The Impact of Multi-Party Politics in Sub-Saharan Africa

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1. Introduction
A wave of democratisation spread through Africa in the early 1990s, representing the most significant political change in the continent since the independence period three decades before. Throughout Africa, significant political liberalisation resulted in the emergence of a free press, opposition parties, independent unions and a multitude of autonomous civic organisations. Botswana, Mauritius and Zimbabwe have conducted regular multi-party elections since their independence, and Senegal since 1979; but in 29 out of 47 states in the region, the first multi-party elections in over a generation took place between 1990 and 1994 (Bratton and van de Walle, 1997). In a smaller set of countries that had been non-democratic, these elections were fully free and fair and resulted in the defeat and exit from power of the erstwhile authoritarian head of state. By the end of the decade, only a small minority of states were not officially multi-party electoral democracies, even if the practice of democratic politics was often far from exemplary.

Has the new, more open, political climate undermined economic reform in Africa? Has there been a negative (or positive) correlation between economic and political reform in the 1990s? What impact has democratisation had on the patterns that have characterised African politics in the past? It is important to understand the impact of democratisation on African economies because it can provide real insights into the dynamics of change in Africa’s contemporary political economy.

At the beginning of the 1990s, the dominant point of view among observers of the African scene appeared to be one of optimism about the region’s politics, but pessimism about its economic pros-
pects. Rather curiously, today that assessment seems reversed. During the period 1994–98, as documented above, Africa witnessed its best economic results in over a decade. The International Financial Institutions (IFIs) have suddenly become cautiously optimistic about the region, relieved to be able to argue that their policy package is finally working. The usually cautious *Economist* went so far as to declare that ‘Sub-Saharan Africa is in better shape than it has been for a generation’, pointing out that its overall growth rate was 4.4 per cent in 1996, ‘higher than it had been for two decades’ (‘Emerging Africa’, *Economist*, 13 June 1997).

Some observers have retained their optimism (Diamond, 1997; Wiseman, 1999). However, the ethnic violence that put an end to the democratic regime in Burundi, factional street-fighting in the Congo’s capital in 1993 and then again throughout 1997 and 1998, and highly flawed second multi-party elections in Mali, Zambia and Madagascar have led many observers to belittle the degree of political liberalisation actually achieved in the past and the prospects for democratic consolidation (e.g. Monga, 1997; Ottaway, 1997). The countries that are increasingly viewed as stable and evolving in the right direction are regimes such as Museveni’s in Uganda, or Campaore’s in Burkina Faso, neither of which can qualify as consolidating democracies. Note that as this essay was being written, Africa once again made the cover of the *Economist*, but this time under the title ‘The Hopeless Continent’ (13 May 2000), suggesting a marked change in attitude from the staff of the British news magazine!

So how can the relationship between democratisation and economic policy-making be characterised? There is long and distinguished academic tradition of studying the long-term relationship between democracy and growth, a slightly different set of issues from those addressed here, and one marked by a far more sanguine view of the relationship (e.g. Przeworski and Limongi, 1993; Diamond, 1992). When the wave of democratisation reached Africa in the early 1990s, most academic observers were pessimistic about the ability of African countries to combine successfully the ‘dual transitions’ of economic and political reform. The most common view was that ‘all good things’ did not happen at the same time and that one reform process would undermine the other (Bienen and Herbst, 1996; Callaghy, 1994; Gibbon, Bangura and Arve Ofstad, 1992; Widner, 1994; Jeffries, 1993), though to be sure, less pessimistic accounts could also be found (Healey and Robinson, 1992; Lewis, 1997). This pessimism appeared to be based, first, on the
common assumption that democratisation would increase societal pressures on governmental decision-making. In this view, Africanists were echoing the view that democratisation in other regions of the world had resulted in a sharp increase in political participation. As noted by Haggard and Kaufman (1995: 152; see also Lindberg and Devarajan, 1993; Hellman, 1998), ‘new democratic governments face exceptionally strong distributive pressures, both from groups reentering the political arena after long periods of repression and from established interests demanding reassurance’. These observers were particularly worried about the impact of more open government on policy reform in Africa, where both processes were viewed as highly vulnerable to reversal.

Second, and relatedly, by redistributing power from the executive to the more participatory legislative branch of government, democratisation was believed to weaken the autonomous power of the executive to design and implement policy, which in turn undermined the prospects for macroeconomic stabilisation. In a trenchant essay, for example, Jeffries argued (1993: 20) that democratic politics would further weaken the already tottering African state and ‘exacerbate... problems of corruption, wastefulness and short-sighted economic policy formulation’. Jeffries concluded his analysis by criticising as naive donors such as the World Bank which believed that democratisation would improve the prospects for structural adjustment programmes. Instead, he concluded, donors should first promote ‘the development of more efficient and capable government bureaucracies’ (p. 34).

These assumptions suggested that the wave of democratisation that hit Africa in the early 1990s represented a sharp historical discontinuity in the mode of governance throughout the continent and in its relationship with the outside world. Today, with the benefit of a couple years’ hindsight, it is possible to make a first tentative assessment of the economic consequences of democratisation in Africa, and to examine these assumptions more carefully. In fact, as our data will reveal, there appears to be little significant difference between the democracies and the non-democracies in sub-Saharan Africa (SSA) in terms of their economic performance over the last couple of years, in a context of modest economic improvement for the region as a whole. The more interesting issue is what this tells us about economic decision-making in Africa, and the evolving nature of continental political economy. The democratisation wave that swept the region constituted perhaps the most fundamental political change since independence and therefore held out the
possibility that different patterns of economic decision-making would emerge. How would the corrupt and largely incompetent modes of governance described in these pages be affected by the move to multi-party electoral politics? Examining the impact of democratisation thus allows us to problematise the issue of change within the contemporary African political scene and distinguish the more permanent structures within African politics from the merely epiphenomenal.

The analysis starts in the next section with a review of the salient dimensions of political reform in Africa in the early 1990s. I review some of the underlying reasons for the wave of democratisation that occurred in the region, and then argue that the extent of political reform was significant in most countries in the region, even if it usually fell well short of liberal democracy. A third section attempts a rigorous analysis of the impact of democratisation by making both longitudinal and cross-sectional comparisons of economic performance. The essay then turns its attention to explaining why democratisation appears to have so little effect on economic performance. I show that political reform in the 1990s did little to upset the major institutions of African politics, at least in the short term.

2. Africa’s Democratisation Wave, 1989–95

This essay’s first task is to characterise with some precision the degree of actual political change in Africa in the early 1990s. I start by briefly examining the underlying causes of democratisation and then assess the political change that occurred.

The causes of democratisation

Democratisation is always a complex process involving the interaction of agency and structural factors, domestic and international ones, and economic and non-economic ones. The wave of democratisation that hit Africa in the early 1990s was no exception. Rather than attempt a comprehensive analysis, which has been provided elsewhere (Bratton and van de Walle, 1997; Joseph, 1999; Wiseman, 1995; Daloz and Quantin, 1997; Ihonvbere and Mbaku, 1998), I wish here to link the events of the early 1990s to the neopatrimonialism that has characterised African politics during the course of the last 20 years.

The term ‘neopatrimonialism’ captures the thesis that most
African states are hybrid regimes, in which patrimonial practices coexist with modern bureaucracy. Outwardly the state has all the trappings of a Weberian rational-legal system, with a clear distinction between the public and the private realm, with written laws and a constitutional order. However, this official order is often subverted by a patrimonial logic, in which office-holders almost systematically appropriate public resources for their own uses and political authority is largely based on clientelist practices, including patronage, various forms of rent-seeking and prebendalism. These regimes are highly *presidential*, in the sense that power is centralised around a single individual, with ultimate control over most clientelist networks. The president personally exerts discretionary power over a big share of the state’s resources. This is true, not only in the smallest, most backward states of the region, but also in some of the bigger, allegedly more institutionalised states, such as Côte d’Ivoire (e.g. Fauré and Médard, 1982) or Nigeria (Joseph, 1987).

Neopatrimonialism undermines economic policy reform in contemporary Africa in at least two ways. First, because clientelism is based on the extensive use of state resources for political purposes, clientelist regimes almost inevitably produce highly interventionist economic policies. Economic liberalisation is anathema to regimes that rely on the politically mediated distribution of access to state resources. Clientelism is viewed as critical in countries with little sense of nationhood and a tendency towards multiple ethnic and regional divisions, and in few of which can regimes count on either a successful economy or electoral mandates for their legitimacy. As Sandbrook (1986) has asked, ‘what will hold these societies together when the rulers have little in the way of patronage to distribute?’

