

# Financing Sustainable Economic Transformation: *Domestic Resource Mobilization*

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G-24 Technical Group Meeting

Financing Sustainable Economic Transformation

Abidjan, Côte D'Ivoire

July 17, 2023



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Global Institute   
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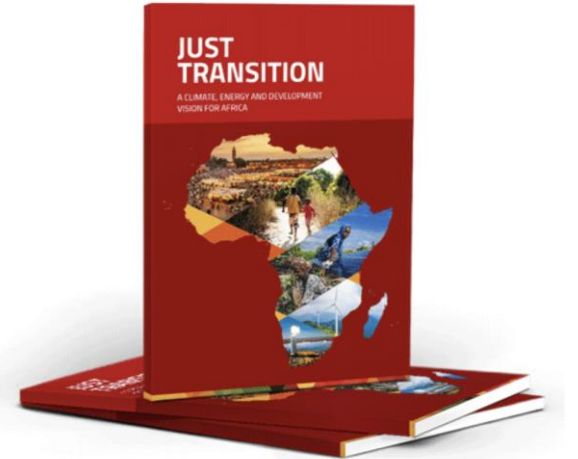
# JUST TRANSITION

A CLIMATE, ENERGY AND DEVELOPMENT VISION FOR AFRICA

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***What needs to be transformed?  
(not reformed)***

***What are the structural problems?***

***What are the roots of these problems?***

***What are the false solutions?***



# ***Our Structural Economic Deficiencies: ...***

- **High external debt**
- **Major root causes:**
  - Energy deficit
  - Food deficit
  - Low value-added industrialization
- **Trade deficits**
  - → Currency devaluation
  - → Food & Fuel price inflation
  - → Social Unrest unless Food/Fuel subsidies are maintained (forces the country to continue to borrow from foreign lenders: bandaid solution)



