Domestic Resource Mobilization for Economic Development in Africa: Challenges, Policy Options, and Prospects in the New Horizon

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ABSTRACT

This paper reviews the literature on the challenges, policy options, and prospects for Domestic Resource Mobilization (DRM) in Africa. Despite efforts made by African countries to enhance their resource mobilization capacity for the realization of both Agenda 2030 and Agenda 2063; notable challenges still exist and continue to hamper optimal revenue collection. Indeed, the prevailing global shocks namely the COVID-19 pandemic, the Russia-Ukraine conflict, and the climate change crises have generated colossal financing gaps which now portray mixed visions for the continent. Nonetheless, the new horizon presents a vast array of prospects in which DRM endeavors within the continent can blossom. First, African countries should expedite their respective ratification processes for entry into force and operationalization of the African Continental Free Trade Area (AfCFTA) agreement to harness the trade opportunities embedded therein. Secondly, unlocking the idle resources entrenched in sovereign wealth and pension funds is paramount. Thirdly, harnessing the digital technology potential especially, mobile technology is pivotal. Four, capital market deepening promotes financial asset diversification. Five, to reap optimal benefits from their rich resource endowments, African countries need to invest in sophisticated skills and technology. Six, the Base Erosion and Profit Shifting (BEPS) project provides many African countries with the opportunity to seal any tax evasion or avoidance loopholes employed by Multinational Corporations (MNCs). BEPS addresses the transfer pricing challenge and is also instrumental in taming illicit capital flight. Finally, mitigating the effects of the climate change crisis requires the transfer of environmentally sound technologies from developed to developing countries.

JEL Classification: E02; E6; H12; O1

Keywords: Domestic Resource Mobilization; Challenges; Policy Options; Prospects; New Horizon

1. INTRODUCTION

1.1 Background

The majority of African countries are faced with a myriad number of critical cross-cutting challenges that hamper their growth and development prospects. More notably, and as highlighted by the African Capacity Building Foundation (ACBF, 2016), these challenges are diverse and range from political instability, high unemployment rate, huge infrastructural deficits, substantial reliance on primary commodities for both livelihood and economic development, low levels of intra-African trade, limited practical skills in education provided, and the absence of well-coordinated development-oriented forums. To address these challenges, 'Agenda 2063' was developed by the African Union (AU) and positioned toward the realization of the Sustainable Development Goals (SDGs) or more implicitly 'Agenda 2030'.

Nevertheless, on a positive note, data from the African Development Bank (AfDB) reveals that African economies have demonstrated resilience, registering a generally positive real output growth over the period 2016-2019. More precisely, the average growth rate was about 2.2% in 2016 but steadily rose to about 3.4% in 2019 (AfDB, 2019; AfDB, 2020). However, these growth prospects were severely affected by the COVID-19 pandemic outbreak, leading to a contraction of 3.2% points in 2020 (AfDB, 2020). According to estimates by the United Nations Economic Commission for Africa (UNECA, 2022a), the post-COVID-19 recovery period saw the continent's growth rate rebound to about 4.7% in 2021. Africa's economy was further projected to grow at about 4% and 3.7% in the 2022 and 2023 periods respectively; supported by the relaxation of the COVID-19 restriction measures. Despite the relatively decent projected economic performance, the growth rates realized by African economies- notwithstanding their performance differentials- are still inadequate in steering the continent towards achieving the goals enshrined under the AU's Agenda 2063 and the SDGs Agenda 2030.

The UNECA (2020) report estimates the cost of achieving the SDG's aspiration by 2030 at about \$1.3 trillion. Albeit the cost of implementing Agenda 2063 is yet to be comprehensibly evaluated, it is estimated that Domestic Resource Mobilization (DRM) ought to account for 75%-90% of the Agenda's financing for each country with the remaining capital requirements being funded through other sources such as the Official Development Assistance (ODA) and the international financial market space. Both Agenda 2063 and Agenda 2030 take cognizance of the significance of amplifying DRM as a modality of effectively financing Africa's development agenda (African Union Commission, 2015a; United Nations, 2015a).

More tacitly, and owing to the inception of the COVID-19 disease pandemic, the annual SDGs expenditures in Africa are anticipated to increase by $154 billion yearly and by a further $285 billion over the next 5 years to guarantee ample response to the pandemic (UNECA, 2020). Further, the Economic Commission for Africa (ECA) estimates the annual financing needs or gaps of $130 billion-$170 billion for the infrastructural sector until 2025; $66 billion annually for the health sector; $39 billion annually for the Education sector, and 3-5% of Africa's GDP to finance climate action (UNECA, 2020).

It's apparent that these huge financial implications demand adequate resource mobilization. It is, however, noted that African countries are already struggling with several diverse challenges that impede optimal revenue generation. Evidence from literature largely alludes to Illicit Financial Flows (IFFs) (Kar and Spangers, 2015; Ndikumana and Boyce, 2018); overreliance on foreign aid and debts (Tefera and Odhiambo, 2022); informal sector structural bottlenecks (Boly et al., 2020); tax capacity constraints (Jalles, 2017; Chigome and Robinson, 2021); narrow tax base (Nnadozie et al., 2017); transfer pricing (UNCTAD, 2015); inefficient taxation of extractive activities & overreliance on resource rents (AfDB, 2010); tax exemptions or incentives (Aslam et al., 2022); low savings (Tsafack, 2010; Ndikumana, 2014), and generally an unfavorable investment climate (Jahnke and Weisser, 2018). Although African countries have made some strides in combating these challenges, their efforts are still yet to produce the much-needed resource mobilization outcomes. The emergence of global economic shocks namely the COVID-19 disease pandemic, the Russia-Ukraine war conflict, and the climate change crisis further add salt to injury and rather paints a lackluster outlook on the new horizon across the continent.

Against this background, this study, therefore, sought to identify the critical challenges faced by African countries in their pursuit of DRM. Secondly, we provide policy options for the identified challenges. Third, and more fundamentally, we aim to highlight the resource mobilization prospects that are construed more astute in the face of the new horizon. Taking cognizance that the new horizon is currently furrowed by global economic shocks, we provide insights into those potential resource mobilization aspects that are still yet to be fully exploited by African nations. Moreover, given the current global climate crisis; we also highlight the role of climate change mitigation in fostering resource mobilization in the context of the SDGs Agenda 2030. A review of the literature approach is employed in this study.

It is evident that the implementation of both Agenda 2030 and the AU's Agenda 2063 hinges on the ability of African countries to mobilize not only sufficient but also predictable & timely financial resources. Besides, raising such amounts also requires African countries to explore more innovative financing sources. Specifically, and as pointed out by UNECA (2016), mitigating the risks of debt distress requires Africa to largely step up its DRM efforts which entail increasing governments' revenue collection via taxation and other non-debt income sources.

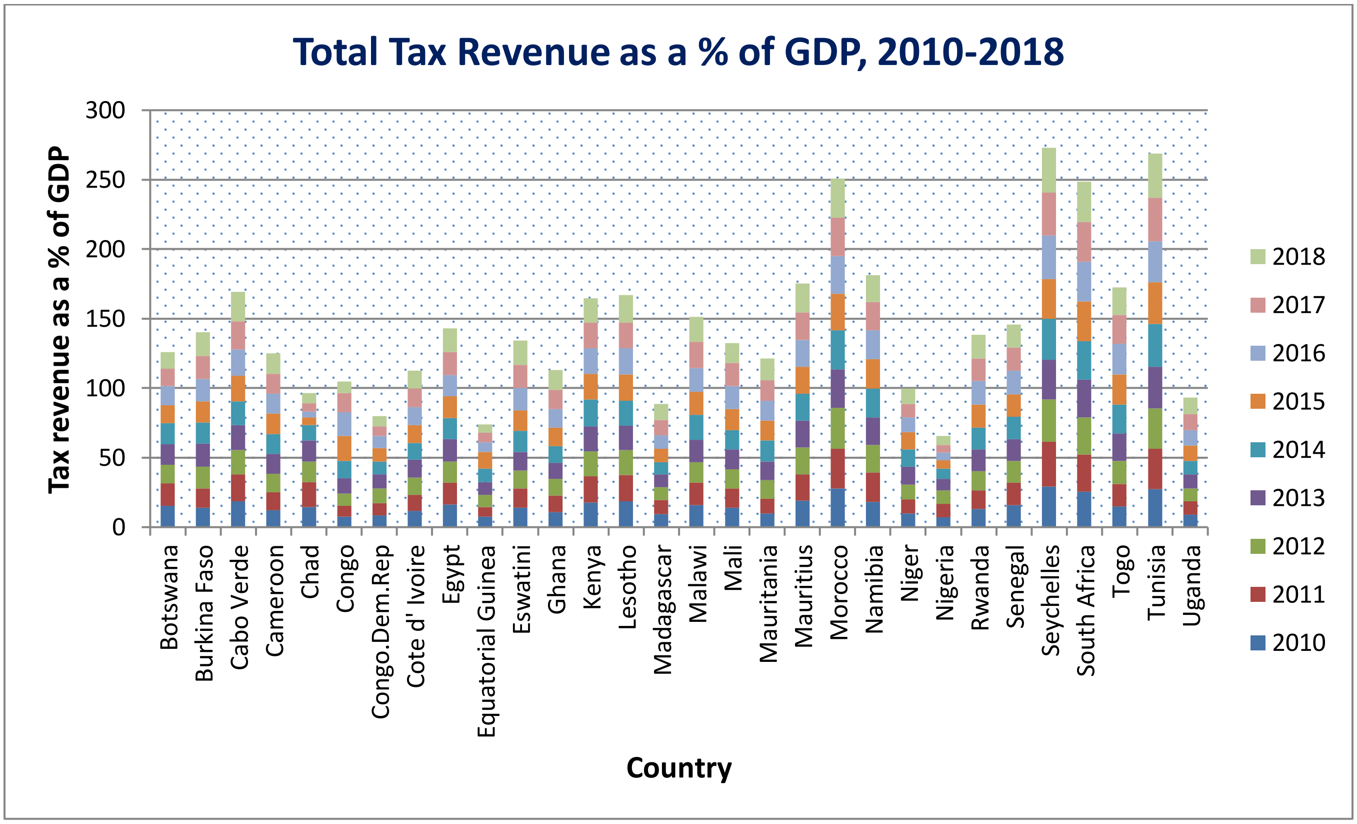
1.2 An Overview of Domestic Resource Mobilization

DRM was acknowledged as the first of the six "leading actions" in the 2002 consensus declaration of the Monterrey Conference on Financing for Development (FFD) that was held in Mexico in March 2002 (Boly et al., 2020). Further, the United Nations (UN) report adopted by the heads of state & government during the conference relays an intertwinement link between DRM and the other 5 leading actions identified in the 2002 consensus declaration (UN, 2003). This further underscores the importance of DRM in the pursuit of growth, poverty obliteration, and sustainable development of any economy. It implicitly reiterates the adage that *"Charity begins at home."*

We acknowledge that several strides have been made in achieving this feat. However, the question as to whether these efforts have borne fruit or not remains debatable. The most notable unified efforts as earlier mentioned include the: African Union Agenda 2063 Action Plan and the Sustainable Development Goals (SDGs) envisioned under Agenda 2030. In pursuit of these unified goals, the 2015 Addis Ababa Action Agenda on Financing for Development reaffirmed the expeditious need to increase DRM as a more certain mechanism of financing Agenda 2063 and the SDGs in the context of Agenda 2030.

Across African countries, there exist disparities in the total tax revenue collected as a % of GDP with some countries collecting more revenue than others. According to revenue statistics compiled as of 2019 by the Organization for Economic Cooperation and Development (OECD), African Union Commission (AUC), and the African Tax Administration Forum (ATAF); it is evident that though insufficient, African countries have indeed made some substantial progress as far as DRM is concerned. More particularly, between 2010 and 2018, 30 African countries participating in *Revenue Statistics in Africa* increased their tax revenues, averagely from 15.1% to 16.5% of GDP (see figure 1). On average, some countries perform comparatively better than others (see for instance Seychelles, Tunisia, and Morocco) although this depends on the relative GDP sizes of the various economies as well.

