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MEASURING THE ECONOMIC IMPACT OF VIOLENT EXTREMISM LEADING TO TERRORISM IN AFRICA



REPORT 2019

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SECTION I – THE ECONOMIC COST OF TERRORISM

Key Findings

- The global economic impact of terrorism reached US\$52 billion in 2017, increasing by two thirds in the ten years from 2008
- The total economic cost of terrorism in Africa from 2007 to 2016 is at a minimum US\$119 billion. In reality, this figure is much higher once estimates for GDP losses, lost informal economic activity, extra security spending, and refugee/IDP costs are accounted for.
- The total economic cost to the 18 focus countries was US\$109 billion since 2007.
- The economic impact of terrorism in the 18 focus countries increased by over 1700 per cent between 2007 and 2016, from an estimated US\$753 million in 2007 to US\$14 billion in 2016.¹
- There is huge variation in the cost among the focus countries: Nigeria's cost, at US\$97 billion, was over 22,000 times greater than that for Burkina Faso, which has suffered the lowest total absolute economic impact of the 18 focus countries. Nigeria's impact is also almost 19 times greater than that for Libya, which has had the second highest cost of terrorism over the ten-year period.
- The African continent spends almost US\$84 billion per year on securitization, or the equivalent of immunizing the 117 low and lower-middle income countries for approximately ten years²
- The 18 focus countries have spent at least US\$259 billion on securitization between 2007 and 2018, 30 per cent of the African total
- The total economic impact of refugees and internally displaced people to the origin focus countries, between 2007 and 2016 was US\$312.7 billion

According to The Institute for Economics & Peace (IEP) research, the global economic impact of terrorism reached US\$52 billion (constant 2017 USD)³ in 2017, with the economic and opportunity costs arising from terrorism having increased by about two thirds in the ten years from 2008.⁴ Nonetheless, the three years since 2014 have seen consecutive declines in the economic impact of terrorism which peaked at US\$108 billion in 2014.

In terms of GDP, globally, the economic impact of terrorism and violent extremism rose from 0.16 per cent of global GDP in 2007 to 0.5 per cent of global GDP in 2016. These estimates of the cost of terrorism are conservative as they do not include costs associated with countering terrorism and countering and preventing violent extremism nor the indirect costs on business.

Since 2001, the global economic impact of terrorism has exhibited three peaks corresponding to three major waves of terrorism. The terrorist attacks on September 11, 2001 in New York and Washington D.C. had large economic impacts, with the losses from deaths, injuries and property destruction amounting to US\$73 billion. This excludes the indirect costs to the US economy in general, which has been estimated at between 0.7 and one per cent of US GDP, or up US\$190 billion.⁵

The second peak in the economic impact of terrorism in 2008 was driven by increases in terrorism related violence in Iraq. This increase is attributed to the activities of al-Qa'ida affiliated terrorist groups and coincided with a coalition troop surge in the country.

Since 2013, the increased levels of violence in Syria, Iraq and Afghanistan have led to a third surge in the economic impact of terrorism which has continued for the last four years. The

economic impact of terrorism reached US\$94 billion in 2016. The pattern over the last four years follows the rise and decline of ISIL and the spread of terrorism to highly peaceful countries, including OECD member countries.

THE ECONOMIC COST OF TERRORISM IN AFRICA

In 2016, the economic cost of terrorism in Africa was US\$15.5 billion. This represents an increase of more than ten-fold since 2007, when the economic cost was estimated at US\$1.54 billion. In relative terms, Africa's share of the global economic cost of terrorism increased from 4.2 per cent in 2007, to 20.3 per cent in 2016.

The ten years between 2007 and 2016 saw terrorism cost the African continent at a minimum US\$119 billion. In reality, this figure is much higher once estimates for GDP losses, lost informal economic activity, extra security spending, and refugee/IDP costs are accounted for.

The UNDP's project on "Preventing and Responding to Violent Extremism in Africa: A Development Approach", has identified 18 focus countries in which terrorism and its consequences, including economic consequences, are most salient. Figure 1.1 shows the total number of terrorist attacks and fatalities from terrorist attacks in Africa between 2007 and 2016, broken down by group, and emphasizes the intensity of terrorist activity in the epicentre countries, which have suffered 60 per cent of the total attacks, and 66 per cent of the total fatalities in Africa.

¹ For a comprehensive discussion of the methodology underpinning the economic cost estimates, please refer to Annex A.