# Africa's Exports

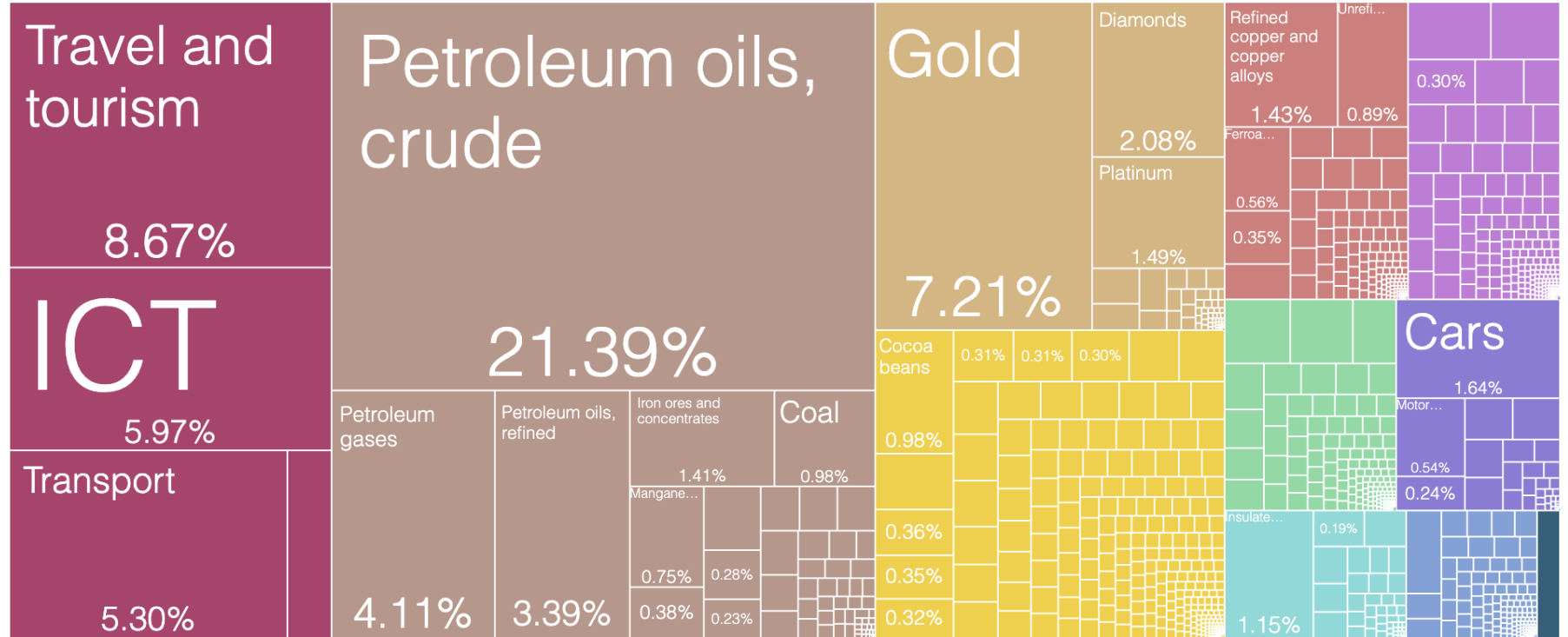
EXPORTER  
Africa

IMPORTER  
All countries

PRODUCT  
All products

YEAR  
2019

Shown: \$585B | Total: \$585B ⓘ





# Africa's Imports

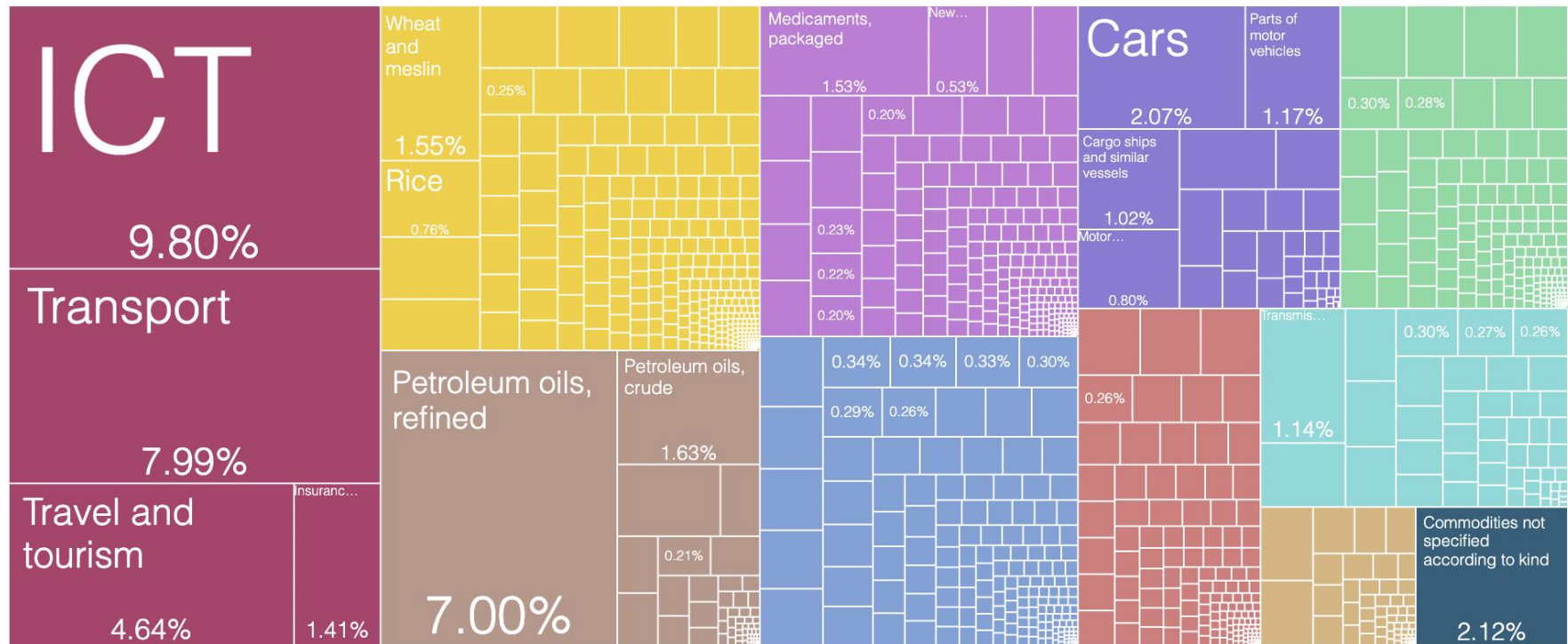