Figure 1. Total Tax Revenue as a % of GDP for African Countries, 2010-2018

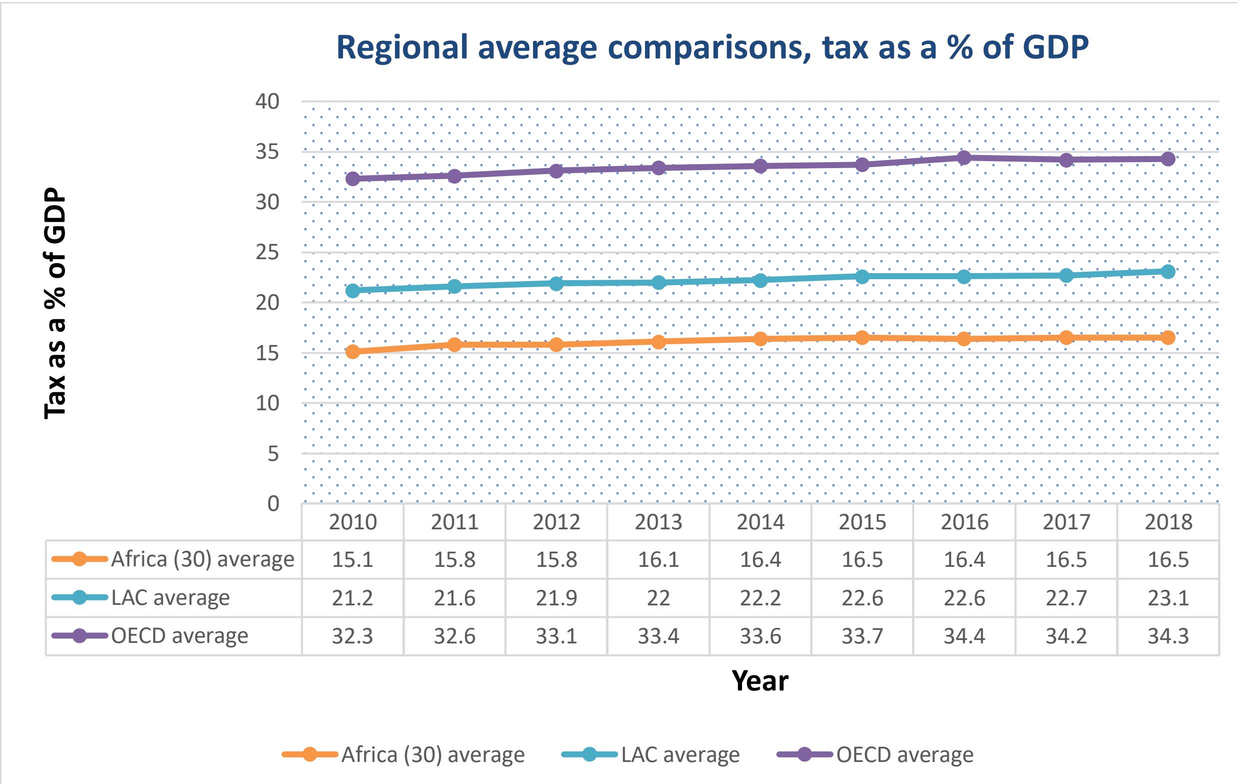


Source: OECD/AUC/ATAF (2020)

Notes: Figure 1 shows tax revenue as a proportion of the GDP for the 30 African countries that participate in the *Revenue Statistics in Africa* reporting framework. Though not all African countries are represented, these statistics give an overview outlook of tax revenue performance in the continent.

Furthermore, albeit tax revenues in Africa remain lower than the averages for Latin America and Caribbean (LAC) countries and OECD countries (**23.1%** and **34.3%**, respectively in 2018), they do provide a more sustainable source of public revenues over the long-term in comparison to non-tax revenues (see figure 2 for the regional comparisons

Figure 2. Total Tax Revenue as a % of GDP for the Period 2010-2018, Regional Average Comparisons



	2010	2011	2012	2013	2014	2015	2016	2017	2018
Africa (30) average	15.1	15.8	15.8	16.1	16.4	16.5	16.4	16.5	16.5
LAC average	21.2	21.6	21.9	22	22.2	22.6	22.6	22.7	23.1
OECD average	32.3	32.6	33.1	33.4	33.6	33.7	34.4	34.2	34.3

Source: OECD/AUC/ATAF (2020)

Notes: Figure 2 shows the regional average comparisons of tax as a % of GDP. It is evident that Africa lags behind both the LAC and OECD countries as far as mobilizing revenues through the tax collection stream is concerned.

1.2.1 Agenda 2063 Action Plan

The African Union (AU) Agenda 2063 is a shared framework for holistic growth & sustainable development for Africa to be achieved in the next 50 years. The Agenda was agreed upon in the year 2013 by the African leaders through the 50th Anniversary Solemn Declaration which rhymed with the commemoration of the 50th Anniversary of the Organization of African Unity (OAU). The Agenda 2063 Framework Document and its Popular Version were the first 2 documents to be adopted by the AU's policy organs during the AU Summit that was held in Addis Ababa, in January 2015 (AUC, 2015a). The 3rd document of the Agenda which is the First Ten-Year Implementation Plan was finally adopted in June 2015, in South Africa (AUC, 2015b).

The Agenda encapsulates the continent's aspirations for the future as well as pinpoints the crucial flagship programs that can enhance Africa's economic development and subsequently trigger its rapid transformation. The African Union Commission (2015a) notes that the initiative is a perpetuation of the pan-African drive over centuries, aimed at realizing unity, self-determination, freedom, progress & collective prosperity tailed under *Pan-Africanism* & *African Renaissance*. It not only builds on but also seeks to fast-track the implementation of both the past and prevailing continental initiatives for the growth & development of the continent as a whole.

In the spirit of resource mobilization within the continent, Agenda 2063 seeks to achieve 5 vital feats: The first one entails harnessing the continental endowments which are epitomized in its people, history, cultures, natural resources, and geopolitics alignment in a bid to attain an equitable and people-centered level of growth & development. The second feat involves strengthening trade activities through the development of robust and well-functioning regional institutions; more particularly the Regional Economic Communities (RECs). These sub-regional institutions in Africa have been rationalized with the RECs now poised to enhance resource mobilization by enabling each country to harness its equal share of trade benefits from the regional trade blocks.

Thirdly, Agenda 2063 envisions optimal resource mobilization by fostering new development and investment opportunities by tapping the untapped potential. These opportunities can be visualized through the emergence of a rapid-rising and all-embracing African entrepreneurial & middle class which is primarily coupled with a bulging youth populace. These potentials, if well tapped, can act as a catalyst for additional growth and technological advancement.

The fourth feat as envisaged by the Agenda emphasizes the need for strengthening good governance, democracy & the rule of law. This, as reiterated in the Agenda is critical since robust resource mobilization is leveraged on good governance. Finally, the fifth goal strategizes on the creation of a strong, united, resilient, peaceful, and secure Africa. This is regarded as fundamental and aids in creating an investment hub from which investment returns can be tapped.

It's clear that Agenda 2063 envisions a prosperous African continent (by 2063) with the means and resources to spearhead its development endeavors. This is coupled with viable and long-term management of the mobilized resources. Strengthening DRM would, thus, require African countries to deepen their capital & financial markets/institutions. Further, more efforts should be made toward reversing the illicit capital flows out of the continent.

The First Ten-Year Implementation Plan unequivocally acknowledges the fundamental role of DRM in financing Agenda 2063. The Implementation Plan develops a resource mobilization strategy that identifies various financing modalities. This also encompasses the strategies, media, programmatic areas & interrelated instruments, with a special focus aimed at optimizing DRM. The Plan outlines that at least 75% of the financing needs to be taken care of by DRM (AUC, 2015b). Achieving this target would, however, require African governments to build their fiscal capacity through efficient monitoring & administration and tax base expansion. This will be vital in raising their tax revenues from about 20% of the GDP to about 40% of GDP in taxes as in some Organization for Economic Cooperation and Development (OECD) countries (Boly et al., 2020).

1.2.2 Sustainable Development Goals: Agenda 2030

The Sustainable Development Goals (SDGs) were born at the United Nations (UN) Conference on Sustainable Development in Rio de Janeiro, Brazil in 2012. The conference aimed at producing a set of universal goals that could ultimately meet the urgent environmental, political & economic challenges facing economies globally. The SDGs replaced the Millennium Development Goals (MDGs) which were originally developed in 1996 and adopted in 2000 to eradicate poverty. The SDGs were developed on the premise of 17 Goals that are interconnected.

More particularly, Goal 17 on partnerships flags out the significance of DRM and calls for international support to developing countries, to enhance their domestic capacity for not only tax but also other revenue collection strategies (UN, 2012). The Addis Ababa Action Agenda apportions a large part of the financial burden for realizing the SDGs on developing countries' domestic resources. The Agenda, however, also takes cognition of the capacity challenges facing developing countries in their pursuit of optimal resource mobilization goals.

Further, DRM is at the heart of Agenda 2030 and the realization of the SDGs. The Agenda sets out the Goals that each country should aspire to attain by the year 2030. In an extended view, the 2015 Addis Ababa Action Agenda prescribes the agenda and modalities of implementation for financing development. Given the huge financial implications necessary for its implementation, the Agenda proposes adequate capacity-building by countries for optimal revenue collection.

1.2.3 Resource Mobilization in the Context of Agenda 2063 and Agenda 2030: Financing Modalities

To achieve the SDGs, the Addis Ababa 2015 Action Agenda on Financing for Development notes that the mobilization and efficient utilization of domestic resources is indeed fundamental to the joint pursuit of sustainable development (UN, 2015a; UN, 2015b; UN, 2015c). The Action Agenda rightly points out four chief dependable and sustainable revenue sources for African governments. These include: One, taxes i.e. Pay As You Earn (PAYE), Value Added Tax (VAT), Corporate and or Income Tax, Import Duty, Excise Duty, Sales Tax, etc.; Two, the non-tax revenue sources i.e. royalties & resource rents from extractive industries; Three, the government austerity measures and domestic savings; and Four, the user fees for public services, commonly imposed and conveyed by the local governments' i.e. levies.

It is, however, noted that most African nations are over-reliant on foreign aid i.e. ODA and loans to finance their ever-expanding national budgets. More specifically, foreign assistance in form of loans has been mostly sorted from the World Bank, the International Monetary Fund (IMF), the African Development Bank (AfDB); and other Multilateral Financial Institutions (MFIs) & development partners. While foreign aid/ODA looks more preferable compared to loans due to the absence of attached strings (i.e. no repayment); its availability is not only finite but also fluctuates over time. This creates uncertainty for recipient countries with regard to planning and budgeting in the public sector. Worse still, some of this aid may be granted conditional on supporting a specific program/project i.e. Tied aid.

Conversely, loans are always accompanied by certain strings; most notably high-interest rate repayments for such loans. Further, financial support from international finance institutions such as IMF may only be extended upon implementing certain austerity measures. These conditionalities, more so the austerity measures may yield detrimental effects on developing economies by negatively impacting the welfare of their citizens (i.e. job losses through retrenchment to reduce the public sector wage bill). In this regard, the focus should be shifted away from these financing modalities (which appear more attractive and convenient) and rather toward DRM.

The rest of the paper is structured as follows: Chapter 2 reviews the challenges and policy options surrounding resource mobilization in the African continent. Chapter 3 highlights the methodology while Chapter 4 briefly discusses the prospects that can be realized in the new horizon. Chapter 5 provides study findings while chapter 6 concludes the paper.

2. LITERATURE REVIEW

2.1 Challenges Faced by African Countries in their Resource Mobilization Endeavors

2.1.1 Illicit Financial Flows

These generally stem from tax evasion, ICT vulnerabilities, trans-border loopholes, corruption, and criminal activities. Addressing the challenge of Illicit Financial Flows (IFFs) is indeed at the heart of the United Nations (UN) General Assembly resolution 72/207. The resolution advocates for the promotion of international cooperation among countries to combat IFFs and foster sustainable development (UN, 2019). This is given the State Parties' concern about the effect of IFFs on the socio-economic and political stability of economies globally. As rightly observed by the UN, the socio-economic cost of corruption and IFFs are enormous and continue to stunt the development of all the affected countries by draining foreign exchange reserves, decreasing DRM, preventing FDI flows, exacerbating insecurity, worsening poverty & economic inequality, stifling trade, and undermining the rule of law.

