

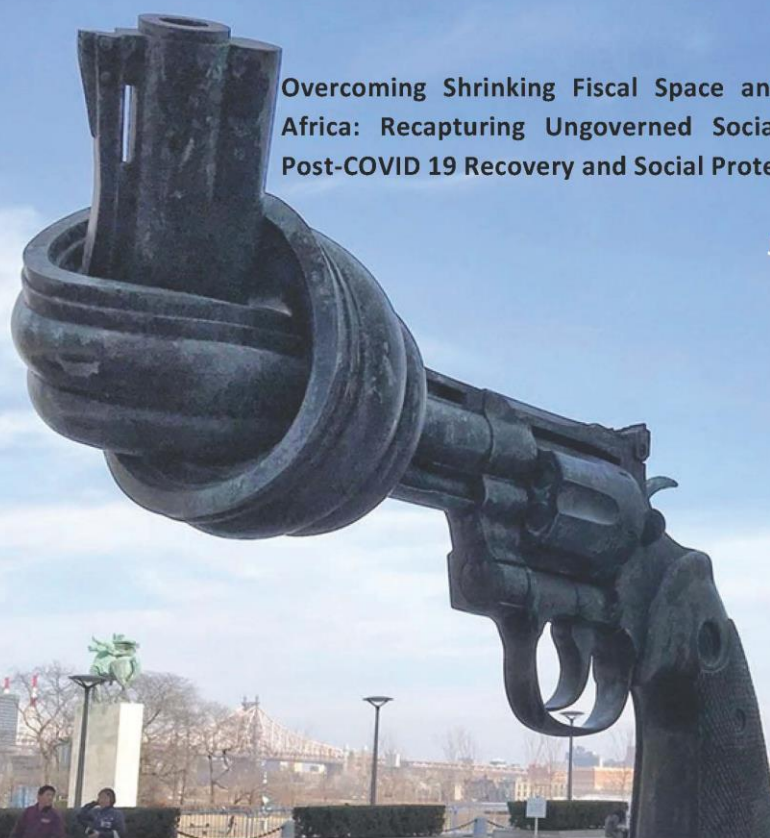
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Overcoming Shrinking Fiscal Space and Fragility in
Africa: Recapturing Ungoverned Social Spaces for
Post-COVID 19 Recovery and Social Protection

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Social Spaces for Post-COVID 19 Recovery and Social Protection

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A: Fiscal space, fragility and the SDGs: Introduction

Governments' inability to sustain spending on essential services pose significant challenges for achievement of the sustainable development goals (SDGs), including the conflict prevention agenda. Service delivery is critical to everyday life in Africa. The SDGs articulate people's basic needs, including access to nutrition, clean water and sanitation, safe housing, affordable energy, health care and education. Everyday millions of people live without these basic needs.

Shrinking fiscal space, and the attendant conflicts, reflects fragility. Shrinking fiscal space resulting from slow economic growth and declining revenue shape the whittling down of government spending on key services including social protection in Africa. The OECD describes fragility as the combination of exposure to risk and limited coping capacity of the state or communities to manage, absorb or mitigate the risks. It can result in violence, breakdown of institutions and humanitarian crises (OECD 2016). Shrinking fiscal space, or state's inability to provide social services, exposes the state to risks associated with breakdown of the social contract, lack of trust in social institutions, and violence.

Poor economic growth arising from less friendly international economic order, and domestic political crises have made it increasingly difficult for the state to raise revenues needed to provide basic social services. But that is just one side of the story; shrinking fiscal space also results from severe financial haemorrhage in 'ungoverned spaces'. Odesola (2022) argues that over 123 billion Naira (\$295,850,547) accrue annually to the National Union of Road Transport Workers (NURTW) in Lagos state, for which is little accountability. The impact of dwindling foreign exchange earnings on social spending can be mitigated if financial leakages in ungoverned spaces are plugged.

Ungoverned spaces have been conceived largely in terms of geography, as places or locations, usually borderlands, mountainous regions and inaccessible terrains, characterised by absent government, and where non state actors dominate. We extend the concept beyond

geography to include spaces right under our noses; social sectors, including health, education, transport, public utilities service, among others. Any of these sectors can be described as ungoverned when aspects of a sector are abandoned by the government, or deliberately ceded, partially or fully, to non state actors, with express approval to extract rents from the sector largely for the benefit of the latter. Such non-state actors are recognised in society as entrepreneurs of violence. They are feared by ordinary citizens and actively courted by politicians. As their popularity grows they enlist boys who do their bidding unquestioningly. Government patronage further fuels their popularity and status.

