

Overcoming Shrinking Fiscal Space and Fragility in Africa

Recapturing Ungoverned Social Spaces for Post-COVID 19 Recovery and Social Protection

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Objective

- African countries are poor and have difficulties providing social protection and development
- They grapple with shrinking fiscal space
- They are endowed with rich domestic sources of tax
- Such sources are parcelled out to clients as patronage, becoming ungoverned social spaces
- The debilitating impact of shrinking fiscal space can be mitigated by reclaiming revenues from ungoverned social spaces

Africa's fiscal space: key risks and opportunities

- Domestic resources the 'largest untapped source of financing to fund national development plans'
- 'Africa's total tax opportunity is between \$415 billion and \$620 billion annually.'
- Weak institutions blamed for shrinking fiscal space (strengthen)
- Focus on institutions exonerates the state too easily
- Governments cede social spaces as patronage to supporters
- Humongous rent extracted without accountability
- Money laundering

Living within constraints

- State unable to provide social services due to poor economic growth arising from adverse economic order, and domestic political crises
- Shrinking fiscal space also results from financial haemorrhage in 'ungoverned spaces'.
- Over 123 billion Naira (\$295,850,547) accrue to National Union of Road Transport Workers (NURTW), Lagos state. And No accountability.
- Impact of dwindling foreign exchange earnings on social spending can be mitigated if financial leakages in ungoverned spaces are plugged.

Methodology

- Road transport is a case of an ungoverned social space ceded to nonstate actors for unaccountable extraction of rents
- Case study of two motor parks in Osogbo, Osun State, Nigeria, involving interviews with drivers, key informants, and local leadership of the motor parks
- Observation and use of motor parks
- Secondary sources, including written texts, newspapers articles and online sources

NURTW: Key findings

- NURTW controls hundreds of motor parks across Nigeria. Every driver is charged an amount of money to operate in parks. Charges are collected daily and shared among the leadership.
- There is no accountability how much is extracted from parks daily, and how it is expended.
- Clearly, funds are never used for the public good, or remitted to government.
- NURTW provides political support for govts in return.
- Also, NURTW makes returns to govt agencies

Policy recommendation

- Transparency and accountability in social sectors' governance.
- Empowerment of CSOs to demand and promote transparency and accountability in social sectors.
- Media, NGOs and donor agencies should draw attention to the opaque nature and financial haemorrhage characteristic of ungoverned public sectors.
- Incentivise govts to reclaim social spaces and deploy revenues realised for the public good.
- Sanctions for political party or leader who cedes the commonwealth to nonstate actors for selfish political gains.
- Media, NGOs and donor agencies should demand to know how much is extracted from ungoverned social spaces (motor parks) annually and what happens to such revenue.
- Unaccountable revenues from ungoverned social spaces be designated as illicit financial funds