Even though measuring the drivers of IFFs is quite challenging, several empirical studies on the subject have been undertaken to help not only unravel the sources but also in quantifying the effects. The prime drivers identified in the literature relate to macroeconomic indicators namely government deficits, inflation, structural variables i.e. increase in trade openness coupled with rapid economic growth rates, and informal structure bottlenecks (Kar and Cartwright-Smith, 2010; Kar and Spanjers, 2015; Kar and Leblanc, 2013). Most of these macroeconomic indicators can be visualized in the globalization scenery.

More particularly, in the African context, illicit flows from the continent are largely driven by two primary factors, that is, same-invoice faking & mispricing relating to trade in services. These factors, as pointed out by Kar and Cartwright-Smith (2010), increase illicit outflows by about 46%. Furthermore, while on one hand, Ayogu and Gbadebo-Smith (2014) suggest that IFFs primarily stem from poor governance and grand corruption; Tropina (2016) attributes illicit capital flight to the existence of ever-growing information technologies coupled with their vulnerabilities & trans-border tracking challenges.

From the corruption and offshore accounts perspective, AfDB (2015) estimates showed that Africa loses approximately $148 billion to corruption annually. The study by Moore et al. (2018)

uncovered a considerable amount of African private wealth that is stashed in offshore accounts. Interestingly, in 2015, for instance, an investigation study revealed that about 5,000 individuals from 41 African countries had assets of approximately \$6.5 billion invested in offshore accounts. Similarly, global-level analyses by Global Financial Integrity (2017), Johannesen et al. (2016), and Zucman (2014) revealed that 20%-30% of private wealth in most African countries is held in tax havens. According to Zucman (2013), this rate is relatively higher than the global country average which is pegged at 8%.

In an extended view, recent estimates by May (2017) posit that, globally, revenues bred from criminal activities range between \$1.6 trillion and \$2.2 trillion annually. Albeit not all criminal activities contribute to IFFs, most of them have been linked with a capital flight out of the continent.

The United Nations Conference on Trade and Development (UNCTAD, 2020) estimates that \$88.6 billion, which is equivalent to 3.7% of Africa's GDP, leaves the continent as an illicit capital flight. It is observed that these illicit outflows are nearly as much as the total annual inflows of ODA, valued at \$48 billion, and yearly FDI, poised at \$54 billion, received by African countries (2013-2015 average). The same report by UNCTAD further indicated that while in the period 1980-2018, sub-Saharan Africa (SSA) countries received nearly \$2 trillion in FDI and ODA, they emitted over \$1 trillion in IFFs over the same period. This continually poses an obstacle to development since IFFs substantially reduce domestic resources that are fundamental for the continent's development. By draining capital and revenues from the continent, IFFs ultimately undermine the productive capacity & Africa's prospects for realizing the SDGs.

Table 1 provides the latest summary of country estimates of IFFs across some selected African countries (see Table 1).

Table 1. Summary of Estimates of IFFs for Highly Affected African Countries

No.	Country	Method/Results/Source
1	South Africa	• Net export misinvoicing for the period 2000-2014: Silver and platinum, \$24 billion; Iron, \$57 billion (UNCTAD, 2016). • Capital flight: \$198 billion for the period 1970-2015 (Ndikumana and Boyce, 2018). • GER method; \$67 billion for the period 2013-2015 (Nicolaou-Manias and Wu, 2016).

2.	Nigeria	• Oil export misinvoicing was estimated at $44 billion and import misinvoicing at $45 billion for the period 1996-2014 (UNCTAD, 2016). • GER method; $48 billion for the period 2013-2014 (Nicolaou-Manias and Wu, 2016).
3.	Egypt	• GER method; $32.6 billion for the period 2013-2014 (Nicolaou-Manias and Wu, 2016).
4.	Morocco	• GER method; $16.6 billion for the period 2013-2014 (Nicolaou-Manias and Wu, 2016).
5.	Zambia	• Net export misinvoicing of copper: $14.5 billion for the period 1995-2014 (UNCTAD, 2016). • GER method; $12.5 billion for the period 2013-2015 (Nicolaou-Manias and Wu, 2016).
6.	Angola	• Capital flight of $60 billion during 1986-2015 (Ndikumana and Boyce, 2018).
7.	Cote d'Ivoire	• Net cocoa export misinvoicing was estimated at $3.7 billion for the period 1995-2014 (UNCTAD, 2016). • Capital flight: $32 billion during 1970-2015 (Ndikumana and Boyce, 2018).
8.	Ghana	• Micro-level data by the Ghana Revenue Authority during 2011-2017: Export of gold and cocoa were abnormally undervalued at $3.8 billion and $12.6 billion respectively (Ahene-Codjoe and Alu, 2019). • Mirror trade data between Ghana, Switzerland & the United Kingdom for the period 2000-2017: Gold $6 billion; cocoa $4.3 billion (Marur, 2019).
9.	Democratic Republic of the Congo (DRC)	• Eurostat data and price filter analysis were used to detect undervalued European Union (EU) imports. The undervalued amount of EU imports from the DRC was: €9.95 billion from the period 2000-2010 (Cathey et al., 2017).
10.	Madagascar	• Import under-invoicing and mirror trade data used to detect customs fraud. The fraud was estimated to reduce non-oil customs revenue, that's, duties and import VAT by at least 30% in 2014 (Chalendard et al., 2016).

Source: Compiled by UNCTAD (2020)

Notes: The Statistics in Table 1 majorly cover the resource-rich countries in the continent. Generally, the estimates provided in Table 1 have been based on the Gross Excluding Reversal (GER) method. This approach factors in positive gaps & sets negative trade gaps that result from the partner-country method to zero.

Table 1 reveals that most forms of IFFs are concentrated in the natural resources/ extractive sectors within the continent. The amounts involved (capital flight) are also substantial in light of the much-needed resources within the continent to realize sustainable development. Therefore, optimizing revenues from the natural resource endowments is largely contingent on efforts aimed at taming IFFs.

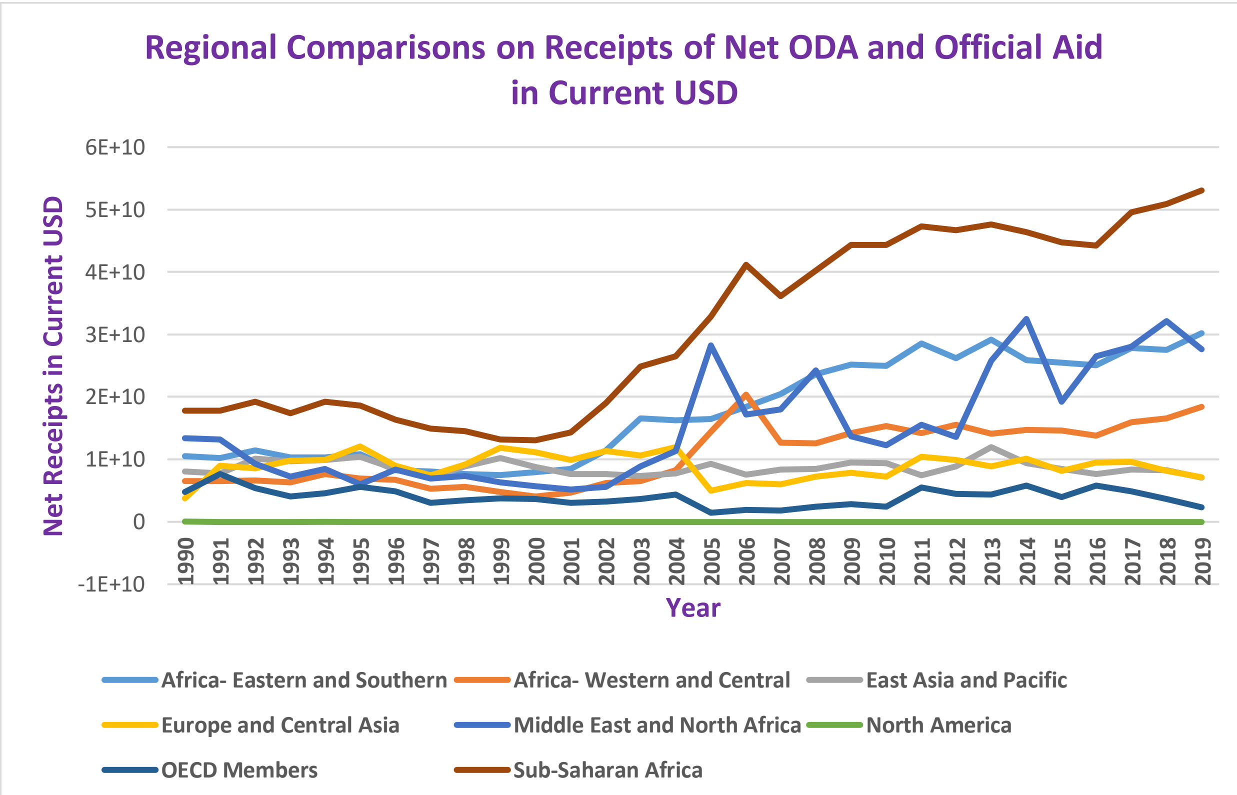
2.1.2 Relatively High Dependence on Foreign Aid and Debts

Most African countries rely on foreign aid (in form of ODA) and borrowing (in form of loans) to finance their ever-increasing government expenditures. Financial assistance has mostly been sought from the World Bank, IMF, AfDB, and other development partners globally. However, a more recent inclination towards financing development agenda is being sought from China which is now funding many infrastructural development projects in Africa. On the flip side, it is noted that Chinese loans, though convenient and readily available, attract high-interest rates and are also coupled with shorter repayment/servicing periods.

Using a panel dataset from 25 Low-Income Countries (LICs) in Africa for the period 2000-2017, Tefera and Odhiambo (2022) also attest to this negative foreign aid-economic growth nexus. The study estimated a dynamic panel growth model within a system Generalized Method of Moments (GMM) context. Total Aid (TA) and Traditional Donors Aid (TDA) were found to negatively impact economic growth suggesting that governments in LICs in Africa do not channel these aid flows into productive or growth-augmenting sectors. However, by focusing on foreign aid only, Amusa et al. (2020) investigated the impact of foreign aid on public Domestic Resource Mobilization (DRM) in Nigeria for the period 1981-2015. The findings revealed that in the long-run, foreign aid (in the form of grants) enhances tax revenue mobilization. This is contrary to loans whose repayments generate policies that may negate tax revenue mobilization. The studies, thus, affirm the need for accountability measures in the utilization of such grants in the realization of the development Agenda 2030 and Agenda 2063.

Generally, the aid dependency ratios for SSA are much higher than those reported in other regions globally. In fact, it can also be noted that aid per capita has increased, notwithstanding the increase in the SSA population (see figure 3).

Figure 3. Net Official Development Assistance and Official Aid Received in Current USD (1990-2019)



Source: World Bank (2021a) Development Indicators

Notes: Figure 3 indicates a rising trend in the net receipts of ODA and official aid among SSA countries. This increasing trend is higher than that reported in other regions of the world. The statistics for North American countries are admirable and there is a need for African countries to echo the same.

More broadly, African countries are generally heavily reliant on foreign aid as revealed in figure 3. This is in contrast to the other regions globally and does not auger well for the future of the continent. It reflects the urgent need for a mindset change by Africa's leadership in the rethinking of other innovative financing modalities as well as addressing the myriad capacity challenges that hamper their resource mobilization prospects. These challenges as posited by Nnadozie et al. (2017) are detrimental as they prevent them from fully exploiting other financing avenues such as taxes, savings, remittances, and Private Public Partnerships (PPPs). In fact, the most disappointing aspect is not about resorting to loans as a financing modality but rather relates to efficiency and transparency in the utilization of the same.

In literature, we use a good example of Rwanda to demonstrate the significance of mindset change. It is noted that the ability of Rwanda to build robust and credible institutions is primarily due to its shrewd leadership. This is despite its historical genocide which heavily tainted its reputation. Precisely, the promising economic performance and sustainable development course currently experienced in Rwanda, and more particularly regarding the health reforms, largely owes to the mindset change which has abetted in rebuilding national unity in the country (Sekabaraga et al., 2011).

