



**AFRICA CENTER**  
**FOR STRATEGIC STUDIES**

# **Session Three: Strategy and Resources**

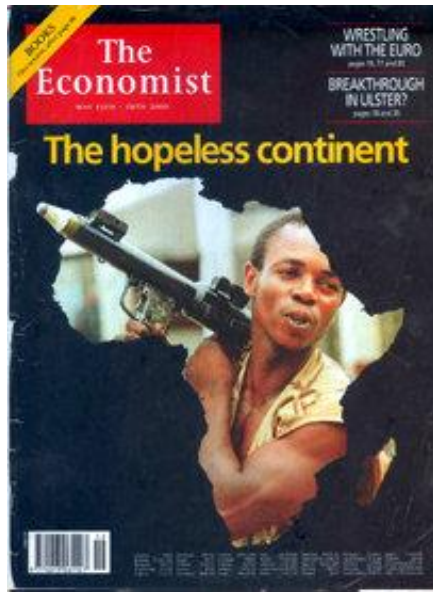
Dr. Raymond Gilpin

# Overview

- Recent Economic Growth Trends
- Importance of Resource Management
- Unpacking the Nexus
- Security for Whom?

# Evolving Perspectives

2000



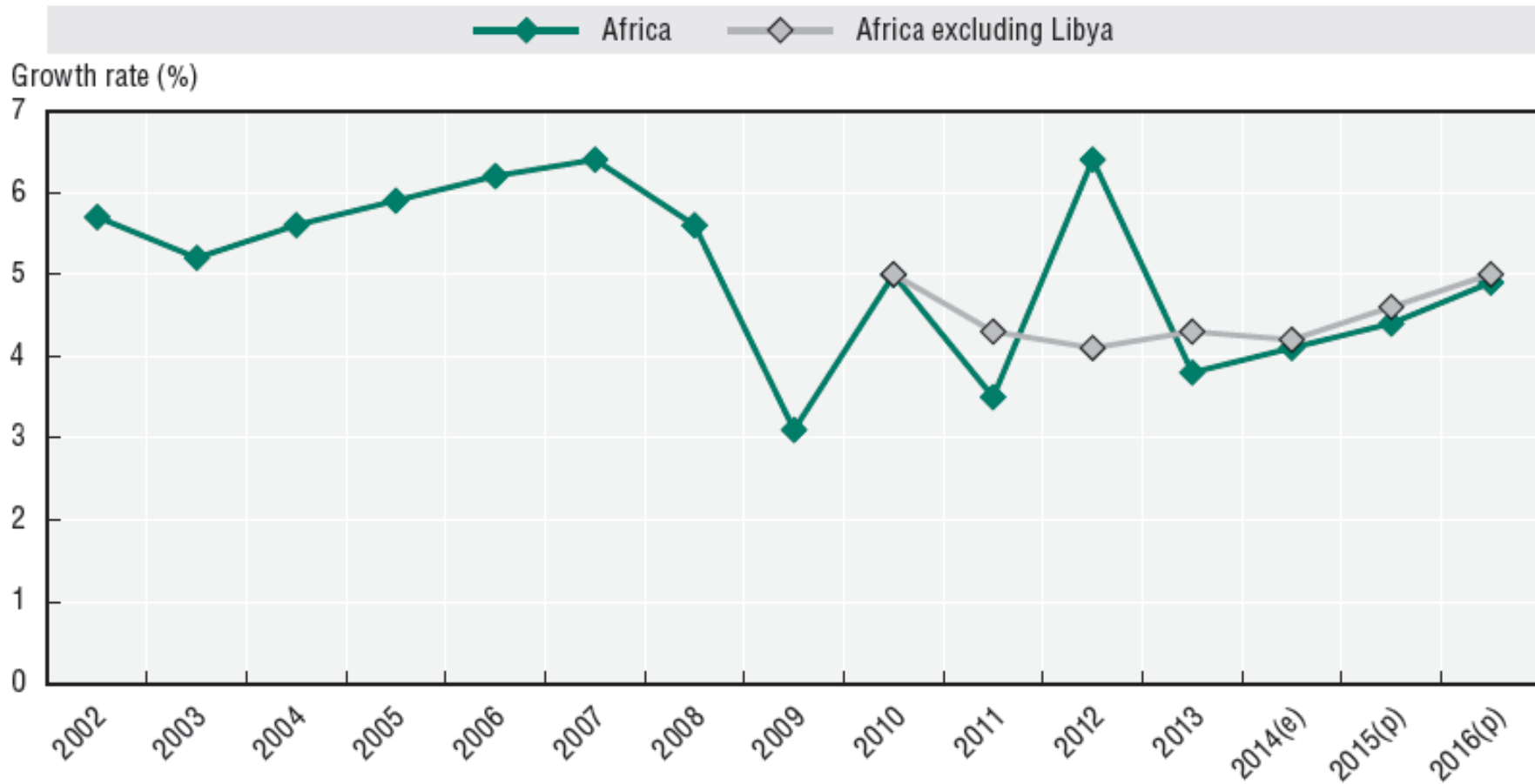
2011



2013



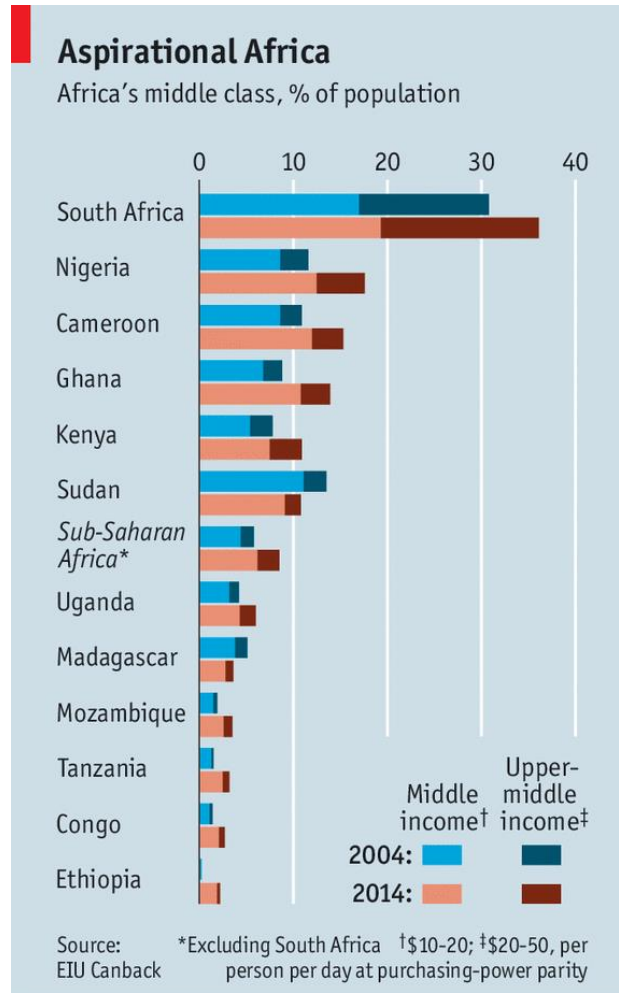
# Recent Economic Growth



Note: (e) estimates; (p) projections.

Source: Statistics Department, African Development Bank.

