Session 2: Trends in Resource Availability and Security Spending

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Africa Center for Strategic Studies: Session 2 - Trends in Resource Availability and Security Spending

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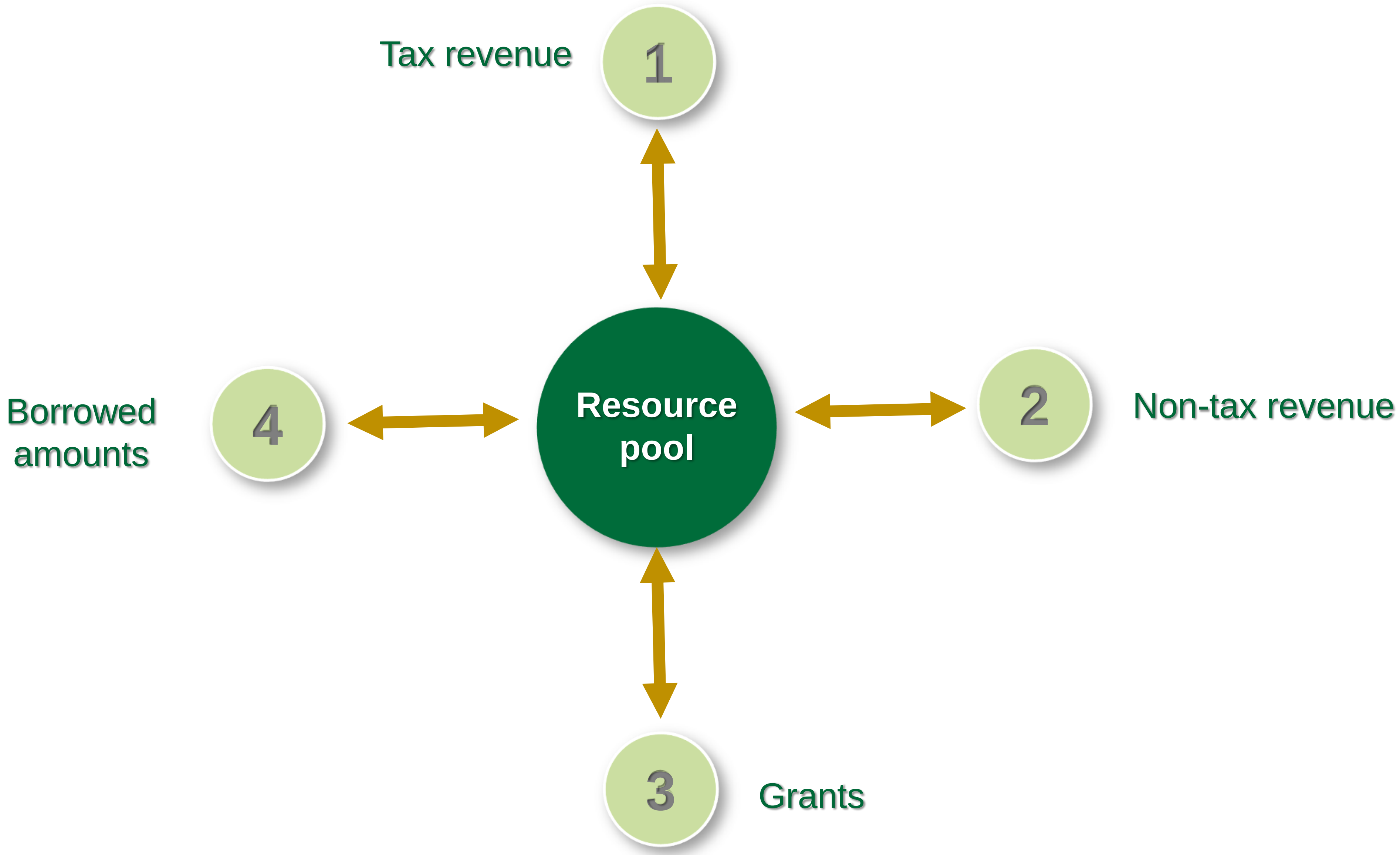
Agenda