2.1.3 Informal Sector Structural Bottlenecks

African economies are classically characterized by *"hard-to-tax"* informal sectors (that is, the small/informal businesses and or subsistence farmers). This creates loopholes for tax non-compliance owing to the lack of information on revenues for tax purposes (Boly et al., 2020). The statistics from the International Labor Organization (ILO) compiled by Kiaga and Leung (2020) revealed that the share of informal employment in Africa stood at 85.8% of the total employment which remains the highest in the world. This poses a major obstacle to broadening the tax base through the collection of direct taxes.

Empirically, Mpofu (2021) employs a critical review of the literature in identifying the motivations for informal sector taxation in African countries. The study posits that there exists massive potential within the sector due to its magnitude and revenue generation forecasts. However, the prevalence of structural bottlenecks such as tax administrative constraints hinders effective DRM. To encourage formalization, policies should aim at boosting tax morale and compliance among these sectors' taxpayers.

More concretely, the statistics in the ILO report show that 76.0% of informal employment in the continent lies in the informal sector; a small proportion (5.5%) is in the formal sector, and the remaining proportion comprises households at 4.3%. Further, own-account workers make up the largest bracket within informal employment at 94.3%. The same statistics show that more employers (77.9%) tend to be informal compared to employees at 56.8%. This is prevalent in

North Africa where 95.1% of employers are informal compared to 46.7% of employees. Informality remains noticeable in the labor market in both rural at 88.3% and urban areas at 76.3%. Moreover, almost the entire agricultural sector in Africa is informal at 97.9%. Conversely, the informality rate in the industry sector (77.4%) and that in the service sector (70.2%) are comparatively lower. Nonetheless, these proportions are still considered very high. There is a need to develop policies that promote the formalization of informal enterprises to address the prevalent structural bottlenecks.

2.1.4 General Inadequate Capacity to Effectively Mobilize Domestic Resources

The capacity constraints generally stem from tax administration and are largely cited to be the leading barriers to enhancing tax policy on the continent. Across the continent, most governments cite the lack of skilled personnel as a key obstacle to tax collection. Further, in spite of the substantial progress in the adoption of Information and Communication Technology (ICT) in increasing revenue collection, some gaps are still notable in its applicability across the continent.

More particularly, evidence from the literature point towards the tax system buoyancy (Jalles, 2017), tax capacity & effort (Chigome and Robinson, 2021), and tax administration (Pantamee and Mansor, 2016) as fundamental gears in informing DRM success in the African continent.

Using a sample of 37 sub-Saharan African (SSA) countries for the period 1990-2015 and by estimating both Mean Group (MG) and Pooled Mean Group (PMG) models, Jalles (2017) suggests that a high buoyant tax structure is paramount in increasing tax revenues in Africa. However, a tax buoyancy coefficient of less than one may imply tax structural, administrative, and compliance problems hence requiring tax authorities to improve tax information systems to avert tax evasion. On the other hand, using panel data for 13 SADC countries, Chigome and Robinson (2021) attribute high tax capacity to financial deepening, economic development, and trade openness.

Additionally, complex tax codes riddled with high compliance burdens stemming from tax administration inefficiencies are powerful incentives for small enterprises to remain informal. For instance, country surveys show that bureaucracy and corruption are principal barriers to formal sector entry in Uganda and Zambia. In Togo, complex registration procedures impede the informal firms' entry into the formal sector. Further still, Boly et al. (2020) indicate that in a survey conducted by the Price Water House Coopers (PWC) firm in 2016; Nigeria, South Africa, and Angola were flagged out as the countries that posed the highest regulatory-related tax challenges. For instance, the surveyed respondents in Nigeria succinctly pointed out the regular and detailed tax authority audits as well as frequent legislation changes as critical burdensome issues. More precisely, the existence of three tiers of government in Nigeria with each bearing varying taxing powers creates a multiplicity of taxes problem.

As argued by Boly et al. (2020), efficient DRM needs a solid database that countenances not only the identification but also the location of individuals, firms, and or real estate properties for tax-levying purposes. In this regard, countries need to invest in well-managed and inclusive tax databases i.e. i-tax platforms. The creation of unique identifiers for individuals and businesses is also integral and will significantly enhance information sharing between different government agencies i.e. tax authorities and statistical offices.

2.1.5 Narrow Tax Base

The majority of African countries significantly rely on a shallow tax base, primarily trade taxes. According to the AfDB statistics compiled by Boly et al. (2020), between 2008 and 2016, trade taxation on average accounted for 44% of the total revenues (exclusive of grants) in the continent. Conversely, direct and indirect taxation explained for 28.3% & 22.9%, correspondingly, over a similar period. For the resource-rich countries i.e. Congo, Angola, Algeria, Equatorial Guinea, and Nigeria, more than 60% of their tax revenues emanate from oil-export taxes. Heavy dependence on trade tax signals a relatively feeble fiscal capacity across the African economies.

The efficiency in collecting trade taxes is essentially anchored on the ability of the relevant tax authorities to control trade flows at a given country's respective entry points (airports, ports, or land borders), whereas collecting sales and or income taxes are largely dependent on robust investments in enforcement & compliance structures. This study, however, observes that as countries develop, taxation characteristically increases not only in levels but also undergoes structural changes in patterns. As a result, countries are gradually transitioning away from trade tax sources toward broader, non-trade tax sources i.e. income, property, and Value Added Tax (VAT).

Revenue source diversification as pointed out by Nnadozie et al. (2017) can be a reliable antidote to addressing the narrow tax base problem. Further, using a panel estimation technique on a sample of 47 African countries for the period 1980-2010, Ahlerup et al. (2015) established that albeit VAT tax innovation is not a panacea to overcome the revenue shortages in African countries, it is instrumental in increasing public revenues in the short-run and medium-run.

2.1.6 Transfer Pricing by Multinational Corporations

Transfer mispricing is a global challenge that largely affects developing countries with the chief beneficiaries presumed to be Multinational Corporations (MNCs) and tax havens. MNCs may assign a certain share of costs & profits to a subsidiary in a lower-tax jurisdiction. Alternatively, they may transfer earnings or incomes from copyrighted software or intellectual property to subsidiary firms in countries where such incomes face little or no tax. Such profit-shifting arrangements hamper resource mobilization efforts.

Crivelli et al. (2016) estimate that losses stemming from global corporate taxation in developing countries amount to 6% to 13% of the total tax revenue compared to a range of 2% to 3% in the OECD countries. Further, estimates by UNCTAD (2015) revealed that the scale of revenue losses resulting from MNE tax avoidance amounted to about $100 billion in developing countries in the year 2012 only. This figure is indeed analogous to the total amount of ODA inflows to developing countries which was computed at $115 billion over the same year.

More specifically, in the African context, Hearson (2018) projects that a sixth of Africa's aggregate government revenue originates from corporate tax (i.e. $67 billion in the year 2015). Additionally, most estimates elucidate that the cost of tax avoidance is approximately a tenth of this figure. This study reiterates that corporate tax is a vital contributor to revenue for African governments compared to OECD countries. This is primarily because African countries fall short of raising optimal revenues from payroll taxes. Therefore, the political urgency to address the loopholes that create incentives for tax avoidance and or evasion regarding global corporate tax precipitated the establishment of the Base Erosion and Profit Shifting (BEPS) project in 2013 (OECD, 2013). Following 2 years of negotiations and development, the BEPS report was delivered in 2015 through a 15-point Action Plan. This BEPS project is an OECD-G20 Inclusive Framework initiative and was opened for signature by all participating jurisdictions in 2016 (discussed further in Section 2.2 under the policy option for addressing the MNE challenge).

2.1.7 Inefficient Taxation of Extractive Activities and Overreliance on Resource Rents

As observed by AfDB (2010), a vast number of extractable natural resources i.e. oil, gas, and minerals form an essential source of revenue for many African countries. Surprisingly, African countries derive less money from their resources compared to other countries worldwide. Two key reasons have been propounded to explain this paradox. First, it is noted that exploratory and or extraction contracts are often subject to strong confidentiality clauses by the exploratory institutions involved (i.e. the associated companies, governments, investors, and banks). Secondly, the lack of or limited capacity by African governments in negotiating these contracts deters them from generating a just proportion of rents from natural resource exploration and extraction activities.

There are wide disparities within the continent in terms of revenues harnessed from natural resources. For instance, in 2014 alone, public revenues in the resource-rich countries (estimated at $373 billion) far outshone those generated in the non-resource-rich countries (estimated at $8 billion) (AfDB, OECD & UNDP, 2016). Nevertheless, a waning trend in the revenues generated in the resource-rich countries is also noticeable; depicting a decline in the commodity terms of trade over recent years. This again echoes the necessity for a mindset change in the over-dependence on resource rents. Further, it urgently calls for the need by African countries to diversify their revenue sources.

2.1.8 Tax Exemptions or Preferences

Tax preferences refer to the granting of preferential tax treatment by the government to a specific tier of taxpayers, investment expenditures, or returns and are achieved through targeted tax deductions, credits, exclusions, or exemptions. Tax preferences are also known as tax incentives and are often granted with a view of largely attracting foreign investment, stimulating exports, or addressing a particular market failure/negative externality in an economy. We note that while these tax incentives aim at reducing the tax burden on certain economic activities or income groups of persons in an economy, they do impose a hefty cost on a government budget in form of income tax revenues foregone. This negatively impacts the domestic resource mobilization endeavors of a given country. More tacitly, Aslam et al. (2022) observe that in the wake of the COVID-19 pandemic which has adversely affected revenue generation and constrained fiscal capacity, African countries need to re-look at their tax incentive or tax break frameworks to eliminate counter-productive effects on revenue mobilization.

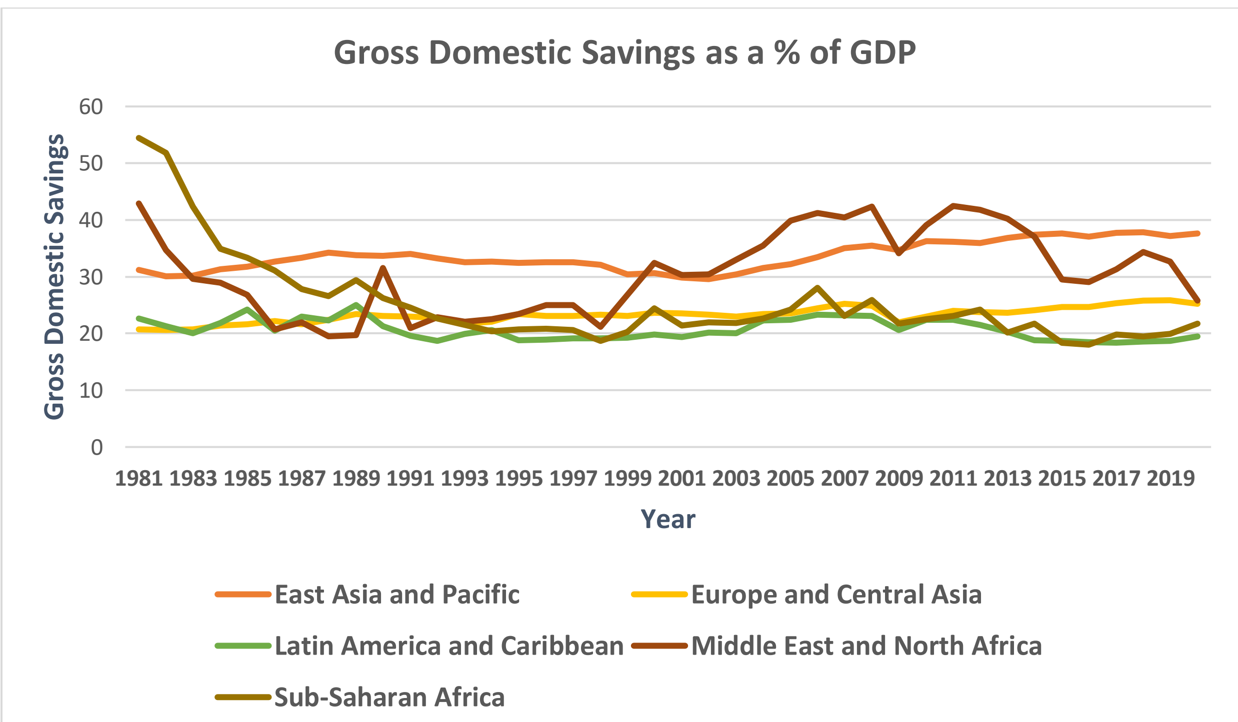
Indeed the survey by ActionAid (2017) estimates that governments in SSA lose about USD 38.6 billion annually, or 2.4% of their GDP, to tax incentives. This proportion is correspondingly about half (47%) of their present spending on education. While these incentives aim to promote

FDI, African countries need to re-look at the criteria used in granting such tax preferences to ensure that the benefits outweigh the opportunity costs foregone in form of revenue generation.