# Growth and Inequality



Economist.com

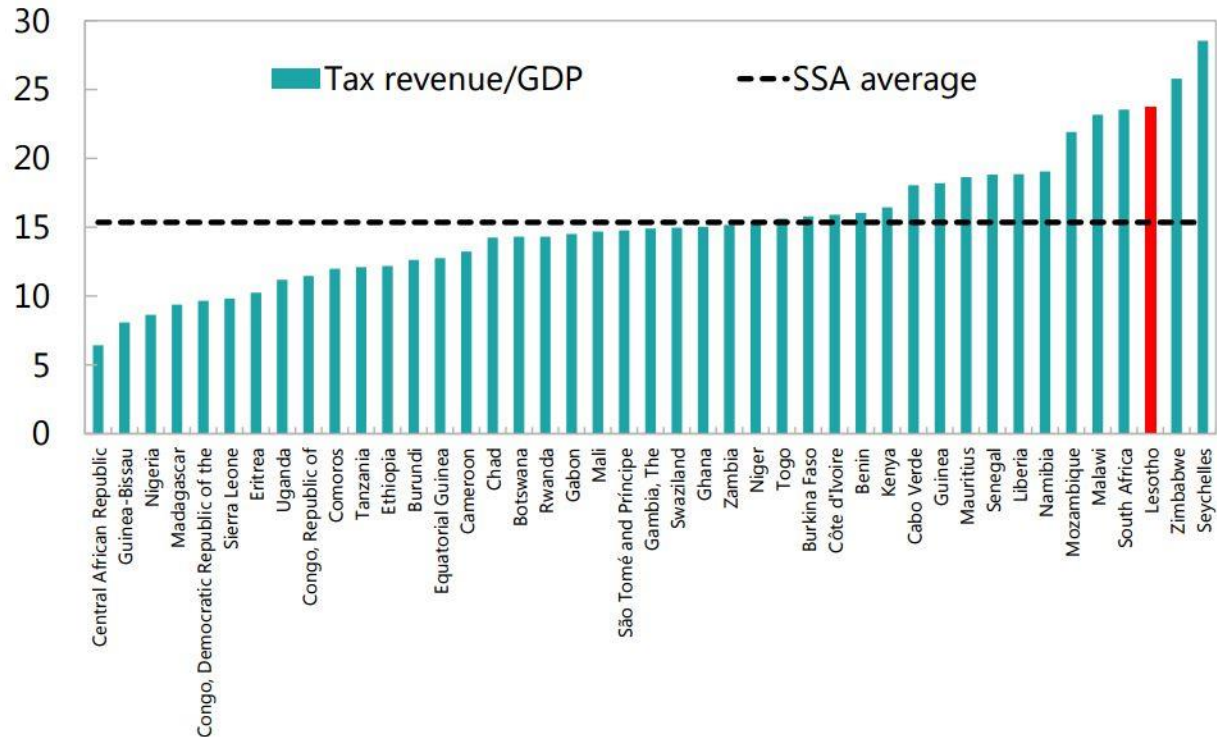
# Revenue Sources

- **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:

