



Governance

Conclusion

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Last updated 19 January 2024 using IFs v7.84

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Many African countries still apply the government systems that were established during colonialism. That is particularly evident in how these countries have unquestioningly adopted the security architecture of their former colonial masters with armed forces orientated towards external defence. In contrast, Africa's security challenges are almost entirely internal and dealing with so-called ungoverned spaces. The result is that African governments invest in conventional defence systems such as fighter planes, tanks and naval combat aircraft that are superfluous to their requirements instead of responding and optimising their limited means for the actual challenges that they face.

Demands for more effective public spending, accountability, and innovative approaches to local challenges are eating away at the colonial model in other ways as well. Advocates of decentralisation are mainly focused on the challenge of providing the devolution of more authority to provinces (such as to the county system in Kenya) and Africa's growing number of metropolitan areas, such as Luanda, Lagos and Cairo. Even the AU placed decentralisation on the agenda in 2014,[1] with some countries adopting federal systems.

Against this background it is concerning that the quality of governance in Africa has essentially remained unchanged for more than the last decade, reflecting slow economic growth, modest improvements in average incomes and the impact of various global shocks. The recent economic downturns have also led to several coups in West Africa. Determined efforts to improve security and capacity are needed. Against this background, the Governance scenario models the potential impact of better governance on various outcomes such as income, poverty and growth.

It is, eventually, easy to underestimate the challenges of governance in Africa and the time horizon required to improve development outcomes, although determined leadership can change things much more rapidly. At low levels of development, these changes are more easily achievable in an autocratic than a democratic context, but it is critically dependent on appropriate leadership. Factor endowments such as ethnic fragmentation, geography and history are significant, but what a country *does* is more important for its future than only pointing to the legacies of the past. In this context, electoral contestation can be disruptive but serves as an essential vehicle towards the legitimacy of government.

The one area most amenable to reform that would directly impact security and capacity would be improving government revenues. Tax revenue has progressed in African countries, but most remain below their tax potential, the maximum tax a country can collect given its economic structure and institutions. A new study by the IMF[2] suggests a significant unmet tax potential, especially in low-income countries, implies that a further increase in domestic revenue is achievable with appropriate policies.

Higher domestic revenue will improve public finances and help reduce new borrowing while providing fiscal space for well-targeted spending to revive growth.

The adoption of a robust digitalised tax system holds the potential to bring about substantial improvements in domestic revenue collection within African nations. By implementing technologies like e-filing, e-invoicing, and e-accounting, the tax collection process can be streamlined, corruption minimised, and the overall tax base broadened. With one of the most advanced digital tax administration systems among emerging economies, Mexico[3] reduced total tax evasion from 35.7% in 2012 to 16.1% in 2016, while the tax base has grown by around 150% since 2010.

Furthermore, introducing targeted taxes, such as those on carbon and sugary products, can increase revenue and reduce health and climate-related expenditures. Additionally, non-tax revenue sources, such as rents and royalties from sectors like oil and mining, can be optimised through improved contractual arrangements with multinational corporations. Combatting illicit financial flows, including tariff evasion and misreporting transactions, is also essential. For instance, the Kenya Revenue Authority plans to establish unique partnerships with its international counterparts to ascertain the

accurate value of [imports](#) from China. Lastly, it is imperative for countries to periodically review and renegotiate their bilateral tax treaties to ensure fairness and prevent revenue loss. Recently, Burkina Faso's finance minister, Abubakar Nacanabo[4], stressed that the country is deprived of 40 to 50 billion FCFA (about 80 to US\$ 100 million) annually owing to 'unbalanced' bilateral tax treaties with France.

Efforts to improve domestic revenue should go hand in hand with efficient spending by cutting down on wasteful spending. A comprehensive assessment of public investment programs ensures that limited resources genuinely serve economic growth.

In addition, countries must redouble their efforts to advance growth-enhancing reforms. To that end, reforms that improve governance and the business environment, reduce business costs, and strengthen institutions and regulatory quality are crucial to attracting more foreign and domestic investment to boost growth. Higher growth rates will lower the debt-to-GDP ratio through the denominator effect, strengthen government revenue, and help reduce new borrowing and stabilise public debt.

In summary, improving domestic revenue through a well-designed and modernised tax system and policies to maximise non-tax revenue, increased spending efficiency, and growth-enhancing reforms can help many African countries improve stability and capacity.

That said, the nature and the distorted process of state formation in Africa remains at the heart of many of its development challenges today, more than half a century after the end of colonialism. Generally, states in sub-Saharan Africa are younger and poorer than most international peers. Colonialism and its legacies have severely disrupted their natural evolution, and political violence has been a central feature of the region's recent history. Given the limited progress towards consolidating security and increased capacity, democratisation in Africa rests on weak foundations, opening the possibility of a regression to lower or more 'appropriate' levels. At the same time, a façade of regular elections hides the reality of no or little change in the balance of political, economic and social power.[5]

Because of the marginal position that the continent occupies politically and economically and because of the potential multiplier effect of limited and poor governance in many African countries, levels of armed conflict in Africa remain sensitive to global developments. A passing reference was made to external factors, such as the impact of populism and geopolitical competition between the US and China, which are examined and modelled in a separate [theme](#). The effect of the COVID-19 pandemic, the global resurgence of autocracy, the increase in tensions between the West and China, and Russia's invasion of Ukraine all harm Africa's stability.

