

FISCAL MANAGEMENT OF MINING AND PETROLEUM IN WEST AFRICA

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Impact of Commodity Prices on Resource Rich Countries in West Africa

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Norad



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

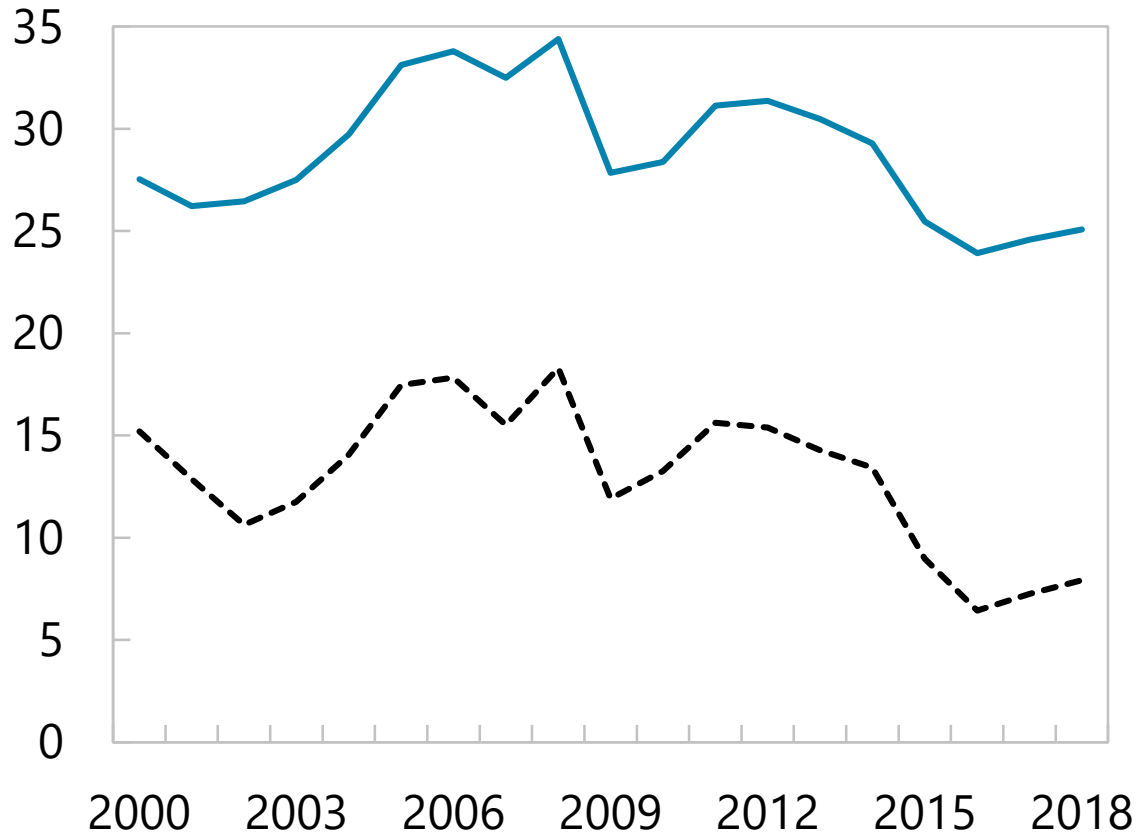
Federal Department of Economic Affairs,
Education and Research (SEM)
State Secretariat for Economic Affairs (SEKO)

West Africa has seen a pronounced decline in commodity-related revenue in the past two decades

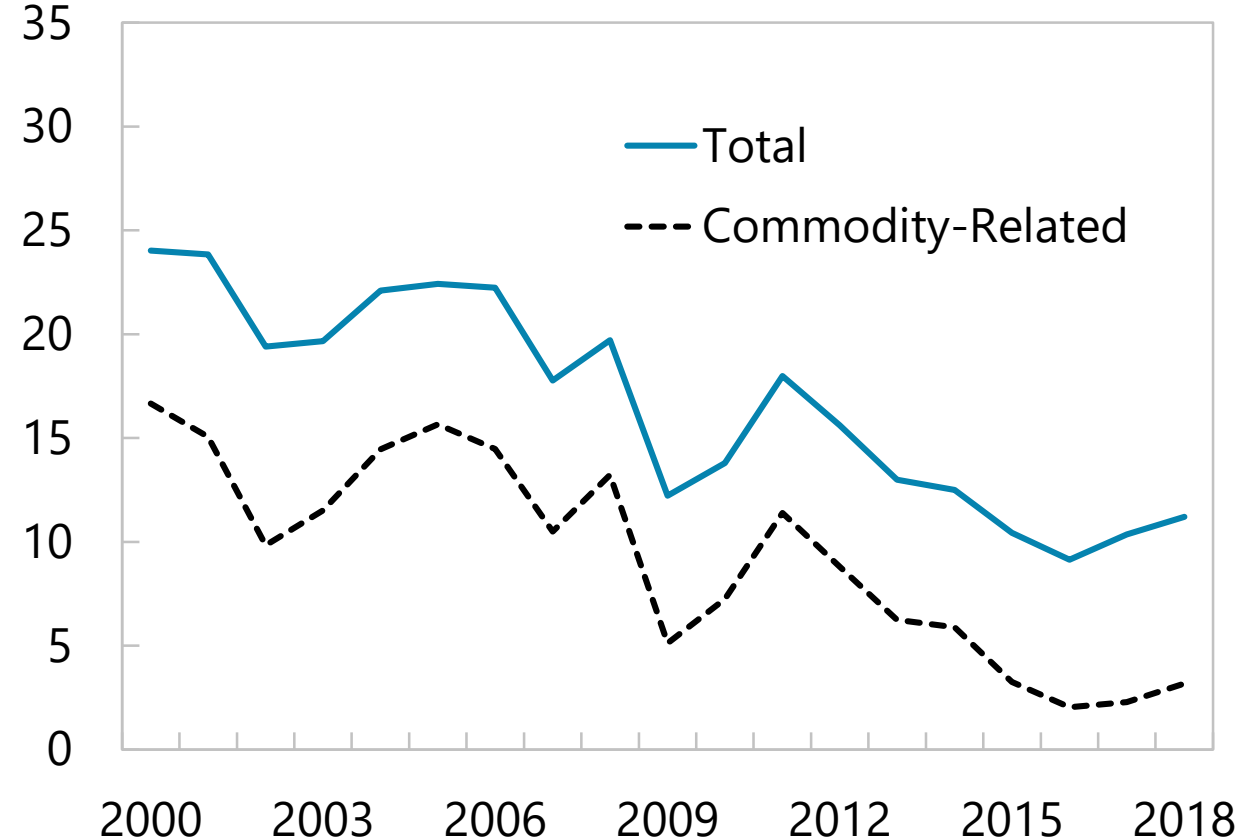


Government Revenue (Percent of GDP)