<https://www.imf.org/external/pubs/ft/scr/2016/cr1633.pdf>

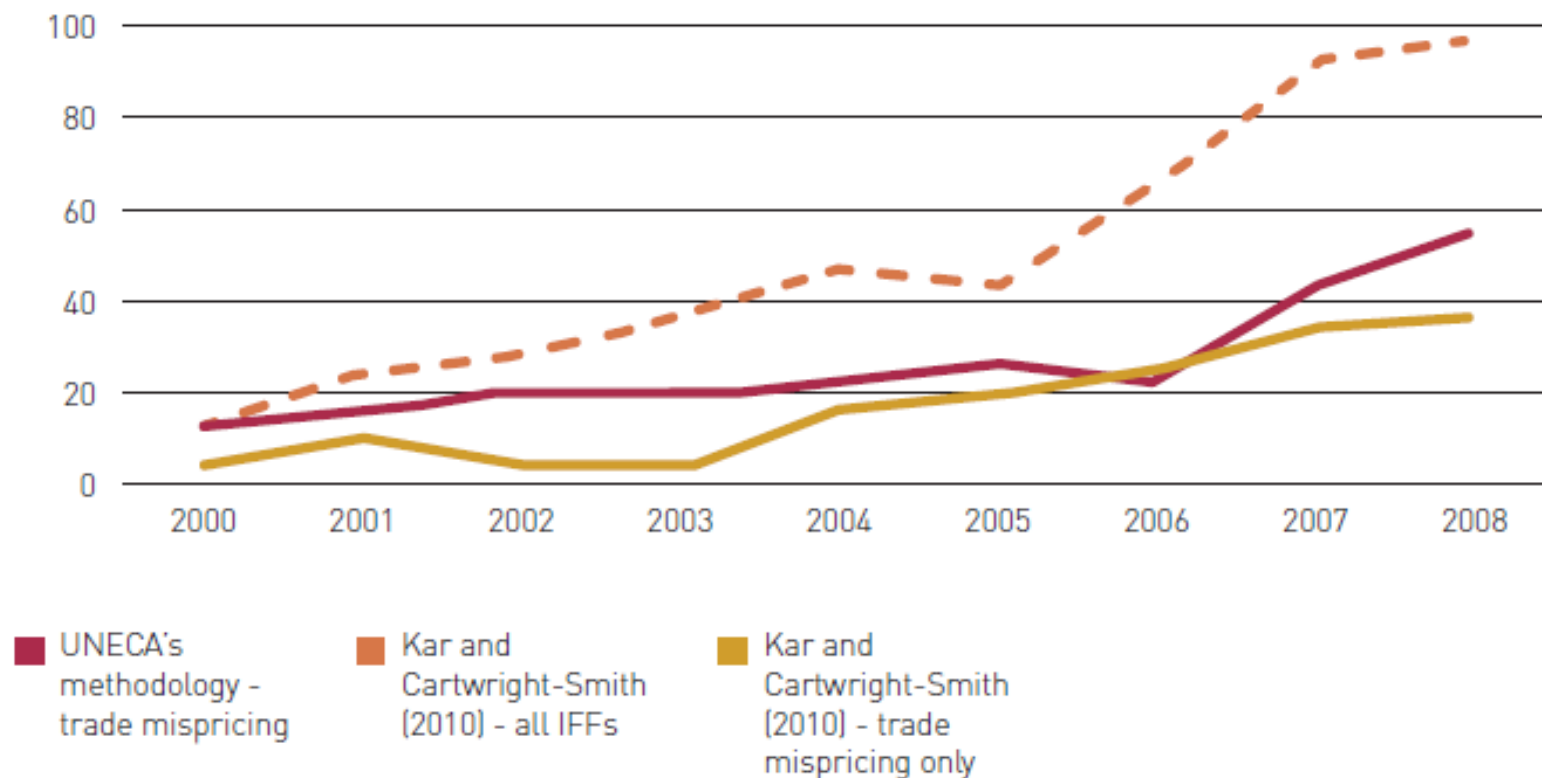
# Categories of IFF

- 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
  - Misinvoicing of services and intangibles
