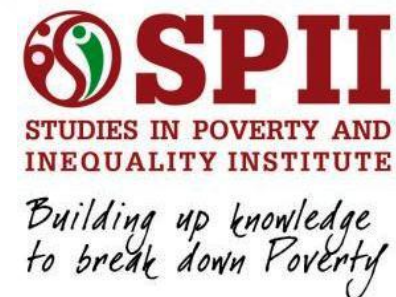


# Feasibility of SADC BIG: Alternative Funding Models

Studies in Poverty and Inequality Institute (SPII),

# Project Goals



- “ Scope all existing data and research that exists on extractive industries in the sub-region.
- “ Collate data on population size within the countries of the sub-region, and develop three scenario costing based on different values of cash transfer.
- “ Research international data to enable the project to draw on lessons from global experiences, including trying to identify potential negative unintended consequences, and best potential policy designs, and identify potential opposition (both possible actors and issues).
- “ Scope potential alternative systems from global experience, and consider the application issues of these to current systems and conditions in the SADC countries.
- “ Develop and design econometric models on feasibility and affordability of BIG
- “ Phase 2: Develop Econometric models on feasibility and affordability of BIG
- “ Draft a composite report drawing the above information together.
- “ Bring on board experts and civil society partners through the hosting of reference and research meetings and distinct stakeholder engagements.

# Regional Sovereign Wealth Fund: An Alternative Development Solution

- “ A SWF is best understood as a state-owned investment fund that is generally established from balance of payments surpluses, the proceeds of privatization, official foreign currency operations, fiscal surpluses, governmental transfer payments and/or receipts resulting from *resource exports and revenues*\*.
- “ The primary intention of a SWF is to increase savings for future generations, shield and stabilize the budget and the economy from excessive volatility in either revenues or exports and to fund social and economic development. This is achieved by investing in a variety of global financial assets, including: stocks, bonds and property.
- “ It is estimated that globally SWFs collectively control \$5 trillion in assets and this rate is expected to increase to \$10 trillion by 2015.
- “ In the approaching decade Africa is expected to be the largest sponsor of SWFs in the world, with countries such as Nigeria, Libya, Botswana and Algeria already operating funds.
- “ For Africa, SWFs present an alternative strategy for the optimal usage of resource revenues\*.
- “ SWFs are particularly relevant to Africa as a resource-funded SWF present a potentially viable strategy for the funding and implementation of a regional BIG SADC-wide. If successfully implemented this represents a matchless opportunity to vault decades of development progress.

## Sovereign Wealth Funds

- “ SWF’s are state-owned and funded by both commodity and non-commodity sources. In Dec. 2012 SWF Institute estimates that 45 established SWFs were worth US\$5,184 trillion globally
- “ International Case Studies:
  - US-Alaska Permanent Fund Dividend (1976, oil): US\$42.8 bn
  - National Development Fund of Iran(2011, oil and gas): US\$ 42 bn
  - Botswana Pula Fund (1994, diamonds and minerals): US\$ 6.9 bn
  - ALBA(Bolivarian Alliance for People’s of our America): 2004, based on the common agenda of social, political, and economic integration. Caribbean and Latin American countries; 8 member states
  - Intention: social welfare, bartering and mutual economic aid, rather than trade liberalization as with free trade agreements
  - SACU Development Fund??

# Theory of Change: Transforming Society



*Building up knowledge  
to break down Poverty*

## SADC BIG

Funded by a tax on the extractive industry a SADC BIG enables ordinary people in the region to *rightfully* benefit from the abundant mineral wealth of the region\*.

Dramatically reduces dismal regional poverty and inequality levels and assists millions of residents who face debilitating and often life-threatening poverty on a daily basis.



## SADC SWF

Facilitates both short-term and long-term development of both residents and the region.

Maximizes the potential of resource revenues to the benefit of the SADC region by facilitating long-term benefits through prudent investment and most importantly transferring immediate benefits to the residents of SADC by implementing a SADC BIG.

*If successfully implemented the benefits of the SADC SWF and the SADC BIG will by far outlast the longevity of the mineral resources of the region therefore garnering a new era of African development spearheaded by the abundant wealth above the surface: the people of the region.*

# Future Trajectory

- “ Building strong regional networks of Civil Society Organisations and sharing research and information: SADC BIG Network
- “ Providing access to local institutions in the sub-region on policy alternatives for use at a national advocacy level.
- “ Providing space for interrogating questions of national prioritization of social and economic justice through the lens of the enquiry into the proceeds of the extraction of national resources.
- “ Develop regional campaign on roll-out of BIG
- “ Design and Develop economic models of feasibility and affordability of BIG