Commodity Exporters Globally



West Africa 12

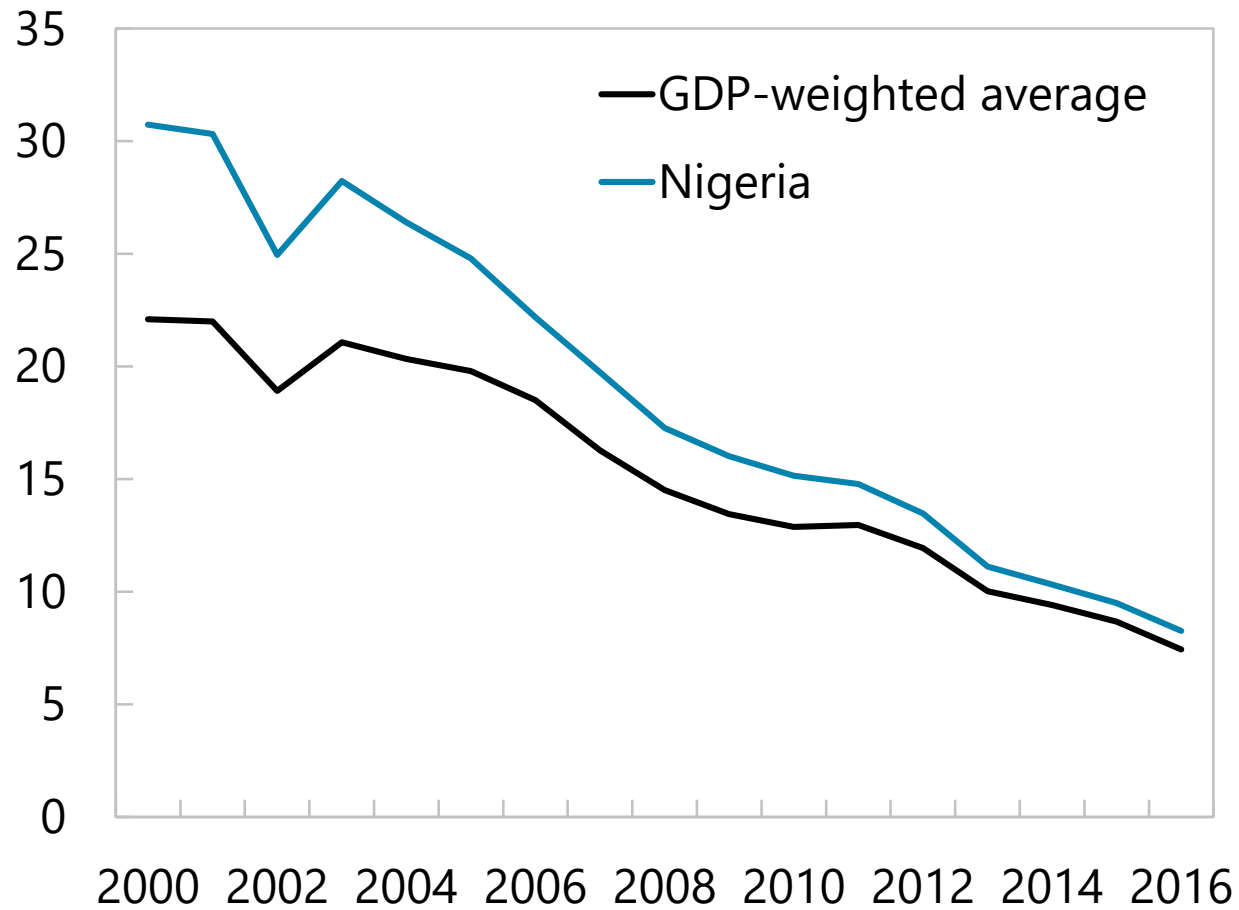


Reflecting a trend decline in oil v. non-oil economic activity...



WA9: Oil GDP

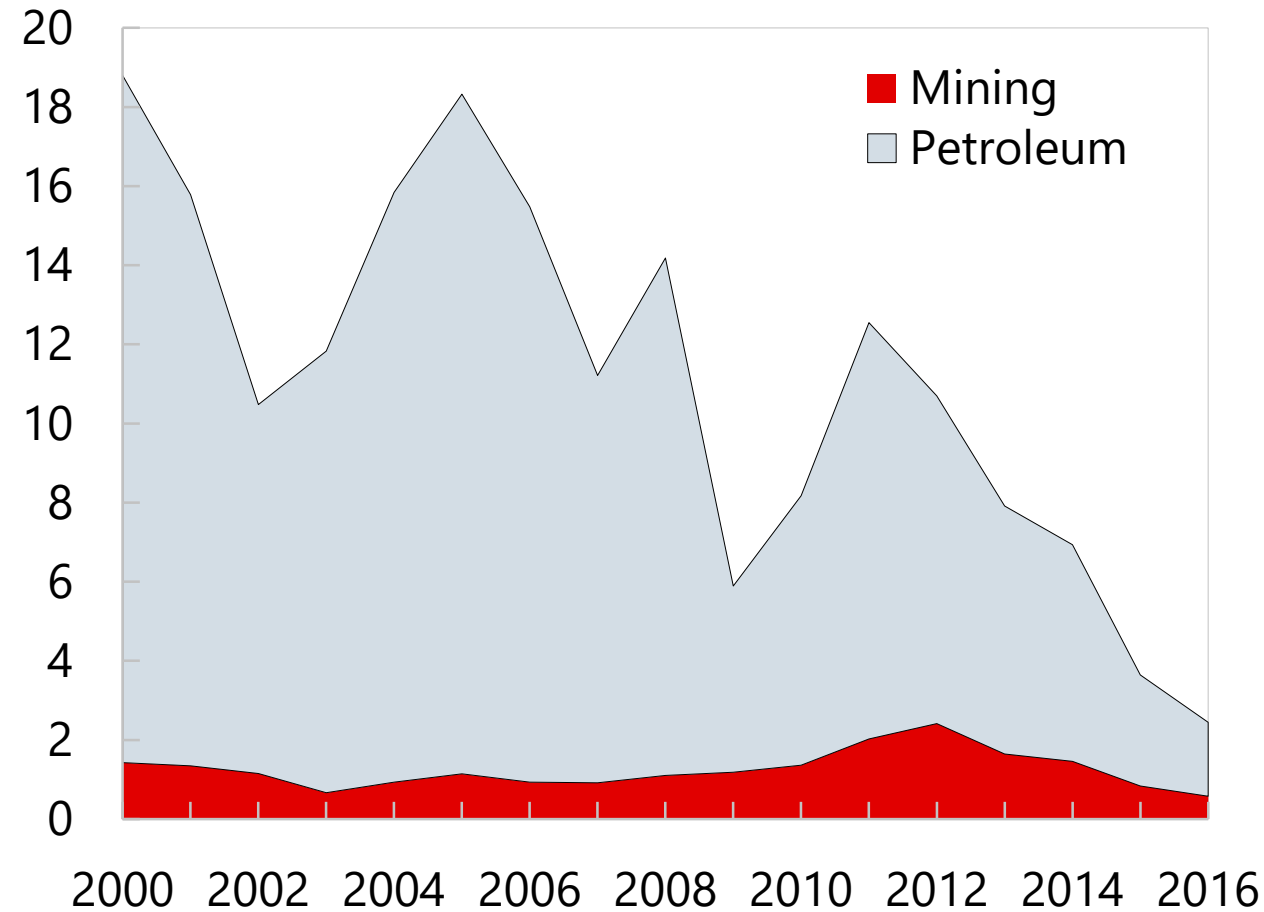
(Percent of total GDP at constant prices)



Source: IMF, *World Economic Outlook* database, Fall 2017

WA9: Resource Revenue

(Percent of GDP)



