-SA activities with SADC; coordinating substantive activities between ECA headquarters and SADC; monitoring, evaluating and reporting on programme implementation, coordinating programmes with other UN agencies and ICPs, backstopping SADC capacities in respect of the MYP and generally performing information and outreach functions to publicise the MYP activities.
- At the UN level, there is need to develop an acceptable sub regional coordination mechanism,

similar to the RCM, which aligns broader UN system technical support to SADC under a common programme as envisaged by the UN approach. ECA, through its Sub regional Office (SRO-SA), should coordinate the mechanism, while the other agencies should coordinate clusters based on their respective comparative advantages.

- There is need to define a broader partnership framework which allows international cooperating partners, national, regional and other international organisations to participate in the programme and leverage their expertise and material resources to achieve a common outcome. This requires dialogue and leadership particularly from SADC.
- There is need for SADC (with the participation of ECA and other partners) to take full ownership of the programme and establish it as a possible single entry point for regional integration activities. SADC's role is to provide political and strategic leadership, around programme priorities that then form the basis for technical support by the UN and other cooperating partners.
- The ECA-SA/SADC MYP needs to evolve into true multi year, multi partner programme. There is need to define several longer term programme based objectives around which multiple activities, spreading over several years, can be defined. There will also be need to define planning, evaluation and reporting processes.

### 3. ECA-SA/SADC Host Regional Mining Meeting

The Economic Commission for Africa Southern Africa (ECA-SA) office, in collaboration with the Southern African Development Community (SADC), recently held a two-day Ad Hoc Expert Group Meeting on the Harmonization of the National Mining Policies (NMPs) in the SADC Region in Johannesburg, South Africa from 4 to 5 May 2009. The meeting was part of the ECA-SA and SADC Multi-year programme (MYP) of cooperation.

The meeting was held to primarily review the draft report on the Harmonization of National Mining Policies and assess the extent to which they align with the SADC Mineral Policy Framework. The draft report is a continuation of the SADC programme for harmonization of the mineral policy space, as called for by the Protocol on Mining and the SADC Mining Ministers.

The review was necessary, firstly to validate the report before it is finalized and presented to the SADC Ministers responsible for mining and secondly, the review was necessary to determine the next course of action to bring national mining policies into alignment with the SADC Policy Framework. In addition, the expert group meeting considered country reports on progress being made towards harmonization of mining policies. The meeting also reviewed a paper on the Impact of the Global Economic Crisis on the Mining Sector in the sub-region.

The meeting identified gaps in national policies, in relation to the SADC Policy Framework, and made recommendations for addressing these. The meeting also proposed a set of actions to address the difficulties faced by the mining sector as a result of the global economic crisis. The recommendations and action points will be submitted to the SADC Ministers of responsible for mining, for their consideration..

### 4. ECA-SA and Eduardo Mondlane University (UEM) Hold Forum on Mainstreaming Regional Integration in National Development Plans

The ECA-SA, in collaboration with the Eduardo Mondlane University (UEM) in Maputo, Mozambique on 28-29 May 2009, co-organised a Forum under the theme: "*Mainstreaming Regional Integration in National Development Plans*". ECA-SA has been assisting the Faculty of Law of Eduardo Mondlane University (FD-UEM), Maputo, Mozambique in collaboration with the Southern Africa Development Community (SADC) in developing its new Centre of Studies on Regional Integration and SADC Law (CEDIR).

Forum participants included government officials from Lesotho, Mauritius, Tanzania and Zambia. The AU Southern African Regional Office, SADC, COMESA, UNESCO, IMF, academic and research organizations, civil society organizations and other development partners from Southern Africa also attended the Forum.

## Upcoming Events

### Experts and Consultative Meetings, and Workshops

In the quarter covering July to September 2009, the following activities will be organised:

#### I. e-SADC Initiative Meeting

A meeting to launch the e-SADC Initiative is scheduled to take place from 14 to 16 September 2009. The e-SADC Initiative is the information and communication technology strategy for the SADC region and is an integral part of the economic integration, enhancement of connectivity and access of ICT services among and within member States.

The objective of the launch is to notify SADC policy makers and ICT focal points of the commencement of the project and to introduce the consultants who will be unveiling the project implementation methodology to the participants.

ECA, SADC and the Open Society Initiative of Southern Africa will partner in the organization of the meeting.



*Some of the participants of the Forum on Mainstreaming Regional Integration in National Development Plans in Maputo, Mozambique*

Key recommendations from the Forum included the following:

- The UNECA Secretariat, Centre of Studies on Regional Integration and SADC Law and other partners to refine the Regional Integration framework and ensure policy coherence. The RI framework to provide options on its operationalizing, including allocation of responsibilities among member States;
- The UNECA to provide leadership for the Think Tank formed at the Forum to be known as 'Friends of ECA-SA and CEDIR-UEM' that will participate and advise SADC and its member States on matters relating to domestication of regional integration. UNECA-SA to expeditiously come up with modalities for functioning of the Think Tank by, inter alia, establishing a portal for e-discussions;
- The UNECA-SA to support universities in the SADC region in providing technical advisory services including short-term lectures on regional integration directly or through the Centre of Studies on Regional Integration and SADC Law at the UEM as a practical way of mainstreaming regional integration in the university curriculum; and
- The UNECA-SA to present recommendations of the Forum to the SADC Secretariat for endorsement by Member States.

### *ECA-SA Gets Water Expert*

Mr Johnson Oguntola joined the ECA-SA in January 2009 as Senior Regional Adviser, Integrated Water Resources Management. Mr.Oguntola trained as an applied geophysicist ending up as a water resources planning, development and management expert with a vast experience covering water resources policy formulation, water legislation and its relevant rules and regulations (administration and enforcement tools), water resources field data collection and processing, water resources assessment, planning/allocations, demand management, water balance estimates, groundwater surveys, studies and piezometric monitoring, inter-basin water transfer studies, dam foundations studies and dam safety monitoring, reservoir operation rules assessment, socio-economic and environmental impact assessment of water resources



projects. He played active roles in the management of international watercourses at national level, headed the water resources unit of the Lake Chad Basin Commission for several years, and

joined the ECA in February 2005 where he has since been involved in providing advisory services on request, to African River/Lake Basin Organizations, inter-governmental organizations and national governments, on policies concerning transboundary watercourse management, water allocations and demand management, watershed management, economic productivity, social equity and environmental sustainability.

### *Matfobhi Riba Joins ECA-SA*



Ms. Matfobhi Riba joined the ECA-SA in May 2009 as an Economic Affairs Officer responsible for Trade. She has over 12 years international experience working with UNCTAD in Geneva with extensive experience in economic analysis and research relating to development issues, including enterprise development, investment, trade, and competition and consumer policies and laws. She is an accomplished trainer and capacity builder and has served as the UN Secretary General's appointee to the Joint Appeals Board for Geneva-based UN bodies and their field offices.

The Economic Commission for Africa, Southern Africa Office (ECA-SA) quarterly newsletter to connect ideas and information to its constituencies. We sincerely hope you will find the information useful and enjoyable.

We encourage you to please contact us for any further information regarding ECA-SA.

Sincerely,  
Jennifer Kargbo  
Director, ECA-SA

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