Variously described as ‘area’ boys, cultists, touts, or local ‘strongmen’, they are employed as private bodyguards to politicians. They may be deployed by political actors to subvert the electoral process, intimidate voters, or inflict physical injury on political opponents to the advantage of their benefactor. The most prominent of these actors at any point in time are those courted by the political party in power. For example, the popular MC Cuomo, Chairman of NURTW in Lagos state, is a strong supporter of the ruling All Progressives Congress (APC). As a such, he is a valued confidant of the leadership of the party, including the state governor. Occasionally, these favoured ‘boys’ fallout with their patrons and become uncontrollable. In such instances, to forestall possible breakdown of law and order, governments may chose to undermine the renegade by empowering the leader of a competing group, or buy quiescence and peace by allocating them juicy patronage.

The literature recognises that in parts of the developing world, public authority is often exercised through ‘informal’ institutions (DFID 2010). Local youth vigilante groups provide protection for property and persons and dispense instant justice. Informal councils collect the money needed to bribe public service providers (ibid). Traditional leaders negotiate access to government funds in return for blocs of votes. While informal structures may complement structures of formal governance, significant financial haemorrhages in ungoverned social spaces portends grave consequences for socioeconomic wellbeing and political stability in Africa.

B: Methodology

Methodology used for the paper is basically qualitative in nature. The idea is to understand why some social sectors are ungoverned and ceded to nonstate actors, and implications for state’s capacity to cope with or manage shrinking fiscal space while avoiding fragility. Therefore, data collection tools used included unstructured interviews with key actors including serving or retired state officials, political party leaders, serving and retired operators in the transport sector, key nonstate actors, and published materials, and observation.

C: Conceptualising Ungoverned Spaces

The concept of ‘ungoverned spaces’ is controversial because there is no general agreement on what it means, what its features are and whether it exists at all (Igboin 2021). The Foreign

and Commonwealth Office (2014: 1) argues ‘the very existence of truly “ungoverned space” is questionable.’ It criticised the idea of ungoverned space for being state-centric, ignoring existence of other forms of authority, and assuming that such spaces are high risk spaces for violence (Foreign and Commonwealth Office 2014: 1–2).

The idea of ungoverned space points to ‘spaces of contested governance and mis-governance’ (Michael Clark and Renad Mansour 2013: 2). For the authors, ungoverned spaces are actually places where governance does not exist or existing governance has been liquidated, and they are now being governed by alternative authorities. They argue for a reconceptualisation of ungoverned space as space voluntarily ceded (mis-governance) and space that is not voluntarily ceded (contested) given that there are no absolutely ungoverned spaces.

Since governance is pivotal to space ownership, the fundamental questions to ask should be: ‘who is governing, how are they governing, and what are the consequences of this mode of governance?’ (Clark and Mansour 2013: 3) This does not obviate the contest, for, as they hold:

In the case of spaces of contested governance, this core problem—how the space is governed and by whom—takes on added significance. By definition, in such areas it is frequently unclear who is governing; often, even when the identity of the dominant actor is established, the manner in which governance is being implemented and its consequences remain opaque (Clark and Mansour 2013: 3)

According to Clark and Mansour, contested spaces are ‘safe havens’ for non-state actors that have come to occupy them. Ilija Djugumanov and Marko Pankovski (2013: 9) succinctly define ‘safe haven’ as a ‘space for operational activity,’ spaces where non-state actors can galvanise and mobilise forces for expansionist purposes. From there, they ‘are able to establish themselves, consolidate, plan, organise, fundraise, recruit, train, and operate’ (Clark and Mansour 2013: 3).

The idea of ungoverned spaces is synonymous with physical space, but sometimes used in connection with cyberspace. It is hardly extended to social spaces. We argue that the idea of space extends beyond physical space and includes any conceived sphere of human activity. Whether physical, cyber or social, the question is whether such space is governed. Social spaces share some of the characteristics of physical space. For instance, social spaces can be ceded and contested, and provide safe haven for some actors to prosper and establish themselves as influential actors in society.

Igboin (2021) argues ‘since the state does not voluntarily cede its space, the idea of mis-governance readily explains the reason for contested governance.’ The state may not cede any part of its territory because it bodes on sovereignty and national prestige. Social spaces, however, have little to do with sovereignty or prestige. It becomes easy for the state to voluntarily cede certain social spaces to members or supporters of the ruling party. This is less

a case of mis-governance than political calculation. Cession of the social space performs some political functions for the state; it enables it settle and retain supporters who are critical to the ruling party's electoral victory at the polls. At the same time, the practice facilitates the beneficiary's desire for economic empowerment. Financial empowerment makes the beneficiary more influential politically, paving the way to access political office or appointment or become a local political godfather in the near future.