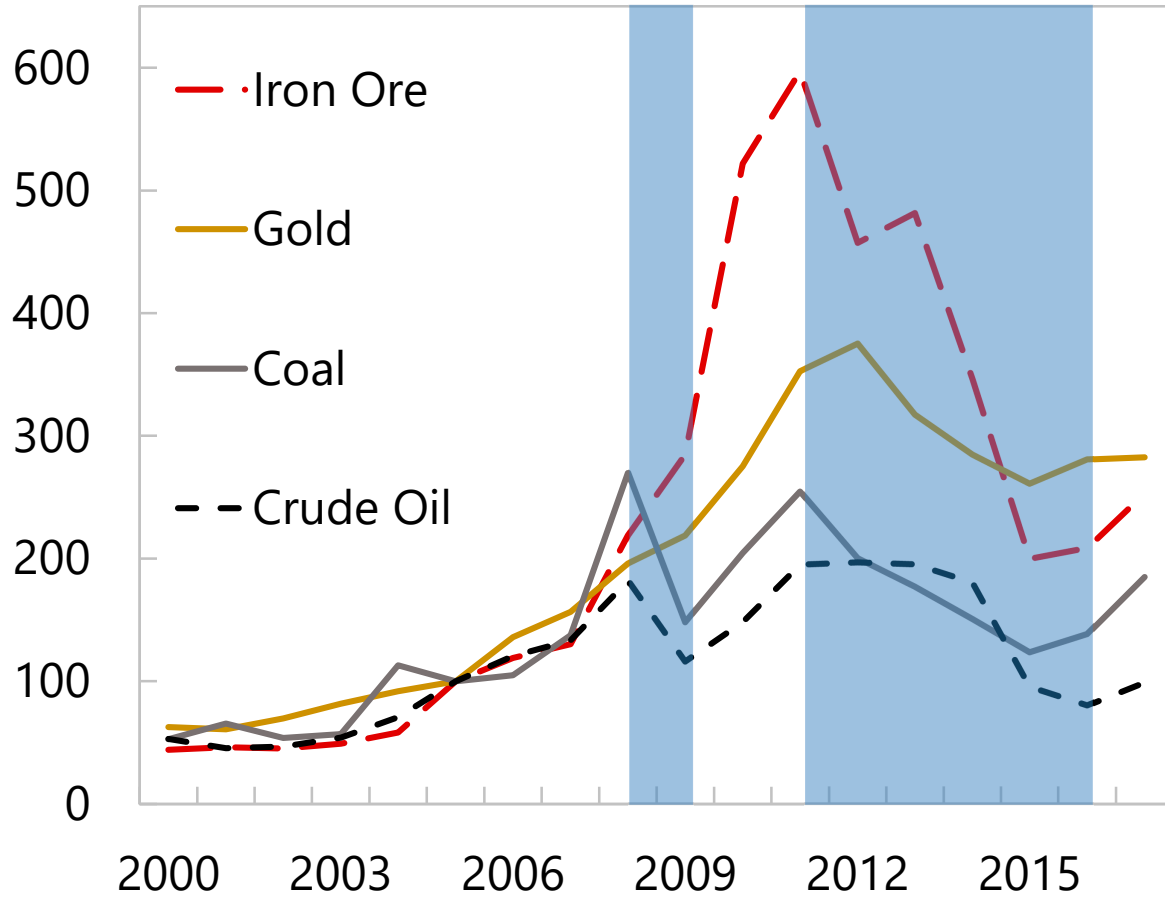
Source: IMF, country survey

Commodity prices also a factor in recent years



Commodity Prices

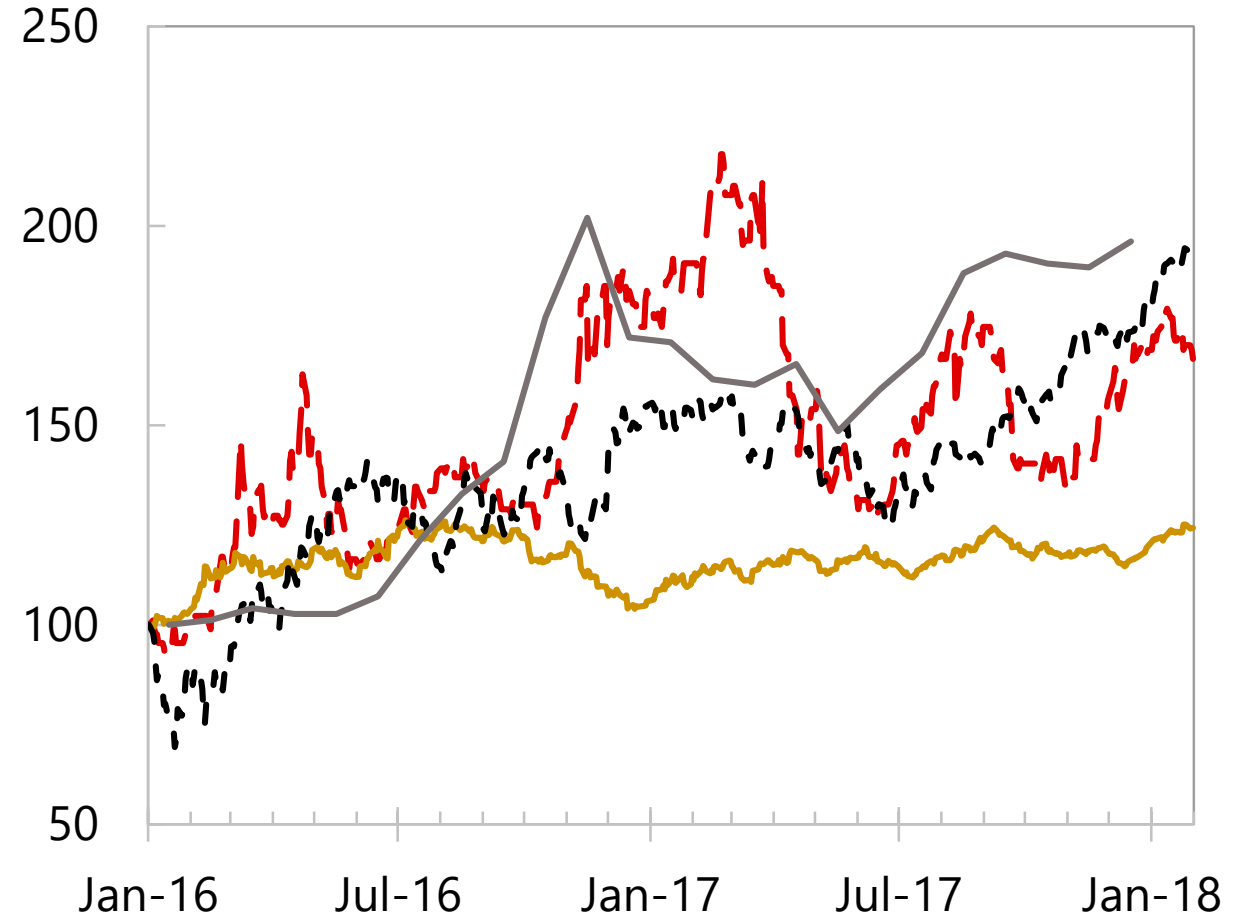
(Index, 2005=100)



Source: IMF, Global Economic Environment database.

Commodity Prices

(Index, 1 Jan. 2016 = 100)