EXPORTER  
All countries

IMPORTER  
Africa

PRODUCT  
All products

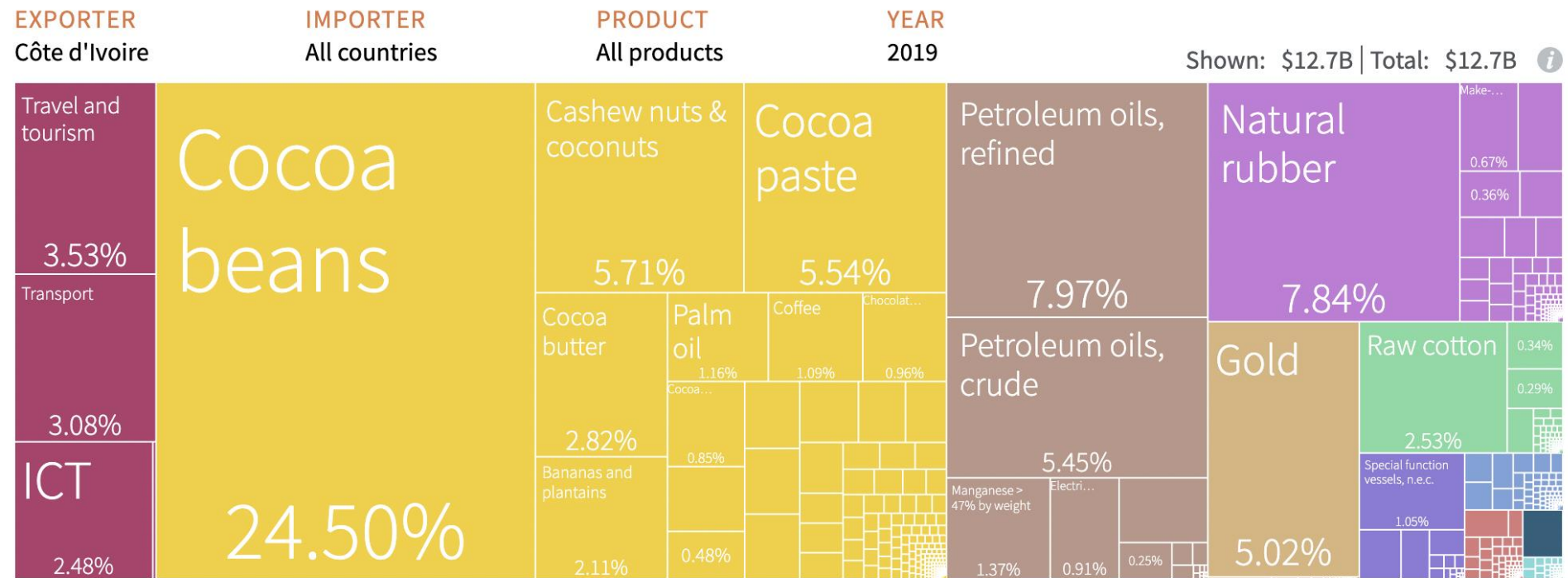
YEAR  
2019

Shown: \$737B | Total: \$737B i



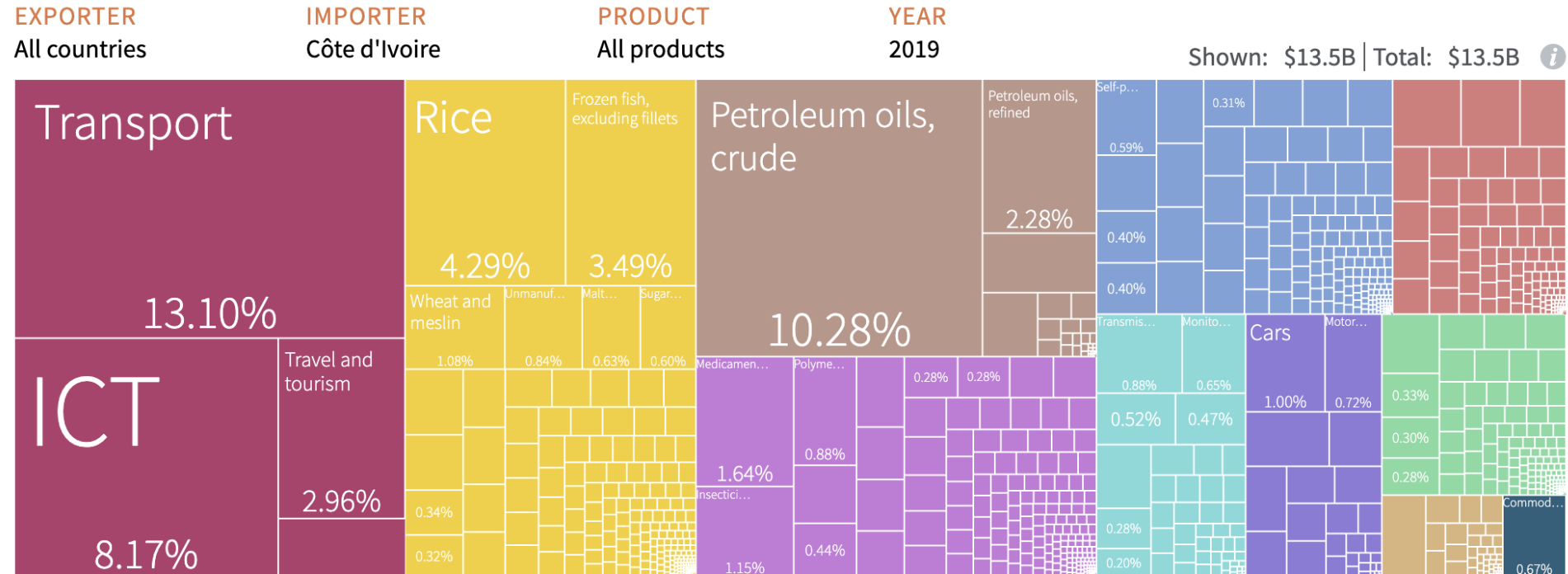