Second, neopatrimonialism results in a systematic fiscal crisis. As Callaghy (1984: 194) has argued about Zaire under Mobutu, ‘the Achilles’ heel of neopatrimonial regimes is finances’. At the outset of the African crisis, the World Bank and the IMF typically accused African states of being ‘too big’, but that is not really the case: relative to the economies they govern, African states are roughly comparable in size to the states in other middle and low income regions (World Bank, 1997). True, patronage needs swelled the ranks of the civil service at a remarkable speed following independence, but salaries were also allowed to decline precipitously in real terms, so that the cost of the civil service was not unusually high. In Tanzania, for example, civil service salaries were allowed to fall by an incredible 90 per cent in real terms during the first two decades of independence, even as the size of the civil service more than tri-
pled over the same period (Stevens, 1994, especially pp. 66–69). Instead, the real cause of the endemic fiscal crisis that has plagued most African states following independence has been on the revenue side. Despite extensive state intervention in the economy, cronyism and rent-seeking have siphoned off potential state revenues. Taxes are not collected, exemptions are granted, tariffs averted, licenses bribed away, parking fines pocketed. As a result, revenues always lag behind expenditures. It is often said that these regimes have low levels of extractive capacity, but it is less a problem of capacity than the political logic of a system in which the authority of the state is diverted to enhance private power rather than the public domain. In sum, the consistent problems of unmanageable fiscal and balance-of-payments crises since independence have been an entirely logical and predictable outcome of the manner in which politics have been conducted south of the Sahara.

Based on this all too brief synopsis of African political dynamics, an equally brief stylised account of democratisation can be formulated: by the late 1980s, many regimes in Africa were undergoing a legitimacy crisis as a result of their dismal economic performance and worsening economic conditions. Restive populations were increasingly willing to contest central state power, notably through the fledgling civic associations that had begun to emerge during the 1980s in response to state decline. The first phase of the democratisation wave that hit Africa in the early 1990s consisted of political protests against incumbent governments. Often not specifically political when they began, these protests quickly escalated into demands for a change of regime, often as a result of clumsy government responses to the protesters. African politics had long been punctuated by more or less spontaneous protest, but now governments found it harder to repress or accommodate the protesters. On the one hand, with the end of the Cold War, donors were increasing their emphasis on human rights, and were less tolerant of government repression. On the other hand, the economic crisis and strong fiscal pressure on states made it harder to co-opt or placate dissenters by giving them access to state resources. Perhaps more important, the economic crisis was putting pressure on the state elite accommodation processes, which had long served to maintain political stability. With fewer resources at their disposal and an increasingly decrepit state apparatus that was difficult to control or command, leaders found it harder to sustain critical clientelist networks, with the result that the old political aristocracy was more likely to fragment. A growing number of old-style politicians were
withholding their support from governments that had excluded them from power and its perquisites. Although the political protests that spurred on the democratisation movement were typically initiated by students, civil servants and an array of civic associations, it is this class of excluded politicians that typically emerged during the transition to take control of new governments’ following national conferences and multi-party elections. Far from being political novices, they were often long-standing members of the state elite, with long careers in past cabinets, but who had had a falling-out with the head of state and been consigned to the political wilderness at some point in the 1980s. Thus, in the Central African Republic, the first democratically elected president, Ange Patassé, had been prime minister under Bokassa, as had Trovoada in São Tomé and Lissouba in Congo. Most of the new heads of state that emerged in the 1990s had at the very least previous cabinet experience (Quantin, 1995). Even so-called outsiders often had extensive links with the authoritarian state. In Zambia, although Fred Chiluba, a long-time unionist, did not have cabinet experience, much of the rest of the MMD leadership did (ibid.: 182).

In sum, and this is the first salient point regarding political reform in Africa in the 1990s, democratisation can be understood to have resulted at least in part from a crisis in the post-colonial neopatrimonial order. Democratisation often proceeded the furthest in the weakest states – for example in Benin or the Central African Republic, in which this state crisis was most pronounced. On the other hand, in many of the more developed states – in Kenya, say, or Côte d’Ivoire – the ability of state leaders to centralise power and maintain control of state resources allowed them to survive the initial set of street protests and adjust to new political realities, albeit often not without having conceded some political reforms to the democratic forces.

The second point concerns the role of donors. Given the importance of aid to most African economies and to the functioning of the state, one might expect that donors played a key role in shaping the democratisation episodes of the early 1990s. Yet, the evidence does not support the argument that donor pressures for political reform had a significant impact on the emergence of political protests. Protests were not correlated with the degree of dependence on aid, the level of international debt, or the imposition of political conditionality by donors (Bratton and van de Walle, 1997: 135–136). Interestingly, however, the emergence of protest was positively correlated with the number of adjustment and stabilisation loans
signed with the IFIs in the 1980s (ibid.: 132–133, 151). The more loans a country had agreed to with the Washington institutions, the more likely was political protest to occur in the late 1990s. Since there is no correlation between the number of loans signed and the amount of policy reform actually implemented, the former cannot be viewed as a proxy for policy reform or the hardship endured by the population due to structural adjustment. Bratton and van de Walle found no statistical evidence to link the rise of political protest to such indicators of economic reform as changes in the size of the fiscal deficit or of inflation. Instead, the most plausible interpretation is that a high number of loans weakened central states by disrupting central decision-making, creating the impression that key decisions were made by foreign bureaucrats and thus undermining what little legitimacy the state still possessed.

As democratisation moved from protest to an intense struggle over basic political rules, and debate over the nature of the regime to emerge, the role of donors changed. It is clear that incumbents with greater access to economic resources were more likely to negotiate more effectively with surging democratic forces. Here the willingness or otherwise of donors to support incumbents often played a key if unwitting role. In both Benin and Zambia, the IFI’s decision to withdraw support from incumbents in the middle of the political transition may well have sealed their fates (on Benin, see Allen, 1992; Westebbe, 1994; on Zambia, see Rakner, 1998). On the other hand, generous French support to Biya in Cameroon and to Houphouët-Boigny in Côte d’Ivoire probably played a key role in the survival of their regimes (Banégas and Quantin, 1996). In Cameroon, the decision by the IMF and the French government to extend new adjustment credits to the country in 1991, right at a critical period of the transition, was enormously helpful to Biya, allowing him for example to keep salary arrears down to manageable levels. Though much more critical of the regime and eventually to close its aid mission in Yaoundé in 1993, even the United States had forgiven US $73.4 million of debt as late as 1990 (van de Walle, 1994: 383). Similarly, the decline of aid to Kenya, which can be linked to the weight of growing political conditionality from Western donors, occurred only after 1993, after the democratisation movement had crested. From 1988 to 1993, the period during which the regime was under the greatest threat from inside the country, Kenya averaged well over a billion dollars in annual aid; the annual average was 640 million dollars for 1994–97 (World Bank, 2000: 297). I return to the role of the donors below.
The rise of illiberal democracies

The political change in the region from the late 1980s to the mid-1990s was profound and unprecedented. The organization Freedom House provides indices for political rights and civil liberties, with scores ranging from 1 (most rights) to 7 (least); between 1988 and 1994 political rights improved an average of 1.00 across all African states while civil liberties improved 1.28 between 1988 and 1992 (Bratton and van de Walle, 1997: 287). Part of this process of political reform was a widespread movement towards multi-party electoral politics. By the second half of the 1990s, multi-party politics with more or less regular elections had become the norm in Africa. Only nine countries had held competitive, multi-party elections in the period 1985–89. Between 1990 and 1998, in comparison, some 70 legislative elections involving at least two parties were convened in 42 of the region’s 48 countries. All but two of these elections resulted in legislatures with more than a single party. In addition, there were over 60 presidential elections with more than one candidate during this time. Only seven states in the region (Eritrea, Rwanda, Sudan, Somalia, Swaziland, Uganda, Congo/Zaire) did not convene multi-party elections. Moreover, a process of institutionalising regular elections appears to have begun: by the end of 1998, 26 countries had convened second elections, usually on schedule, i.e., at the end of the constitutionally fixed term of office-holders elected during the first elections. This routinisation of elections also contrasts sharply with previous periods, in which competitively elected legislatures were more often than not displaced by military coups before they finished their term.

