How to Implement Domestic Resource Mobilization (DRM) Successfully for Effective Delivery of Sustainable Development Goals (SDGs) in Africa

An Innovative Policy Delivery Model

By Landry Signé

Summary

Given the contingent nature of external resources as a partial explanation of the mitigated results of the Millennium Development Goals, this note considers that domestic resource mobilization (DRM) is a key to effective delivery of the SDGs in Africa. Literature broadly supports the use of DRM across the continent, but there is little research that looks to understand under what circumstances it is most successful. Building on Matland's work, this policy brief proposes an innovative comprehensive analytical and predictive model, which explains the key factors leading to failure or success, providing policymakers with contextual and operational policy options to help implement DRM successfully for effective delivery of the SDGs.

Despite the adoption of a pan-African resource mobilization strategy in addition to various other national strategies, Africa has not reached the 7% annual growth rate target nor mobilized the US $64 billion per year necessary to implement the MDGs successfully. With the adoption of Sustainable Development Goals, sufficient financing is therefore crucial for success.

Although African leaders should do what it takes to keep external and private sources of development finance growing substantially, the consistency and regularity of these funds are uncertain, since contingent factors (economic and financial crises, war against terrorism, etc.) may unintentionally reduce resources initially intended for Africa. Therefore, the ability to mobilize domestic resources effectively and systematically and to manage them efficiently to achieve development goals remain key factors necessary for the successful implementation of development strategies, including the Sustainable Development Goals.

This note will focus on domestic resource mobilization (DRM) as a key factor for successful delivery of the Sustainable Development Goals. For decades in Africa,

1. The author is grateful to the OCP Policy Center for its support, and to his research assistant Matthieu Ostrander for his contribution.
numerous innovative resource mobilization strategies have been adopted in areas such as (i) tax policy and collection, (ii) harnessing sustainable streams of revenue from natural resources, (iii) subsidy reforms, and (iv) improving public sector procurement practices. Most of these strategies have failed to reach their goals, the latest being the DRM strategies for the implementation of MDGs. For example, a minimum 4 percentage-point increase in tax-to-GDP ratio was required for most LDCs to succeed at achieving the MDGs, which was not achieved by any LDC. Why did Africa fail to secure enough financial resources to meet the MDG targets, and what can be learned to fix it and successfully to mobilize resources for effective delivery of the Post-2015 Development Agenda on the continent? Rather than simply adding a suggestion to the already extensive domestic sources of finance (Signé, 2015), we innovate by proposing a systematic analytical and predictive model, which explains the key factors leading to failure or success and provides policymakers with contextual and operational policy options to help implement DRM successfully for effective delivery of the Post-2015 Agenda.

« With the adoption of Sustainable Development Goals, sufficient financing is therefore crucial for success»

An Enhanced Ambiguity-Conflict Implementation Matrix as a Solution?

Why is it relevant?

Far too often in Africa, countries and continental organizations fail to implement well-intentioned resource mobilization strategies successfully or to secure the initially anticipated outputs necessary to deliver development goals. Instead of simply identifying new sources of finance, a sustainable development agenda to increase DRM must also consider why and how policies succeed or fail. Post-2015, the question is not about whether to take ownership and adopt more DRM strategies, but how best to implement country-specific and regional domestic strategies that overcome contextual challenges while efficiently securing and optimally channelling resources for achieving appropriate development goals. Consider the case of Ethiopia: despite an average growth rate of more than ten percent between 2001 and 2011, Ethiopia is ranked 173 among 185 countries in the Human Development Reports, making it one of the worst-performing states. It has an average annual income of approximately US $400, less than a third of the regional average, making it one of the poorest countries in sub-Saharan Africa (SSA). These factors point to a broader necessity: the need for a holistic development agenda that is both localized and implemented based on the context within countries. This consideration is particularly important in the poorest countries, those that lack resources, have fragile state structures, or are post-conflict states, since they rely mostly on external sources that are increasingly strained.

For the Post-2015 Agenda, the most important factor is ensuring that necessary development objectives can be successfully implemented.

What is new about it?

We innovate by proposing a systematic analytical and predictive model which explains the key factors leading to policy failure or success and provides policymakers with contextual and operational policy options to help implement DRM successfully for effective delivery of the Post-2015 Agenda. We base our analysis on policy implementation theories, which have been largely ignored in studies of policy change in Africa. The central questions for these theories are how policies are successfully implemented and why critical differences occur between the intent at the initial formulation of the policy and the outputs after the final stages of implementation. This paper argues that a review of policy implementation is the best lens by which to evaluate the various components of DRM, given its importance to the successful accomplishment of the Post-2015 Development Agenda.


