

Ill-Gotten Money and the Economy Experiences from Malawi and Namibia

ANNEX A

Table AA.1 Malawi Central Government Operations, Budget 2009/10 (projection)

	MWK billion	US\$ million	% GDP
Total revenues and grants	258	1.7bn	33.9
Tax revenue	143	953	22.2
Taxes on income and profit	63	420	8.3
Taxes on goods and services	68	453	8.9
Taxes on international trade	15	100	1.9
Other taxes	-2		-0.3
Nontax revenue	25	166	3.3
Grants (= development aid)^a	89	593	11.7
Total expenditure and net lending	270	1.8bn	35.5
Wages and salaries	44	293	5.7
Interest payments	20	133	2.7
Goods and services	79	526	10.4
Subsidies and other current transfers	44	293	5.8
Arrears adjustments	0		0.0
Development expenditure	77	513	10.2
Net lending	1	6.7	0.1
Overall balance (= overall financing)	-12	—	-1.6
Nominal GDP	761	5.07bn	—
Net domestic debt	104	693	—

Source: IMF Staff Report Malawi 2009.

Note: a. Budget support, project loans, dedicated grants. Development aid of MWK 89 billion is 35 percent of MWK 258 billion government revenues.

— . not calculated

Table AA.2 Malawi Central Government Operations, Budget 2009/10 (projection)

	MWK billion (US\$)	US\$ million	% GDP
Goods and services	79	526	10.4
Subsidies and other current transfers	44	293	5.8
Arrears adjustments	0	—	0.0
Development expenditure	77	513	10.2
Total	200	1.3bn	26.4
Assumption: 20% lost through corruption	40	267	5.28

Source: Authors calculation based on table AA.1.

ANNEX B

Table AB.1 Cannabis Seizures in Malawi (kilogram)

Year	No. of kilograms
2000	372,653
2001	60,274
2002	11,859
2003	N/A
2004	23,906
2005	18,000
2006	43,937
2007	21,149
2008	105,222
2009	4,211
Total	661,211
Average per year	73,468

Source: Malawi Police Service.

Table AB.2 Malawi Cannabis sativa, Selected Prices

	MWK	USD
1 cob street level^a	300	1.97
1 cob farmer^{a,c}	50	0.32
1 cigarette Kenya^{a,d}	38–190	0.24–1.21
90 kilogram bag^{b,e}	150,000–200,000	960–1,280
1 kg^b	1,700–2,200	10.70–14.20
1 kg burley tobacco^{c,e}	—	1.26–2.00

Sources: Own calculations from ^aNTV Kenya 2010; ^bOwn information; ^cActual price in 2010; ^dBased on the phrase in the NTV documentary that says that dealers “make a five times profit” out of the trade. ^e1 cigarette is 20 to 100 Kenyan shillings (NTV Kenya 2010). ^eA 90-kilogram bag is sold at MWK 100,000 in Mozambique (Jai Banda, “Money laundering; ‘When Proceeds from Fraud Enter the Financial System,’” in *AML-CFT News*, January 31, 2008). ^eGovernment minimum price for 2010 is US\$2.00. In autumn 2010, prices fell 37 percent below this minimum price to US\$1.26 per kilogram.

— . not calculated

Table AB.3. Calculation of Export Street Value of Malawi Cannabis

1.	Maximum price per kg	MWK 2200	US\$14
2.	Minimum price per kg	MWK 1700	US\$11
3.	Average price per kg	MWK 1950	US\$13
4.	Seizures average per year	73,468 kilogram	—
5.	Average value of seizure (= 3 * 4)	MWK 143 billion	US\$913 million
6.	Seizure rate = 10%	—	—
7.	Total production (= 5 * 6)	MWK 1.4 billion	US\$9.3 million
8.	GDP Malawi	MWK 761 billion	US\$5.07 billion
9.	Export street value as % of Malawi GDP	0.2% of GDP	—

Sources: Own calculations based on table AB.1, AB.2, and AA.1 (GDP Malawi). Seizure rate of 10 percent is a high estimate; based on seizure rates of 5 to 10 percent that are often used by the UNODC.