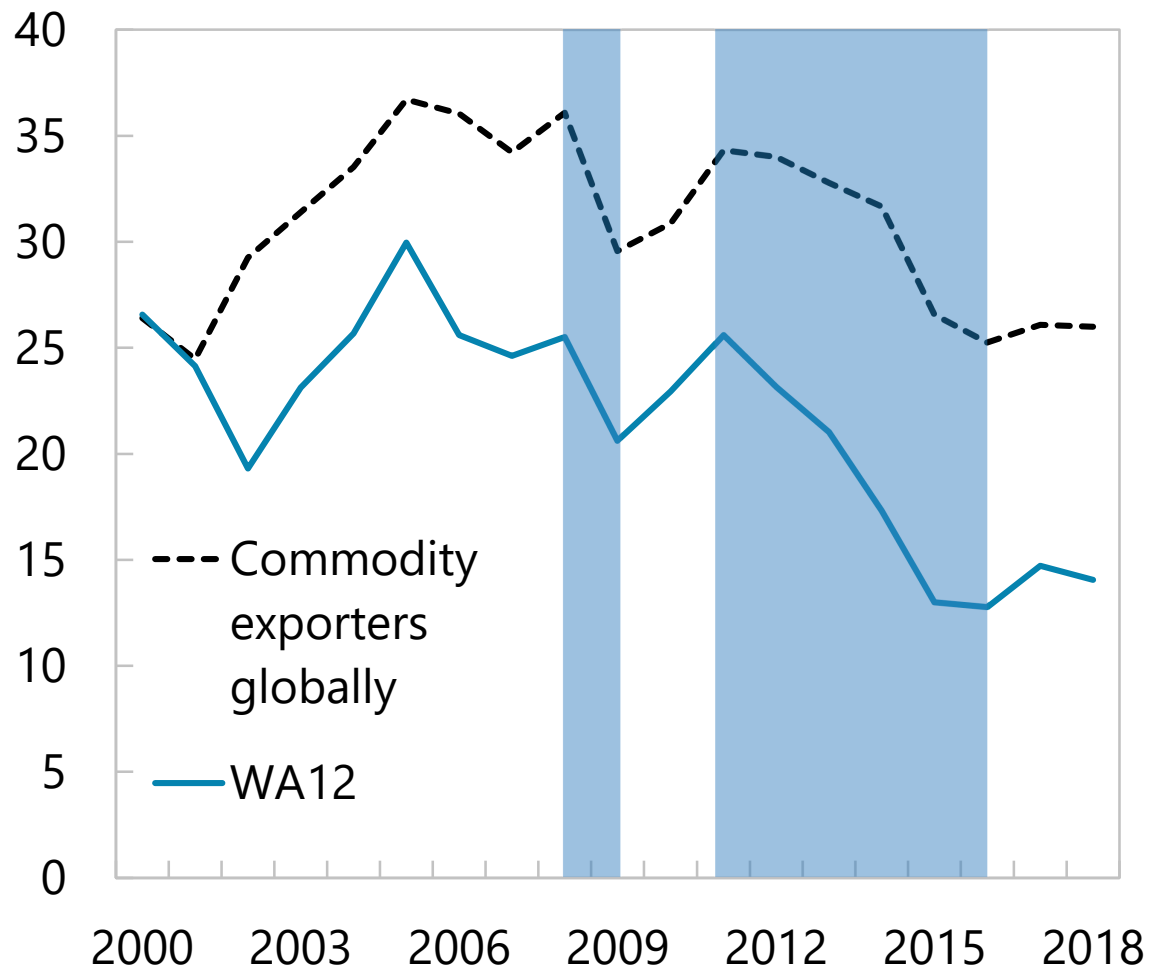


Source: IMF, Primary Commodity Price database

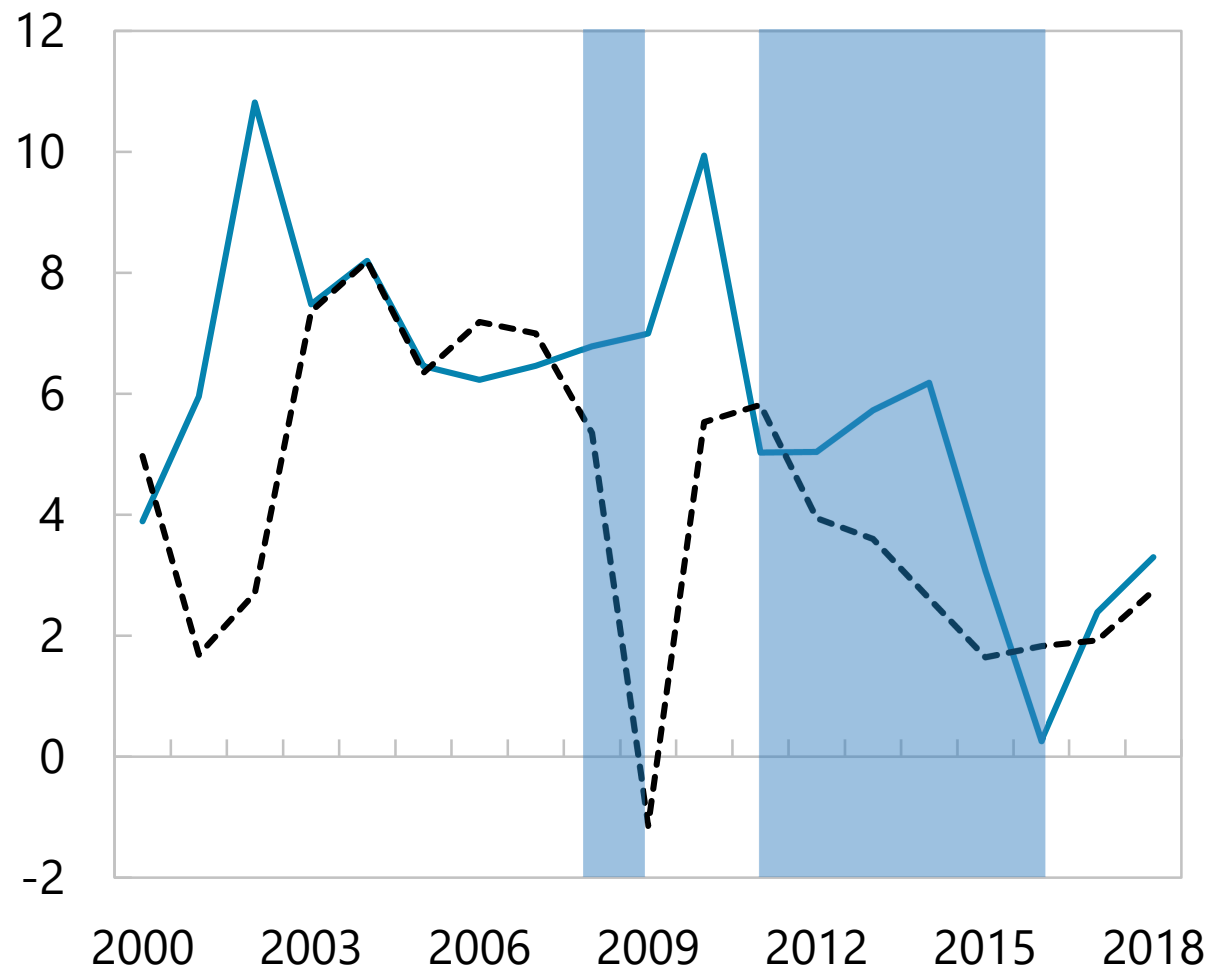
Large impact on the economy



Exports of Goods (Percent of GDP)



Real GDP Growth (Percent of GDP)



But also large variation between countries

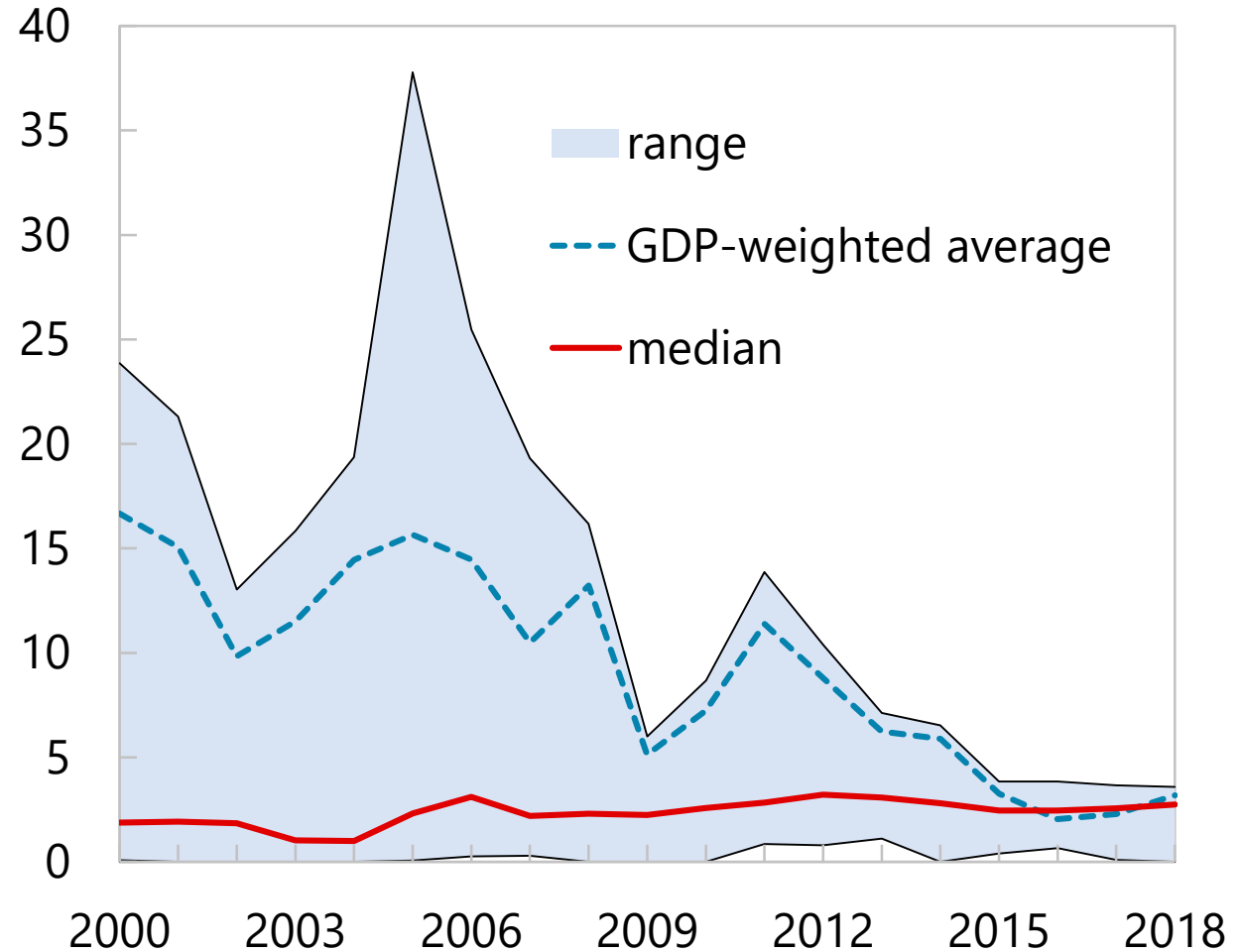


WA12: Government Commodity-Related Revenue (Percent of GDP)

	2000	Average	2016
Burkina Faso	0.0	2.3	2.7
Côte d'Ivoire*	2.6	3.8	2.8
Ghana*	0.2	1.4	3.3
Guinea*	2.1	2.3	2.2
Liberia*	1.2	1.9	2.9
Mali	1.9	2.6	3.3
Mauritania*	1.4	4.9	3.8
Niger*	0.6	2.0	3.3
Nigeria*	23.9	12.9	2.0
São Tomé and Príncipe*	0.0	7.2	1.0
Senegal	2.8	2.7	3.0
Sierra Leone*	0.1	0.5	1.0

Source: IMF, country survey and World Economic Outlook database.