# Côte D'Ivoire's Exports





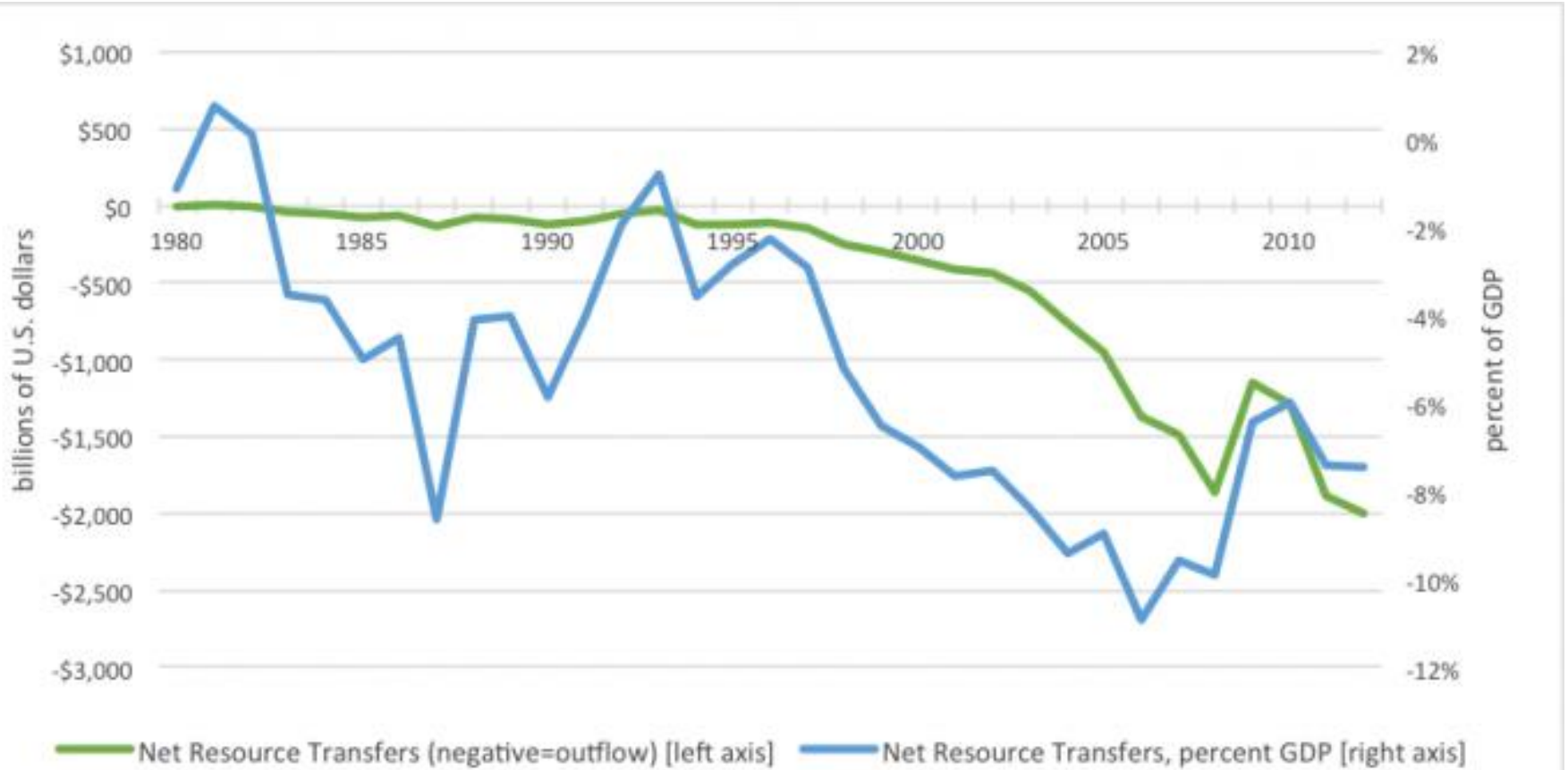
# Côte D'Ivoire's Imports



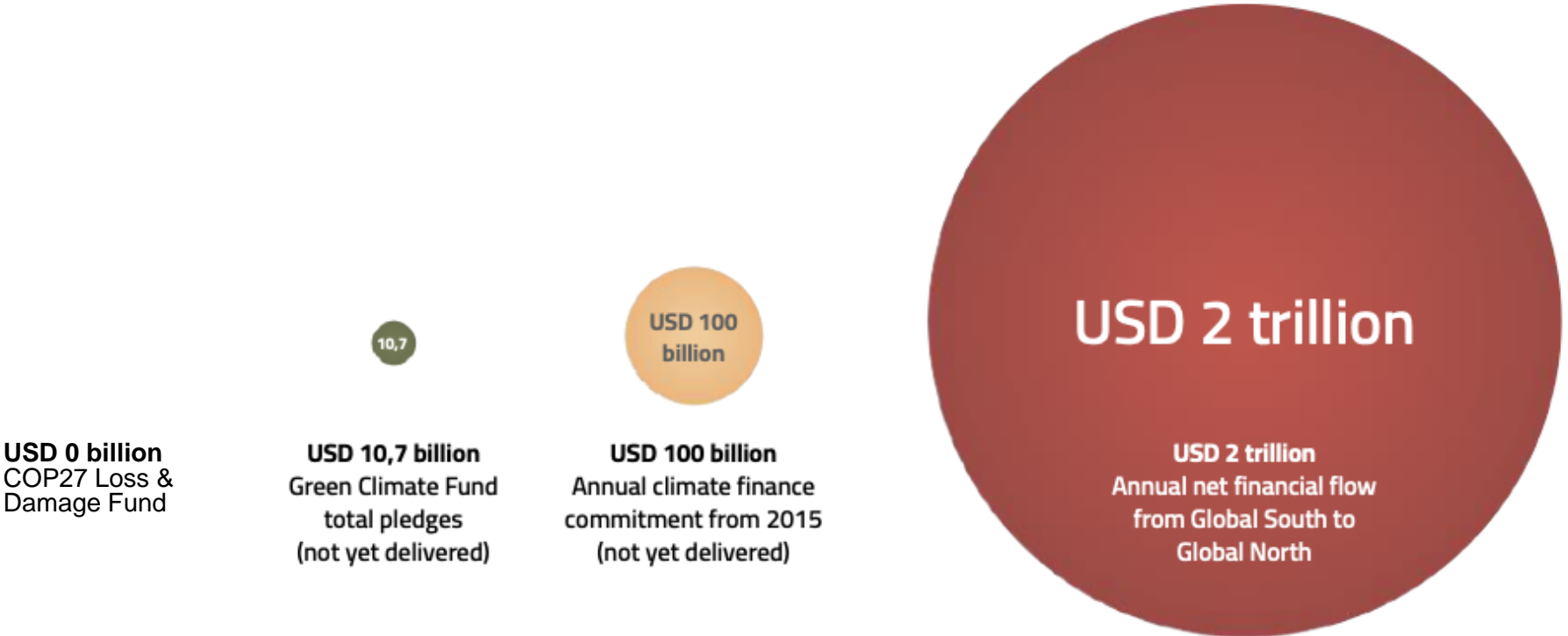




# Neocolonial Net Wealth Extraction



# The result is net neocolonial wealth extraction of over \$2 trillion from the Global South to Global North every year



Source: Global Financial Integrity



## ***Structural Solutions:***

- **Pan-African Cooperation for strategic investments in:**
  - Food Sovereignty
  - Renewable Energy Sovereignty
  - High value-added industrial policies
- **Structural transformation of the Global Financial Architecture and International Trade System**

