Session 2: National Security Strategy: Core Principles and Resource Management

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Overview
• Recent Economic Growth Trends

• Importance of Resource Management

• Unpacking the Nexus

• Security for Whom?
Evolving Perspectives

2000

2011

2013
Recent Economic Growth

Source: African Economic Outlook (2015)

Note: (e) estimates; (p) projections.
Source: Statistics Department, African Development Bank.
Growth and Inequality

Aspirational Africa
Africa’s middle class, % of population

Source: EIU Canback
*Excluding South Africa
†$10-20; ‡$20-50, per person per day at purchasing-power parity

Economist.com
Revenue Sources

• Domestic
  • Taxation
  • Borrowing

• External
  • Bilateral (friendly governments)
  • Multilateral (international organizations: UN, IMF, World Bank, African Development Bank)
  • Commercial (firms operating in the country)
The Tax Effort

Tax Revenue
(percent of GDP, average 2012-14)

Note: excludes SACU revenue for Botswana, Lesotho, Namibia and Swaziland.

Source: IMF Lesotho Consultative Report 2016:
Categories of IFF

- Globally, commercial activities as accounting for 65 percent of IFFs, criminal activities for 30 per cent and corruption for around 5 per cent. Similar proportions in Africa (Kar and Cartwright-Smith, 2010).

- Commercial
  - Abusive transfer pricing
  - Trade mispricing
  - Mis invoicing of services and intangibles
  - Unequal contracts
  - Tax inversion

- Criminal
  - Money laundering
  - Organized crime
  - Criminal

- Corruption
Effects of IFF


Source: Based on Ndikumana and Boyce (2008), Kar and Cartwright-Smith (2010), Kar and Freitas (2011) and ECA’s calculations.
Monitor IFF

Source: Africa progress Panel, “Equity in Extractives: Stewarding Africa’s natural resources for all” (2013)
US Assistance: 2013-16

USAID, 1,161,492

IMET, 14,555
FMF, 2,505
FMS, 14,266

Other, 31,326
Towards a Strategic Model

“Crime and Punishment: An Economic Approach”
Gary Becker: Nobel Prize in economics (1992)

• . . . A rational choice where anticipated gains outweigh the likelihood and severity of punishment.

A. Building integrity: Addressing the ‘moral burden’
B. Increasing transparency: Rationalize processes (prevention, detection, prosecution, punishment) and enhance public awareness
C. Improve accountability: reward performers, sanction bad actors
Guiding Principles

• African Union Convention on Preventing and Combatting Corruption, Adopted July 2003; in force August 2006

• Strengthen and empower national/sub-national offices of the auditors general; ombudsman

• Prioritize public financial reviews in the security sector

• Hope is not a strategy, countries need effective national security strategies
Moving Ahead . . .

DOMESTIC
• Increase tax effort.
• Expand tax base.
• Review resource contracts.
• Minimize domestic borrowing.
• Address corruption.

EXTERNAL
• Align assistance with domestic priorities.
• Reduce redundancies and duplication through effective coordination.
• Mitigate disbursement challenges.
• De-politicize assistance.
Questions/comments?