Ungoverned space may be likened to state capture. State capture refers to 'efforts of firms to shape the laws, policies, and regulations of the state to their own advantage by providing illicit private gains to public officials' (Hellman & Kaufmann 2001:1). There are three schools of thought on state capture (Dassah 2018). The neo-liberal, neo-institutional economics and Marxists. For neo-liberals, state capture occurs because policymakers are inherently corrupt and use state power for rent allocation and patronage (Robison & Hadiz 2004:4). New institutional economists value intervention of state institutions to address market failure and are opposed to neo-liberals. State capture occurs when institutions are weak or not independent enough to enforce rules (Dassah 2018).

Capture can occur in two ways; lobby and private sector groups who manipulate policy in order to increase their share of national income (Haggard 1985), or policymakers and rent seekers groups as having the common aim of extracting as much as they can from society (Bardhan 2001). Marxists believe the state is controlled by a dominant group, class or coalition, and that it serves the interests of the groups, classes or coalitions. In effect, the state is permanently captured (Srouji 2005).

According to Edwards (2017), the classical definition of state capture refers to the way formal procedures (such as laws and social norms) and government bureaucracy are manipulated by private individuals and firms to influence state policies and laws in their favour. State capture seeks to influence the creation of legislation that protects and promotes influential private interests. Although similar, the deep state subvert elected officials in the name of the national interest. The deep state represents 'a political interplay between the unacknowledged or unrecognised factions inside and outside regular government' who are working together to direct state policies in their favour (Gingeras 2011).

In this respect, deep state can be seen to be similar to state capture, with the distinction being the purpose for which the collusion takes place (Southall). The deep state refers to the situation where agencies of the state collude with businesses and criminal networks to undermine the work of elected political officials with regard to implementation of official policy (Scott 2015). The deep state is usually portrayed as 'dishonourable individuals subverting a virtuous state for their private ambitions' (Grandin 2017). But this is not always the case; sometimes the elements of a deep state take to subversion as a matter of national interest. The political objectives of those involved is underlined by their belief that they are protecting national security and national interests (Gingeras 2010).

The idea of state capture and deep state does not adequately account for situations where actors become captors of social spaces without having to influence policy or legislation in their favour. The rules of the game remain the same, and no attempt is made to influence processes of legislation or policy making in favour of the captors. Similarly, the actors do not have to collude or band together with bureaucrats, the military or police. Yet, they are influential and untouchable. They are not advancing or protecting national interests, but securing their own private interests. They are, however, hidden and unaccountable to the electorate. Unlike the deep state thesis, they are not out to pursue some agenda in the national interest even if it subverts the incumbent government. They are not interested in government ideology and programmes.

D: Key risks and opportunities for Africa's fiscal space

Both the International Monetary Fund and the World Bank (2016) describe domestic resources as the 'largest untapped source of financing to fund national development plans'. A 2016 McKinsey report estimates that 'Africa's total tax opportunity is between \$415 billion and \$620 billion annually. Tax collection could increase by between \$120 billion and \$300 billion annually by 2025, provided that governments are able to overcome several structural challenges, including high levels of informality in business, fraud, non-payment, late payment and tax avoidance.' (Mo Foundation, 2018: 86).

Shrinking fiscal space has been blamed on weak institutions, which undermine domestic revenue mobilisation and governments' ability to harness sufficient financing for development needs. Thus, it has been argued that there was a need to support African countries to boost their fiscal space by strengthening their capacity to mobilise domestic resources for post-pandemic recovery.

The focus on weak institutions exonerates the government of responsibility for the shrinking fiscal space too easily. Weakness was not the original condition of state institutions. Such institutions became weak over time primarily as a result of deliberate policies that made political sense but which had disastrous economic outcomes. Institutions for taxation became weak because government had alternative sources of income, which were far easier and less problematic to collect than tax. But that was not the only problem. As a result of over-reliance on humongous rents from abundant natural resources, governments began to treat sources of taxation as rents or patronage to be distributed to party faithfuls or clients. The history of tax collection in Nigeria is replete with the practice of hiring favoured clients to collect taxes on behalf of government. Such clients exact juicy patronage for the services provided. There is no mechanism for tracking and ascertaining how much was collected in tax and how much was remitted to the national coffers.

At other times, government could parcel out given social spaces or economic sectors to party loyalists or supporters for purposes of rent extraction. Such loyalists are given express but informal and undocumented permission to collect taxes from actors who operate within the given spaces. This category of clients is not required to remit anything to the government. The rent constitute payment for ongoing services, or previous services, delivered to government. The opaque and informal partnership cement the political obligation between the two; clients rally around and support the government in power and the latter ensures uninterrupted flow of patronage in return. In the desperate bid to seize or retain political power, incumbent and opposition political parties actively court the support of nonstate actors in return for juicy niche of ungoverned havens.