* Natural resource exporters covered in IMF country survey (WA9)

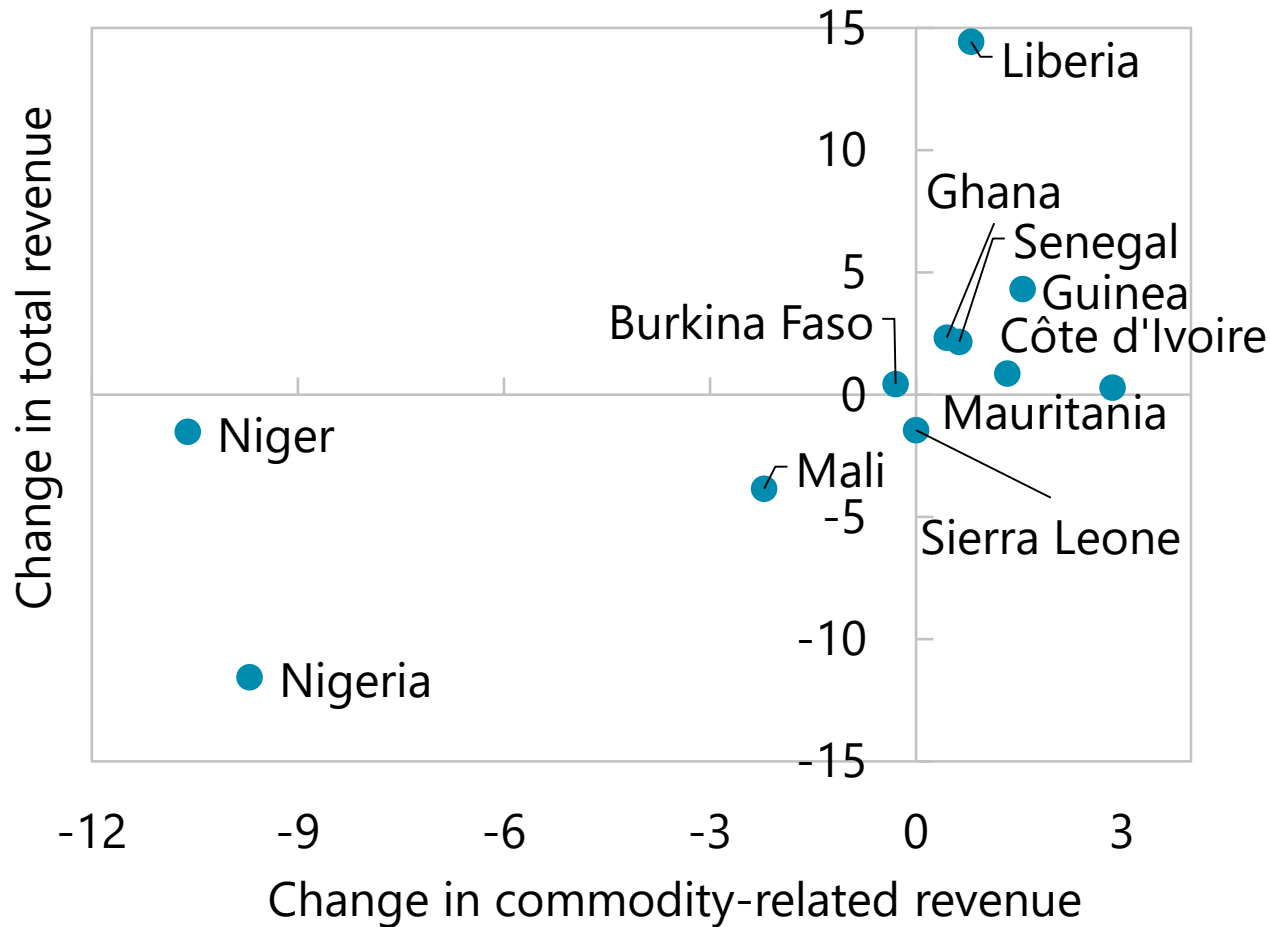


Source: IMF, *World Economic Outlook* database, Fall 2017

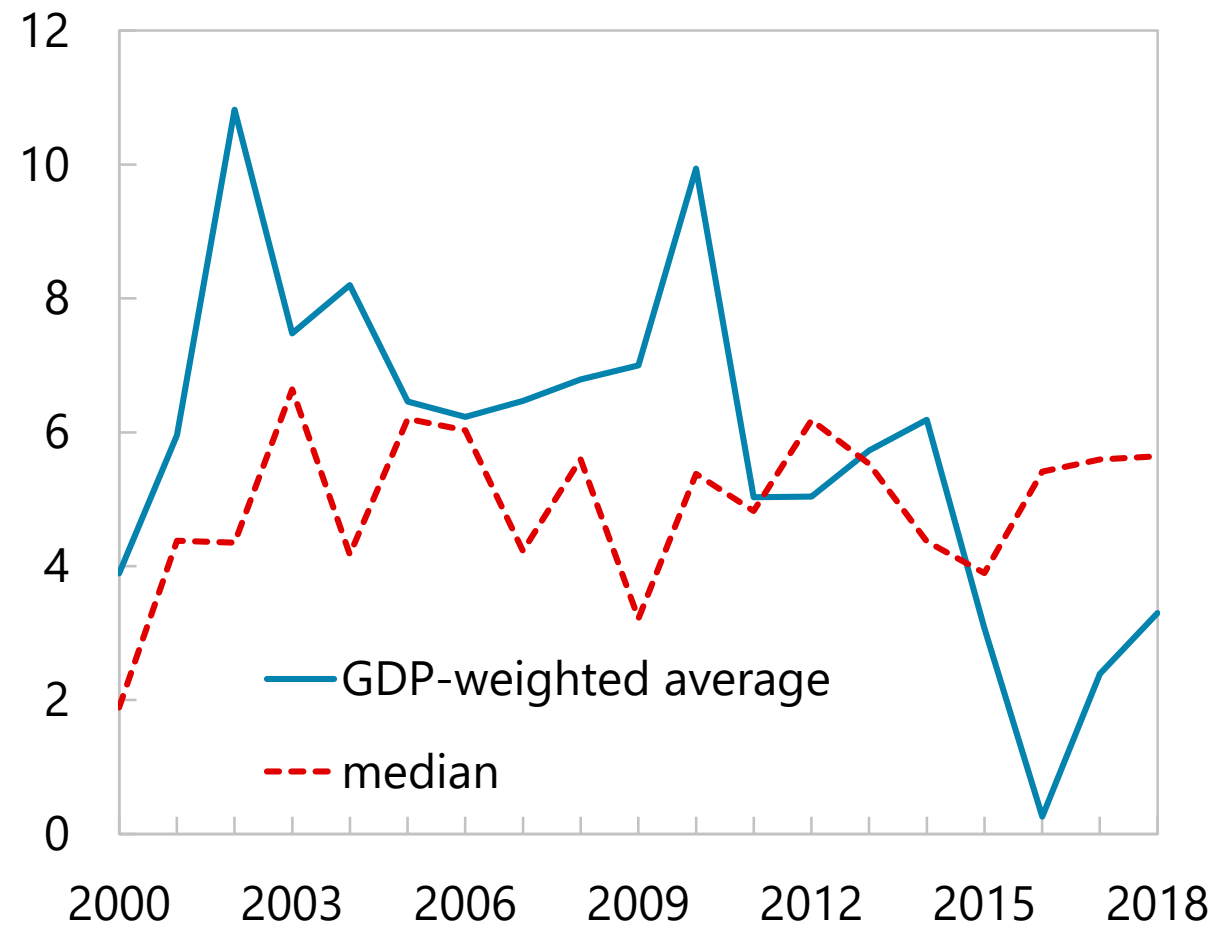
A majority of countries have seen increases in commodity revenue and no growth slowdown



WA12: 2000-08 to 2009-16
(Percent of GDP)



WA12: Real GDP Growth
(Percent)

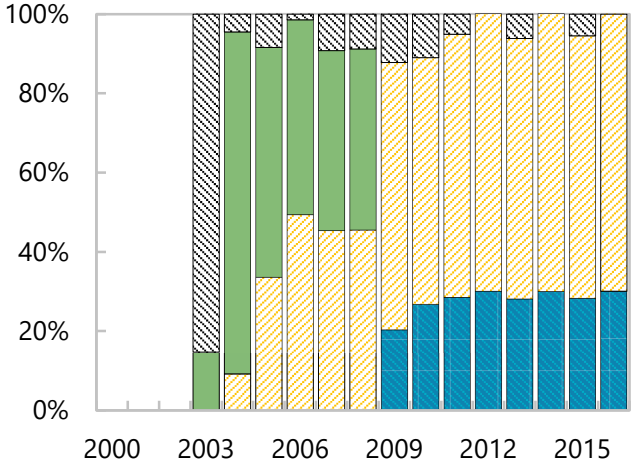


Components of resource revenue also differ widely

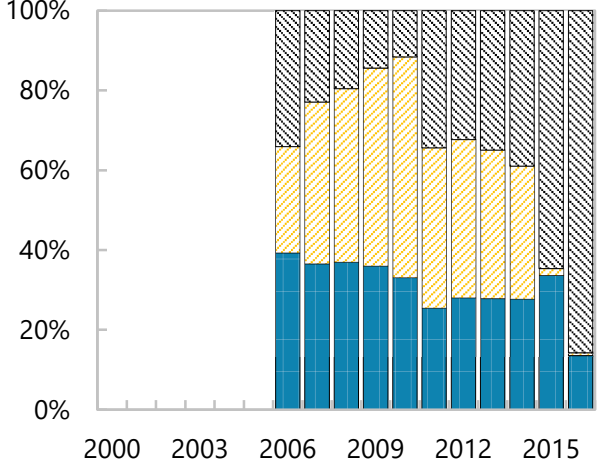
Resource Revenue Components (Percent of Total)

