

ANALYSIS OF THE INSTITUTIONAL DRIVERS OF DEFENSE EXPENDITURE IN SUB-SAHARA AFRICAN COUNTRIES

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ABSTRACT

Sub Saharan African (SSA) countries are ranked low below 40 out of 100 when compared with other regions in terms of institutional quality. These institutional qualities include voice and accountability, perception of corruption, regulatory quality, rule of law etc. These factors measure government's response to public demand. Institutions are seen as the driving force of any economy. They dictate how the economy is organized. North America and Europe have very high ranking in institutional quality. SSA countries have an average of less than 40 in institutional quality (International Country Risk Guide). This suggests that for SSA, these institutions are not in tandem with other region. This study examined the influence of institutional determinants of defense expenditure in Sub-Saharan Africa (SSA) countries. The study period covered the year 2000 to 2015. The Generalized

method of moments was used as the econometric technique for estimation. Variables such as previous defense spending, rule of law, political stability, and government effectiveness were used. The findings revealed that institutional factors such as past defense spending, government effectiveness, rule of law and political stability were statistically significant. The study therefore recommends that policy makers should allow institutions to work so as to avoid wasteful spending by the governments in SSA countries.

Keywords: Institutional, determinants, defense, Sub-Saharan Africa

JEL Classification: H5, H41

1. INTRODUCTION

Sub Saharan African (SSA) countries are ranked low below 40 out of 100 when compared with other regions in terms of institutional quality (Hammadi et al, 2019). These institutional qualities include voice and accountability, perception of corruption, regulatory quality, rule of law etc. These factors measure government's response to public demand. Institutions are seen as the driving force of any economy (Siba, 2007). They dictate how the economy is organized. North America and Europe has very high ranking in institutional quality (above 45 out of 100). SSA countries have an average of less than 40 in institutional quality (International Country Risk Guide [ICRG] 2017). This suggests that for SSA, these institutions are not in tandem with other region.

Defense expenditure on the other hand in SSA countries has been divided into three phases which are between 1966-1977, 1977-1996 and 1997 to 2014 (SIPRI, 2017). These three periods saw different causes for different expenditure. For example, the second phase (that is 1977 -1996) saw the International Monetary Fund (IMF) and the World Bank advising SSA countries to observe democratic practices and apply the

structural adjustment program. During this period, defense expenditure in SSA reduced from \$14.7 billion to \$7 billion. This is almost a fifty percent reduction as a result of the recommendations by IMF and World Bank. In other words, institutions have some level of influence on defense expenditure.

Institutions are operated by individuals called civil servants who are thorough professionals and have the role of planning, organizing and executing government's daily activities. They belong to the executive, legislature and judicial arms of government. They ensure that government's spendings are properly planned based on available information from the public. Without these institutions, governance will be very difficult. In SSA countries, the institutions are also operated by individuals. However, there is a situation where adherence to the rule of law is ignored. In fact, World Governance Index ICRG (2017) ranked SSA low (below 40) in institutional quality. This explains the reason why there is low or weak institution. As a result of this, expenses are carried out without due process and this will lead to high cases of corruption. No wonder, the WGI (2018) ranked SSA as the second most corrupt region in the world. When institutions are weak, corruption creeps into the government and scarce resources are either