8. See, for example Pressman and Wildavsky, 1973; Sabatier and Mazmanian, 1983; Lipsky, 1980; Barrett and Fudge, 1981; Elmore, 1982, Goggin et al., 1990; Matland, 1995; O’Toole, 1997; Fixen et al., 2005, Wandersman et al., 2008; Meyers, Durlak, Wandersman, 2012; and Signé, 2013.
In particular, we complement Matland’s ambiguity-conflict model, aiming to explain and predict the difficulties for policy implementation in sub-Saharan Africa (SSA) and to provide a roadmap of potential solutions. Top-down policy implementation models\(^9\) utilize the decision of an authority as a starting point, identifying the traceability of the problem and the ability to structure implementation, as well as the non-statutory variables affecting implementation. Most top-down models advise governments to have clear and consistent goals, to limit the extent of change necessary, and to place the responsibility for implementation in an agency sympathetic to the policy’s goals. These models regularly neglect prior context and political aspects, as if successful implementation were only a matter of administration, depending only on the availability of resources. Moreover, these models tend to focus on the entity crafting the policy rather than those affected by it\(^10\) and ignore the role of opponents of the policy in the policymaking process.

Conversely, bottom-up policy implementation models\(^12\) view policy from the perspective of target population and the service deliverers. They tend to believe that central decision-making is poorly adapted to local conditions and that flexibility is important to reach goals. They are usually criticized as overemphasizing local autonomy and favoring administrative accountability over democratic accountability and the ability of policy leaders to structure local behaviors.

Matland’s ambiguity-conflict model is a synthesis of the top-down and bottom-up schools of implementation. Broadly speaking, two primary factors help explain the success or failure of implementing various DRM strategies: the degree of policy ambiguity and the degree of policy conflict. These factors are best conceptualized as interrelated axes, where the domestic context of each country determines the placement of specific policies within an implementation matrix (see Figure 1). In our model, the degree of policy conflict is based on an understanding of human beings as rational and self-interested actors with varying interests, which regularly diverge and usually provoke conflict. Policy ambiguity evolves when goals or means related to a policy are unclear.

**Low-Ambiguity, Low-Conflict = Administrative Implementation**

When levels of both conflict and ambiguity are low, implementation is administrative and will be successful if resources are available. Policies with low ambiguity and low conflict have clearly-defined goals and a set of procedural steps necessary to accomplish the goal which are well-known and understood, e.g., labor, capital, or knowledge, since implementation is top-down and administrative in nature. For example, at the point at which building a road has been approved by regulators, has no opposition from local residents, and the remaining efforts are in the hands of a very competent firm with much experience, there is little conflict or ambiguity remaining and the project is certain to succeed.

**High-Ambiguity, High-Conflict = Symbolic Implementation**

When levels of both conflict and ambiguity are high, implementation is symbolic and its success depends on the strength of the coalition.

Many countries know the solution to tax collection involves comprehensive electronic systems—they have the technical ability to implement a solution and have access to resources to fund more efficient electronic systems, but face resistance or lack of will to implement them from neo-patrimonial government interests, whom

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an electronic system would potentially force to be more transparent, reducing their ability to engage in corruption and graft. Countries face conflict internally, since their leaders surely know that increasing the tax base and size of the formal economy is beneficial, but goals diverge when it comes time to maintain power. High-ambiguity and high-conflict situations are those most prone to produce dangerous conditions in SSA. The lack of a clear goal or goal-achievement process creates space for numerous possible interpretations—particularly when a plurality of actors is involved. For example, implementing controversial tax reforms is in large part dependent on the perception of (and presumably, the response of) political groups and actors.


Low-Ambiguity, High-Conflict = Political Implementation

When conflict is high and ambiguity low, implementation is political and power is the prime determinant of successful implementation.

« When levels of both conflict and ambiguity are high, implementation is symbolic and its success depends on the strength of the coalition »

The clear benefits of low-ambiguity policies are often constrained by high levels of conflict, which can come from multiple sources: it can be internal, such as within a political administration; external, such as from opposition parties; or both. For example, it is easy to say that countries should attempt to promote utilization of the formal financial sector, including bringing assets traditionally held in the informal sector, such as livestock, into the formal financial system, while developing financial products that are easy to access at varying levels of consumption, or attempt to bridge the gap between the sectors by insuring deposits and expanding the use of technology. In this implementation scenario, success is a political matter and depends on how well the government can ensure the compliance of other actors. Conflict in this scenario is external. Even though a government has gone through figuring out how to adopt electronic systems, opposition from participants in the informal sector still poses a challenge. For example, businesses refuse to participate in the formal sector, because they see little advantage to paying taxes, which conflicts with their goal of generating profit. In essence, problems in this category stem from clearly-defined goals that are in conflict with other interests.

High-Ambiguity, Low-Conflict = Experimental Implementation

Finally, when conflict is low and the ambiguity high, the implementation is experimental and will depend on contextual conditions.

Conversely, policies with high ambiguity are seldom clear, defined, or, in many cases, anything more than a type of ideology. For example, broadly, poverty-reduction policies have a theoretical backing and many supporters, because the policies are normatively good in their intent. However, poverty-reduction policies are a category of policy where there are several different subordinate policies that could potentially be proposed. These circumstances are referred to by some scholars as a “garbage can” process. Often, broad goals are widely accepted but suffer from a lack of clarity in how they should be met. The roles of interested actors are undefined, often leading to fragmentation. Seldom is there any consensus, even between highly skilled or well-financed groups. As a result, each attempt should be considered an individual experiment. Numerous policies fall into this category. Broad mandates such as expanding consumer access to markets or increasing domestic business growth are good examples, but this category also includes more specific goals, such as implementing innovative financing mechanisms, for instance, diaspora bonds.