2.1.9 Low Savings

According to statistics from World Bank (2021b), the savings rate in Africa is comparatively lower than that recorded in other regions globally. This is depicted by a downward trend in the savings rate over the years. More so, the declining trend in the savings rate over the last four decades is more prevalent in the sub-Saharan Africa (SSA) region. More particularly, the gross domestic savings as a % of GDP in the SSA region was recorded at 54.45% in 1981 but significantly fell to 21.75% of the GDP by the year 2020. This decline is considerably higher than that witnessed in East Asia & the Pacific region, Europe and Central Asia, Latin America & the Caribbean, and the Middle East & North Africa regions (see figure 4).

Figure 4. Gross Domestic Savings (% of GDP) by region, 1981-2020



Source: World Bank (2021b)-Development Indicators

Notes: Figure 4 shows a general decline in gross domestic savings for the SSA countries. In contrast, the saving rate is generally higher in other regions. In fact, in some regions such as East Asia & Pacific and Europe & Central Asia; a slight but upward trajectory trend is noticeable.

The decline in the domestic savings rate as shown in figure 4 is rather worrisome and negates resource mobilization efforts. African countries need to instill a savings culture among their citizens coupled with enlightenment on how to channel them to productive investments. This resonates with both theoretical and empirical evidence that reveals a positive nexus between savings, investment, and economic growth (Tsafack, 2010; Ndikumana, 2014).

Further, as pointed out by Boly et al. (2020), DRM efforts in Africa are often curtailed by low levels of financial development. This neither provides saving incentives nor facilitates an efficient channeling of these savings to borrowers. It is reckoned that while the financial systems in Africa have deepened significantly in recent years, they are still well below the levels realized in emerging economies and more particularly, in the Asia Pacific region. It is observed that the banking sector is still concentrated in urban areas and often coupled with procedures that inhibit poorer households and small businesses from gaining access to their services. Consequently, these low savings levels deprive governments of tax revenues that could be potentially tapped from formal savings streams.

The average savings rate in the continent averaged 19.1% in the period 1990-2009, with a modest rise to 19.5% in the period 2010-2017. This is lower compared to the rate registered in the Asian Pacific countries of 27.9% and 30.2%, respectively, during the same period. Within the African continent, cross-country variations in saving rates exist and are noticeably large, with the highest-saving countries being Botswana at 42%, Zambia and Algeria at 37.2%, Cape Verde at 33.3%, and Ethiopia at 32% of GDP in 2016, respectively (Boly et al., 2020).

2.1.10 Generally Unfavorable Investment Climate

The economic growth and development of most African countries are often curtailed by perennial incidences of political instability, terrorism, and grand corruption. These factors diminish the productive and transactional capacities of economies by stifling both domestic and foreign direct investments. Equally, portfolio investments are negatively affected owing to the risk uncertainties in the business environment.

In literature, we draw examples of some countries in the continent whose stellar economic performance and resource mobilization endeavors have been thwarted by political instability. For instance, the civil war and or post-election crises witnessed in Libya, Sudan, South Sudan, the Central African Republic, Mozambique, Ethiopia, Cameroon, Liberia, Cote d' Ivoire, Nigeria, Gambia, Burundi, Zimbabwe, Democratic Republic of Congo, Madagascar, Sierra Leone, Senegal, Uganda, Equatorial Guinea, Guinea, Mali, and Somalia. These countries have in one way or another suffered from the effects of political instability which have primarily translated into domestic resource diversion to fund the rebuilding process. This hampers DRM.

According to the AU's 2021 Peace and Security Council (PSC, 2021) report; urgent action is needed to address the prevailing war/terrorism and political strife in the affected African countries. More particularly, the report pinpoints the Sahel & Lake Chad Basin (LCB) regions, East Africa & the Horn, Mozambique, Burkina Faso, Mali, Niger, and the coastal cities of West Africa as the primary targets of terrorist attacks in the continent. This study reiterates that resource mobilization cannot thrive in an insecure environment.

Further, rampant corruption witnessed through the looting of public resources across the continent poses a barrier to DRM (Jahnke and Weisser, 2018). This study shows that petty corruption not only has a direct effect on tax morale but also diminishes confidence in tax authorities hence affecting tax morale indirectly.

2.1.11 The COVID-19 Pandemic Economic Shock

The revenue statistics compiled in 2019 by OECD, AUC, and ATAF (2020) reveal that though insufficient, African countries have indeed made some substantial progress as far as DRM is concerned. More particularly, between 2010 and 2018, 30 African countries participating in *Revenue Statistics in Africa* increased their tax revenues, averagely from 15.1% to 16.5% of GDP.

However, the emergence of the recent COVID-19 pandemic shock poses a massive threat to resource mobilization endeavors. The estimates by UNECA (2020) show that the annual SDGs expenditures in Africa are anticipated to rise by $154 billion yearly as a result of the pandemic and by a further $285 billion over the next five years to ensure an ample response to the pandemic.

Aslam et al. (2022) observe that the pandemic adversely affected public revenues in the continent in different ways. First, the lower demand for commodities and subsequent sharp falls in commodity prices (i.e. oil prices) occasioned by the effects of the pandemic imposes a strain on countries that are highly reliant on revenues generated from those resources. Secondly, African countries with high dependence on tourism also recorded declined revenues due to travel restrictions and border closures. This is in addition to the severely affected hotel and accommodation-providing service firms which generated massive job losses due to the compulsory social distancing measures. Thirdly, lower international trade flows negatively impacted revenues from trade taxes. The overall dwindled economic activity also impacted income taxes & social security contributions. In response to the pandemic, governments are compelled to divert their-already constrained resources toward containing the pandemic through economic stimulus package programs.

2.1.12 The Russia-Ukraine Conflict Crisis

The estimates by AfDB (2020) revealed that African economies averagely contracted by 3.2% in 2020 due to the outbreak of the COVID-19 pandemic. However, the economies exhibited resilience in the wake of the pandemic and rebounded by 4.7% in 2021 with further projected growth of 4% in the year 2022. Nevertheless, the effects of the protracted war in Ukraine are expected to reduce growth by about 0.4% in 2022 (UNECA, 2022a).

Cordaid (2022) estimates that half of Africa's wheat imports come from Russia and Ukraine. In fact, the two countries combined produce about 30% of the global volume of wheat. The wheat produced from the two countries is the cheapest in the global market hence large chunk of it is exported to low-income and food-deficit countries. Similarly, the statistics revealed that Ukraine was indeed the largest single source of food for the UN World Food Programme (WFP) in the year 2021 alone. Besides, Russia and Ukraine are also chief world producers and cheap suppliers of fertilizers & other staple food commodities such as maize, rapeseed, sunflower seeds, and oil. Therefore, the war in Ukraine coupled with economic sanctions on Russia (from both European countries and the USA) stifle food production and trade. This creates shortages of tradable valuable items hence triggering a global increase in the prices of such items. The war has, thus, contributed to rising prices for food, crude oil, and fertilizer in African countries, with no less than 29 countries set to experience severe food crises.

Moreover, the estimates from the World Trade Organization (WTO) database reveal that Africa imports about seven times more goods from Russia than it exports to the country (WTO, 2020). In fact, from a global perspective, Russia is the world's largest exporter of wheat and natural gas while Ukraine is a major global exporter of seed oils and corn (Guenette et al., 2022). This has created the need to fill import gaps created by the crisis in the agricultural sector and other markets, thus, calling for the need by African countries to create social safety nets to support vulnerable populations that have been extremely affected by the crisis. Ensuring adequate access to essential goods and staple products through social safety net programs i.e. subsidies will generate a strain on the available resources in African countries.

2.1.13 Climate Change Crisis

Although Africa contributes less than 4% of global Greenhouse Gas (GHG) emissions, the United Nations Environment Programme (UNEP, 2021) reiterates that climate change remains a key developmental change in the continent owing to the dependence on rain-fed agriculture and weak climate information systems. Earlier projections by UNEP indicated that by the year 2020, between 75 million and 250 million people would be affected by climate-induced water stress. Further, rain-fed agricultural yields would diminish by about 50%, and global warming of 2^0 C would place half the continent's population at risk of undernourishment. UNECA (2020) estimates that responding to climate vulnerabilities would cost 3-5% of African GDP annually and, in some cases, more than 15%. Furthermore, African countries who are signatories to the Paris Agreement on climate change will require close to $3 trillion in additional resources to finance the implementation of their nationally determined contributions. At the moment, only $ 6 billion out of the global total of $30 billion of climate adaptation finance flows to Africa.

With the effects of climate change already being felt globally in 2022 (through global warming, drought, rising sea levels, oceans' acidification, etc.), the impactful estimates by both UNECA (2020) and UNEP (2021) are indeed affirmed. The high costs of addressing the climate change effects emphasize the importance of preventing a crisis rather than curing it and are largely supported in the empirical literature.

For instance, Tillaguango et al. (2021) examined the role of the productive structure in determining the convergence in the per capita ecological footprint for 16 Latin American countries for the period 1990-2016. Using the ecological footprint to assess the process of environmental degradation, the findings revealed that natural resources considerably influenced the formation of convergence clubs. This suggested that collective mitigation of environmental degradation is imperative in achieving SDGs for these countries. Using time series data for the period 1989-2020 and by conducting dynamic Autoregressive Distributed Lag (ARDL) simulations, Khan et al. (2021) found increased environmental degradation in Canada occasioned by increased energy intensity, renewable energy production, temperature, and natural resource depletion. In an extended view, the study by Islam et al. (2021) found that energy consumption and urbanization significantly increased CO_2 emissions hence stimulating environmental degradation in Bangladesh; both in the short run and long run.

2.2. POLICY OPTIONS

2.2.1 Combating the Illicit Financial Flows

Several measures have been proposed and others have been undertaken at the global, continental, and country levels in a bid to combat the vice. Measures at the continental level encompass the following: One, the High-Level Panel on IFFs from Africa was created in 2011 by the Economic Commission for Africa (UNECA, 2015). Two, the Convention on Preventing and Combating Corruption, and three, the Yaoundé Declaration on Combating IFFs from Africa. The second and third frameworks were developed under the patronages of the African AU/AUC and though adopted, ACBF and AUC (2016) observe that they are still yet to be ratified by all African countries. The fourth initiative is the African Tax Administration Forum (ATAF) aimed at enhancing the efficiency of tax legislation and administrations in Africa while the fifth framework is the Collaborative African Budget Reform Initiative (CABRI) aimed at ensuring sound budgeting by African countries. Both ATAF and CABRI initiatives are still yet to be adopted by all African countries (ACBF, 2015).

On the other hand, some of the notable regional initiatives aimed at combating IFFs include: One, the Middle East and North Africa Financial Action Task Force against Money Laundering and Terrorism Financing. Two is the Eastern and Southern Africa Anti-Money Laundering Group, and three is the Inter-governmental Action Group against Money Laundering and Terrorism Financing in West Africa. In literature, these collaborative regional efforts have equally been echoed by UNCTAD (2020).

This study concurs that all these initiatives are indeed fundamental and signal the fighting spirit toward combating IFFs on the continent. However, optimizing the resulting benefits would require African countries to not only adopt them but also speed up the ratification process for the entry into force of the conventions. Further still, there is a need for maximum cooperation among states to enhance the smooth implementation of the stated conventions.

More importantly, the aforementioned initiatives have a financial bearing implication. As such, we also applaud some collaborative efforts with respect to financing. For instance, in December 2020, the AU launched an $8.4 million Multi Donor Action with the European Union and the

German Federal Ministry of Economic Development and Cooperation to combat illicit capital flight out of the African continent.