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

Four main sources of government revenue are featured in this presentation



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

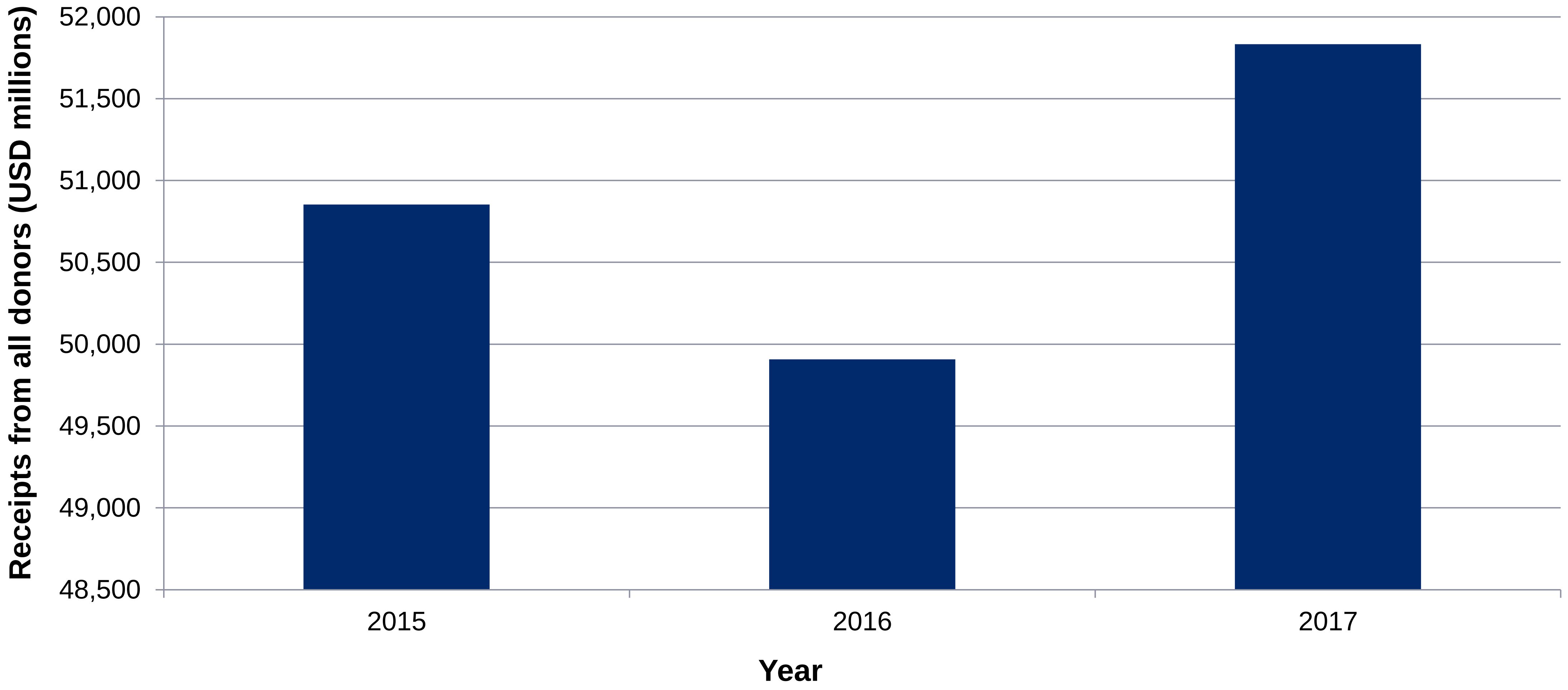
Assist developing countries in attaining long-term debt sustainability through coordinated policies aimed at fostering debt financing, debt relief and debt restructuring, as appropriate, and address the external debt of highly indebted poor countries to reduce debt distress

Mobilize additional financial resources for developing countries from multiple sources

Source: https://www.un.org/development/desa/disabilities/envision2030-goal17.html