² http://www.who.int/choice/publications/p_2007_Scaling-up_Immunisation.pdf

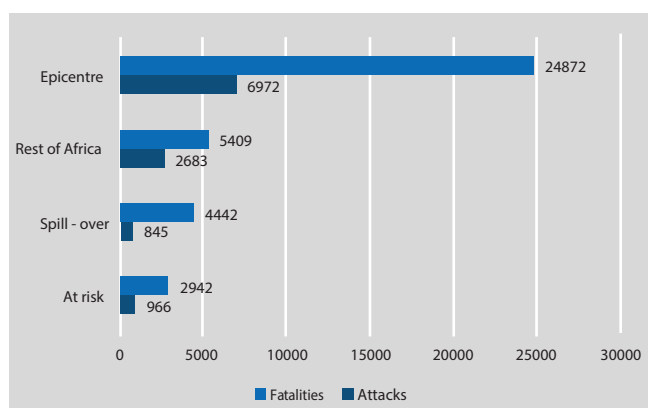
³ All dollar amounts in this report are constant 2017 USD unless otherwise explicitly stated

⁴ Global Peace Index 2017, Institute for Economics and Peace

⁵ Stewart, Mark G., and John Mueller. 2013. "Terrorism Risks and Cost-Benefit Analysis of Aviation Security." *Risk Analysis* 33 (5): 893–908. doi:10.1111/j.1539-6924.2012.01905.x.

FIGURE 1.1: THE LEVELS OF TERRORIST ACTIVITY IN AFRICA, 2007-2016

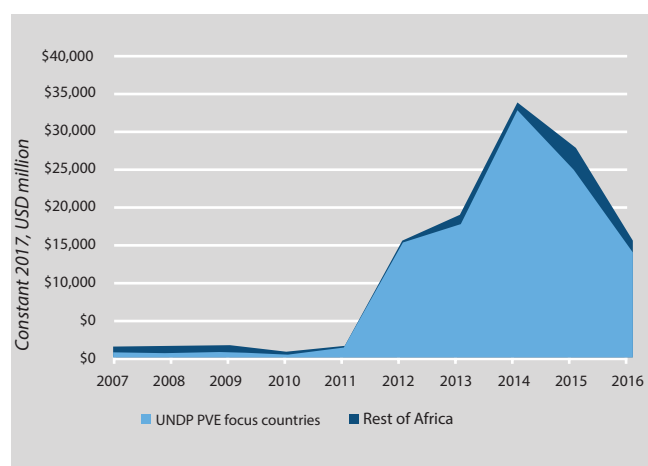
Epicentre countries have suffered 60 per cent of the total attacks and 66 per cent of the total fatalities from terrorism in Africa



Given the extreme levels of terrorist activity in the group of focus countries, it is unsurprising that these countries also account for the bulk of the economic cost of terrorism in Africa, as seen in figure 1.2. Focus countries started shouldering the brunt of the economic cost of terrorism from 2009 onwards, and this sharply rose in 2011, in the aftermath of the events set off by the Arab Spring.

FIGURE 1.2: TREND IN THE ECONOMIC COST OF TERRORISM IN AFRICA, 2007-2016

The UNDP's 18 focus countries have suffered the majority of the economic cost of terrorism in Africa since 2011



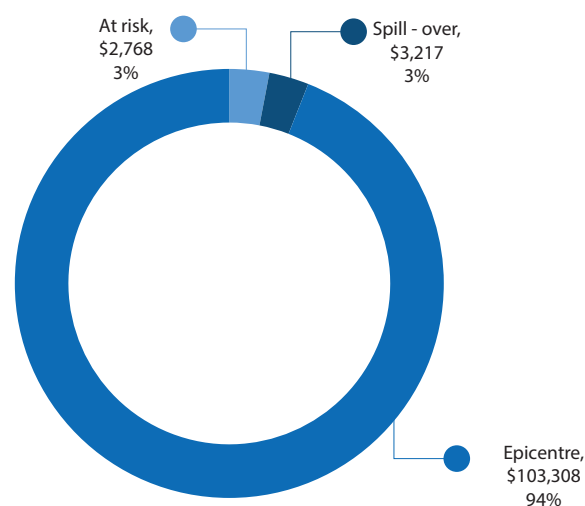
In the eighteen focus countries of the UNDP's project "Preventing and Responding to Violent Extremism in Africa: A Development Approach", the ten years since 2006 has seen an enormous increase in the intensity of violent extremist and terrorist activity, with terrorist attacks increasing seven fold since 2007, and fatalities associated with terrorism increasing by a factor of five.

This rise in the intensity of terrorist activity has seen the economic impact of terrorism in the 18 focus countries increased by over 1700 per cent in the ten-year period between 2007 and 2016, from an estimated US\$753 million in 2007 to US\$14 billion in 2016.⁶

Driven by the large impacts of terrorism in Nigeria, the four countries considered to be the epicentre countries for violent extremism, Nigeria, Mali, Somalia and Libya, have accounted for 94 per cent, or US\$103 billion, of the total economic impact of terrorism since 2007. Spill-over countries have suffered US\$3.2 billion (3 per cent), and at-risk countries US\$2.7 billion (2.8 per cent) of the total economic impact of terrorism over the ten years between 2007 and 2016.