Further, at the country level, countries in Africa have developed national task forces to facilitate the enactment of strong and efficient anti-money laundering programs. This has been enabled through both education & sensitization campaigns.

We note that the implementation of the above-stated measures and more particularly the continental initiatives bear capacity development repercussions. To help address these repercussions, the ACBF jointly organized High-Level Forums with the UNECA to initiate practical actions with a view to implementing the commendations of the High-Level Panel on IFFs in Africa. The main policy option is to strengthen institutional, regulatory, and human capacity. This should be exercised in conjunction with capacity retention, projects piloting & domestic financing for effective resource mobilization in the continent.

More importantly, at the country level, building capacity for DRM will require cooperation and proper coordination among the relevant institutions namely the parliament, judiciary, executive, civil society, development partners, and the African think tanks, or academia.

More precisely, Nnadozie et al. (2017) reiterate that African parliaments should enact legislations that ensure efficiency & fairness in revenue creation, utilization, and the combating of IFFs. They should also exercise accountability in their law-making and oversight roles. The judiciary should enforce laws that curb IFFs and in doing so, they should exercise impartiality in the process. The executive should support the other arms of government in delivering on their mandate by ensuring adequate resource allocation as well as respecting their independence in the fight against IFFs. The development partners are instrumental in supporting capacity-building initiatives across the countries.

Further, Nnadozie et al. (2017) reaffirm the role of research and human capital development in addressing IFFs. Think tanks or academia should continue offering policy advice to the relevant institutions to strengthen their capacity in the fight against IFFs. The authors also argue that civil society is indeed pivotal as it supports DRM efforts through relentless demand for transparency and accountability on matters relating to the operations conducted by tax authorities and the utilization of revenues collected by the governments. Further, they are critical in monitoring tax-related performance issues and, thus, act as a crucial player in information exchange between the government and the citizens.

2.2.2 Addressing the Challenge of High Dependence on Foreign Aid and Debts

As already highlighted, while foreign aid/ODA looks preferable compared to loans due to the absence of attached strings (i.e. no repayment); its availability is not only finite but also fluctuates over time. This creates uncertainty for recipient countries with regard to planning and budgeting. Therefore, Africa's leaders need to urgently rethink other innovative financing modalities.

As suggested by empirical literature, it is imperative that African countries expeditiously address the capacity challenges facing them which act as a deterrent to their pursuit of DRM majorly through taxes and resource endowments. Alternatively, they need to look forward to other avenues of financing development such as remittances, savings, Foreign Direct Investment (FDI), and Private Public Partnerships (PPPs) which have relatively demonstrated potential over the last decade (see Ahlerup et al. 2015; Boly et al. 2020; Jahnke and Weisser, 2018; Nnadozie et al. 2017). Attracting these forms of financing is, however, contingent upon the provision of a favorable or conducive business environment by governments in the recipient countries.

Take international remittances for example; statistics from World Bank (2018) are indeed promising and reveal that remittance inflows to developing economies now constitute one of the largest prime sources of external finance surpassing other external finance sources i.e. ODA and FDI. The statistics reveal that remittance inflows to developing countries amounted to about USD 529 billion in 2018. At the African continental level and more particularly in the SSA region, there has been an upward trend in remittance inflows to the region since 2016. The World Bank (2019) estimates reveal that remittances to the SSA region grew by 9.6% from USD 42 billion in 2017 to USD 46 billion in 2018 with Nigeria being the largest remittance-recipient country with a receipt of about USD 24.3 billion in 2018. This is followed by Ghana and Kenya at USD 3.8 billion and USD 2.7 billion respectively.

Further, there is a need for African countries to widen their tax base by exploiting the untapped potential such as the digital tax and informal sector earnings (AfDB, 2010). This will ultimately increase tax revenues and, thus, avoid their overreliance on foreign aid and high-interest-rate loans to finance their budget deficits.

2.2.3 Addressing the Informal Sector Structural Bottlenecks

The *"hard-to-tax"* informal sectors (i.e. small/informal businesses and subsistence farmers) create loopholes for tax non-compliance owing to the deficiency of information on revenues for tax purposes. To address this shortcoming, there is a need to educate and encourage these tiers of business people to register in trade organizations and unions such as cooperatives and societies. This will provide information on revenues and ultimately bring the informal sector players into the tax brackets. Further, the introduction of a minimum withholding tax at the source will prove pivotal in tracking the revenues generated by the informal sector players for tax purposes. We note that to aid this process, digitalization of the sector where necessary is also considered paramount for proper record-keeping.

Nonetheless, as pointed out by Boly et al. (2020), the interactions between trust and power are essential and determine the level of tax compliance in a given economy. However, in African countries, these two critical aspects are characteristically low given the prevalence of corruption and weak capacity hence translating to low DRM (Jahnke and Weisser, 2018). Theoretically, Tyler (2006) argues that tax authorities are regarded as legitimate only when the public views them as having both the legal & the moral authority for taxation. In a similar vein, legitimacy augments compliance even when the possibility of sanctions is low and in its absence, incidences of tax evasion and or avoidance are likely to suffice.

More still, Mkandawire (2010) attributes tax efforts to colonial heritage in Africa. The author argues that African countries with analogous colonial histories indeed bear higher levels of tax effort. The difference, however, wanes when the colonial factor variable is controlled for. In the spirit of the theoretical foundation laid forth by Tyler (2006) on trust and power nexus; the study by Mkandawire (2010) also demonstrates that the success of any given type of taxation is contingent upon the inherited practices that constitute the original conditions of the structure of the economy. This insinuates that the tax effort is not an overnight endeavor but rather builds on earlier economic structures culminated by trust.

2.2.4 Addressing the Tax Capacity Constraints

African countries need to continuously develop their respective tax administrative capacity as it is a requisite to opening up policy alternatives for more pragmatic tax policies. This can be achieved through investing in human, financial & technological resources for optimized performance. For instance, tax inspectors and collectors need to be properly incentivized as this will provide synergy in their tax evasion detection. Further, it will deter them from accepting bribes from the non-compliers if caught.

Improving the balance between different taxes is also pivotal in the long run and fosters coordination & cooperation between the national and local governments in tax collection matters. For instance, urban property taxes can generate higher returns if decentralized, since local governments typically have more direct access to the pertinent information that aids tax collection. Additionally, given the estimates by the United Nations Population Fund (UNPF, 2007) that Africa's urban population is bound to increase more than twice between 2000 and 2030, that's, from 294 million to about 742 million; it becomes absolutely imperative for African countries to enact tax structures that can correspondingly grow with urban development. This is critical since urban property taxes present an ideal, feasible, and progressive source of revenue and is automatically scaled up with the urban expansion. Similarly, the tax balance here also relates to the diversification of tax revenue sources which essentially provides a cushion against external shocks.

Tax institutions/authorities across countries can incentivize tax compliance by enhancing transparency and accountability by providing information on tax revenues collected and the utilization of such revenues by their respective governments. In an extended view, lessening the complexity of tax legislation, codes, and rules is important and ultimately enhances business growth prospects.

There is a need to undertake institutional reforms where necessary that enhance the autonomy of the relevant tax institutions as a modality of boosting DRM. More specifically, there is a need to institutionalize and transfer the tax administration or collection function out of the Finance/Treasury Ministry & put it under the control of a semi-autonomous entity (Boly et al., 2020). In literature, we draw from a case of 2 countries on the continent. That is the Kenya Revenue Authority (KRA) for the case of Kenya and the South African Revenue Service (SARS) for the case of South Africa. It is noted that this kind of reform enhances efficiency in revenue collection, eases tax administration, and to some extent helps combat corruption & tax avoidance and or evasion.

Empirically, some studies also allude to the importance of Semi-Autonomous Revenue Authorities (SARAs) in enhancing revenue collection. Jeppesen (2021) examined the effect of introducing a SARA on the average tax performance in SSA. Whereas a positive effect was found on direct tax revenue, no effect was found on indirect or total tax revenue. In an extended view, the study by Ahlerup et al. (2015) also found increased tax revenues in the short-run and medium-run following the introduction of an autonomous revenue authority in SSA. This effect, however, dissipated over time. Conversely, Dom (2018) found no evidence of increased revenue performance owing to the introduction of SARAs in SSA. These studies aver that even though SARAs may not provide quick-fix remedies to overcoming the revenue shortages in African countries, they are still vital in increasing public revenues.

Lowering the regulatory burden and complexity of the tax laws or structures is integral and helps promote the formalization of informal sector entities (Boly et al., 2020). For instance, business registration is currently a fazing process in many African countries. In fact, the associated costs, i.e. money, time, and information provision requirements may disincentivize firms from formalizing. Moreover, the cost of gathering requisite civil documents that necessitate business registration i.e. proof of identity or place of birth can indeed prove to be a cumbersome process. As such, fostering formal sector entry requires reforms that address the prevailing administrative formality constraints. Further, the provision of robust access to resources and information (both financial and non-financial) to the informal sector entities will enhance the attractiveness of entering the formal sector.

2.2.5 Addressing the Narrow Tax-base Problem

African countries need to rethink mechanisms that can potentially widen their tax bases i.e. by moving away from the highly-dependable trade taxes towards the extensive, non-trade tax sources i.e. income, property, and VAT. More particularly, as earlier highlighted, African governments need to put in place effective local tax structures that can correspondingly grow with urban development. This will go a long way in harnessing more tax revenues from the relatively less exploited urban property tax source.

Mpofu (2022) and Onuoha & Gillwald (2022) reiterate the need to harness the potential that currently exists in the digital technology space. Despite providing great potential in increasing DRM, digital technology remains relatively fully unexploited in many African countries. With many services currently conducted online, there is a need to fully harness the tax revenues generated from such entities. Digitalization in the face of tax administration is paramount in optimizing tax collection. For example, i-tax platforms and E-invoices provide transparent and less complex tax structures for filing tax returns and tracking government sales transactions. For example, the *i-tax* platform in Kenya (which was first launched in 2011, introduced in 2014, completely implemented in 2015, and finally declared compulsory in 2016) has been employed in filing tax returns with huge success.

In the face of mobile technologies and services, digitalization provides ample opportunities for DRM. This is because most business transactions are currently electronic and, thus, easily trackable for tax purposes. The mobile sector, thus, aids DRM by supporting financial & digital inclusion in the broader spectrum.

2.2.6 Addressing the Challenge of Transfer Mispricing by Multinational Corporations

There is a need to strengthen and or amend the respective Article(s) that deal with the transfer pricing problem in the Double Taxation Agreement (DTA) negotiation arena between countries. Since transfer pricing is an international taxation concern, then respective countries can seal any loopholes generating the transfer mispricing vice by not only adopting the specific clauses/Articles that deal with it but also ensuring that they are implemented at all times by all the concerned countries.

For instance, Article 9 of the OECD Model Tax Convention prescribes the rules for the application of the Arm's Length Principle. More explicitly, it posits that transfer prices between two commonly controlled entities must be treated as if they are two independent entities, and thus negotiated at arm's length (OECD, 2021). The Principle is predicated on real markets and outlines a single international standard of tax computation. This aids various governments in not only collecting their share of taxes but also creating adequate provisions for the alleviation of double taxation cases by the MNCs.

More critically, there is a need to encourage countries to adopt and implement the Base Erosion and Profit Shifting (BEPS) Action Plans as they mutually seek to seal the transfer mispricing vice. This can be done within the context of DTA negotiation frameworks between countries. The BEPS project was launched in July 2013 by the OECD and G20 countries. The final reports of the project were published in October 2015 and opened for signature for all countries and the specified territories in December 2016. The Project sets forth 15 various Action Plans. More specifically, and as observed by OECD (2015), BEPS Actions 8-10 address the transfer pricing issue by clarifying and strengthening the existing standards as well as guiding the application of the Arm's Length Principle. These Action Plans provide an apt approach to the pricing of the hard-to-value intangibles. The BEPS Action Plans provide guidelines that seek to seal any loopholes that may result in the erosion of a given country's tax base through tax evasion and or avoidance by the MNCs. In this regard, countries are encouraged to sign into it and complete their respective ratification processes for the entry into force of the Convention.