Trends in resources availability for Africa

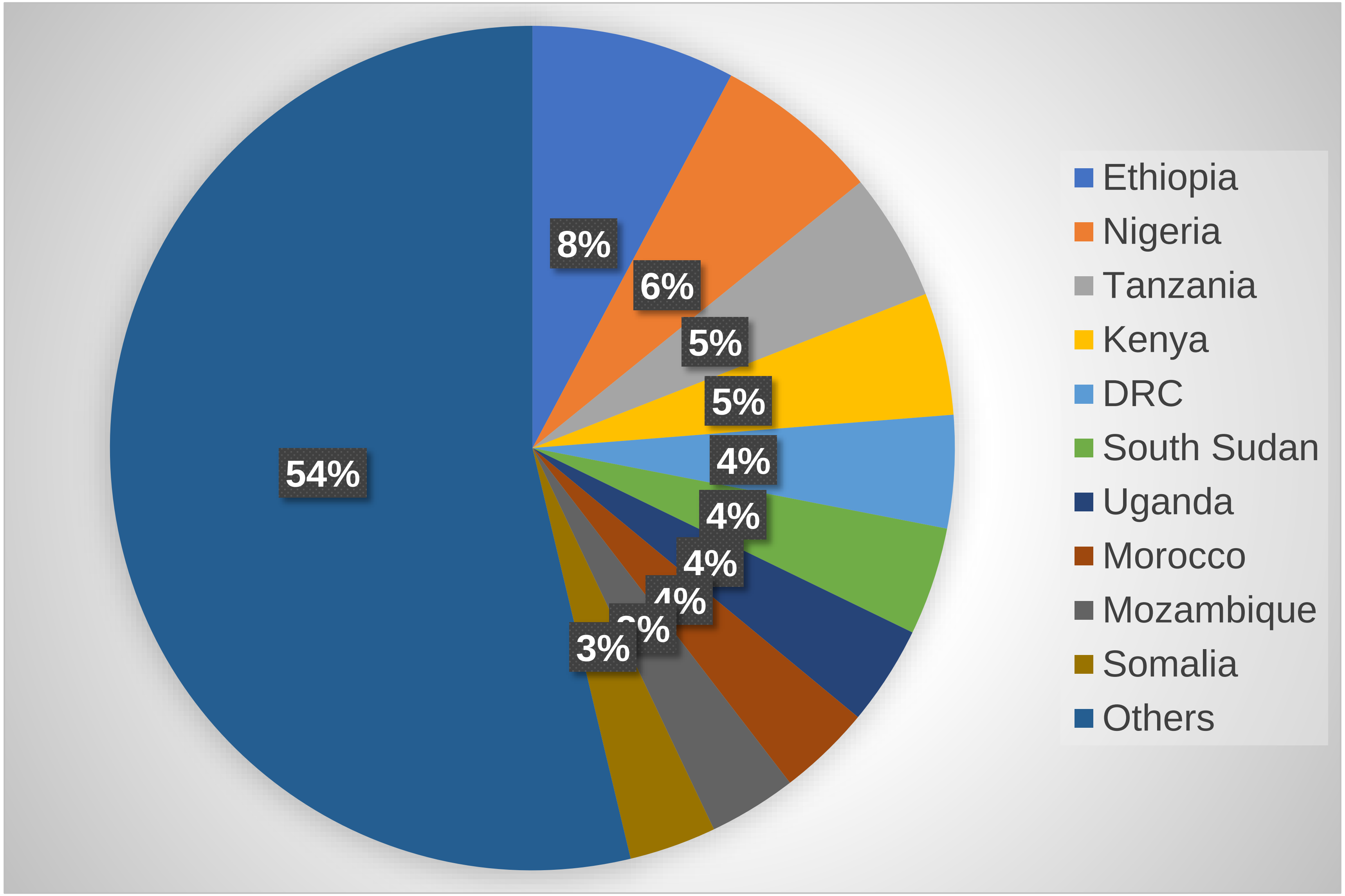
African countries have benefited from overseas development assistance (ODA), but in recent years this revenue source appears to have bottomed out



Source: http://www.oecd.org/dac/financing-sustainable-development/development-finance-data/Africa-Development-Aid-at-a-Glance-2019.pdf

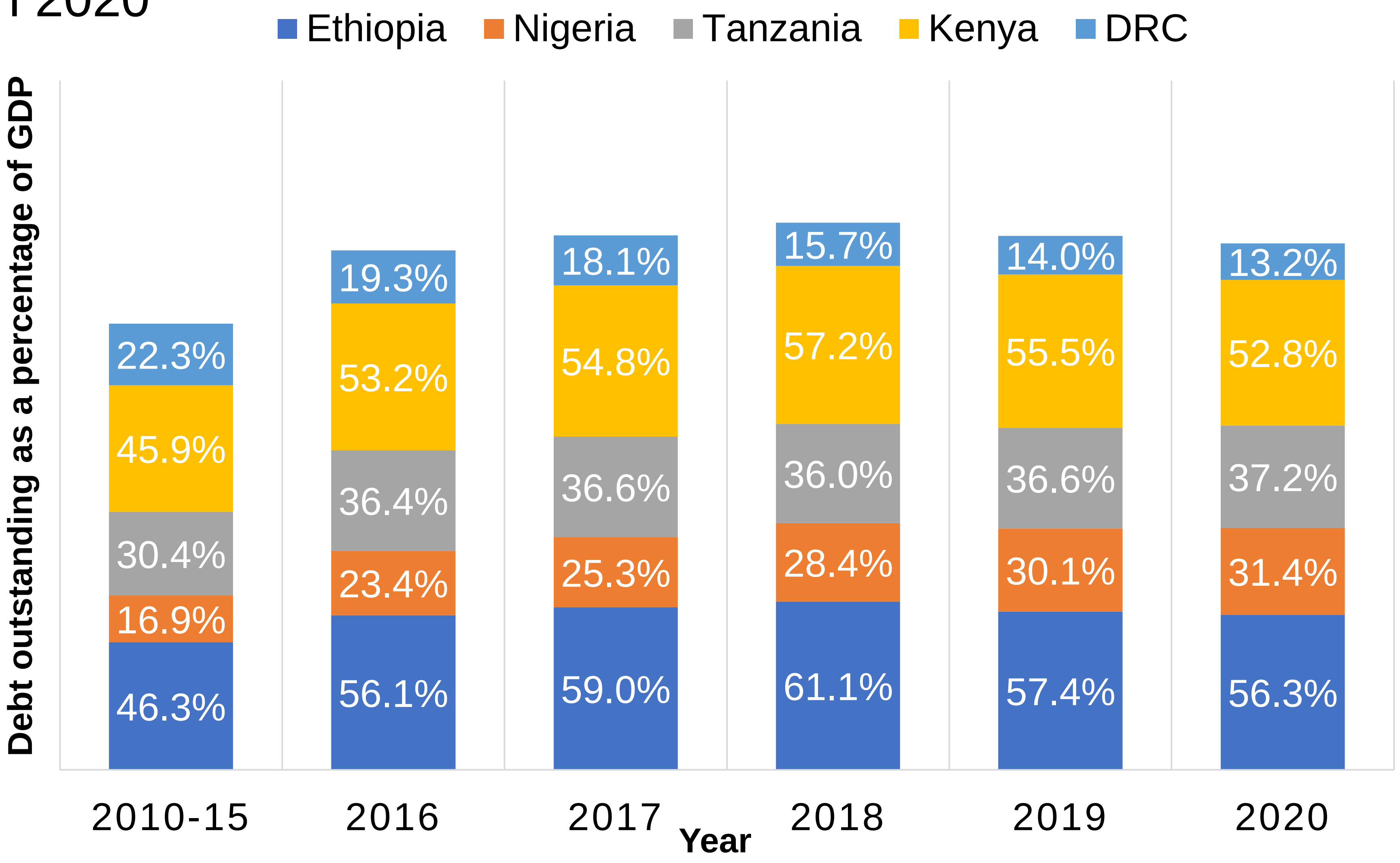
Trends in resources availability for Africa