FIGURE 1.3: THE BREAKDOWN IN THE COST OF TERRORISM, 2007 - 2016, BY FOCUS COUNTRY GROUP

The Epicentre group of countries have accounted for more than 94 per cent of the total economic cost of terrorism since 2007



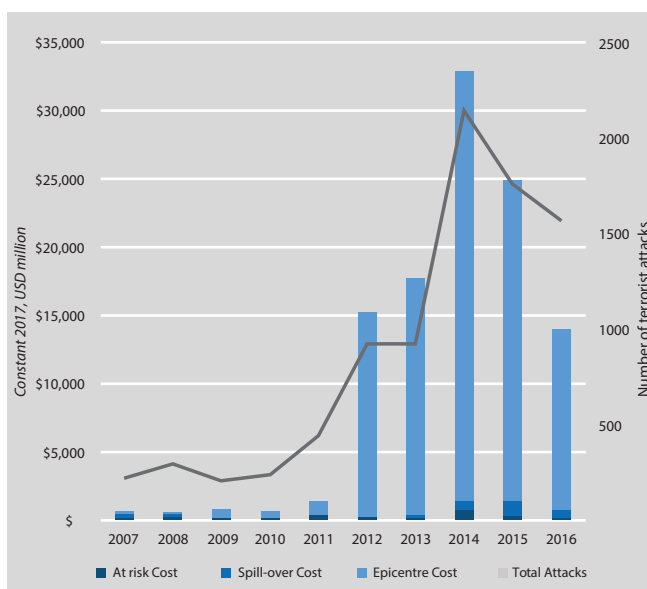
ECONOMIC COST, Constant 2017, USD million

As Figure 1.4 shows, the growth in cost increased dramatically between 2011 and 2012, driven by the epicentre countries. There was a peak in the economic cost of terrorism in the focus countries in 2014, with the cost subsequently falling in 2016 to pre-2012 levels.

⁶ For a comprehensive discussion of the methodology underpinning the economic cost estimates, please refer to Annex A.

FIGURE 1.4: TREND IN THE ECONOMIC COST OF TERRORISM IN THE THREE GROUPS OF FOCUS COUNTRIES, 2007-2016

There was a peak in the economic cost of terrorism in the focus countries in 2014, with the cost subsequently falling in 2016 to pre-2012 levels.



While there have been yearly fluctuations in the economic cost of terrorism across all three groups of countries, on average, between 2007 and 2016 the economic cost has grown by 45 per cent in at risk countries, 66 per cent in spill-over countries, and 197 per cent in epicentre countries.

Measured as a percentage of GDP, the base estimate for the cost of terrorism in the focus countries ranges between 0.2 per cent of GDP per year for spill-over countries to 1.1 per cent per year for the epicentre group of countries, with at risk countries' costs approximately 0.3 per cent of GDP per year. Epicentre countries saw the biggest increase measured in GDP terms from an average of 0.04 per cent of GDP in 2007 to 2.4 per cent of GDP in 2016.

Of the 18 focus countries, Nigeria has suffered by far the highest economic impacts of terrorism, accounting for 89 per cent of the total US\$109 billion cost over the ten-year period. The economic impact of terrorism for Nigeria, at US\$97 billion, was over 22,000 times greater than that for Burkina Faso, which has suffered the lowest total absolute economic impact of the eighteen focus countries. Nigeria's impact is also almost 19 times greater than that for Libya, which has had the second highest cost of terrorism over the ten-year period.

Table 1.1 shows the total economic cost for each country as well as the levels of terrorism as measured by total attacks and fatalities over the ten-year period between 2007 and 2016.

TABLE 1.1: TOTAL ECONOMIC COST OF TERRORISM AND INTENSITY OF TERRORIST ACTIVITY IN FOCUS COUNTRIES, 2007-2016

The economic impact of terrorism for Nigeria, at US\$97 billion, was over 22,000 times greater than that for Burkina Faso