2.2.7 Addressing the Problems of Inefficient Taxation of Extractive Activities and Overreliance on Resource Rents

AfDB (2010) observes that African governments need to develop their human capacity for a favorable negotiation of contracts. This will enable them to derive a fair portion of rent revenues from natural resource extraction. Generally, there is an urgent need for the incorporation of practical sophisticated training on advanced technologies in African Universities and other technical research institutions for own country-source natural resources exploitation, exploration & extraction. This will ultimately wipe out the overdependence on foreign expertise hence lowering the resource exploitation/exploration/extraction costs. This human capacity development is echoed by Collier and Laroche (2015) who also argue that proper natural resource management coupled with transparent contract extraction and exploration negotiations are key in fostering optimal resource mobilization in Africa.

According to Collier and Laroche (2015), natural resources generate revenues with the potential of yielding colossal and sustained improvements in the standards of living of the African populace. Nevertheless, Africa's resource booms have never been fully harnessed.

Nevertheless, a waning trend in revenues in resource-rich African countries reflects the need for a mindset change by African governments in their over-dependence on resource rents. There is a need for economic activity diversification to provide a cushion against any tax-revenue source fluctuations. Africa's development partners should also do more in capacity building to support public resource mobilization in the continent. They ought to not only provide technical support but also deliver on their policy coherence pledges by encouraging their own conglomerates to negotiate decent deals with African countries (AfDB, 2010).

2.2.8 Addressing the Challenge of Tax Exemptions or Preferences

According to a study by Ndajiwo (2020), there is a need for conducting a thorough review of a project's costs and benefits before granting any tax incentives. This will ensure that only projects whose expected benefits (including welfare gains) outweigh the associated tax revenues foregone are granted the tax incentives and limit revenue drain through excessive and rather unnecessary tax incentives. The author further points out that these incentives are costly and may not always necessarily yield additional investment in the economy.

Moreover, the responsible agencies/institutions need to ensure transparency, accountability, and equity in the granting of tax incentives. This will ensure that no tax preferences are granted based on achieving political endeavors or mileage.

2.2.9 Addressing the Low Savings Problem

Financial inclusion is key to unlocking the savings potential, especially in the informal sector (Boly et al., 2020; Demirguc-Kunt and Klapper, 2012). While this study concurs that the financial system in the continent has substantially deepened over the recent past, it remains well below the levels reached in developed as well as emerging economies such as Asian countries. As posited by Demirguc-Kunt and Klapper (2012) stepping up the levels of financial development is, thus, pivotal in providing saving incentives. Further initiatives should be undertaken in bridging the urban-rural financial system development disparities; a move that will encourage the rural sector players (primarily small businesses and poorer households) to channel their savings to formal financial institutions i.e. banks, Microfinance Institutions (MFIs), and Savings and Credit Cooperative Societies (SACCOs). In return, governments can benefit from the taxation revenues on savings. Besides, consolidated savings implies that both the financial institutions and the savers/borrowers can reap the gains derived from future productive investments.

In the same vein, efforts should be made by both the governments and private sector players to deepen the capital markets (at both local and regional levels) since they are fundamental in opening up investment opportunities. According to UNECA (2022b), capital market development provides that crucial savings-investment nexus in an economy and thrives on a conducive business environment coupled with a vibrant financial system.

While this study encourages formal financial system development, it also acknowledges the role of socio-economic ties i.e. the Rotating Savings and Credit Associations (ROSCAs) and MFIs in facilitating rural savings. Given that formal financial sector deepening is a gradual endeavor that also precipitates upon infrastructural development, the aforementioned socio-economic ties are critical and give an impetus to the majority of the rural unbanked population to gain access to financial savings and credit facilities.

2.2.10 Improving the Investment Climate

Improving the business environment is key to attracting both domestic and FDIs. This is solely anchored on the strength of relevant mandated institutions i.e. adequate funding to the judiciary

& anti-corruption agencies and respecting their independence to win the war against graft (Nnadozie et al. 2017). The African Union Peace and Security Council (PSC) report (PSC, 2021) advocates for peace and coordinated synergies between countries to combat terrorism activities. To ensure political stability, political goodwill is essential. Upholding democracy and the rule of law is paramount and need to be enforced at all time. It's only through the upholding of credible, free, and fair elections that such post-election violence crises can be abated.

2.2.11 Addressing the COVID-19 Pandemic Economic Shock

While it is true that some shocks occur unpredictably i.e. the COVID-19 disease outbreak, the strength of the mitigating institutions is integral in winning the fight against such epidemics and pandemics. In the wake of price instabilities generated by the COVID-19 pandemic, Amutabi (2022) recommends that African governments develop effective and stable shock mitigation strategies such as shocks and disaster management kitties. These will be vital in the event of a shock outbreak of any nature and will not in any way deplete the current mobilized resources through diversion. Further, Aslam et al. (2022) contend that African countries need to diversify their revenue mobilization modalities; a move that will significantly reduce risk concentration in the event where a given tax bracket is considerably affected.

More importantly, it is high time that African countries step up their institutional capacities in developing their own vaccines; a move that will effectively address the over-reliance on foreign human capital and technological advances as far as vaccine production is concerned. We recognize that notable efforts have been made in realizing this feat through the African Vaccine Manufacturing Initiative (AVMI) in collaboration with other development partners globally.

As revealed by the World Health Organization (WHO), six countries (that's, Egypt, Kenya, Nigeria, Senegal, South Africa, and Tunisia) were chosen in the continent to spearhead the process and consequently received the tools needed to produce messenger Ribonucleic Acid (mRNA) vaccines in Africa. These countries will be accorded the requisite training and technical know-how needed in producing this kind of vaccine from the global mRNA technology transfer hub. This hub was established in 2021 in Cape Town-South Africa with a view to scaling up this kind of vaccine manufacturing in Low- and Middle- Income Countries (LMICs). Given that vaccine production across the globe is largely concentrated in a few high-income countries, this initiative will greatly reduce the inequities witnessed in the access to COVID-19 vaccines in African countries hence spearheading the long-term vaccination drives across the continent. This study highly appreciates such collaborative efforts and urges that they should go beyond addressing the COVID-19 pandemic to also tackling other perennial disease pandemics and epidemics worldwide.

2.2.12 Addressing the Russia-Ukraine Conflict Crisis

The global and liberalized food system has been further disrupted by Russia's invasion of Ukraine. The conflict adds salt to injury, given that economies globally are still struggling with the aftermath effects of the COVID-19 pandemic as well as the climate crisis. The crisis is a wake-up call for African countries that are largely dependent on Russia and Ukraine for the import of wheat, fertilizers, oil, and the associated oil products to urgently transform their global food system as well as invest in climate-resilient food systems with primary integration of smallholder farming (Cordaid, 2022).

Furthermore, African countries need to strengthen their markets and invest more in their farmers as well as food sovereignty (Guenette et al., 2022). This will require the development of strategies that support domestic growth & product diversification as this is integral in hedging against external shocks. Additionally, UNECA (2022a) recommends the development of regional value chains i.e. in the production of fertilizers and pharmaceuticals is vital and will greatly enhance economies' resilience in times of crisis. These proposed policies will ultimately go a long way in addressing the overdependence problem of African nations on Russia and Ukraine for the import of essential food and non-food items.

More importantly, an important lesson drawn from the Russia-Ukraine war crisis is the essence of peace and the critical role it fosters in enhancing resource mobilization across the globe in the face of the new horizon. It demonstrates without a doubt that adopting a war approach in resolving internal and external conflicts simply pegs economies backward. DRM can only be effectively realized in a peaceful and conducive business environment. Countries globally should, therefore, continue providing their support to peace-building initiatives in the ongoing Russia-Ukraine conflict.

2.2.13 Mitigating the Effects of the Climate Change Crisis

In the context of Goal Number 13 on climate action, the Agenda 2030 Action Plan recommends the transfer of environmentally sound technologies to developing countries from the developed nations (through collaboration frameworks) on favorable terms, as well as on concessional &

preferential terms. This kind of transfer indeed provides an innovative financing mechanism and should be encouraged.

Further, several empirical studies affirm the role of climate in managing environmental distress, harnessing resources, and, thus, steering the globe toward the attainment of SDGs (see Islam et al., 2021; Khan et al., 2021; Tillaguango et al., 2021).

3. METHODOLOGY

A review of the literature approach is employed in exploring the challenges, policy options, and prospects encountered in mobilizing domestic resources in the African continent. The highlighted challenges, policy solutions, and prospects largely stem from reviewed literature studies. To understand what could be done differently, we also explore other innovative resource mobilization prospects that remain relatively untapped in the continent.

4. RESOURCE MOBILIZATION PROSPECTS IN THE NEW HORIZON

This study has identified various challenges that hamper DRM in Africa and provided policy options that are considered most astute in addressing them. There, however, exist diverse potential across the continent that remains relatively untapped. We, thus, briefly discuss them in the context of the new horizon.

4.1 Regional Integration

It is noted that African countries trade more with the rest of the world than they do among themselves. According to the 2021 UNCTADstat data on trade flows computed by UNECA (2022a), the average intra-African trade flows for the period 2018 to 2020 remained relatively low with exports accounting for 17% and imports representing 15% of African countries' total trade. For instance, trade flows between African countries and the European Union account for 32% of exports and 29% of imports. This is followed by China at 14% of exports and 18% of imports. This elevates the continent's vulnerability to external shocks during crises such as the ongoing COVID-19 pandemic and the Russia-Ukraine war crisis.

Regional integration, therefore, remains vital in the transformation of Africa's fragmented economies (UNECA, 2022a). Albeit commendable progress has been made in advancing the integration agenda in the continent, challenges remain. According to Melo and Tsikata, (2014), strengthening and promoting trade activities in the region requires the development of robust & well-functioning regional institutions, that's, the Regional Economic Communities (RECs). These institutions have been rationalized and are now poised to enhance resource mobilization by enabling each country to harness their equal share of trade benefits from them. These RECs include the Community of Sahel-Saharan States (CEN-SAD), the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), the Economic Community of West African States (ECOWAS), the Intergovernmental Authority on Drought and Development (IGADD), the Southern African Development Community (SADC), the Arab Maghreb Union (UMA), the Economic Community of Central African States (ECCAS), and the Economic and Monetary Community of Central Africa (CEMAC); and are essential for macroeconomic integration and convergence.

Further, the launch of the African Continental Free Trade Area (AfCFTA) provides an integral milestone for trade and market integration in the region (UNECA, 2022a). As such, African countries need to harness the opportunities entrenched in regional integration initiatives such as the RECs and AfCFTA to foster both post-COVID-19 economic recovery and transformation. However, to reap the benefits, African countries need to ratify and implement the AfCFTA as well as the AU Free Movement Protocol. The World Economic Forum (WEF, 2022) estimates that AfCFTA has the potential of increasing intra-African trade and consequently, lifting 30 million people out of extreme poverty. In an extended view, the simulation studies by UNECA (2022a) demonstrate that Africa's GDP will increase by $55 billion by the year 2045 with the establishment of AfCFTA. Whereas both exports and imports are estimated to increase by $110 billion by the year 2045, social welfare is bound to increase by $3 billion. Further, the estimates project intra-African trade to rise from $ 100 billion in 2020 to about $400 billion in the year 2045.

Further, UNECA (2022a) contends that implementing AfCFTA is also paramount in addressing the landlockedness challenge faced by a majority of African countries. It is noted that Africa is home to 16 of the world's 32 Landlocked Developing Countries (LLDCs). Africa's LLDCs are also the least economically integrated countries in the world. Their lack of territorial access to the sea inflicts severe constraints on their overall socioeconomic development. However, implementing AfCFTA also hinges upon the quality of infrastructural development (air, roads, and rail transport connectivity). The Vienna Programme of Action for LLDCs for the period 2014-2024 delivers a rational and all-inclusive framework for tackling the distinctive development challenges of this group of countries by commending priority areas of intervention. It is an integral part of the SDG Agenda 2030 as well as Agenda 2063. To ensure the smooth movement of commodities, the Non-LLDCs are encouraged to continue supporting the LLDCs i.e. through the provision of dry ports like the case of support provided by Namibia to Botswana, Zambia, and Zimbabwe. Another good example is the case of the ongoing Lamu Port-South Sudan-Ethiopia-Transport (LAPSSET) Corridor project (initiated by the Government of Kenya).

