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Walking the Talk: Advancing the Cause for Universal Social Protection in Southern Africa through Existing Legislative and Policy Mechanisms
Regional Frameworks on Social Protection: Taking the necessary strides
The cause for universal social protection in Southern Africa

A Legislation
+ International → global
- UDHR
- ILO Convs
→ regional
- African Charter
- SADC Social Charter
+ national → various

B Socioeconomic realities @ grassroots
- 4 Countries
Common => Resource rich - minerals
FDI → extractives

Contribute to
- national income
- job creation
- skills
- tech transfer
- CSR

but also
- harm environment
- disrupt human/eco
- kill local industry
- profits unequally shared
- illicit flows

C Theory
3 elements
focus on

1 SOCIAL ASSISTANCE

SP

2 SOCIAL SERVICES

TIE

Conditions define majority of popn

Agency

Current efforts?

Faced with B in view of A & C
- some 1 but
- CSR - ill-targeted/timed/focusing on local area, e.g. soccer pitch

<= Inequality (high)
- Gini
- (lack of) income
<= poverty
- poor social services
- health
- food & water
- education

BIG TAX

exacerbate

RESPONSIBLE DISTRIBUTION

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Social protection and Extractive Tax: A win-win intervention
Sustainable development & social protection

- **SADC mission** –
  - *Promote sustainable and equitable economic growth and socio-economic development through efficient production systems, deeper cooperation and integration, good governance, and durable peace and security, so that the region emerges as a competitive and effective player in international relations and the world economy.*

- Member states have concluded various instruments that are geared towards the promotion of adequate social protection in the region
  - The SADC Treaty
  - Charter of Fundamental Social Rights in SADC (Social Charter)
  - Code on Social Security
  - Protocol on Gender Development, amongst others

- **SADC Treaty – Art 21**
  - Enshrines areas of cooperation between states, including food security, human development and social welfare

- **SADC Treaty – Art 5**
  - Promotion of social development in the region
  - Specific social protection-related objectives include poverty alleviation with the ultimate aim of eradicating it, enhancement of the standard and quality of life of the people, and support for the socially disadvantaged through regional integration.
The Potential of Extractive Tax: Existing Tax Regimes

Mining is central to the economies of southern Africa. It accounts for 7% of GDP in South Africa, 15% in Zimbabwe, and 24% in Zambia; it provides 390,000 jobs in South Africa and 60,000 in Zambia. But there is so much more that this wealth-generating industry could be doing with the right policies, incentives and regulation.

**Angola:**
40% tax on mining industries. Oil tax ranges from 50-65.75%*. Royalty rate of 5% on precious stones.

**Madagascar:**
10% tax on mining. Royalty rate of 2%.

**Zimbabwe:**
15% tax on mining. Royalty rate of 7% on gold, 10% on platinum and 15% on diamonds.

**DRC:**
30% tax on mining. Royalty rate varying from 0.5% to 2.5%.

**Mining contribution to GDP:**
- Mining contribution to GDP is 12% with oil contributing 85%.
- Mining contribution to GDP is 13.4%.
- Mining contribution to GDP is 4%.
- Mining contribution to GDP less than 1%.
Taxation from extractives and revenue considerations

• Central to current economic agenda, taxation should provide the stable flow of revenue to finance numerous development priorities (i.e., social protection and infrastructure).

• Significant share of tax revenue increase stems from natural resource taxes.

• Major challenge for African countries is finding the optimal balance between a tax regime that is sufficiently business and investment friendly that can still leverage enough revenue for public service delivery to address developmental obligations to the people.

• There is a need to interrogate the existing tax regimes which provide incentives for illicit financial flows to take effect in the region = Africa is not poor; through IFFs, Africa appears to be aiding the rest of the world.

- Government revenue from mining in African countries is not fully optimised.

- Result of overgenerous fiscal incentives, corruption and lack of transparency.

- Has led to calls for more tax policy reform.

• To achieve this African policymakers the need to balance the following imperatives:
  • Mobilising domestic resources and broadening tax base to secure steady revenue for development financing.
  • Fighting tax evasion (ex. Panama Papers).
  • Improving investment climate for enterprise development – shaped by tax regime.
  • Promote good governance underpinned by effective taxation.
The Principles of a SADC-wide Basic Income Grant

Universal Coverage: It should be available to everyone and should not be subject to a means test.

Relationship to existing grants: It should expand the social security net. No individual should receive less in social and assistance grants than before the introduction of the Basic Income Grant.

Amount: The grant should be no less than US$15.00 per person per month on introduction and should be inflation indexed.

Delivery Mechanisms: Payments should be facilitated through Public Institutions using for example community Post Banks and would have the additional benefit of enhancing community access to much-needed banking services and promote financial inclusion.

Financing: A substantial portion of the cost of the grant should be funded through a tax on extractives. Other funding options include progressive recovery through the tax system above the income tax threshold.
**SADC-wide Basic Income Grant: Administration & Sovereign Wealth Funds**

Improved society SADC-wide through significant and far-reaching poverty reduction.

For example: in S.A. alone 6.3 million people would be moved out of poverty.

**Extractive Tax**

Mining companies operating in the SADC region

Higher income earners would pay Individual Solidarity Tax

**Political will**

Transparency and monitoring

Public buy-in and feedback mechanisms

**Regional Basic Income Grant**

Regional Sovereign Wealth Fund

For example: in S.A. alone 6.3 million people would be moved out of poverty.
Lessons from Global Experience: SWF’s

- Botswana is the only country in SADC with a SWF. Est. in ’94 The Pula Fund is worth $6.9bn
  - Intention: Provide for future generations.
  - Interesting case study for SADC.

- Alaska Permanent Fund launched in 1967 worth an estimated $35.5bn.
  - 25% of proceeds from mineral sales or royalties.

- Chad’s Future Generation Fund launched in 1999 is the only externally-initiated SWF in Africa.
  - 10% of direct oil revenues.
  - Intention: To reduce poverty and address corruption concerns.
  - 2005 the fund was cancelled by the President.

The requisite political will is **decisive**. Mona El Tahawy argues that "our political revolutions will not succeed unless they are accompanied by revolutions of thought".
The Future Trajectory for the SADC BIG Campaign

- Building strong regional networks of Civil Society Organisations.
- Sharing research and information.
- Providing access to local institutions in the region on policy alternatives for use at a national advocacy level.
- Providing the space for interrogating core issues related to mineral wealth, distribution and poverty alleviation.
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