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



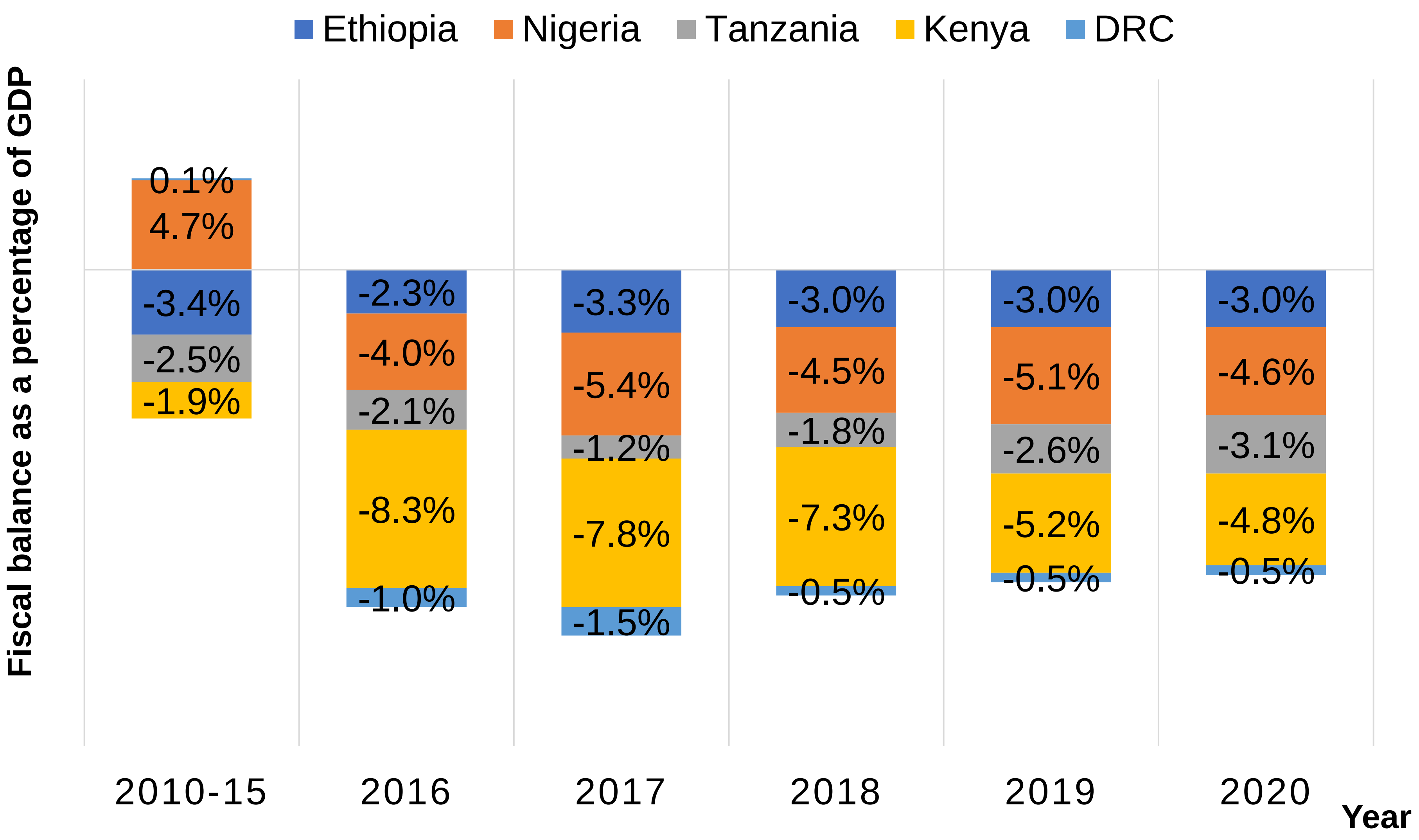
Source: http://www.oecd.org/dac/financing-sustainable-development/development-finance-data/Africa-Development-Aid-at-a-Glance-2019.pdf

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



Source: IMF (2019) *Sub-Saharan Africa: Recovery Amid Elevated Uncertainty.* Washington D.C.: International Monetary Fund.