  - Unequal contracts
  - tax inversion
- Criminal
  - Money laundering
  - Organized crime
  - Criminal
- Corruption



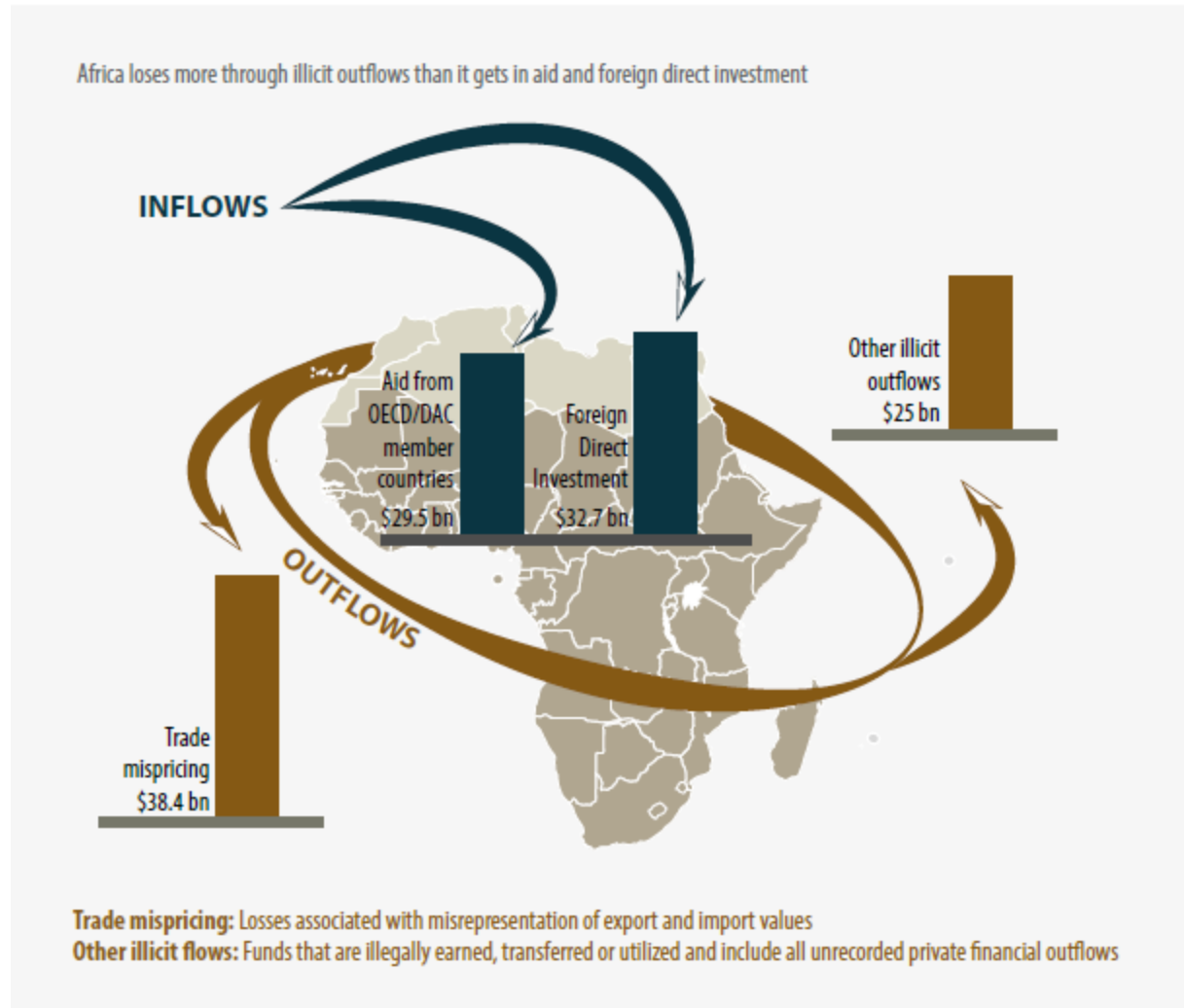
# Effects of IFF

Evolution of IFFs from Africa, 2000–2008 (US\$ Billion)



