Session Three: Strategy and Resources

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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

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

Source: African Economic Outlook (2015)
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

2004:
2014:
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

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
  • Misinvoicing 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)
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?