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



Source: IMF (2019) *Sub-Saharan Africa: Recovery Amid Elevated Uncertainty.* Washington D.C.: International Monetary Fund.

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).

Source: Gill, I. (2019) The end of aid. *Future Development.* Washington, D.C., Brookings Institute.

"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).

Source: Inglis, J. (2018) Why the world's poorest countries don't always get the foreign aid they need. Boston, The Conversation.

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%

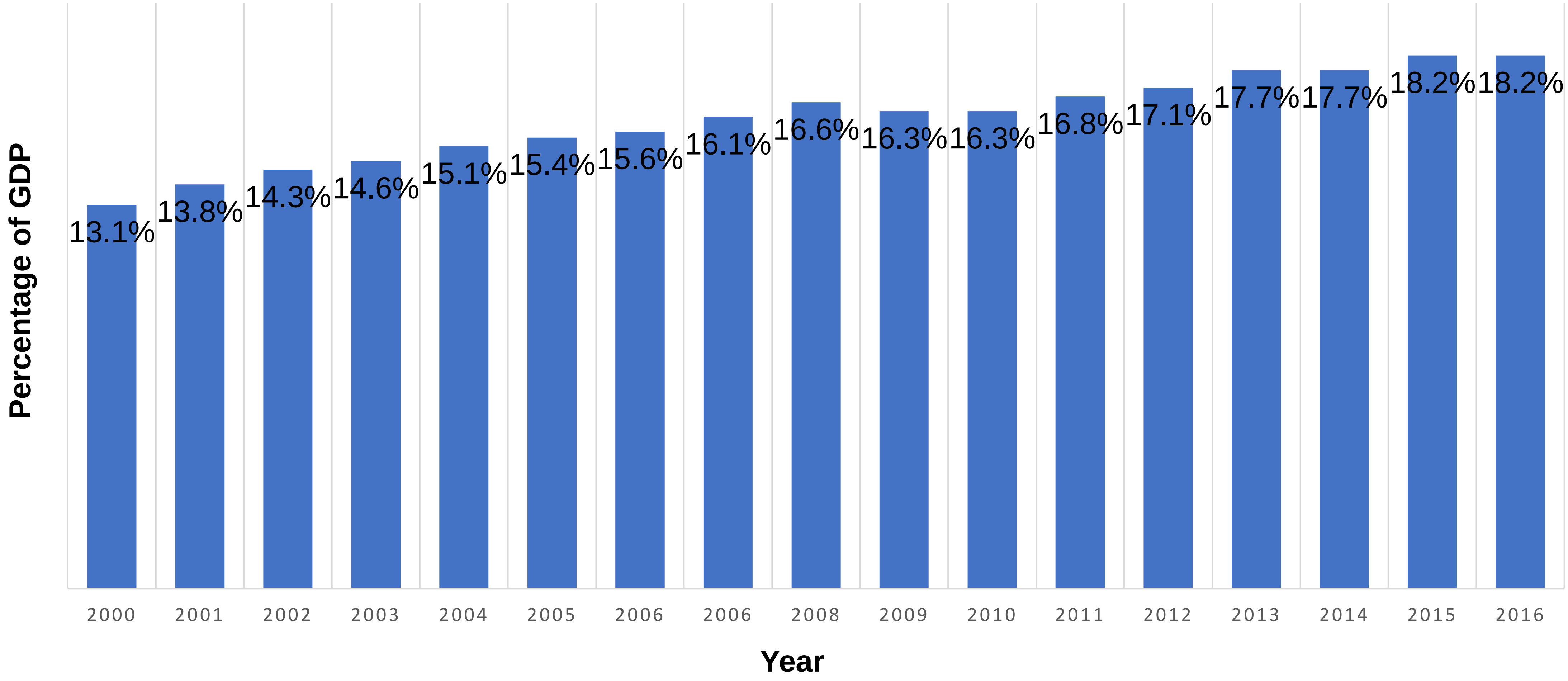
Large expenditures on infrastructure and the 2014 decrease in commodity process have contributed to the rise in debt

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

Source: Onyekwena, C. and Ekeruche, M. A. (2019) Is a debt crisis looming in Africa? *Africa in Focus.* Washington D.C., Brookings Institute..