Thus, multi-party systems have emerged all over the continent. Much less clear, however, is the extent to which African countries are progressing towards democratic consolidation, by which democratic norms and values are institutionalised and routinised by the political system. Instead, the exercise of democratic politics is often highly imperfect in these countries. Several prominent observers have recently suggested that many of Africa’s new democracies may be described as increasingly ‘illiberal’ (Zakaria, 1997; Diamond, 1996). Regular, competitive multi-party elections are held, thereby qualifying the country as an ‘electoral’ democracy, but the day-to-day practices of the state are marked by abuses. Political freedoms and civil rights may be formally recognised but are imperfectly observed in practice, particularly in between electoral exercises when they are more likely to be flouted. Human rights abuses are not uncommon, even if the worst abuses are rarer than in the au-
Authoritarian past. A nominally free press is harassed in myriad ways, and the government retains a radio monopoly. Certain groups, notably key members of the executive branch and the military, may, in effect, be above the law. The judiciary is officially independent, but it is poorly trained, overworked and easily compromised.

The combination of chronic ‘illiberalism’ with regular, competitive multi-party elections lends itself to considerable cynicism about


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N = 9
Number of Elections, 1990–98: 16

Notes: The use of bold and italics indicates that the incumbent was ousted as part of transition to multi-party rule. An asterisk indicates that a multi-party system in these countries had been in existence for an extensive period of time before 1989. No regimes that are not multi-party regimes are included in this analysis. Burundi (not free, one election in 1993) and Angola (not free, one election in 1992) are excluded because of the resumption of civil war and end of multi-party rule. Congo-Kinshasa (not free), Eritrea (partly free), Rwanda (not free), Somalia (not free), Sudan (not free), Swaziland (not free), Uganda (partly free) are excluded because of the absence of multi-party elections.

Source: Freedom House, 1998/99 indices
The Impact of Multi-Party Politics in Sub-Saharan Africa

the latter. Some observers have described as the ‘fallacy of electoralism’ the notion that these elections constitute meaningful political exercises in giving citizens real choices over the distribution of power and resources (Karl, 1990). In a thoughtful essay, Richard Joseph has gone so far as to call these systems ‘virtual democracies’, in which largely meaningless elections are conducted strictly for the sake of international ‘presentability’ (Joseph, 1998).

The illiberal and virtual democracy theses raise two questions that can be carefully examined. First, just how democratic are these regimes? Table 1 demonstrates the divergent paths that Africa’s multi-party regimes have taken. African countries that conducted at least one multi-party election in the 1990s may be distinguished according to whether Freedom House categorises them as ‘free’, ‘partly free’ and ‘not free’. Clearly, knowing a system is multi-party says very little about the degree of freedom allowed in the regime.

The combination of competitive elections and a relatively poor level of political and civil rights is striking and seems to reinforce the thesis of illiberal democracy. By this definition, 30 of Africa’s multi-party systems are illiberal. Indeed, the 12 multi-party systems in the ‘not free’ category may be more accurately termed ‘pseudo-democracies’ (Diamond, 1996), so egregious is the gap between democratic ideals and current practice. Hence, while most of Africa is conducting multi-party elections, there is a wide range in the actual practices surrounding these elections. Africa offers a striking contrast with the older, multi-party systems in the West, which are all classified by Freedom House as ‘free’. Nonetheless, Table 1 also suggests that Africa exhibits a wide range of democratic performances, and that perhaps as many as a quarter of these regimes are in the process of consolidating democratic practices.

Moreover, overall, even Africa’s pseudo democracies typically underwent some degree of political liberalisation in the early 1990s.

Second, are the gains of Africa’s democratic transitions being eroded? The sceptical view is that rather than undergoing the consolidation of democratic practices, Africa is heading back to the days of uncompetitive elections, banned opposition, and a shackled press.

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1 Freedom House rates all countries of the world on a seven-point scale for both political rights and civil liberties (1 representing the most free and 7 the least free), and then combines the two scores to produce an index. Freedom House, then, attributes a ‘free’ rating to countries with average ratings of 1–3, ‘partly free’ to those between 3 and 5.5 and ‘not free’ to those averaging between 5.5-7 (Freedom House, 1999).
In fact, however, the evidence tends to suggest otherwise. Examining Freedom House’s annual indices for political rights and civil liberties from the period of initial democratisation (1989–94) to present (1998–99) does not suggest a net worsening of the quality of governance in the region since the peak of the democratisation wave early in the decade. Between 1993 and 1998, political rights actually improved in 12 countries, stayed the same in 20 and worsened in 15. The ‘third wave’ may be over in Africa (Diamond, 1996) but there is no reason to believe that all the recent gains are being eroded. Rather, the region’s countries are following a variety of distinct paths, only some of which include a marked decline in the quality of democracy.

Although much of Africa has multi-party systems, those in which the incumbents were actually ousted are far fewer. Table 1 identifies the countries in which incumbents were actually ousted as a result of the democratic transition and its founding election, as well as the countries in which regular multi-party elections antecedent the 1990s. This information paints a somewhat more nuanced picture of the continent’s situation, for it shows quite clearly that the majority of ‘illiberal’ democracies are countries in which the transition to multi-party rule proved to be seriously flawed. Most never really had a transition, and the move to multi-party competition amounted to little more than an erstwhile authoritarian ruler donning the garb of democracy and tolerating regular elections as a successful strategy for holding onto power. Convening regular elections brings with it a modicum of international respectability, results in foreign aid, and does not threaten these leaders. This seems to confirm the ‘presentability’ thesis. Countries in which the democratic transition included the ousting of the incumbent, on the other hand, have on the whole performed better. Only two – Niger and Congo – of the 13 are in the ‘not free’ category, both as a result of military coups that overturned most of the gains of the transition. The other 11 countries that made the transition have seemingly been able to maintain most of the democratic gains made.

The predominance of countries in the ‘not free’ and ‘partly free’ categories gives the impression that things have got worse and that the democratic transitions of the early 1990s have been betrayed. In fact, a majority of the countries that underwent real transitions have sustained the progress made, while even the most illiberal multi-party systems are most likely freer today than they were before the democratisation wave in the 1980s.
3. The Economic Impact of Democratisation

This section reviews the actual economic record of African states following democratisation at the beginning of the 1990s. As stated above, African economies enjoyed a substantial improvement in growth rates in the 1990s. Thus, overall, Africa’s economic output rose every year between 1994 and 1997, with average growth rates of over 5 per cent in both 1996 and 1997 respectively, and an estimated averaged growth rate of 3.4 per cent for 1998 (World Bank, 2000, Table 2–18). This is a short time period, but given the widespread prediction that democratisation would result in a worse economic performance, the obvious question to ask is whether or not political reform in the early 1990s can claim credit for this improved performance.

Comparing economic performance

To examine the impact of democratisation on economic performance, I create the following sub-categories of countries. First, five countries – Botswana, Gambia, Senegal, Mauritius and Zimbabwe – were already multi-party democracies in 1989. These states were far from perfect democracies. The incumbent has never been defeated in Zimbabwe, for example, while Diouf’s defeat in 1999 was the first in Senegal. Except arguably for Mauritius, all of these governments have demonstrated authoritarian tendencies on numerous occasions. But all of these states have had significantly greater pluralism than the remaining states in the region over an extended period, with at least two decades of relatively stable multi-party electoral politics. I thus create a category called ‘old democracies’ for these states.

Of the remaining 43 countries in the sample, only Sudan and Liberia did not undergo significant political reform in the early 1990s. Of these, I exclude 11 in which past civil war and/or current political strife would have precluded normal economic policy-making. By these criteria, Liberia, Sudan, Angola, Chad, Ethiopia, Eritrea, Rwanda, Sierra Leone, Somalia, Mozambique, and Zaire are excluded.2 Several of these states achieved good economic perform-

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2 It should be noted that in previous work (Bratton and van de Walle, 1997), I defined Mozambique as having undertaken a complete political transition. Nevertheless, the consequences of a decade-long civil war of tragic destructiveness continues to powerfully condition economic performance in the country. Chad was excluded for similar reasons. For its part, Liberia may or may not have successfully ended its civil war and begun a transition to democratic governance with the elections conducted in July 1997.
ance in the 1990s, but this is clearly far more related to the return of peace than it is to regime characteristics. Thus, Mozambique has enjoyed the highest growth rate in the region in the 1990s, but remains considerably poorer than it was before its devastating civil war. Following a similar logic, I exclude Burundi, a country whose democratic transition was too quickly reversed by a military coup in October 1993 and plunged into civil strife, to allow a meaningful before and after comparison.