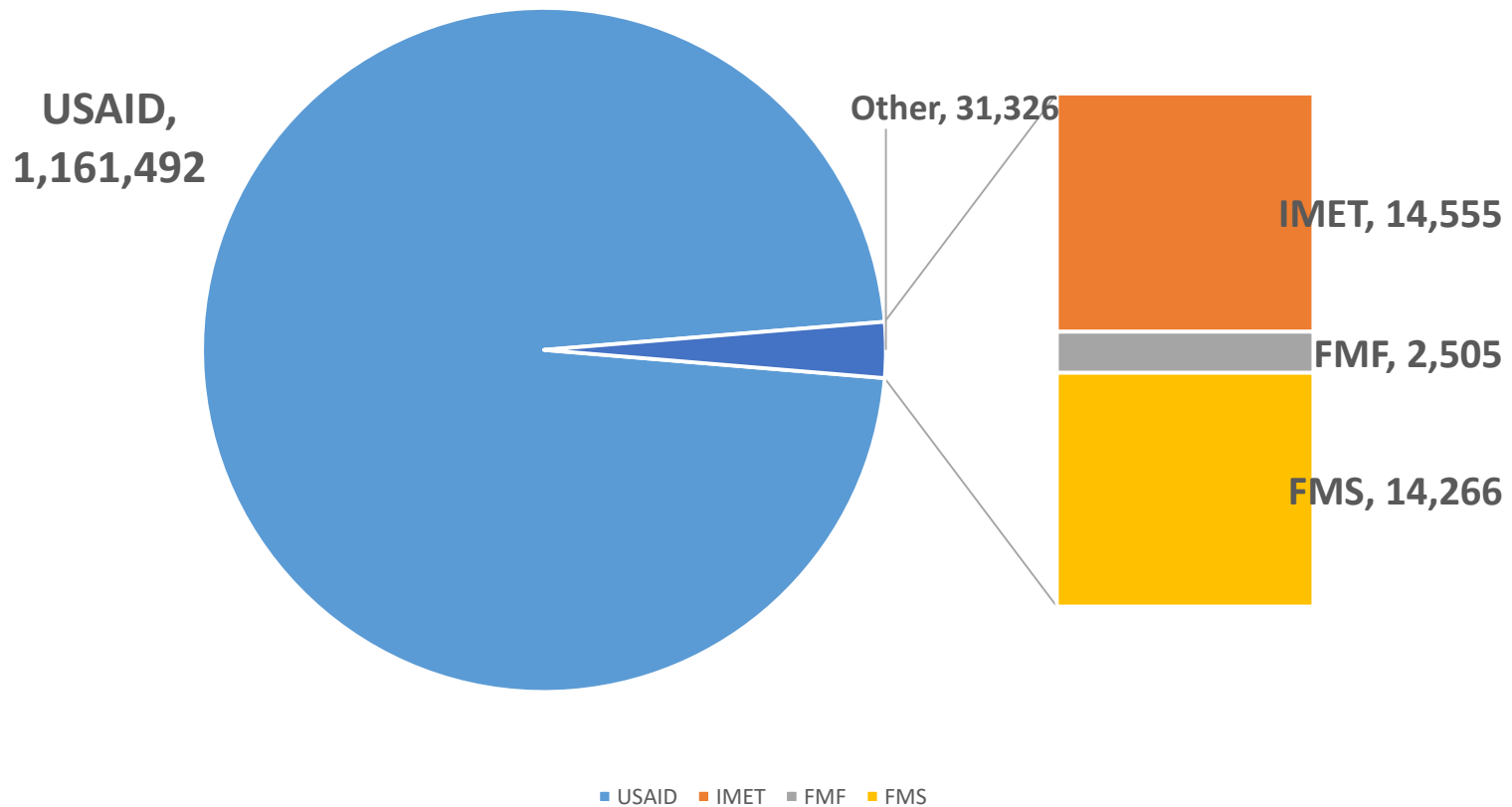
Source: Based on Ndikumana and Boyce [2008], Kar and Cartwright-Smith [2010], Kar and Freitas [2011] and ECA's calculations.

# Monitor IFF



Source: Africa progress Panel, "Equity in Extractives: Stewarding Africa's natural resources for all" (2013)

# US Assistance: 2013-16



# 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?**



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