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



Source: http://www.oecd.org/tax/tax-policy/infographic-revenue-statistics-africa-overview.pdf

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:

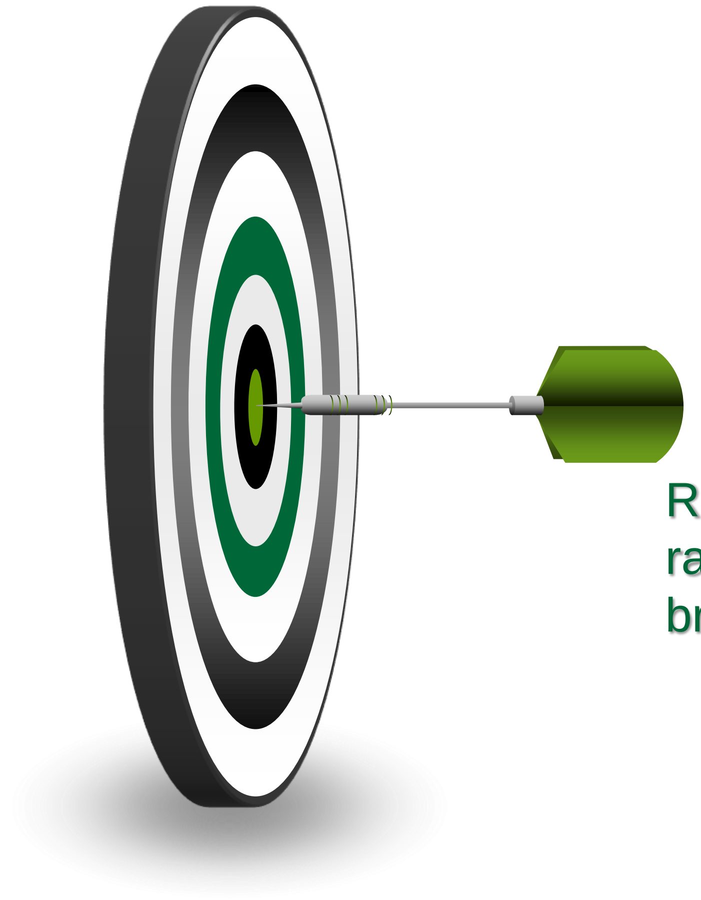
- Kenya – 18.1%
- Burkina Faso - 18.1%

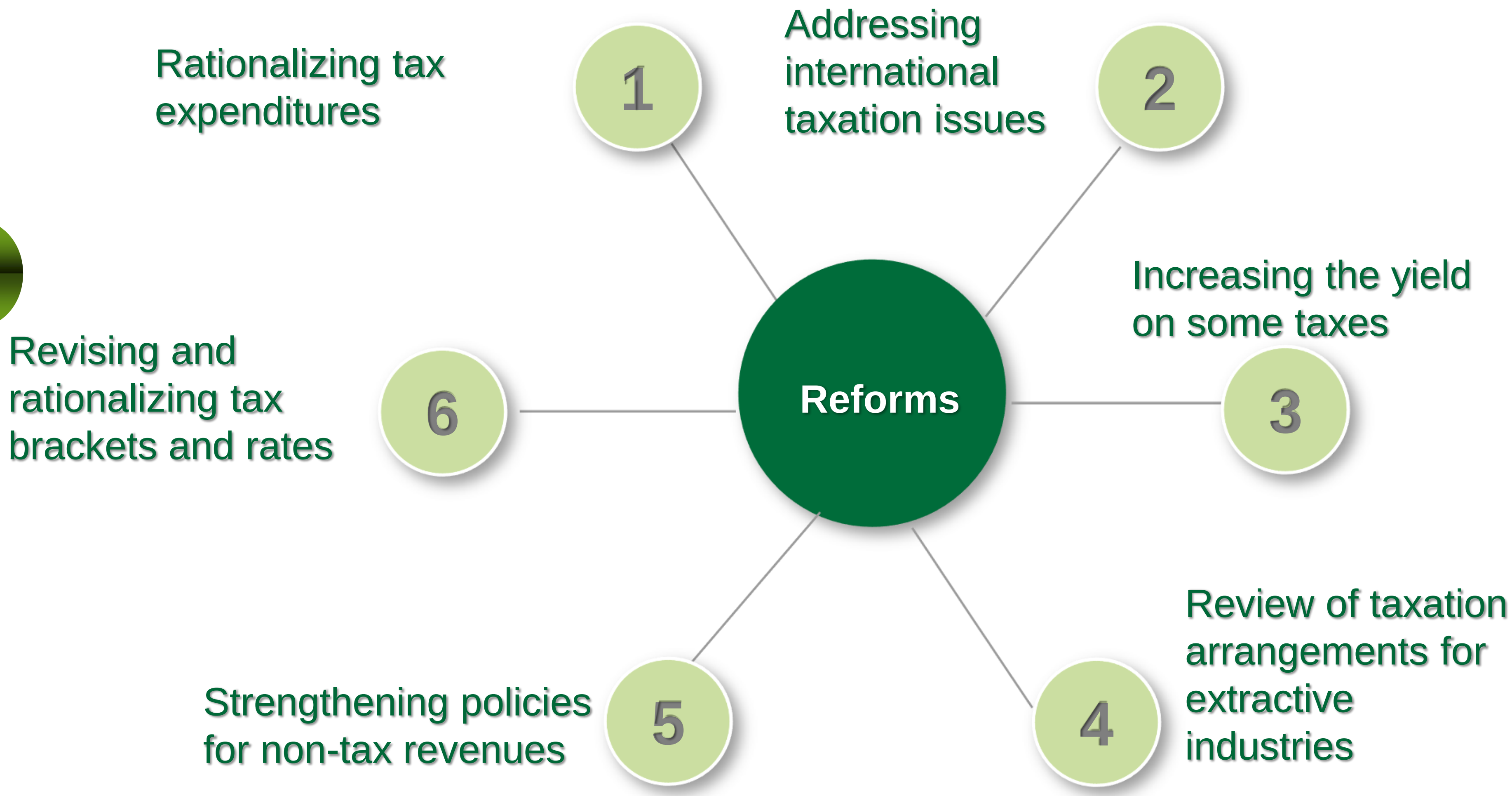
Below average performers:

- DRC – 7.2%
- Uganda – 13.1%
- Botswana – 14.0%
- Cameroon – 14.4%

Source: http://www.oecd.org/tax/tax-policy/infographic-revenue-statistics-africa-overview.pdf

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





Sources: IMF (2019) *Sub-Saharan Africa: Recovery Amid Elevated Uncertainty.* Washington D.C.: International Monetary Fund; and IMF staff reports

Implications of trends for the management of security sector resources

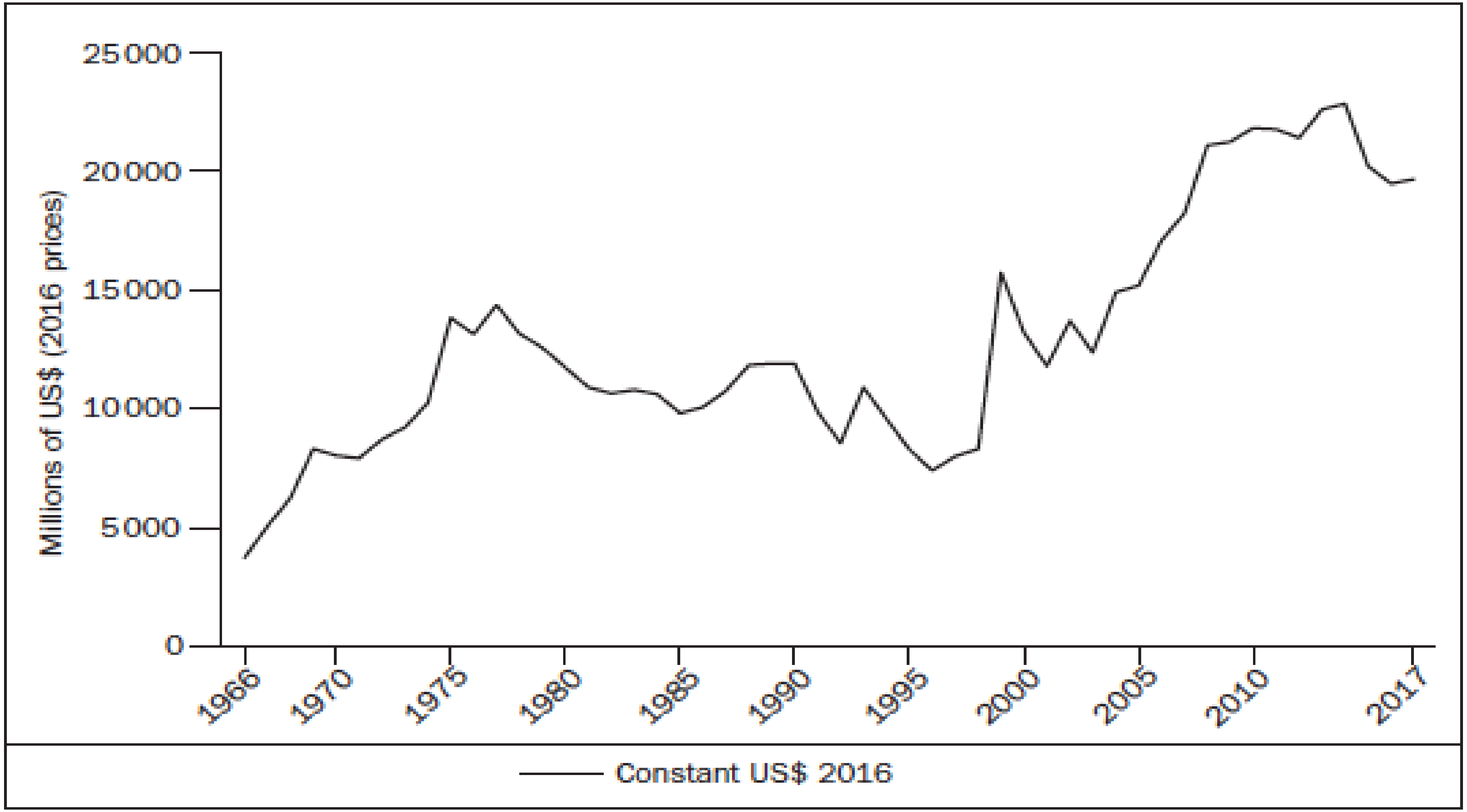
SDG 16 specifies targets relating to security. It is anticipated that each country will develop and implement priority interventions to achieve these targets