This leaves 31 countries in the sample. Of these, 29 in sub-Saharan Africa convened founding elections between 1 November 1989 and 31 December 1994. The first date is that of the Namibian elections and constitutes a handy starting point for this wave of democratisation in Africa. The latter date is somewhat more arbitrary, but conveniently allows us at least two points of economic data following the transition, and covers all of the free and fair elections in which an incumbent was ousted. These were founding elections in the sense that the office of head of government was openly contested following a period during which multi-party political competition had been denied. For many countries, this was the first election in over a decade, and for most the first multi-party election since the immediate post-independence period. Of these 31 states, Namibia and South Africa are excluded because the presence of an economic boycott before their transition makes a ‘before and after’ comparison misleading, while Djibouti is excluded because of the absence of adequate data. This leaves 28 states for which an analysis of the impact of democratisation can be realised.

I undertake two types of comparisons. First, the performance of the new democratic regimes is compared with those of countries which did not engage in a full transition. Of the 29 countries, 13 could claim to have passed a relatively stringent test of democratisation: a transition election had been widely viewed as ‘free and fair’, typically including by international observers, and the loser had publicly accepted the results.3 Such a minimal, procedural definition of democracy helps to distinguish these states from the others in the data set, in which the degree of political liberalisation had fallen short of a complete transition to democracy in some way, despite

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3 See Bratton and van de Walle (1997, Chapter 3) for a complete justification of this classification. The countries in each category are listed at the bottom of Table 2. Note that in all of these countries, except for Guinea Bissau and the Seychelles, the incumbent was also ousted during the founding election. The latter two cases are included because of the widespread agreement by domestic and international observers that their founding elections had been free and fair.
The Impact of Multi-Party Politics in Sub-Saharan Africa

The convening of elections. Comparing the economic performance of these two sets of countries should generate some insight into the economic impact of democratisation.

As I have already suggested, it is unfortunately difficult to distinguish all the cases as clearly as one would like. Most of the non-democratic states can legitimately claim significant political liberalisation during this period. Typically, they held multi-party elections in which an incumbent ruler more or less stage-managed multi-party elections which he could not lose and has since then tolerated some degree of opposition, again so long as it is not threatening. The more egregious cases of pseudo democracies are easy to exclude from the ‘new democracies’ category. For instance, no one claims that Cameroon and Togo are democracies, given the obvious abuses of executive power and the continuing limitations on basic civic and political rights, and despite some real liberalisation during the early 1990s. However, the Rawlings government in Ghana, say, can claim to have won two reasonably free and fair elections in 1992 and 1996. Despite the government’s occasional crackdowns and attempts at intimidation, a free press and opposition parties do exist (Gyimah-Boadi, 1997; Lyons, 1997).

On the other hand, for instance, Zambia’s democratic reputation has been tarnished by evidence of the government’s continuing authoritarian proclivities and various abuses of its power (Baylies and Szeftel, 1997; Bratton and Posner, 1999). The point is that honest observers can differ about which states belong in which category. Rather than rely entirely on judgments some will find questionable, the comparison between ‘new democracies’ and ‘non-democracies’ is complemented with a second kind of comparison, across time. Regardless of the exact nature of the regime, it can be argued that all of these regimes have been significantly liberalised, with the practice of holding elections since 1989 having had an impact on economic decision-making. I thus compare the economic performance of all the 29 states of SSA that are in my sample before and after 1991, to attempt to determine the economic impact of this new political climate.

Finally, I create a smaller category of ‘liberal democracies’, which includes the nine states which Freedom House categorised as liberal in 1998: Benin, Botswana, Cape Verde, Malawi, Mali, Mauritius, Namibia, São Tomé and South Africa. These include seven states in which incumbents were ousted in elections in the 1990s and brings back into the analysis states that I otherwise excluded from the analysis (for example South Africa). The ‘before
and after’ comparison makes no sense for this category, but their performance in the 1990s can be usefully compared with the other categories.

Comparing the samples: I first look at the economic performance of African economies. The two indicators used are real GDP growth and inflation, two standard measures of economic performance. The economic record for 1986–88, the three last years before the onset of democratisation on the continent, is compared with the equivalent record for the first three years after the founding election of the emerging democracy. If no founding election could be identified, I used the period of data for 1993–95, since the modal year for founding elections was 1992. When data was not avail-

<table>
<thead>
<tr>
<th>Table 2. Economic performance, before and after transition election</th>
</tr>
</thead>
<tbody>
<tr>
<td>New democracies</td>
</tr>
<tr>
<td>Annual GDP growth (i)</td>
</tr>
<tr>
<td>Average inflation rate</td>
</tr>
<tr>
<td>Average terms of trade (ii)</td>
</tr>
<tr>
<td>Non-democracies</td>
</tr>
<tr>
<td>Annual GDP growth (i)</td>
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<td>Average inflation rate</td>
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<tr>
<td>Average terms of trade (ii)</td>
</tr>
<tr>
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<tr>
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<tr>
<td>Liberal democracies</td>
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<tr>
<td>Average inflation rate</td>
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<tr>
<td>Average terms of trade (ii)</td>
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Source: Calculated from the World Bank, *African Development Indicators* (Washington: World Bank, 2000); not all the estimates are based on the same number of data points, as coverage varies by indicator.

Notes: i. in constant US dollars; ii. 1995=100

*New democracies* include Benin, Cape Verde, CAR, Congo, Guinea Bissau, Lesotho, Madagascar, Malawi, Mali, Niger, São Tomé, Seychelles and Zambia; *non-democracies* include Burkina Faso, Cameroon, Comoros, Côte d’Ivoire, Equitorial Guinea, Gabon, Ghana, Guinea, Kenya, Mauritania, Nigeria, Swaziland, Tanzania, Togo and Uganda; *old democracies* include Botswana, Gambia, Mauritius, Senegal and Zimbabwe; *liberal democracies* include Benin, Botswana, Cape Verde, Malawi, Mali, Mauritius, Namibia, São Tomé and South Africa.
The Impact of Multi-Party Politics in Sub-Saharan Africa

able for 1998, the data reported covers the last available year, almost invariably 1997.

The results are provided in Table 2, for the four categories of regimes. The table provides estimates comparing the slightly longer periods 1986–91, 1991–95 and 1995–98 to lessen the impact of single year data points. Since these are overall growth rates that do not take into account population growth, typically well above 2 per cent annually, our estimates suggest that all three categories are barely growing at all in per capita terms. Interestingly, these figures suggest that the current official optimism about the region appears to be based largely on the growth record in the war-torn countries that I have excluded from my analysis. In countries not previously undermined by civil war, the mid-1990s does not appear to have brought substantially better economic performance.

Otherwise, no single pattern emerges from these estimates. The numbers suggest the old as well as the non-democracies have both slightly outperformed the new democracies, both before and after the transition period, and the partly overlapping category of liberal democracies has performed slightly above the regional average. Unfortunately, this differential is too small to be significant in analytical or statistical terms, given the high degree of variance within each category of state, and the large number of countries that have been removed from the data set before these averages were calculated. From this small number of observations, it is not possible to say either that there were significant differences in growth performance before and after the transition period, or that the sample of new democracies performed better or worse than the non-democracies. The liberal democracies may well have demonstrated a superior record, but more data points are needed before such a conclusion can be confirmed.

Much the same conclusion emerges from a comparison of inflation rates, also reported in Table 2, although several factors clearly unrelated to regime condition the results. The new democracies averaged a 19.3 per cent annual increase in the consumer price index for the three years before transitions began (1986–88) and a 31 per cent increase for the three years following their founding election; the set of comparable non-democracies achieved rates of 24.4 per cent and 18.3 per cent for the same two periods. The jump in inflation rates in the new democracies is entirely due to the effect of the January 1994 devaluation of the CFA franc in the ex-French colonies, which spurred a sharp rise in inflation in 1994–95. Given the unwillingness to devalue and give up the fixed parity with the
French franc, during the early 1990s these countries embarked on tough internal deflation programmes. As a result, they had extremely low inflation, which averaged only 5.1 per cent for the three years preceding their transitions, for the countries for which data exists. In comparison, the non-CFA countries in the sample of comparable states (again excluding Congo/Zaire) averaged 26.2 per cent. France and the countries of the franc zone finally agreed to a devaluation in January 1994 and, as a result, inflation shot up in many countries of the zone, to an average of 16.3 per cent for the three years after transitions. Note that this was still less than the mean level of inflation in the rest of Africa, where it averaged 23.8 per cent. The sub-category of CFA country democracies goes from an average of 3.7 per cent to 19.9 per cent during this same period. In sum, increases within the Zone have much more to do with the 1994 devaluation and its aftermath than with political dynamics.