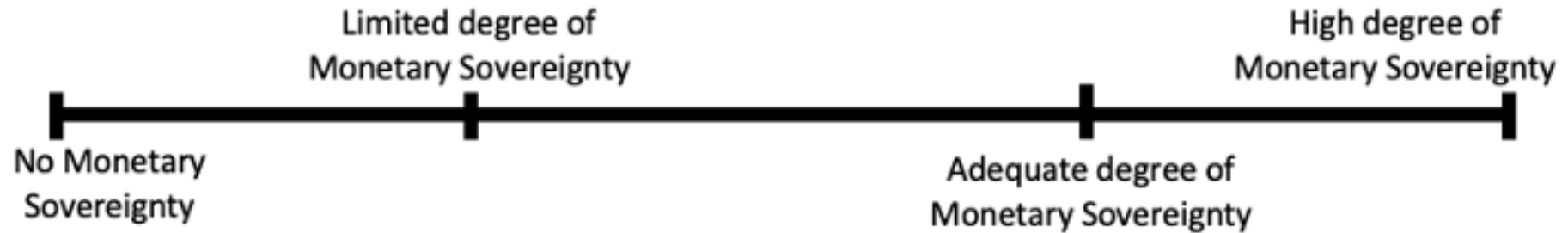


**Are countries fiscally prepared for massive structural transformation?**

**Do we have the fiscal capacity to pay for it, without causing inflation, and without bankrupting nations?**



# The Spectrum of Monetary Sovereignty





# How much can we spend safely without causing inflation?

**Taxes**





# How much can we spend safely without causing inflation?

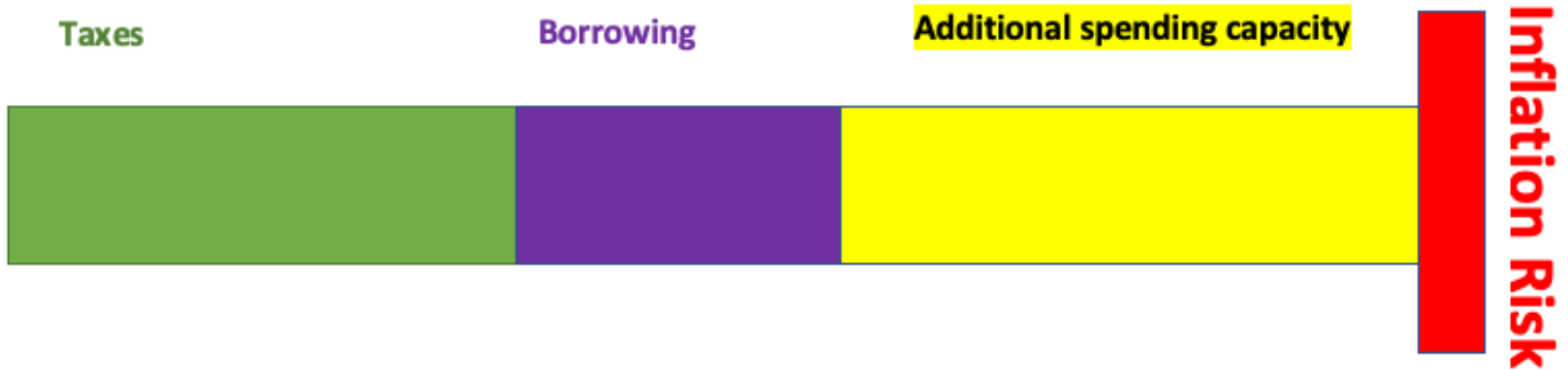
**Taxes**

**Borrowing**





# How much can we spend safely without causing inflation?



**The real limit to government spending is the risk of inflation**





# #ParadigmShift

How much can we spend safely without causing inflation?



**The real limit to government spending is the risk of inflation**

What determines the **risk of inflation**?

1. Lack of productive capacity, logistics & supply chains disruptions
2. Abusive market power and price setting behavior



# The Mainstream Economic Model

- Austerity
- Debt restructuring
- Privatized SOEs
- Labor Market Flexibility
- FDI & Export-led growth (→ negative terms of trade)
- Financial liberalization (→ Speculative bubbles)
- Tourism (→ resource sustainability)
- Remittances (→ brain drain)
- Race to the bottom
- More external debt ...
- There Is No Alternative?

**IT'S A TRAP!**





# Increase Government Spending to Fight Inflation

- **Scenario 1 (the mainstream approach):**

- If Tunisia spends 2 billion Dinars on Health/Edu
- More imports of food/energy/med
- Larger trade deficit
- Weaker exchange rate
- Passthrough inflation effect
- More external debt
- IMF/foreign lenders mandate spending cuts
- Less investment in Health/Edu
- More unemployment, brain drain, social, and economic problems

- **There Is No Alternative**





# Increase Government Spending to Fight Inflation

- Scenario 2 (**The alternative approach**):
- If Tunisia spends 1 billion Dinars on Health/Edu  
1 billion Dinars on increasing domestic productive capacity of food, renewable energy, energy efficiency  
crackdown on corruption, abusive price setters,  
importers of luxury goods via taxation/regulation:
  - Fewer imports of food and energy
  - Lower trade deficit
  - Stable (or stronger) exchange rate
  - No passthrough inflation effect
  - lower external debt, and higher credit ratings
  - Increase in foreign currency reserves
  - More resilience to external shocks (food/energy security)
  - Lower carbon footprint
  - More employment, less brain drain, improved quality of life





# *Pan-African Industrial Strategies*

- **South-South Strategic Partnerships**
  - Access to larger markets allows for economies of scale
  - Complementary resources/capabilities
  - Horizontal linkages to increase value-added content
  - Focus on collective resilience: food sovereignty, renewable energy sovereignty, water security, education/training, healthcare, transportation, etc.
  - This is how a country acquires a higher degree of economic and monetary sovereignty
  - If a country/regional block lacks this basic level of resilience, it has no bargaining chips, it can't walk away from a negotiation table, and it will continue to lose its economic and monetary sovereignty.



# Concluding Remarks

- We are running out of time!
- The climate crisis, inequality, poverty, exclusion, and injustice call for **urgent**, **bold**, and **radical** transformation.
- The current climate & jobs policies are too weak, slow, expensive, ineffective, and dangerous.
- A realistic plan for a just transition requires a fundamental restructuring of the global economic architecture.
- A better system is within reach (a real Wakanda!). It is possible, desirable, and affordable.

Thank you!  
Questions & Comments

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