



Institute of  
Economic Affairs

# Economic Threats & Challenges of Mineral Wealth

Coping With the Dutch Disease and Resource  
Curse - Kwame Owino

# Outline

- Elements of Macroeconomic Policy
- Monetary Policy effects
- Fiscal Policy
- Employment
- Policy Innovation

# Overall

- Exploration and extraction contracts
- Transparency and disclosure
- Who takes risks?

QuickTime™ and a  
decompressor  
are needed to see this picture.

Source: [□http://chartsbin.com/view/oau](http://chartsbin.com/view/oau)

# Monetary Policy

## 1. Inflation

- Energy as driver of inflation
- Stability of supply and price
- Public expenditure and debt payment

## 2. Interest rates

- Rate of expenditure
- Borrowing & private sector squeeze

# Monetary Policy (2)

## 3. Exchange Rates

- Energy exports and currency value
- Manufactured exports become expensive
- Dutch disease
- Effect on agriculture

# Fiscal Policy Effects

- Dependence on resource rents
- May affect borrowing behaviour
- Tax capture incentive

# Other Policy Effects

- Democratic development
- Taxes and public voice
- Nature of expenditure
- Direct employment is low
- Political patronage



# Dutch Disease & Resource Curse

- Any Resources & international demand
- Currency appreciation
- Domestic goods expensive
- Shrinkage of other sectors
- Curse - effect of political competition for rents

# Export Diversification

	Crude	Top 3
Algeria	49	76
Sudan	77	93
Nigeria	70	75
Cameroon	37	59
Gabon	81	91
Congo	65	68

# Country Proven Reserves

	<b>Reserves 2011</b>	<b>Population</b>	<b>Barrel/p</b>
Libya	46,420	6.15	7,547.97
Nigeria	37,200	168.80	220.38
Algeria	12,200	38.40	317.71
Angola	9,500	20.82	456.29
Sudan	6,700	37.20	180.11
Egypt	4,400	80.72	54.51
Gabon	2,000	1.63	1,226.99
Congo Repub	1,600	21.70	73.73
Chad	1,500	12	120
Equitorial Guinea	1,700	1	2,297

# SWF

- Sensible policy. BUT
- Priority for future generations (?)
- Quantum of resource rents
- Democratic Institutions

# Policy Innovation

- Todd Moss- resource revenues model
- Sovereign Fund- Dependent on democratic development