The particularities of the franc zone have almost certainly had an impact, too, on the growth data reported above. Overvaluation of the currency and attempts to force depreciation and avoid devaluation progressively dampened economic dynamism across the zone after 1988. This effort was particularly noticeable in the richer countries along West Africa’s coast (i.e., Côte d’Ivoire, Senegal, Cameroon and Benin), where overvaluation was the highest. Its negative impact on growth rates cut across political regimes, as did the salutary effect of the devaluation in January 1994. Thus, throughout the zone, 1994 and 1995 witnessed a sharp increase of agricultural export-led growth (Alibert, 1996; Clément et al., 1996). One can be skeptical that this growth will be sustained, but the point is that its effects are confounding for the analysis. Given problems of data reliability and comparability (Yeats, 1990), in sum, the only safe interpretation of this data is that it provides no evidence that increases in political competition and participation in the 1990s can be associated with lower economic growth or inflation.

Finally, Table 2 also reports on the evolution of the external terms of trade during this period. The data suggests a significantly greater average deterioration in the terms of trade for the new democracies since the late 1980s. This places the economic performance of the new democracies in a more favourable light, even if the quality of the data again urge cautious conclusions. For example, during the first three years following its transition, Zambia’s terms of trade underwent a 40 per cent decline, as copper prices tumbled. In addition, severe drought throughout southern Africa in 1992–93 also hit the economy hard (Rakner, 1998).
In one sense at least, these findings are surprising. Because the actual process of regime transition is highly disruptive, one would expect the worst economic performance, *ceteris paribus*, from the countries having undergone significant political reform, notably with incumbents losing power (van de Walle, 1999). First, real transitions generate considerable uncertainty, and presumably discourage investors, either the local kind who seek to protect their capital by exporting it, or the foreign kind, which defer investments until the political picture clears up. Second, incumbent governments in the process of losing power are unlikely to be cautious stewards of the macro-economy. Instead, they are likely to resort to desperate splurges of public expenditure to remain in power, or, once all appears lost, to asset-stripping. Both can impose a cost on the economy, with which the incoming government will be saddled. Finally, during the transition period itself, there is likely to be an interregnum of some length during which no government is effectively in power. Again, it is easy to imagine such a situation resulting in suboptimal management of the economy.

Why does the data presented not clearly identify an economic cost to the actual transition? It may be that transition effects are swamped by the exogenous factors just identified, such as the CFA devaluation and weather variability. Or it may reflect the superficial nature of democratisation, which was not viewed by investors as substantially changing the economic environment in the country.

4. Comparing Government Performance
Economic growth and inflation are outcome variables, and are influenced by many factors in addition to the actions of governments. The analysis in the last section suggests that various exogenous factors have weighed heavily on the region’s economies. In addition, it may be that there is a lag of several years before policy reform yields dividends in terms of improved performance. To judge best the economic impact of democratisation on Africa in the 1990s, it is thus appropriate also to examine the actual policies pursued by governments. One standard measure of government policy performance is the size of the fiscal deficit, as it is widely accepted that large deficits precipitated the crisis and must be reduced for sustained growth to re-emerge. Table 3 compares the evolution of the size of fiscal deficits before and after the transition period. The data includes estimates of the deficit both with and without the contribution of grants, most of which consists of external resource
flows. The quality and cross-national comparability of this data is questionable. Thus, the main data set used (World Bank, 2000) has less than comprehensive coverage of the countries in the sample. Most annoyingly, there are wide and unexplained divergences between this data set and others that were consulted. They even vary widely across different publications of the World Bank. Compare, for example, the estimates provided in Table 3, with those reported in Bouton et al. (1994), or those of the World Bank (1994). The collective data certainly suggest that democratisation has had little impact on the size of the fiscal deficit.

Interestingly, these data appear to show substantially higher average levels of deficits among the new democracies both before and after the transitions, as well as among the liberal democracies in the 1990s. These differentials turn out not to be statistically sig-

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<thead>
<tr>
<th>Table 3. Economic policy performance before and after transition elections (as percentage of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period around transition</td>
</tr>
<tr>
<td>Fiscal balance (excl. grants)</td>
</tr>
<tr>
<td>New democracies</td>
</tr>
<tr>
<td>Non-democracies</td>
</tr>
<tr>
<td>Old democracies</td>
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<tr>
<td>Liberal democracies</td>
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<td>Fiscal balance (incl. grants)</td>
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<td>Old democracies</td>
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<tr>
<td>Liberal democracies</td>
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<tr>
<td>Government consumption</td>
</tr>
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<td>New democracies</td>
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<tr>
<td>Non-democracies</td>
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<td>Old democracies</td>
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<tr>
<td>Liberal democracies</td>
</tr>
<tr>
<td>Investment</td>
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<td>New democracies</td>
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<td>Non-democracies</td>
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<td>Old democracies</td>
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<td>Liberal democracies</td>
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Source: Calculated from the World Bank, *African Development Indicators*, 2000 various tables.

Note: Negative values for fiscal balance implies a net deficit.

For countries included in each regime category, see Table 2.
significant, however, given large variations within each group of states. Analysis reveals that the observed difference is largely due to the presence of several highly aid-dependent small states in the sample. In particular, the extraordinarily high deficits in São Tomé, Cape Verde and Guinea Bissau, in each case averaging between one-third and a half of GDP during this period, and entirely sustained by foreign aid. I discuss the political impact of aid below. The important point to retain from this analysis is that the data emphasise the continuing importance of international public flows to sustain what have remained extremely imbalanced fiscal systems.

Table 3 also reports data on the share of government consumption in GDP, and the share of GDP devoted to investment, two other standard measures of governmental policy performance. Since a standard objective of reform programmes has been the slimming-down of the state and the reorientation of expenditures towards investment, it is a good measure of the progress made towards reform. Again, there is little evidence of a distinct break between the time periods around the transition. The share of both government consumption and of investment in GDP appears systematically higher in the new democracies but, once again, this differential is not significant and largely disappears when São Tomé, Cape Verde and Guinea Bissau are excluded from the data set.4

The evidence presented so far suggests that the democratisation of African politics in the early 1990s has not had the kind of dramatic effect on economic performance and government policymaking predicted by many observers at the time. If there is any trend in the data it is towards economic improvement, although it is faint so far, and does not appear solely related to regime type. Other, largely exogenous, factors, such as evolution in the terms of trade and the French-imposed devaluation of the CFA franc appear to have exerted a more powerful influence on economic conditions. The remainder of this article will interpret this continuity.

5. The Political Impact of Democratisation

In sum, the significant political liberalisation that occurred in the 1990s has not so far had a significant impact on economic performance. The most one can say so far is that the new democracies may be in the process of outperforming the non-democracies,

4 It should be noted in this context that World Bank cross-national studies of African economies often exclude states with a GNP inferior to one million US dollars, arguing that aid flows to these states prevent meaningful policy comparisons. See for example, the World Bank (1994).
but that it is much too early to reach definite conclusions about the impact of political reform. To understand this situation, I examine the assumptions that typically underpin the view that democratisation negatively affects economic reform and performance. I then emphasise the institutional continuities that appear to have prevailed across the changes in regime.

Democratisation and participation
The prediction that democratisation would result in an explosion of participatory activity in Africa, in which populist and interest-group pressures would compel governments to increase their expenditures to maintain popularity, has proved fanciful. There has always been something of a protest cycle in African countries, in which leaders respond to periodic protests and political crises by resorting to patronage and subsidies benefitting key constituents (Wiseman, 1986). But the macroeconomic significance of these practices was due less to the power of interest groups than to the fragile legitimacy of leaders and the weak mobilisational capacities of their single parties. In the 1990s, there have been several cases of governments seeking to reverse the waning of electoral support by temporarily opening the public purse, but these do not validate the political business-cycle theories of Western democracies, in which macroeconomic stability is threatened when a government responds to a mobilised electorate right before an election (Nordhaus, 1975; Lewis-Beck, 1990). The more egregious cases have been in the liberalised autocracies such as Ghana (the election in 1992) or Kenya (1992), rather than in the new democracies at the time of second elections, as in Zambia (1996), Benin (1995) or Mali (1997). It might also be noted that the early data regarding second and third elections in Africa following democratisation have been characterised by declining participation rates, relative to the earlier founding elections (Bratton, 1998). Table 4 below shows that the proportion of registered voters bothering to vote has declined to below two-thirds. Given low levels of voter registration, it has not been unusual for less than one-third of the adult population to vote in subsequent elections.