We complete Matland’s model by extending the scope of solutions (motivation, learning, autonomy, incentives and constraints, institutional factors, organisational structure, governance, leadership, staff competency, network management, processes, and communication), and integrating DRM strategies.
<table>
<thead>
<tr>
<th>Low ambiguity</th>
<th>High ambiguity</th>
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<tr>
<td><strong>Low conflict</strong></td>
<td><strong>High conflict</strong></td>
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<tr>
<td><strong>Administrative implementation</strong></td>
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<tr>
<td>(Factors needed for success: Resources, motivation, learning, staff competency, processes)</td>
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<tr>
<td>Clear goals and strategy, with labor, capital, or technological resources needed</td>
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<tr>
<td>• Increasing rural tax collection</td>
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<td>• Obtaining knowledge from experts</td>
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<td><strong>Political implementation</strong></td>
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<tr>
<td>(Factors needed for success: Power, autonomy, governance, leadership)</td>
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<tr>
<td>Clear goals and strategy, but clash of ideology stymies implementation</td>
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<tr>
<td>• Switching to electronic tax collection systems</td>
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<td>• Elimination of fuel subsidies</td>
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<td>• Incorporation of the informal sector</td>
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<td>• Reforming tax structures</td>
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<td><strong>Experimental implementation</strong></td>
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<tr>
<td>(Factors needed for success: Contextual conditions, institutional factors, organisational structure, culture)</td>
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<tr>
<td>General strategies or theories that lack specific clarity or have undefined roles</td>
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<tr>
<td>• Diaspora bonds</td>
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<td>• Foreign currency bank accounts</td>
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<td>• Funneling other flows into promoting DRM</td>
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<tr>
<td><strong>Symbolic implementation</strong></td>
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<tr>
<td>(Factors needed for success: Coalition strength, incentives and constraints, network management, communication)</td>
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<tr>
<td>Unclear goals or strategy, but deeply conflicting on an ideological basis</td>
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<tr>
<td>• Redistributive taxation to transfer wealth from elites to the impoverished</td>
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<td>• Increasing domestic savings rates</td>
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<td>• Privatizing government service delivery</td>
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(Sources: Adjusted from Matland by Signé)
Conclusion:

The enhanced Implementation Matrix for DRM Strategies offers a systematic analytical and predictive framework presenting the most prominent factors in explaining the success or failure of policies, with clear policy options likely to secure intended results.

When goals and strategies are clear in cases of low ambiguity and conflict, administrative implementation requires resources (labor, capital, financial, and technological), motivation, learning, staff competency, and efficient processes to be successful. Illustrative DRM policies include increasing rural tax collection and obtaining knowledge from experts.

Political implementation requires power, autonomy, governance, and leadership to overcome the ideological or paradigmatic challenges putting successful policy delivery at risk, despite the clarity of goals and strategies. Illustrative DRM policies may include switching to electronic tax collection systems, eliminating fuel subsidies, or incorporating the informal sector.

When the strategy is broad with a lack of clarity or undefined roles, experimental implementation necessitates contextual conditions, institutional factors, organisational structure, and culture, since ambiguity is high and conflict is low. Illustrative DRM strategies include diaspora bonds, foreign currency bank accounts, and funnelling other flows into promoting DRM.

Finally, with unclear goals and strategy combined with deeply conflicting paradigmatic or ideological perspectives, symbolic implementation needs coalition strength, incentives and constraints, network management, and communication. Illustrative DRM policies may include redistributive taxation to transfer wealth from elites to the impoverished, increasing domestic savings rates, and privatizing government service delivery.

In our next policy brief, How to Implement DRM Successfully in Africa for Effective delivery of SDGs: Part 2: Illustrative Actionable Solutions, we will be completing this policy delivery model by presenting comprehensive illustrative solutions for each implementation type (administrative, political, experimental, and symbolic).
Bibliography:


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Landry Signé is Senior Fellow at OCP Policy Center. He is a distinguished fellow at Stanford University’s Center for African Studies and Senior Non Resident Fellow at OCP Policy Center; the founding chairman of the award-winning Global Network for Africa’s Prosperity; co-founding partner and global chief strategy officer at Venture Kinetics, a small boutique venture fund financing and unlocking the value of breakout technology-enabled companies in Sub-Saharan Africa; professor of political science at the University of Alaska Anchorage; faculty of emerging African markets at the Business Department of Stanford University’s Continuing Studies; and special adviser to global leaders on business, international and African affairs. Previously, Prof. Landry Signé was founding president of Axcentis International Inc., a business strategy and development firm based in Montreal and a visiting scholar at the University of Oxford. He has also served on the boards of directors or advisors of organizations such as AMPION Catalyst for Entrepreneurship and Innovation, Youth Leadership Observatory, Citizens Governance Initiative, and the United Nations Association of Canada–Montreal.

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