Session 2: Trends in Resource Availability and Security Spending

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Agenda

Trends in resources availability for Africa
Domestic resources mobilization in Africa and its future trend
Implications of trends for the management of security sector resources
Trends in resources availability for Africa
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Four main sources of government revenue are featured in this presentation:

1. Tax revenue
2. Non-tax revenue
3. Grants
4. Borrowed amounts

Resource pool
Global targets for domestic and external resource mobilization are included under sustainable development goal (SDG) 17. In particular:

- **Strengthen domestic resource mobilization**, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection.

- **Developed countries** to implement fully their official development assistance commitments, including the commitment by many developed countries to achieve the target of 0.7 per cent of ODA/GNI to developing countries and 0.15 to 0.20 per cent of ODA/GNI to least developed countries.

- **Assist developing countries** in attaining long-term debt sustainability through coordinated policies aimed at fostering debt financing, debt relief and debt restructuring, as appropriate, and address the external debt of highly indebted poor countries to reduce debt distress.

- **Mobilize additional financial resources** for developing countries from multiple sources.

African countries have benefited from overseas development assistance (ODA), but in recent years this revenue source appears to have bottomed out.

Almost half (46%) of ODA in 2017 was disbursed to 10 countries:

- Ethiopia: 8%
- Nigeria: 6%
- Tanzania: 5%
- Kenya: 5%
- DRC: 4%
- South Sudan: 4%
- Uganda: 4%
- Morocco: 4%
- Mozambique: 4%
- Somalia: 3%
- Others: 54%

The five largest recipients of ODA also had significant levels of outstanding debt as a percentage of GDP. The regional average in 2018 was 49.2% and projected to drop to 48.9% in 2020.
In 2018, the overall fiscal deficit for the region was -3.7% of GDP in 2018, and is expected to remain at this level in the medium-term.

Africa can not rely on ODA indefinitely. There are views that with the emergence of more middle-income countries on the continent aid will decline. Besides ODA is not always provided on the basis of need.

"Most of us have assumed that foreign aid will continue unabated until extreme poverty is eradicated. But a look back shows that this isn’t what happens. China, India, Indonesia, and South Africa stopped getting aid some years ago, but they still have millions of people living on less than $1.90 a day. Quite reasonably, middle-income countries are expected to take care of their abject poor themselves. With more than half of sub-Saharan Africa’s population now in middle-income economies, we should expect aid to Africa to start declining” (Gill, 2019).


"The mismatch between need and actual aid distribution shouldn’t be surprising. Why? Because countries typically allocate aid based on three criteria, the first being self-interest. The others are need and merit. Problems arise when decisions must be made on the weight of each criterion” (Inglis, 2018).

There is also growing concern about the growth and sustainability of Africa’s debt burden.

24 countries in the region have debt to GDP ratios that are above the IMF recommended threshold of 55%.

Large expenditures on infrastructure and the 2014 decrease in commodity process have contributed to the rise in debt.

The increased use of non-concessionary type borrowing has contributed to increased debt servicing costs.

Domestic resources mobilization in Africa and its future trend
A recent study found that on the whole, Africa’s tax revenue collection as a percentage of GDP grew steadily from 2000 to 2016.

As of 2016, the level of performance differed between countries from a revenue as a percentage of GDP ratio of 7.2% to 29.4%

**Strong performers:**
- Morocco - 26.4%
- South Africa – 28.6%
- Tunisia – 29.4%

**Above average performers:**
- Cabo Verde - 19.0%
- Mauritius - 20.0%
- Senegal - 22.0%
- Togo – 22.2%

**Average performers:**
- Kenya – 18.1%
- Burkina Faso - 18.1%

**Below average performers:**
- DRC – 7.2%
- Uganda – 13.1%
- Botswana – 14.0%
- Cameroon – 14.4%

A recent review by the IMF suggests that there is scope to reduce the tax gap, by an average of between 3 and 5% by instituting the following measures:

1. Addressing international taxation issues
2. Increasing the yield on some taxes
3. Strengthening policies for non-tax revenues
4. Review of taxation arrangements for extractive industries
5. Revising and rationalizing tax brackets and rates
6. Rationalizing tax expenditures

Implications of trends for the management of security sector resources
SDG 16 specifies targets relating to security. It is anticipated that each country will develop and implement priority interventions to achieve these targets.

- Significantly reduce all forms of violence and related death rates everywhere.
- End abuse, exploitation, trafficking and all forms of violence against and torture of children.
- By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organised crime.
- Develop effective, accountable and transparent institutions at all levels.
- Ensure responsive, inclusive, participatory and representative decision-making at all levels.
- Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements.
- Strengthen relevant national institutions, including through international cooperation, for building capacity at all levels, in particular in developing countries, to prevent violence and combat terrorism and crime.

Source: https://www.un.org/development/desa/disabilities/envision2030-goal17.html
In recent years, there has been an overall decline in military spending as a % of GDP. But in constant dollars (2016) expenditure rose by almost 50% between 2007 and 2017.

The trend in military expenditure in sub-Saharan Africa 1966–2017

The scope to increase resources in the sector may be limited, given other competing priorities. Ensuring value for money through public expenditure reviews is key.

Thank you

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Yin acaa muoc

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Merci

Asante

Obrigado

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