- Royalty
- Profit
- CIT
- Other

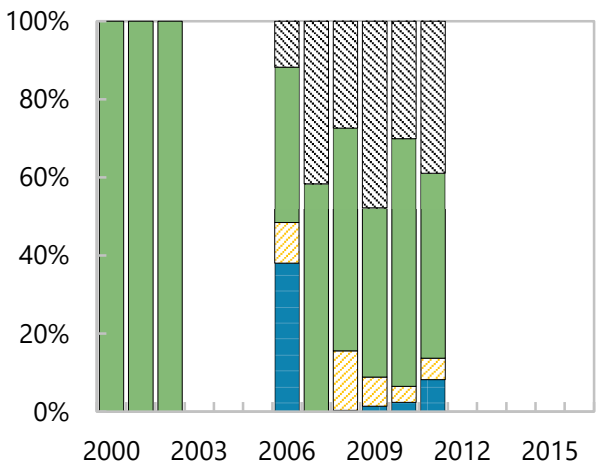
Côte d'Ivoire



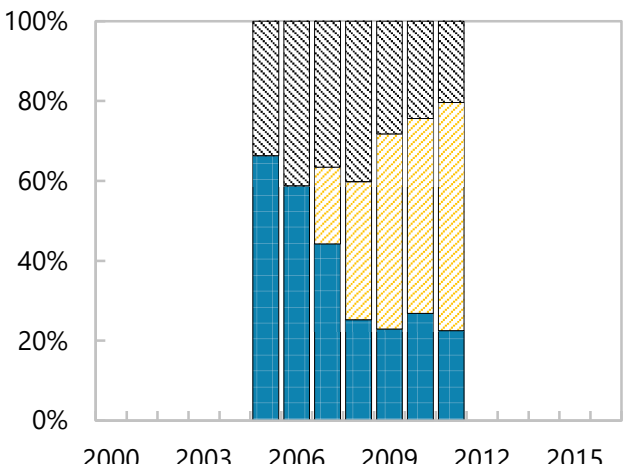
Ghana



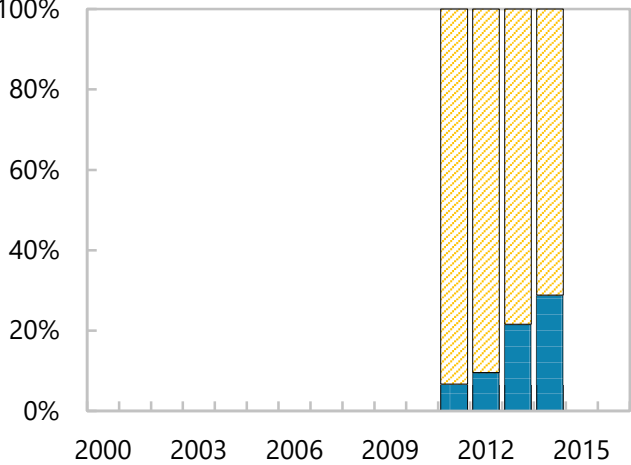
Mauritania



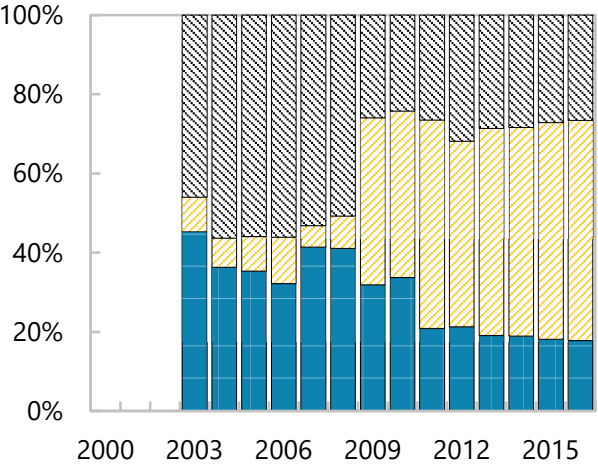
Niger



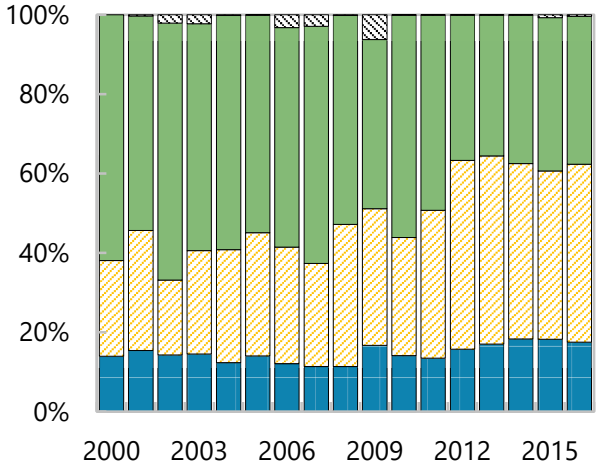
Liberia



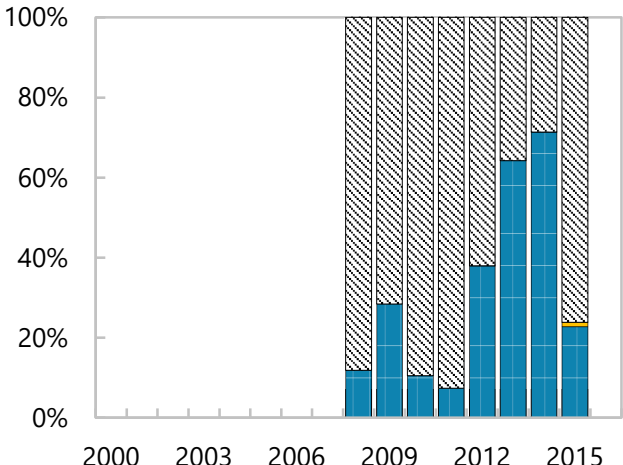
Guinea



Nigeria



Sierra Leone



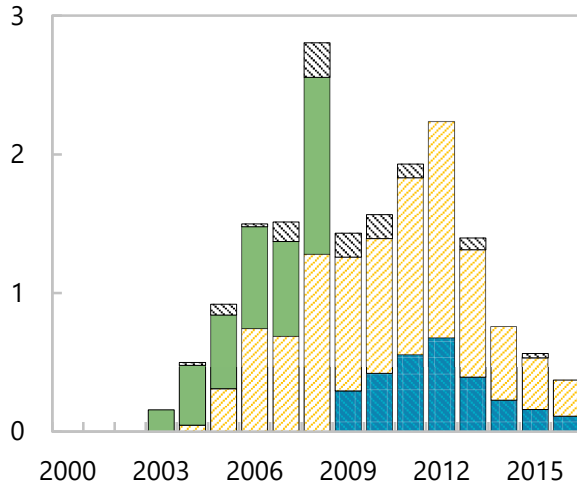
Source: IMF, country survey

Components of resource revenue, cont'd.