— . not calculated

ANNEX C

Number of Fiscal Fraud Cases Reported to the Malawi Police Service, 2008

	2006	2007	2008	2009	2010
Total number of cases	160	130	204	152	133
Number of serious crimes reported	73	79			
a. Theft by public servants	15	21	36	16	—
b. Obtaining money by false pretence	19	20	32	31	—
c. Forgery, uttering and obtaining money by false pretences	20	21	21	67	—
d. Fraudulent false accounting		17	4	4	—
Amount involved (MWK million)	92	13	157	247	263
Cases detected	31	49	204	152	—
Cases for prosecution	20	42	16	80	59
Cases for conviction	11	7	14	06	—

Source: Fiscal Fraud Unit, Malawi Police Service.

— . not available

ANNEX D

Namibia Central Government Operations, Budget 2009/10 (projection)

	NAD billion	US\$ billion	% GDP
Total revenues and grants	23.5	3.4	28.8
Tax revenue	21.6	3.1	26.4
Personal income tax	4.8	0.7	5.9
Corporate income tax	2.8	0.4	3.4
Vat and sales taxes	4.7	0.7	5.8
International taxes (including SACU receipts)	8.6	1.2	10.5
Other taxes	0.7	0.1	0.9
Nontax revenue	1.7	0.25	2.0
Grants	0.3	0.04	0.3
Total expenditure and net lending	25.8	3.7	31.6
Wages and salaries	8.9	1.3	10.9
Interest payments	1.3	0.2	1.6
Goods and services	4.6	0.7	5.6
Subsidies and other current transfers	4.9	0.8	6.0
Capital expenditure	5.7	0.83	7.0
Net lending	0.4	0.06	0.5
Overall balance (= overall financing)	-2.3	—	-2.8
Nominal GDP	81.7	12	—
Net public and publicly guaranteed debt	10.2	1.5	—

Sources: Namibia: 2010 Article IV Consultation – Staff Report; IMF Country Report No. 10/269.

SACU = Southern Africa Customs Union.

— . not calculated

Annex E

Cases of Foreign Ill-gotten Money in Namibia

The cases presented below reveal the vulnerability of developing countries to foreign criminal money. The cases are derived from Goba (2007). They all took place before the establishment of the AML system in Namibia.

Vito Biggioni di Mazara. Vito Biggioni di Mazara, an Italian millionaire who had been living in Namibia with his wife and children for several years, in 1999 purchased La Marina, a three-coach train restaurant on the beach north of Walvis Bay on the Atlantic coast with funds brought in from abroad. He then spent millions of Namibian dollars to upgrade it to an ultra-luxury restaurant and accommodation facility, intending to live in Namibia. Di Mazara was a member of the Sicilian Mafia, and at the request of the Italian Government, he was arrested on allegations of involvement in organized crime and drug trafficking. He was subsequently released on insufficient evidence. In May 2004, the Italian authorities reported that he had been arrested in Venezuela. Di Mazara was on a list of Italy's 30 most-wanted fugitives because he had played a key role in international drug trafficking as the link between the Sicilian Mafia and Colombian drug cartels. He also helped other mob fugitives seeking refuge in Africa.

Hans Juergen Koch. Hans Juergen Koch, a German citizen, was wanted in Germany on 203 fraud charges, 12 counts of tax evasion, and 4 counts of falsifying documents. He allegedly defrauded dozens of German local authorities through the activities of a finance company he ran in Germany between 1987 and March 2000. It is believed that some of the proceeds of his alleged activities in Germany were transferred to Namibia and invested there. Koch had been living in and running La Rochelle, an upmarket game farm near the northern mining town of Tsumeb, which he bought in 1994. The farm was a favorite destination for international hunters, mostly German. He was arrested in 2003 at the insistence of German authorities and has been fighting extradition since then in the Magistrates' court.

Jacob Alexander. Jacob "Kobi" Alexander is an Israeli-born permanent resident of the United States and a former intelligence officer turned high-technology entrepreneur. He founded Comverse Technology, Inc., a NASDAQ-listed telecommunications software company, and was its chief executive officer. In September 2006, he was arrested in Windhoek pending extradition at the request of the U.S. Federal Bureau of Investigation (FBI). He had been on the FBI's "Most Wanted" list since 2006 for failing to appear in a New York court to answer charges of orchestrating a scheme to manipulate the granting of millions of dollars worth of company stock options to himself and some of his co-conspirators by fraudulently backdating options and operating a stock options slush fund. Alexander was traced to Namibia through tracking the movements on bank accounts in Israel, Namibia, and the United States. It is alleged that the funds were received through a lawyer's trust account in Namibia, which reported the large receipts to the Bank of Namibia. This led to further investigations, which ultimately involved U.S. authorities.