- 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

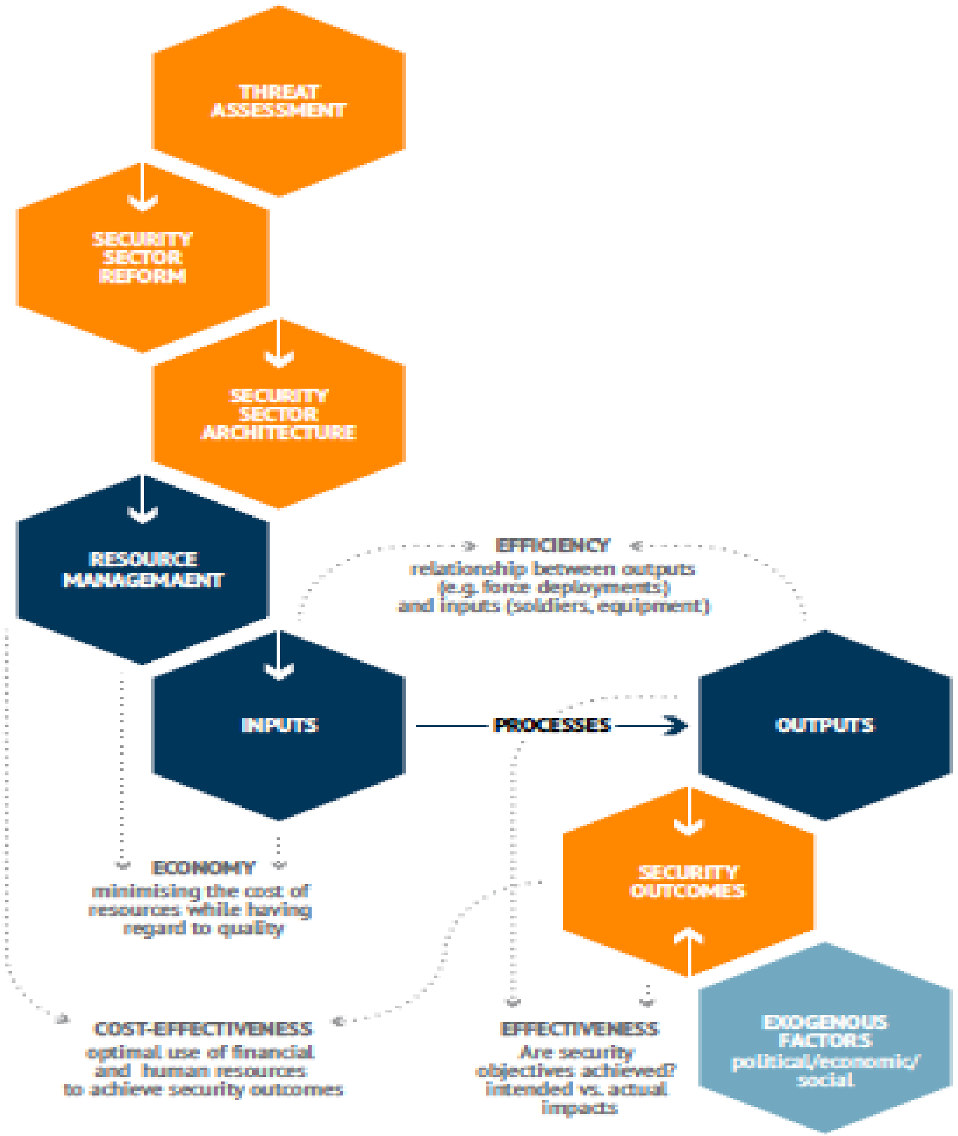
In recent years, there has been an overall decline in military spending as a % of GDP. But in constant dollars (2016) expenditure rose by almost 50% between 2007 and 2017

The trend in military expenditure in sub-Saharan Africa1966–2017



Source: SIPRI Military Expenditure Database, May 2018.

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



Source: Bisca, P. M. (2019) *Lessons from security sector expenditure reviews in West Africa.* Luxemburg: European union Institute for Security Studies.

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Thank you

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Asante

Obrigado

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