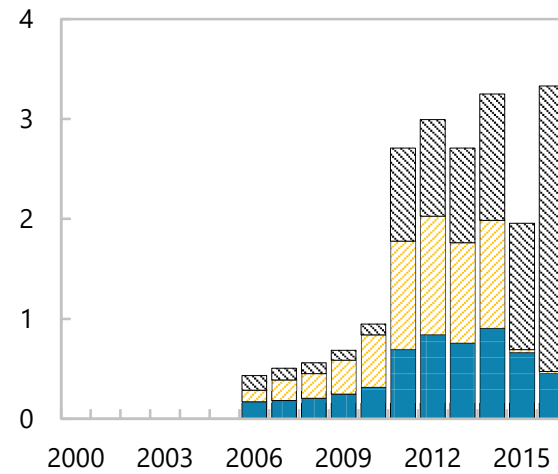
Resource Revenue Components (Percent of GDP)

- Royalty
- Profit
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- Other

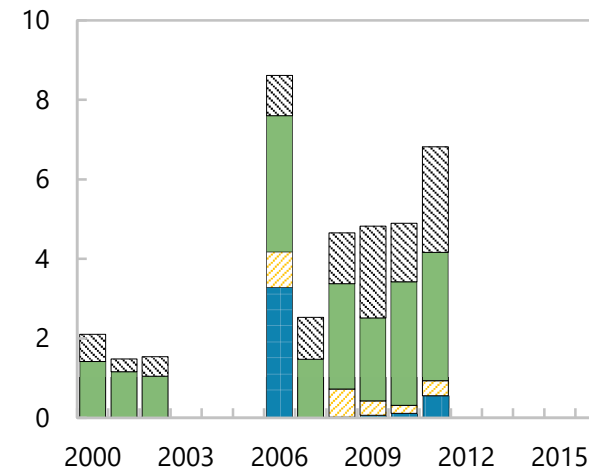
Côte d'Ivoire



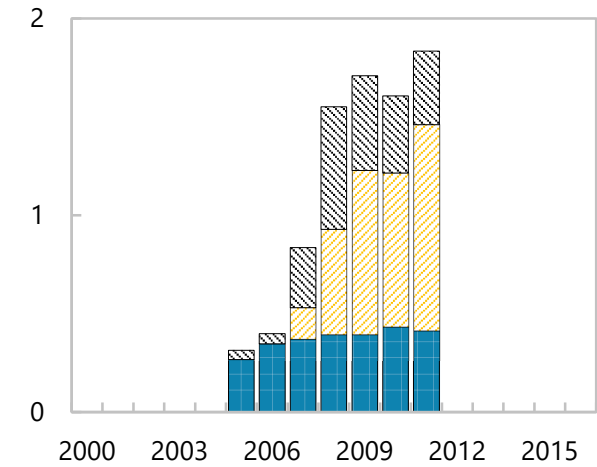
Ghana



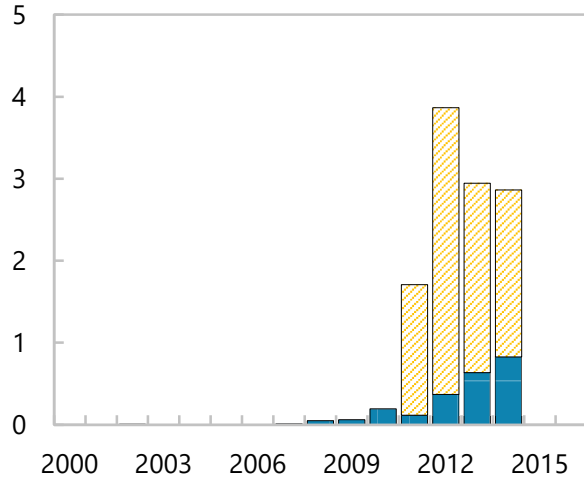
Mauritania



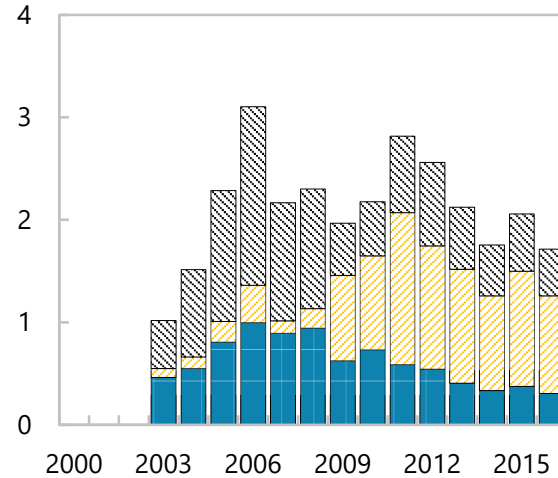
Niger



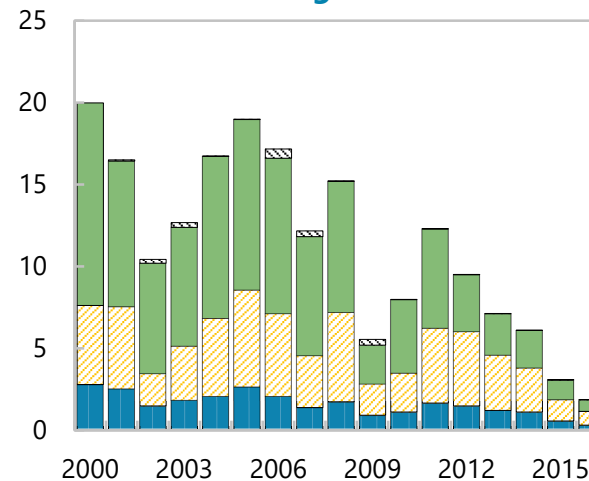
Liberia



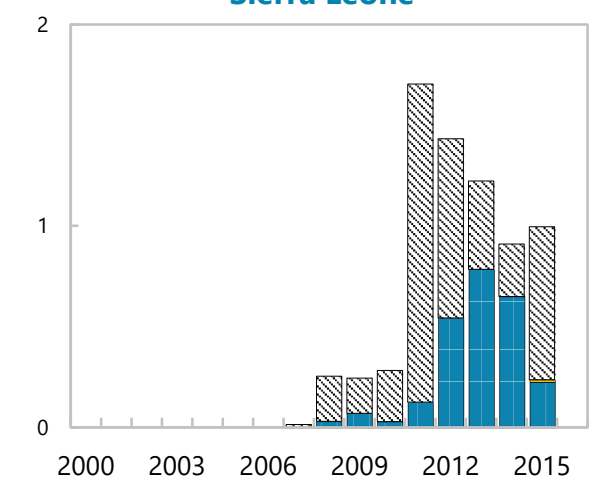
Guinea



Nigeria



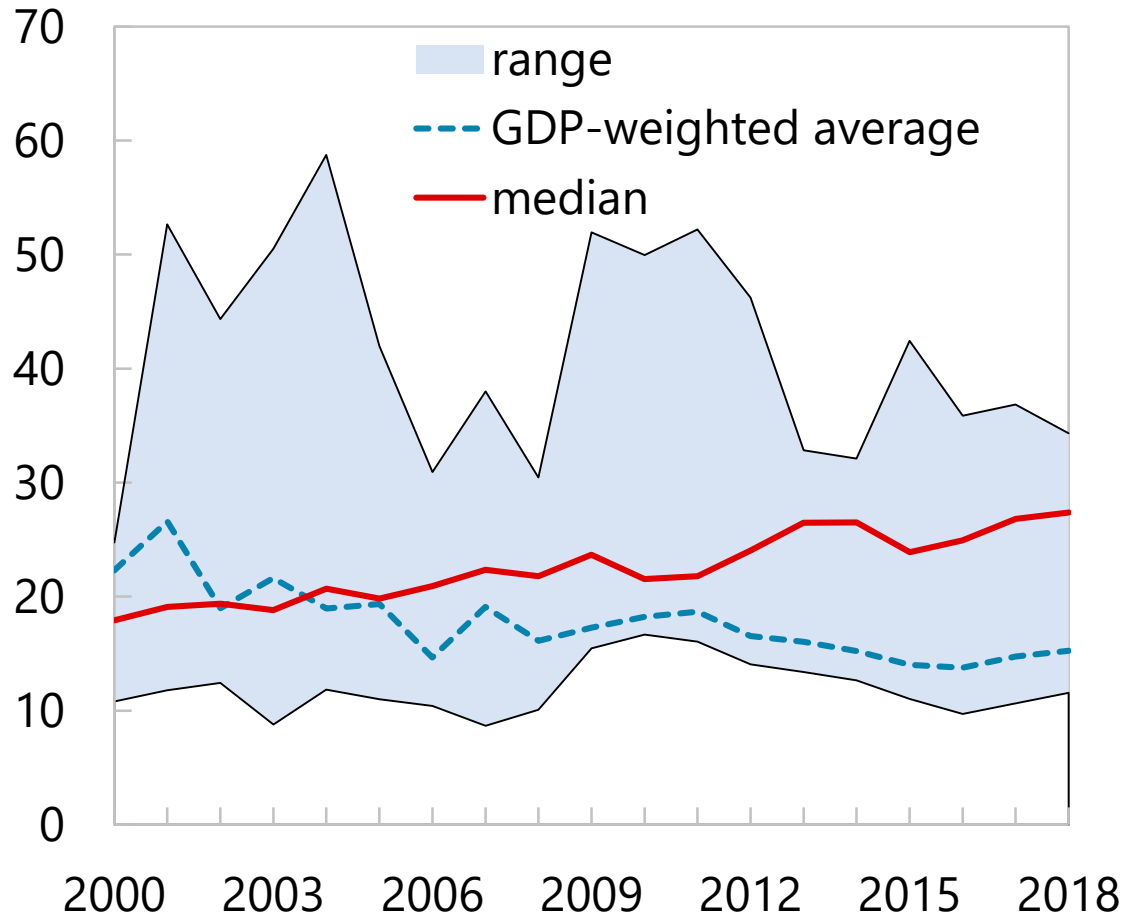
Sierra Leone



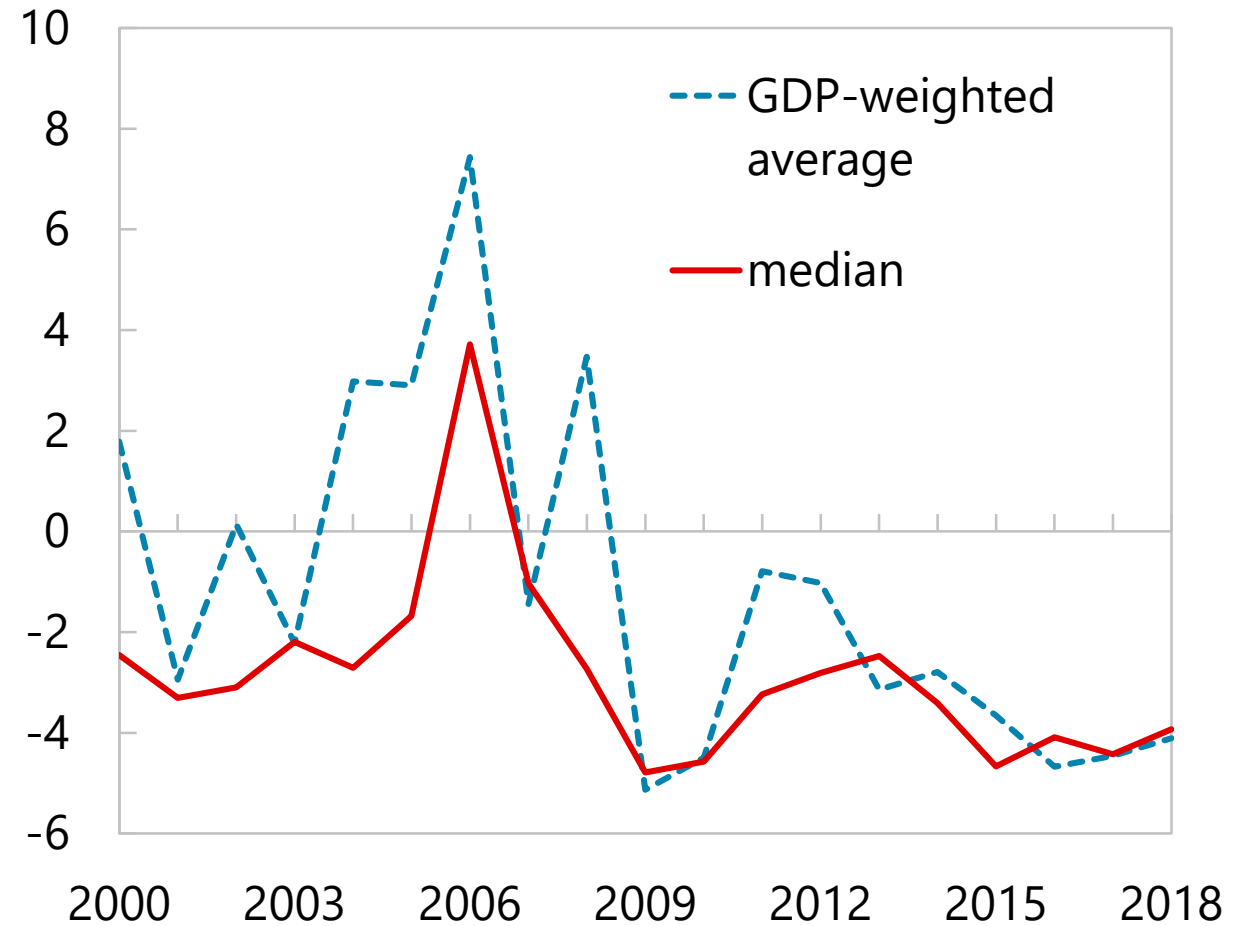
Still, deficits have consistently widened



WA12: Government Expenditure (Percent of GDP)



WA12: Government Balance (Percent of GDP)