The control of nonstate actors over sectors such as taxation and transportation promotes undemocratic culture where people are unaccountable downwardly and upwardly. It breeds a generation of citizens who rely on and use opaque and unaccountable means to achieve their goals. The opulence, popularity and power of such non state actors signal to others in society, especially where poverty and unemployment are high, that brute force pays. The poor and unemployed can easily become the pool from which foot soldiers are recruited.

E: Case Study; NURTW

They wear the nation's green-white-green flag as uniform. They have their own army, arms and ammunition. Their constitution is superior to the laws of the land. They are state-backed bandits. They're a clan of killers. They're the National Union of Road Transport Workers (Odesola 2022).

The leadership of the National Union of Road Transport Workers (NURTW) controls the road transport sector in Nigeria. The NURTW is characterised by violence and its members are often used by political godfathers to violently subvert the electoral wish of the people. The leaders of NURTW become so fabulously wealthy that they shape decisions about who occupies certain political positions in society. In effect, some elected political leaders are beholden to powerful leaders of the sector. While such leaders increasingly accumulate wealth, the state's revenues dwindle and its capacity to provide basic social services deteriorate.

The NURTW controls thousands of motor parks across the country. Every driver is required to pay certain amount of money to leadership of the parks daily in order to operate from any park. The burden of the daily payment is passed on to the passengers in higher fares. Vehicle drivers who decide to pick passengers by the roadside rather than from the park are routinely apprehended by members of the NURTW and fined severely. Monies collected daily from motor parks across the country are shared among the national, state and local leadership.

Interviews with drivers suggest that certain state actors, including the police, are ‘settled’. There is no accountability to any government agency or the general public in terms of how much is extracted from the sector daily, and how it is expended. What is clear, however, is that such monies are never deployed to repair damaged roads, modernise and make motor parks users friendly, or remitted to the state. The fact that the NURTW continues to extract humongous amount of money daily in public glare without recourse to the state seems to support the claim that the government is a beneficiary of the activities of the NURTW in two ways; it receives its own share of the rent extracted, and it retains the unalloyed support of the union, especially in times of electioneering.

Revenues derived from opaque and unaccountable spaces can contribute to meaningful development if collected openly by state officials for the public good. While ceding sectors to nonstate actors might provide short-term political gains to state leaders, in the long run, such action work against the capacity to build strong institutions for service delivery (SDG). Carving a social sector for unaccountable extraction enriches a few at the expense of the majority, worsening horizontal inequalities and abridging the rights of citizens. We can no longer afford business as usual if we are to achieve post-COVID 19 recovery and increasing fiscal space in Africa.

D: Policy areas and recommendations

1. Democratic governance of social spaces.
2. Transparency and accountability in social sectors’ governance.
3. Empowerment of civil society groups to promote and demand transparency and accountability in social sectors.
5. Revamping shrinking fiscal spaces
6. Increased provision of social services
7. NGOs, development partners and donor agencies should draw attention to the opaque nature and financial haemorrhage characteristic of ungoverned public sectors, and nudge governments to promote transparency and accountability in the sectors.
8. Incentivising government to provide governance for social spaces and deploy revenues realised for the public good.
9. There is a need for sanctions for any political party in power that cedes the commonwealth to a nonstate actor in order to curry the support of the latter in a desperate bid to get elected or retain political office.
10. NGOs and donor agencies should focus the search light on such ungoverned social spaces, demanding accountability and transparency on how much is extracted and what happens to such revenue.
11. Above is important if the war against money laundering will be effective.

Conclusion

Shrinking fiscal space resulting from slow economic growth and declining revenue has whittled down spending on social services in Africa, reflecting fragility. Shrinking fiscal space also results from severe financial haemorrhage in ‘ungoverned spaces’. The impact of dwindling revenue base can be mitigated if financial leakages in ungoverned spaces are plugged.

Vast locally available sources of funding have not been explored. Instead, shrinking fiscal space has been blamed on weak institutions, leading to the argument that there was a need to strengthen state’s capacity to mobilise domestic resources. The focus on weak institutions exonerates the government of responsibility for the shrinking fiscal space too easily.

Revenues derived from opaque and unaccountable spaces can contribute to meaningful development if collected openly by the state. While ceding sectors to nonstate actors might provide short-term political gains, in the long run, it undermines the capacity to build strong institutions for service delivery. Carving a social sector for unaccountable extraction enriches a few at the expense of the majority, worsening horizontal inequalities and abridging the rights of citizens.

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