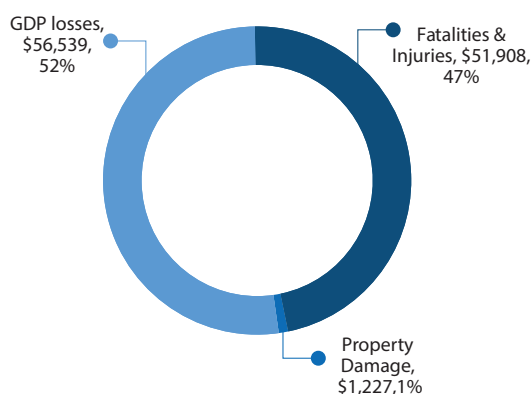
	Number of Fatalities	Number of Terrorist Attacks	Economic Cost of Terrorism (constant 2017, USD Million)
Nigeria	18952	3058	US\$97,966
Libya	1413	1595	US\$5,201
Sudan	2664	717	US\$3,807
Kenya	1426	447	US\$1,268
Cameroon	1326	190	US\$879
Somalia	4472	2152	US\$770
Tunisia	158	44	US\$498
Uganda	1242	184	US\$410
Chad	629	53	US\$342
Ethiopia	505	66	US\$281
Mali	486	271	US\$226
CAR	1136	204	US\$197
Niger	838	78	US\$172
Morocco	75	13	US\$99
Tanzania	61	45	US\$45
Senegal	92	32	US\$27
Mauritania	27	11	US\$23
Burkina Faso	57	15	US\$20

BREAKING DOWN THE ECONOMIC COST: FATALITIES & INJURIES, PROPERTY DESTRUCTION AND GDP LOSSES

Broken down into component parts, IEP's baseline estimate for the economic cost of terrorism in the 18 focus countries shows that GDP losses associated with lost economic activity accounted for 52 per cent, or US\$56.5 billion, of the total economic cost over the ten-year period to 2016, although according to IEP's very conservative methodology, GDP losses only significantly began to impact total cost from 2012 onwards. As IEP's methodology estimates GDP losses only in cases where more than 1000 fatalities occur due to terrorism in any given year, and thus is an overly conservative estimate in these totals, this estimate is based entirely on the case of Nigeria. GDP losses to Nigeria over the ten-year period was conservatively estimated at US\$565 billion. This breakdown of IEP's estimated total economic cost between 2007 and 2016 is shown in figure 1.5.

FIGURE 1.5: BREAKDOWN OF IEP'S ECONOMIC COST OF TERRORISM ESTIMATE, TOTAL 2007-2016

Estimated GDP losses in Nigeria accounted for 52 per cent of the total estimated economic cost of terrorism in the focus countries since 2007



ECONOMIC COST, Constant 2017, USD million

Table 1.2 further breaks down these cost components to the level of focus country group, highlighting the enormous economic burden on epicentre countries, whose costs are at least an order of magnitude higher than those of the other two groups. The economic cost estimates for the epicentre group of countries, and therefore for all the focus countries, are driven primarily by the burden that has fallen on Nigeria.

TABLE 1.2: BREAKDOWN OF THE BASE ESTIMATE OF THE ECONOMIC COST OF TERRORISM BY FOCUS COUNTRY GROUP, 2007-2016, MILLIONS CONSTANT 2017 USD

	Cost of Fatalities & Injuries	Cost of Property Damage	GDP losses
At Risk	US\$2,739	US\$33	Not estimated

TABLE 1.3: COSTS ASSOCIATED WITH TERRORISM BY COUNTRY, TOTAL 2007-2016

	Cost of Property Destruction (Millions, constant 2017 USD)	Cost of Fatalities & Injuries (Millions, constant 2017 USD)	Number of Fatalities	Number of Terrorist Attacks
Nigeria	US\$598.8	US\$40,828.6	18952	3058
Libya	US\$177.4	US\$5,023.9	1413	1595
Sudan	US\$26.3	US\$3,780.8	2664	717
Kenya	US\$63.3	US\$1,204.5	1426	447
Cameroon	US\$4.6	US\$874.0	1326	190
Somalia	US\$276.6	US\$493.7	4472	2152
Tunisia	US\$54.2	US\$443.5	158	44
Uganda	US\$1.5	US\$408.0	1242	184
Chad	US\$0.4	US\$341.3	629	53
Ethiopia	US\$4.1	US\$277.3	505	66
Mali	US\$13.0	US\$213.4	486	271
CAR	US\$2.0	US\$195.2	1136	204
Niger	US\$0.8	US\$170.9	838	78
Morocco	US\$0.4	US\$98.7	75	13
Tanzania	US\$2.0	US\$42.7	61	45
Senegal	US\$0.8	US\$25.8	92	32
Mauritania	US\$0.4	US\$22.8	27	11
Burkina Faso	US\$0.2	US\$19.7	57	15

Constant 2017, USD million

ECONOMIC COSTS OF SECURITIZATION AND THE FIGHT AGAINST TERRORISM

Terrorism costs include not only the impact of lost lives, injuries, disruptions to economic functions and other directly related factors, but, considering the macro-economy as a whole also

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