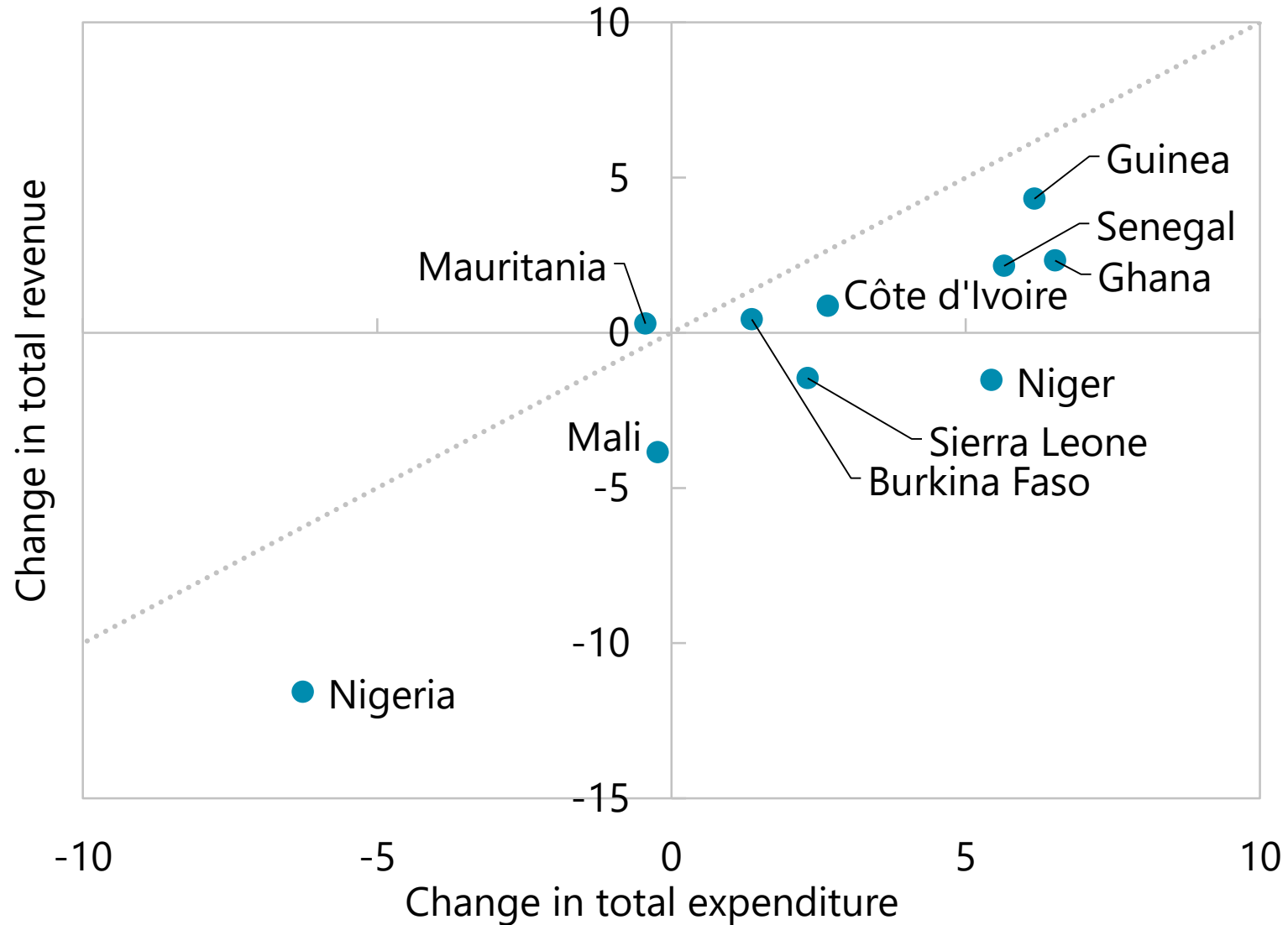


WA12: Changes, 2000-08 to 2009-16

(Percent of GDP)



As expenditure increases have almost everywhere been larger than revenue increases



Summary



- WA region as a whole has seen a pronounced relative decline in resource (especially oil) revenue over past two decades
 - Partly reflecting lower commodity prices in recent years
 - Mainly a result of economic activity shifting to other areas
- Large differences between countries, but some common patterns
 - Countries with declining resource revenue have not made up for it elsewhere → **need to mobilize new revenue sources**
 - Expenditure growth has tended to outstrip revenue growth in all countries → **need for fiscal adjustment**