Yet, in continuance of long-term trends, Africa is likely to experience further reductions in armed violence in the 21st century because of increasing levels of education and literacy, substantive democratic accountability and global connectivity. The Governance scenario forecasts the improvements that would follow a determined effort. Still, the continent will likely continue to experience high levels of riots, protests and terrorism, particularly if, as expected, the trend towards democratisation resumes.

If better governance is a prerequisite for growth, Africa is in trouble. Yet, if better governance (like democracy) accompanies development, the prospects may be more positive. An influential school of thought argues that 'the development agenda should not be overloaded with governance reform.'[6] This approach implies that slow improvements in measures such as government effectiveness in Africa have tracked mediocre economic trends and that rapid economic growth will translate into better governance. A major challenge would be for Africa to find ways of dealing with neopatrimonialism, with decentralisation having some potential.

Technically, poor African countries need not necessarily a democratic state but a developmental condition where the

'political and bureaucratic elite has the genuine developmental determination and autonomous capacity to define, pursue and implement developmental goals.'^[7] The challenge is that this requires either a developmentally oriented governing elite or liberal democracy, where accountability translates into impact at the ballot box. Although the latter is a more desirable path, it takes longer and is costly.

The issue, for Western donors, is that of balance — finding the 'appropriate' level and content relating to democracy and human rights at different development levels.^[8] The distinction between first-, second- and third-generation human rights as applied to low-, middle- and high-income countries could provide a starting point for countries willing to assist but are sensitive to the importance of human rights and democracy domestically and internationally.^[9] Even then, assistance is likely best provided if it is conditional on clear outcomes.

Chart 22: Key recommendations

Recommendations

1. The African state is an external imposition and struggling to simultaneously become more stable, get more capacity and become more inclusive.
2. The quality of governance in Africa has only improved very slowly
3. Most African states have low levels of stability, need to improve capacity (particularly in sub-Saharan Africa) and must become more inclusive (particularly in North Africa)
4. While armed violence may decline over time, riots and protests are likely to increase, requiring appropriate interventions and expenditure
5. Africa must tackle the problem of neopatrimonialism, possibly through increased efforts at decentralisation of authority
6. Foreign aid must be tied to clear outcomes to avoid adverse effects
7. African partners must focus on good governance and fair elections, not currently unattainable human rights standards while working on global tax reform and reducing illicit outflows
8. African governments should focus on improving government revenues, particularly through tax reform and cutting down on wasteful spending.
9. Also see the Financial Flows theme on this website

Endnotes

1. See: African Union, *African Charter on the Values and Principles of Decentralisation, Local Governance and Local Development*.
2. J C Benitez et al, *Building Tax Capacity in Developing Countries*, Washington, DC: International Monetary Fund, 2023.
3. J Rosengard, *Tax Digitalization in Mexico: Success Factors and Pathways Forward*, Better than Cash Alliance, 2020
4. Lefaso.net, *Burkina/Denunciation of the tax treaty on the avoidance of double taxation: The model with France is not in line with that of the United Nations, according to the Minister of the Economy*, Lefaso.net, 23 August 2023
5. Also in accordance with N Cheeseman, *The state of democracy in Africa*, Democracy in Africa, August 2015.
6. See, for example: JK Sundaram, *Does good governance always boost development?*, World Economic Forum, June 2015.
7. A Leftwich, *Governance, democracy and development in the third world*, *Third World Quarterly*, 14:3, 1993, 620.
8. N Cheeseman, *The state of democracy in Africa*, Democracy in Africa, 14 August 2015
9. First generation rights are fundamentally civil and political in nature such as the right to life, equality before the law, freedom of speech, freedom of religion, property rights, the right to a fair trial, and voting rights. Second generation rights are economic, social, and cultural in nature that guarantee different members of the citizenry equal conditions and treatment. Examples include a right to be employed in just and favourable conditions, rights to food, housing and healthcare, as well as social security and unemployment benefits. Finally, third generation rights focus on collective concepts, such as community or people. Examples would be the right to self-determination, to natural resources, and a healthy environment.

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Cite this research

Jakkie Cilliers (2024) Governance. Published online at futures.issafrica.org. Retrieved from <https://futures.issafrica.org/thematic/12-governance/> [Online Resource] Updated 19 January 2024.



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Dr Jakkie Cilliers is the ISS's founder and former executive director of the ISS. He currently serves as chair of the ISS Board of Trustees and head of the African Futures and Innovation (AFI) programme at the Pretoria office of the ISS. His 2017 best-seller *Fate of the Nation* addresses South Africa's futures from political, economic and social perspectives. His three most recent books, *Africa First! Igniting a Growth Revolution* (March 2020), *The Future of Africa: Challenges and Opportunities* (April 2021), and *Africa Tomorrow: Pathways to Prosperity* (June 2022) take a rigorous look at the continent as a whole.

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