As I have argued at greater length elsewhere (van de Walle, 2001), African political systems have been characterised by their relatively low levels of political participation. It was fanciful to expect democratisation to change this state of affairs quickly. Compared to the situation in the more mature democracies of the West,
civil society has long been poorly organised and non-representative. True, the political salience of associational life varies across countries in the region, and its variation will increase over time; nonetheless, non-governmental actors, who could channel and mobilise participation following the political liberalisation of the early 1990s have typically been formed only recently, with shaky finances and small memberships. Their clout often remains undermined by fragmentation, notably along ethno-regional lines (Callaghy, 1994; Lemarchand, 1992; Monga, 1995).

A lively press has emerged, but its circulation levels and outside surveys suggest it reaches no more than a small proportion of the urban population. Overwhelmingly, radio is the medium by which Africans receive their news and typically remains safely in government hands. For instance, a survey of rural southern Cameroon in 1994 estimated that 0.2 per cent of rural households read newspapers on a regular basis, while 44 per cent listened to the radio (Courade and Alary, 1994). Accounts of the 1999 presidential election in Senegal emphasised the key role that newly legalised private radio stations had played in publicising the message of the opposition and in monitoring polling stations on election day, sharply increasing the cost to the government of any attempt to tamper with the results (Libération, 2000). But the privatisation of the air waves remains limited to a minority of states in the region as most governments have been unwilling to let go of their monopoly over this strategic means of communication.

Similarly, a small active opposition may conduct well-publicised protests in the parliament or outside the presidential palace, but it typically cannot rely on the support of large segments of the population, particularly outside the capital, and does not mobilise large crowds with any regularity. For the most part, in sum, the increase in participation compared to that in the ancien régime has been no more than modest.

The claim is sometimes made that the democratic forces that took power in the early 1990s represented a new social coalition. The emergence of such a coalition, representing different economic interests, might have had programmatic policy implications. However, the language of social coalitions is in fact highly misleading because, in Africa, interest groups and professional associations are poorly organised and comparatively weak and the structure of national economies has tended to lessen the salience of class identities and cleavages (Healey and Robinson, 1992). In some countries, nonetheless, it is true that private business was disillusioned with
autocratic governments whose desultory management, misguided policies and corruption created a climate in which it was difficult for business to remain profitable; for these reasons it actively supported the democratisation movement and appeared ready to influence the emergent democratic governments. Business funding was critical to the success of the democracy movement in many countries (Bratton and van de Walle, 1997: 167–168). As a result, businessmen exerted considerable influence in the first cabinets following democratisation in countries such as Madagascar, Benin and Zambia.

The pressure from private business led directly to progress with institutional reform and, in particular, privatisation of public utilities, whose inefficiencies had long hampered business competitiveness. This influence should not be exaggerated: business rarely spoke with one voice, particularly in areas such as trade reform on which it was divided. Rent-seeking motivations did not disappear with democratisation, which sometimes resulted in little more than the eviction of one set of crony businessmen by another. Governments could moreover placate business with favours, while seeking policy inspiration from other parts of the alliance that had brought them to power.

Interestingly, the move to multi-party politics did have the effect of changing the process of elite accommodation, within the state elite, and this may in time have important political consequences. During the 1970s and 1980s, leaders sought to build broad elite coalitions, involving all of the country’s ethno-regional groups. Political alliances were broad, even if they were shallow, notably in social terms. Indeed, the inclusiveness of these coalitions was one of their legitimising characteristics (Bayart, 1987, especially pp. 193–226; Rothchild and Foley, 1988). Democratisation has created a new dynamic, in the context of advanced economic austerity. Now that state leaders can seek legitimacy from the ballot-box, they are more likely to seek to build minimally winning coalitions that provide an electoral majority, but make no claim to inclusiveness. In the region’s more democratic countries, characterised by more or less free and fair elections, this dynamic is promoted by the overwhelmingly ethno-regional nature of political parties and voting (van de Walle and Butler, 1999). Whereas the old single party had usually sought nation-wide support, the new government party in countries such as Zambia (Posner, 1999), Malawi and Benin may prove content with the construction of a multi-ethnic coalition that will gain somewhere between half and two-thirds of the votes. In pseudo-democracies such as those in Cameroon, Kenya and Côte d’Ivoire, this dynamic is emerging even more clearly: the composition of the cabinet and
official pronouncements suggest that Paul Biya no longer seeks Bamileke support for example (Menthong, 1998; Nyamnjoh, 1999; Sindjoun, 1998). In Côte d’Ivoire, the Bedie regime’s anti-northern rhetoric was notably strident before the December 1999 coup that brought the government down (Lewis, June 1999; New York Times, 8 August 1999; and Le Monde, 8 October 1999). Crook (1997) discusses these issues from a slightly different perspective; he argues that a rhetoric of ethnic divisiveness was first introduced by the opposition during the 1990s elections, only to be then adopted by the majority in 1995. Since then, the government’s anti-northern stance has emerged much more clearly. For its part, the Moi regime made fewer efforts to court Kikuyu voters as the 1990s progressed (Barkan and Ng’ethe, 1998). These are dangerous strategies: there are inherent costs in excluding such key parts of the electorate, which may in the long run undermine national stability. At the same time, for politicians operating on a short time scale, they are tempting solutions to the need to maintain patronage-based political machines in an environment of ever-shrinking resources.

A weakened executive?
The second assumption was that democratisation would result in the weakening of executive authority and this worsened the prospects for sound economic policies. During the transition, pro-democracy forces in a number of African countries had indeed voiced the ambition to weaken the institutional power of the presidency, in order to reduce the abuses of power that had characterised the ancien régime. As a result of these transition debates, checks on executive power were instituted in a number of countries.

In Madagascar, Congo, the Central African Republic (CAR), Benin and Niger, the executive did not secure a clear legislative majority and the national legislature used this new power to significantly check presidential action. The result of weak government parties lacking a clear majority following the transition was the near paralysis of legislative politics. At the same time, in other work, I have shown that the weaker the largest party, the more likely were the democratic gains from the transition to be preserved in the 1990s (van de Walle and Butler, 1999). In none of these countries did the same party lead a legislative majority by the end of 1998, except in the CAR, where a much weakened Patassé just survived thanks to French support and despite repeated military mutinies. Military interventions ended the democracy in Congo and Niger, while opposi-
tion parties won nominal control of parliaments following second elections in Madagascar and Benin, albeit with no more impressive a majority than the previous governments had had.

In the endless parliamentary squabbling that occurred in these countries following the transition, sustaining progress on economic reform proved very difficult. In Benin, for instance, President Soglo and the parliamentary opposition sparred for most of 1992–94 over the extent of presidential prerogatives. Lacking a solid majority in the legislature, Soglo had difficulties even passing his budget in 1994, when the legislature rejected his proposals for civil service salary and student stipend increases and proposed substantially higher ones, which the government claimed would undermine its adjustment programme (Magnusson, 1996). The deadlock was eventually overcome through the intervention of the Supreme Court, but not before it had paralysed reform for many months and compromised the government’s capacity to undertake further policy reform. But was this evidence of political participation playing itself out in the more open climate of multi-party politics? Magnusson’s careful account suggests instead factional infighting within a fairly narrow political class in the midst of growing popular alienation. He points out, moreover, that civil service and student organisations were actually weakened by the fall of the single party; the new democratic order had brought about a proliferation of weak and competing unions and student organisations and the end of corporatist arrangements between privileged single peak organisations and the government (see also Banégas, 1998).

In most countries, however, the movement to multi-party politics has been characterised by the relatively quick emergence of a dominant party system, following the first and or second multi-party election. Indeed, as shown in Table 4, the average share of legisla-

<table>
<thead>
<tr>
<th>Number of parties competing</th>
<th>First election (n=41)</th>
<th>Second election (n=26)</th>
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<tbody>
<tr>
<td>Number of parties winning seats</td>
<td>13.1</td>
<td>12.2</td>
</tr>
<tr>
<td>Number of effective parties</td>
<td>6.3</td>
<td>7.6</td>
</tr>
<tr>
<td>Share of seats to biggest party</td>
<td>2.85</td>
<td>2.4</td>
</tr>
<tr>
<td>Turnout (% of registered voters)</td>
<td>63.1</td>
<td>69.7</td>
</tr>
<tr>
<td>Turnout (% of registered voters)</td>
<td>63.9</td>
<td>61.3</td>
</tr>
</tbody>
</table>

Notes: Data assembled and calculated by author.
tive seats going to the winning party was strikingly high in the first elections (63.1 per cent) and then even higher in the second (69.7 per cent). The party that thus emerges may owe its dominance to ethnic reasons or to superior leadership, or just as often to its ability to manipulate electoral rules, and the advantages of incumbency. It wins a strong majority of seats in parliament and then systematically uses the advantages of incumbency to strengthen its position. As Van Cranenburgh (1996: 545) has argued with respect to Tanzania, ‘the superior organizational, material and symbolic resources of the governing party’ are likely to result in the emergence of a dominant-party system. Just as important in the democracies in which a new majority emerged in the 1990s, the new government party thrives and becomes stronger electorally, despite the inevitable fractionalisation of the democratic alliance that spearheaded the transition. Thus, the MMD in Zambia retained its solid legislative majority following the 1996 elections, despite the progressive defection to the opposition of most of its original leading stars (Baylies and Szeftel, 1997). These dynamics largely explain why so few incumbents have lost free and fair elections following the transition, the only presidents to have suffered electoral defeat being those in Benin and Madagascar.

