

Talking Points

Mobilising African resources for Agenda 2063: A question of capacity

Challenges series 2016 - Africa Capacity Building Foundation



29-01-2016

Africa Capacity Building Foundation (ACBF). 2016. Mobilising African resources for Agenda 2063: A question of capacity. ECDPM Talking Points blog, 29 January 2016.

Discussions for the UN Agenda 2030 have set high expectations for domestic resource mobilisation as a self-sustaining development finance strategy. Agenda 2063 is a roadmap for structurally transforming Africa over 50

years, and emphasises the importance of domestic resource mobilisation for a successful implementation of the continental development blueprint. Why then do African countries do not mobilise enough domestic resources to finance their development?

The response is clearly linked to insufficient human, institutional and organisation capacity to mobilise and utilise domestic resources to finance Africa's development agenda. The Africa Capacity Building Foundation share their perspective on the [challenges for sustainable development in 2016 and beyond](#).

Domestic resource mobilisation can potentially support the legitimacy of the state and enhance accountability between the state and its citizens; and increase "ownership" of the development process. Domestic resource mobilisation can help:

- (1) Reduce Africa's dependence on external flows, thereby lowering one of the sources of damaging volatility in resource availability, and minimising vulnerability to external shocks;
- (2) Give African countries greater policy space, increasing their ownership of the development process as well as strengthening their State capacity; and
- (3) Create important positive externalities and send positive sign to donors and investors, thereby augmenting external resource inflows. The financing of Agenda 2063 has hardly been examined, and the question also remains of who will finance the Agenda 2030 set out in the UN Sustainable Development Goals?

For the ACBF, capacity is simply defined as the ability of people, organisations, and society as a whole to manage their affairs successfully. There is no doubt today that capacity in all its forms and dimensions has often been the mother of all missing links in Africa's development efforts. Africa needs institutional, organisational, and human capacity. Efforts have been made to that effect but there is room for further improvement.

To finance its own development and the various national and continental programs, African countries need to strengthen their capacities for domestic resource mobilisation. For instance, it is assumed that by strengthening the capacity for domestic resource mobilisation, Africa will be able to efficiently mobilise and utilise the annual investment of US\$ 93 billion required over the next decade to close its infrastructure gap, recruit the 3.8 million teachers needed within five years to achieve universal primary education, and bear the cost of halving the number of people living in extreme poverty which is estimated to be US\$ 4.2 billion for sub-Saharan Africa.

Scaling up

Capacity, in its various dimensions, is still a challenge for Africa not just for domestic resource mobilisation. [The Africa Capacity Index \(ACI\)](#) 2015 shows that the bulk of African countries have 'medium capacity' (73.3% of the 45 surveyed countries). While only 17.8% of the countries are in the bracket of 'high capacity', 8.9% are in the 'low capacity' bracket. The ACI measures policy environment, processes of implementation, development results at country level, and capacity development outcomes. Countries have acute capacity needs for scaling-up domestic resources mobilisation.

The majority of countries among 45 surveyed expressed high needs for capacity building in four key areas: collecting revenue, strengthening the financial sector, fighting corruption, and curbing illicit financial flows. More efforts can be done as in terms of tax collection. 27 out of 47 have a tax effort index below 1 and among the low effort countries are several resource rich countries such as Algeria, Angola, Chad and Nigeria. Although they could increase their tax revenues from direct and indirect taxes, it is quite possible that the availability of resource rents is distorting the incentive to make more effort.

Though the lack of capacity is at the centre of the issues, it is however to be noted that incentives are also crucial. Relying on future revenues from natural resource exports, resource-rich countries are more likely to take on more debt to finance non-productive and bureaucratic activities, therefore reducing their effort in collecting taxes.

Institutional and human capacity imperatives for scaling-up domestic resource mobilisation. In addition to the rules and regulations, the capacity of institutions in the domestic resource mobilisation chain must be reinforced to increase domestic resource mobilisation. Moreover, there is need to foster visionary leadership, change mindset and address other soft capacities such as understanding the development issues and the importance of paying tax; following positive social norms, values and practices conducive to DRM; building strong political leadership; and having operational and adaptive capacities.

With the right strategies, scaling-up domestic resources mobilisation is possible as illustrated by

the success stories documented in the [Africa Capacity Report 2015](#). Fiscal resource mobilisation is the area with the most visible programs and notable successes: Morocco, South Africa, Zambia and Zimbabwe are exemplars. But efforts have been lopsided in favor of fiscal-resource pooling while little or nothing has been done for better managing fiscal expenditure. Far-reaching success will be achieved only if resource pooling and expenditure are viewed as two sides of the same coin.

A serious gap also remains in demonstrating the efficient use of fiscal resources for service delivery. All stakeholders have a role to play for effective domestic resource mobilisation and utilisation in Africa. Beside the governments, the private sector, civil society, judiciary and parliaments have a crucial role to play in building capacity for domestic resource mobilisation. The private sector, which includes both domestic and foreign entities, is critical through mobilisation of private savings and corporate social responsibility.

Building capacity for the future

Building on its 25 years' experience in capacity building in Africa, the Africa Capacity Building Foundation (ACBF) is considering domestic resources mobilisation training programs. ACBF is already planning with the Economic Commission for Africa to develop domestic resource mobilisation capacity building program on the continent. For such a program to succeed, there is clearly a need of political and financial support from African governments, donor partners and development stakeholders.

The African Capacity Building Foundation (ACBF) supports capacity building initiatives in Africa through investments in capacity building institutions, technical assistance for capacity building projects and programs to formulate, implement and monitor policies at national and regional levels and Knowledge and learning activities.

The views and opinions expressed here are those of the author and not necessarily those of ECDPM. They are the reflections of the contributors and do not necessarily reflect the official position of the ACBF, its Executive Secretary, Board of Governors, Executive Board, or management.

Photo courtesy of the [World Bank](#).

Read more

[Read more about ECDPM's annual 'Challenges' series here.](#)

External authors

African Capacity Building Foundation