4.2 Sovereign Wealth and Pension Funds

Central banks have a fundamental role to play in unlocking the idle resources within the continent and channeling them into productive investments. It is estimated that over $1 trillion of excess reserves remain ineffectively utilized in financing Africa's development (UNECA, 2016). Africa is home to 15 Sovereign Wealth Funds (SWFs). However, their potential in mobilizing and leveraging domestic savings is yet to be fully realized. The International Forum of Sovereign Wealth Funds (IFSWF, 2021) observes that these Funds manage a total of $24 billion in assets. It is noted that albeit this amount is not analogous to the size of other SWFs globally, it is nevertheless momentous in the context of African countries.

Additionally, African pension funds epitomize a rising source of capital for domestic private equity financing. According to Ashiagbor et al. (2014), this is estimated at more than $29 billion. They are integral in driving holistic investment for Africa's sustained transformation and growth. The expansion of pension funds in Africa is expected to drive the assets managed by African institutional investors to $1.8 trillion by 2020 (UNECA, 2022b). Governments and foreign investors can mitigate the risk perceptions of fund managers by issuing guarantees. Equally, they need to create regulatory reforms for enhancing transparency, reducing information asymmetries, and promoting informed investment decisions. For instance, UNECA (2022b) notes that more than 20 pension funds in Kenya have formed a consortium to invest in infrastructure and manage to mitigate risks through capacity building. Moreover, great potential exists in the insurance sector if well managed. Pension funds in SSA collectively manage $350 billion in assets. More interestingly, the Namibian retirement fund has been estimated to be larger than the country's annual GDP. Surprisingly, this growth in pension funds has not translated into investment growth in fundamental areas of development need. For example, the pension funds of Nigeria invested a paltry 0.5% of their assets in infrastructure, relatively owing to the prevalence of negative risk perceptions.

4.3 Digital Technology

There is evidence across countries of what gains can be derived when the potential in digital technology is optimally harnessed. This has been witnessed in the use of simplified online tax platforms such as *i-tax* and *E-invoices*. Whereas the former enhances transparency and compliance in tax payment, the latter is instrumental in facilitating easy tracking of any business transactions i.e. online sales and purchases for tax purposes.

In a review of the literature, Mpofu (2022) elucidates that considerable potential in increasing DRM also lies within mobile technologies and services. In the modern age, most business transactions are conducted electronically via mobile phones (predominantly through smartphones). Likewise, credit facilities are now more conveniently accessed through online money-lending platforms. Mobile technology is, thus, pivotal in mobilizing savings and consequently, initiating investments. According to the estimates by Boly et al. (2020), the mobile industry yielded $110 billion of economic value in the SSA region alone in the year 2016 (corresponding to 7.7% of GDP). Out of this, about $13 billion was collected in form of taxes.

This further underscores the role of financial inclusion in bolstering resource mobilization. We use the case of M-PESA (a mobile banking service launched in Kenya in 2007) to illustrate the role of financial innovation in spearheading financial deepening. According to Africa Tech (2022), M-PESA had hit the 30 million active customer mark in Kenya as of May 2022. It is currently the most active market in Kenya and accounts for more than 30 million of the service's 51 million customers across 7 countries (that's Kenya, Ghana, Egypt, Tanzania, the Democratic Republic of Congo, Mozambique, and Lesotho). The M-PESA service has been ranked as Africa's largest fintech, processing more than 61 million transactions a day across the various markets it operates in. Consequent to the M-PESA innovation, Safaricom launched the M-Shwari and the Kenya Commercial Bank (KCB) M-PESA loan products which have further steered financial inclusion through customers' savings and credit acquisition.

4.4 Capital Markets

According to UNECA (2022b), the prevalence of less developed domestic markets in Africa limits the mobilization of domestic equity capital to finance investments. More particularly, low market capitalization, coupled with few listed companies and lesser liquidity relative to other developed markets renders the capital markets inefficient in stimulating economic growth and attaining the SDGs. The estimates by UNECA (2022b) revealed that the proceeds raised from initial public offerings in Africa in the period 2014-2019 totaled \$27.1 billion which is less than 1.4% of universal gains from initial public offerings over the same period. Equally, the market capitalization-to-GDP ratio of a majority of Africa's capital markets is below 30%. This is way below the anticipated range of 75% to 90%.

4.5 Natural Resource Endowments

The African continent boasts of a rich array of natural resource endowments that range from arable land, oil, water, natural gas, minerals, forests, and wildlife. In fact, the continent makes up a vast percentage of the world's natural resources, both renewables & non-renewables. The estimates by the United Nations Environment Programme (UNEP, 2018) show that Africa is home to some 30% of the globe's mineral reserves, 8% of the globe's natural gas, and 12% of the globe's oil reserves. Further, about 40% of the world's gold and up to 90% of its chromium and platinum is embedded in the continent. Indeed, the continent holds the leading reserves of diamonds, uranium, platinum, and cobalt globally as well as 65% of the world's arable land & 10% of the planet's internal renewable freshwater source. Even though this sounds admirable, Africa is still yet to reap optimal benefits from its rich resource endowments.

In the majority of African countries, natural capital explains 30% to 50% of the total wealth. However, the continent loses about \$195 billion annually of its natural capital through IFFs, illegal mining activities, illegal logging, illegal trade in wildlife, unregulated fishing & environmental degradation (UNEP, 2018).

According to the statistics from the World Mining Data compiled by Reichl and Schatz (2021), the African continent produced nearly 1 billion tons of minerals worth USD 406 billion in the year 2019. This is promising though still unsatisfactory. More implicitly, petroleum and coal were reported among the most abundant minerals for 22 out of Africa's 54 countries. The statistics revealed that as of the year 2019, Nigeria produced most of the continent's petroleum at 25%, followed by Angola at 17%, and Algeria at 16%. On the other hand, metals namely gold, iron, titanium, zinc, and copper were reported as the top-produced minerals for 11 countries. In the continent, Ghana was reported as the leading producer of gold, followed by South Africa and Mali. In an extended view, industrial minerals i.e. diamonds, gypsum, salt, sulphur & phosphates were reported to be the core commodity for 13 African countries. Further, the Democratic Republic of Congo (DRC) was reported as the continent's premier industrial diamond producer, followed by Botswana with South Africa coming third. However, in the production of gemquality diamonds that are used for jewellery, Botswana ranks first in Africa. Generally, the statistics revealed that South Africa generates the most revenue from its mineral resources which is estimated at $125 billion annually. This is followed by Nigeria at $53 billion, Algeria at $39 billion, Angola at $32 billion, and Libya at $27 billion annually. The stated five countries produced more than two-thirds of Africa's mineral wealth as of 2019.

For African countries to generate optimal revenues from natural resource extraction, they urgently need to develop their human capacity for a favorable negotiation of exploratory contracts (AfDB, 2010; Collier and Laroche, 2015). More importantly, there is an urgent need for the incorporation of practical sophisticated training on advanced technologies in African Universities and other technical research institutions for own country-source natural resources exploitation, exploration & extraction.

4.6 The Base Erosion and Profit Shifting Project

The BEPS Project sets forth 15 various Action Plans that provide guidelines on the judicious modalities that can be employed in sealing any loopholes that may result in the erosion of a given country's tax base through tax evasion and or avoidance by the MNCs. More elaborately, the Action Plans as highlighted by the OECD (2013) include: Addressing tax challenges arising from the digitalization of the economy; Neutralizing the effects of hybrid mismatch arrangements; Strengthening controlled foreign company rules; Limiting base erosion via interest deductions & other financial payments; Countering harmful tax practices with a focus on improving transparency; Prevention of tax treaty abuse; Prevention of artificial avoidance of permanent establishment status i.e. through commissionaire arrangements; Ensuring transfer pricing outcomes correspond with value creation; Guidance on the taxation of intangibles; Treatment of risks & capital; Treatment of other high-risk transactions; BEPS data analysis; Mandatory disclosure rules; Country-by-country reporting standards; Mutual Agreement Procedure (MAP); and the development of a multilateral instrument.

These Action Plans address the issue of tax avoidance by ensuring that profits are taxed where economic activities generating them are performed and likewise, where there is value creation. OECD estimates that BEPS practices generate revenue losses of between 100-240 billion USD annually (an equivalent to 4-10% of the world corporate income tax revenue) (OECD, 2021). It is noted that as of 4th November 2021, over 135 countries and jurisdictions have joined the Inclusive Framework and are progressively implementing the 15 Actions aimed at addressing the tax avoidance and or evasion challenges. Also, it is observed that 99 countries and jurisdictions have joined the Multilateral Instrument (MLI) which is integral in implementing the tax treaty-related measures to prevent the BEPS practices.

This is noted as progress in the right direction and African countries are encouraged to sign into it and complete the necessary ratification processes for the entry into force of the stated convention. This will initiate the implementation process, thus, facilitating the optimal harnessing of the tax revenues that are generated from international economic activities.

5. FINDINGS

From the review of the literature, it is evident that challenges hampering resource mobilization endeavors in the African continent are diverse and cross-cutting. This study highlighted various challenges ranging from IFFs; high dependence on foreign aid and debts; informal sector structural bottlenecks; capacity constraints; narrow tax base; transfer mispricing by MNCs; inefficient taxation of extractive activities & overreliance on resource rents; tax exemptions; low savings, and generally unfavorable investment climate. The majority of these challenges are synonymous with most African countries. In particular, the new horizon depicts mixed visions for the continent which are apparently plausible due to the prevailing global economic shocks, that is, the COVID-19 pandemic, the Russia-Ukraine war crisis, and the climate change crisis. In a futuristic context, we highlighted 6 resource mobilization prospects that rather remain relatively fully untapped. These include regional integration (more so AfCFTA), sovereign wealth and pension funds, digital technology potential, capital market deepening, natural resource endowments, and the BEPS project.

6. CONCLUSIONS

We recognize that some efforts have been made by African countries to bolster their resource mobilization mechanisms and subsequently, boost revenue generation. However, notable challenges still prevail and continue to hamper optimal revenue collection. This study also concurs that indeed there exist huge financial implications in ensuring adequate response to the current prevailing economic shocks. This has a consequent straining effect on realizing both Agenda 2030 and Agenda 2063. More importantly, and in the face of the new horizon, the study identifies various prospects that remain largely unexploited in realizing optimal resource mobilization.

First, a lot of potential exists as far as achieving regional integration in the continent through the RECs is concerned. Additionally, the launch of the AfCFTA provides an important milestone for trade and market integration in the continent. African countries are, thus, encouraged to expedite their respective ratification processes for entry into force of the Agreement and its full operationalization to harness the trade opportunities embedded in it. Secondly, a lot of potential exists in sovereign wealth and pension funds. African countries can unlock these idle resources and channel them into productive investments.

Thirdly, there is a need to harness the digital technology potential especially, the mobile technologies & services. Four, capital market deepening is critical in spearheading the mobilization of domestic equity capital to finance investments. Five, it is high time that African countries build their requisite human capacity i.e. through investment in sophisticated skills and technology so that they can reap optimal benefits from their rich resource endowments. Six, in the Double Taxation Agreement (DTA) or tax-treaty arena, African countries are encouraged to not only join the OECD-G20 Inclusive Framework on BEPS but also expedite the ratification of the associated Multilateral Instrument (MLI) tool for implementing the Action Plans. BEPS project provides various Action Plans that can be employed in sealing any loopholes that may result in the erosion of a given country's tax base through tax evasion and or avoidance by the MNCs. The project is also instrumental in curbing illicit capital flight.

This study does not exhaust all the challenges that inhibit resource mobilization in the continent. Also, heterogeneity in the country-specific degree of impact of the highlighted challenges was not investigated. However, this study flagged out the most notable challenges and provided policy options for them accordingly. Astute prospects were equally discussed. Further, this study acknowledges that resource mobilization does not entirely entail tax revenue optimization but is rather a broad concept that also encompasses varied non-tax revenue sources such as integration and capital market deepening frameworks. As such, collaborative efforts in the international taxation space should continue with more emphasis on the implementation of resource mobilization frameworks as opposed to the dreary production of policy-guiding documents. Future studies on resource mobilization need to assess the DRM efforts in the public expenditure domain since the former cannot be achieved with the presence of inefficiencies in the latter.

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