Hence, except in a small number of cases, executive dominance of the political system since the introduction of electoral politics remains entrenched. It is indeed striking and puzzling that not a single democratising state chose to move to a parliamentary form of government that enshrined parliamentary dominance over the executive. It is hard to avoid the sentiment that an opportunity was lost in many of these transitions to undermine the neopatrimonial tendency towards presidentialism and to introduce parliamentary control of government, which is inherently less prone to individual abuses of power. This is particularly true in some of the smaller countries in the region, such as Mali, Benin and Malawi, which seemed well suited to parliamentary government. The fact that many of these countries did engage in constitutional engineering during their transitions, in some cases undergoing substantial changes in electoral rules, only makes the failure by any of them to adopt some form of parliamentary system more puzzling. Such constitutional engineering was usually design to manage minority and ethnic divisions (Reynolds, 1999; Sisk and Reynolds, 1998; Glickman, 1995) and must reflect, at least in part, African politicians’ continuing attraction to the neopatrimonial model of presidentialism.

Executive dominance has been enhanced by the state appara-
tus. Whatever new formal mechanisms of accountability and transparency have been adopted by the new regime, these are likely to be overshadowed by a state apparatus whose long-standing authoritarian tendencies have not purged by democratisation. Administrations have too long been used to functioning with few external constraints to change quickly. Parliaments often lack the technical expertise and administrative savvy to exercise whatever new powers of control they have gained over executive decision-making. Judiciaries, suffering from the legacy of inadequate resources and political interference, also need time to assert their prerogatives. As Kwasi Prempeh notes, the African judiciary has often continued to implement a ‘jurisprudence of executive supremacy’, instead of a new ‘jurisprudence of constitutionalism’, even in countries in which constitutional reform gives it considerable independence (Prempeh, 1999).

Institutional continuities

In sum, the evidence suggests that democratisation has not yet altered long-standing political patterns in African politics. In time, profound changes may occur, but, by itself, the adoption of a multi-party electoral system has left unchanged many of the defining characteristics of African politics, notably presidential dominance and low participation. Much the same could be said about other features of neopatrimonial rule. Whatever their initial intentions, the new regimes were susceptible to the same push-and-pull factors that have long favoured neopatrimonial practices in the region. On the one hand, the transition did little to change the enduring weakness of the vertical and horizontal accountability mechanisms facing executives. On the other hand, clientelism and rent-seeking have continued to be attractive to poorly integrated political systems with weak interest aggregation institutions, ethnic divisions and under-performing economies.

One highly imperfect but suggestive measure of this continuity is the size of ministerial cabinets. Long a feature of the African political landscape, the large ministerial cabinet is a key locus of patronage politics. Comparing the size of cabinets over time and across regime type may help to explain the persistence of anti-developmental neopatrimonial practices. On the one hand, democratic regimes might be expected to result in bigger cabinets, as a result of pressures on them to be inclusive. On the other hand, it might be argued that their cabinets would be smaller, given a reaction against the neopatrimonial tendencies of their predecessors. I collected data...
on cabinets at two points of time, July/August 1988 and August/September 1996. New democracies had cabinets averaging 19.5 and 20.6 members respectively, while non-democracies averaged 26.4 and 24.8 members for the two periods. The two biggest cabinets were in authoritarian states: Gabon, with 47 members at the earlier date; and Cameroon, with 42 at the later date.

The stability in cabinet sizes over time is striking, as if most countries maintained a fixed cabinet size through a political tradition respected by successive regimes. Ethnic diversity in a country probably increases cabinet size, as the government seeks to preserve national unity by including elites from all salient ethno-regional communities. Interestingly, this dynamic has not increased with the return of elections. Only in Madagascar and Malawi – both countries with serious ethno-regional divisions – have cabinets sharply increased in size over this period, from 22 and 11 to 34 and 30 respectively. Overall, the practice of bloated cabinets, following long-standing national neopatrimonial traditions, has remained remarkably stable throughout the transitional period.

Where there have been political discontinuities around the transition, they have favoured improved policy-making, at least initially under the new government. A major theme of the fight against the old ruler had typically been the need to reduce corruption, mismanagement and the politicisation of decision-making. This was in part self-serving: the democratic alliance included men and women left out of the presidential patronage system. At the same time, clean government was one theme that could unite often disparate democratic coalitions. Intellectuals, and church and human rights activists, could agree with the out-of-power políticos on the need to stamp out corruption, if nothing else. Thus, in countries such as Benin, Mali, Madagascar and Zambia, the first set of economic appointments emphasised apolitical technocrats, in part to reassure donors and in part to lead this fight for good government. In most cases, however, these technocrats have seen their influence wane over time. The best example of this phenomenon may be Zambia (Rakner et al., 2000; Chiwele and van de Walle, 1994). The first MMD cabinet in 1991 included prominent human rights activists, such as the first minister of justice, Roger Chongwe. It also included several apolitical good-government advocates such as Guy Scott, a white farmer with no previous political experience, appointed minister of agriculture, and Dipak Patel, a south Asian businessman who represented the private sector community as minister of industry and was known to be a critic of the corrupt and inefficient parastatal sector.
By the end of 1994, all these men had left government. The Zambian cabinet was soon dominated by older politicians who had played prominent roles in the Second Republic under Kaunda, and in many cases had a well-deserved reputation for corruption. Once the voice of good-government rhetoric of the most uncompromising variety, Chiluba assembled a patronage machine to rival Kaunda’s. By 1994, for instance, he had named 43 MMD MPs as deputy ministers (albeit without cabinet status), in addition to the 23 ministers of government and the handful of MPs in official parliamentary functions. The perks that came with these nominations were in sharp contrast to the net salary of roughly 150 dollars a month earned by regular backbenchers, and were presumably intended as an instrument of presidential control of parliament.

Finally, policy continuity was more likely because few of the democratic governments reached power with a mandate to implement a specific set of economic policies. The literature has sometimes wrongly portrayed the democratic movements as motivated largely by opposition to structural adjustment (Gibbon et al., 1992). In fact, the dynamics that propelled the transition process often had little to do with economic policy issues and were typically concerned as much – or more – with such issues as how to rein in executive abuses of power, ensuring ethno-regional balance and, particularly towards the end of the transition process, constitutional debates. Although many of the protests that had begun the process of democratisation expressed the economic grievances of groups like the civil service and students and a general anger about corruption and mismanagement, economic policy choices rarely featured prominently in national conferences or in the elections that marked the end of the transition. Instead, the democratic forces typically came to power with a vague promise to improve living conditions by ridding the country of the dictator and his cronies.

Once the new democratic governments were in power, harsh budgetary realities and persuasive IFI experts – as well as their own permanent secretaries – convinced most of them against drastic changes in policy. Ideological continuities were reinforced by the fact that the political personnel that came to power with the new democratic governments was typically very similar to the outgoing political personnel. Not only did the government invariably retain virtually all the ministerial permanent secretaries of the previous regime, but much of the cabinet had previous ministerial experience in the ancien régime.

Moreover, the dismal state of the civil service throughout the
continent promoted continuity. In Eastern Europe, the new democratic governments have had at their disposal during the transition a reasonably professional and effective civil service to carry out a set of new policies. This was much less likely in the regimes in sub-Saharan Africa, where three decades of economic crisis had devastated the professionalism, resources and infrastructure of the state apparatus, sapping its capacity and morale. In many countries, the state barely functions and can carry out only the most simple administrative tasks. A significant reorientation of policy may not be possible in the short-to-medium term. The main constraints on state action continue to be self-induced, in other words, rather than imposed by external participatory pressures or institutional counterweights to executive dominance.

The aid regime
The final factor favouring continuity has been the relationship with donors. It is useful to dismiss the claim that the fledgling democracies have been sustained thanks to extraordinarily generous external financial support. The pressure to democratise exerted by Western donors and then their support for the ensuing democratic experiments led some to claim that they represented the main motor behind democratisation (Decalo, 1992; Jeffries, 1993). These observers could point to countries such as Zambia, in which donors rewarded the Chiluba government with an almost-doubling of aid in the couple years following the 1991 founding election. However, the overall numbers on foreign aid tell a different story, with no real difference between the two sets of countries. According to the data of the OECD Development Assistance Committee, there is virtually no difference between the evolution in aid levels between the new democracies and non-democracies. The set of new democracies received more aid per capita than the non-democracies, both before and after the transition, but this is largely a creation of the ‘small country bias’ of aid, resulting in very high totals going to such micro-states as Cape Verde and the Seychelles. Comparing the average level of aid during the period 1990–95 with the average for the period 1985–90 yields an average increase of 37 per cent in ODA (Official Development Assistance) for the non-democracies and 33 per cent for the new democracies. On the other hand, comparing the shorter periods of 1992–95 and 1988–91 yields an average increases of 6 per cent for the new democracies and a decline of 3 per cent for the non-democracies, which suggests a minor advantage for the democracies.
The United States appears to be the only major donor systematically seeking to reward political liberalisation in Africa. The promotion of democracy was elevated to a central objective of all USAID programmes by the Clinton Administration (Moss, 1995). But the US is no longer an important enough donor to shape the overall resource flows to the region. Other bilateral donors generally do not resort to political criteria for their allocation of aid with any consistency or persistence. In fact, France, the biggest bilateral donor to the region, clearly favoured authoritarian regimes such as Cameroon, Côte d’Ivoire and Togo with sharp increases in aid in the early 1990s, and was seemingly intent on helping vulnerable leaders there survive the democratisation wave. This leads Célestin Monga (1997; see also Banégas and Quantin, 1996 and Chafer, 1992) to argue that the donors have a pro-dictatorship bias in their aid. Only in the case of France, however, does the data clearly support his conclusion.

Despite much support for the general principle of democratisation, changes in aid volumes during the 1990s appear to have much more to do with the increasing willingness of the leading donors to selectively reward countries that follow their economic policy prescriptions. Thus, World Bank support to democratic Zambia sharply increased after 1991, but so did its support of authoritarian but pro-policy reform regimes in Uganda and Ghana. The year 1994 similarly witnessed substantial increase in aid volumes to many franc-zone countries, as the IFIs (along with France) sought to ensure the success of the devaluation.

Despite donor rhetoric about the importance of democracy, it appears that the quality of the multi-party electoral politics that has emerged in the 1990s has not much mattered to the donors as long as governments play the ‘presentability’ game. Some donors have sanctioned the particularly egregious manipulation of elections, notably in Togo, where the US, Germany and the European Union have all suspended aid at some point in the 1990s, in response to government repression of the democracy movement (Koffi, 1999). However, aid to Togo averaged some 13 per cent of GDP from 1990 to 1995, slightly above the region’s overall average of 12.7 per cent during this period (excluding South Africa and Nigeria), and not very different from the 14 per cent it had averaged from 1985 to 1989. In comparison, Benin – the liberal democracy with a fairly comparable economy – received 14.9 per cent of GDP in aid. As with the aggregate numbers, the cases of Togo and Benin thus suggest perhaps a small premium for the new democracies, but hardly a revolutionary change from past patterns.
Not only have the rewards for democratisation been small, in addition, donors have not responded to democratisation with any changes in aid-delivery modalities. The aid system that evolved in the 1970s has continued unchanged through the 1990s (van de Walle, 1999). A large flow of resources (on average over 15 billion dollars a year during the decade) is given mostly through a system of more or less completely uncoordinated projects by several dozen donors in each country. Aid has been pretty successful at improving short-term individual welfare, notably by promoting projects in the area of social services; it has been considerably less successful at long-term institution-building. Indeed, the massive flow of aid for the last two decades appears not even to have prevented an actual decline in state capacity through out the region.

The wave of democratisation that swept Africa in the early 1990s did not appear to change these modalities. We see the same scenario throughout the region: the donor–government relationship changes little following a transition. After a brief honeymoon, and despite perhaps a short spurt of larger aid volumes, donors go back to their curious brand of toothless conditionality and micro-management, while governments return to a combination of passive resistance and accommodation to donor pressures in a context of endemic fiscal crisis.

6. Concluding Remarks
My analysis has pointed to a great degree of continuity in African political economy. Both domestic and international institutions, and the interests they rest on and sustain, can change only slowly. The wave of democratisation that hit Africa in the early 1990s represents a watershed set of events, which will continue to impact upon African politics for years to come. In the long run, neopatrimonial politics and democracy are almost certainly not compatible, insofar as the latter introduces institutions of horizontal and vertical accountability to the executive. So, it is not inconceivable that the imperfect democratisation of the 1990s will in time represent the beginning of much more fundamental change. As I have emphasised, however, the introduction of multi-party electoral politics does not by itself create democracy overnight, at least in its ‘liberal’ variety.

In some respects, the assessment made in this essay may prove premature. It was justified, however, by the fact that so many observers argued that democratisation would have an immediate and significant impact that the preceding analysis was well worthwhile. But,
the patterns that have emerged in the first few years following the transition and which this essay have tracked, may not be sustained in time. If it is true that these regimes are hybrid ones, in which rational–legal and patrimonial tendencies coexist, then the recent political reform represents a small defeat for the latter. All over Africa, the long struggle to consolidate liberal democracy will continue.

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The Limits of Clientism: Multi-Party Politics in Sub-Saharan Africa

Inge Amundsen

Africa’s Third Wave

Africa’s third wave of democratisation has lasted for almost a decade,¹ and there seems to be much agreement among observers that its impact has been relatively meagre in political as well as in economic terms. There are many ways of addressing the question of the quality and achievements of the processes of democratisation in Africa, and Nicolas van de Walle attempts in his article ‘The Impact of Multi-Party Politics in Sub-Saharan Africa’ to employ some quantitative measurements. I will argue, however, that a qualitative approach can be more appropriate because of the many values of democracy, because of the few cases in question, and because of the characteristics of neopatrimonialism.

In his article, van de Walle sets out to evaluate how democratic Africa has in reality become, to assess the economic performances of African countries at different levels of democratisation, and to reconsider the impact of continued neopatrimonial patterns. Basically, his findings are that the third wave of democratisation that swept the African continent from the beginning of the 1990s has been a limited success in political terms. Very few ‘liberal democracies’ have ensued from the process, and the ‘illiberal democracies’ prevail. In economic terms, the success has also been limited. Nicolas van de Walle finds that economic performance, in terms of GDP growth and inflation, is largely uncorrelated to regime type.

Nicolas van de Walle also holds out neopatrimonialism as a key factor to explain the slowness and indecisiveness of Africa’s demo-

¹ According to Samuel Huntington (1991), who introduced the concept of democratisation waves in his book The Third Wave, and numerous studies on African politics establishing its beginning in the early 1990s.
Neopatrimonialism is a characteristic of most of Africa’s states that includes clientelist practices, patronage, various forms of rent-seeking and prebendalism. Furthermore, institutional factors such as presidentialism and international factors such as the aid regime tend to underpin Africa’s neopatrimonial features, and one of van de Walle’s conclusions is that ‘the introduction of multi-party electoral politics does not by itself create democracy overnight, at least in its “liberal” variety’. However, he asserts, ‘in the long run, neopatrimonial politics and democracy are almost certainly not compatible, insofar as the latter introduces institutions of horizontal and vertical accountability to the executive’. ²

That democratisation is a slow process with many obstacles and possible setbacks is not surprising to anyone. The history of democratisation in Europe makes this obvious. The question is whether the process of democratisation will take a disproportionately long time in sub-Saharan Africa, and more importantly, whether it will be blocked or even reversed because of some particularly inhibiting ‘African’ factors.

In my opinion, a quantitative approach to these questions seems premature. Africa’s third wave of democratisation is no more than 10 years old, and there are a large number of ‘deviant’ cases among the general findings. There are many unique country experiences, and the obstacles to quantifying core variables such as political and economic development, not to mention neopatrimonialism, are tremendous. Although a quantitative approach can give much insight, and although van de Walle’s overall conclusions in all probability reflect the African reality, his strength is not in his exercises of quantification but in his discussion of the rather unquantifiable variables

² This might be called the neopatrimonialism/democracy incompatibility thesis. Its overall parallel is the neopatrimonialism/economic growth incompatibility thesis, which states that neopatrimonial countries are necessarily economically stagnant and possibly retarding. Nicolas van de Walle states in his article that ‘neopatrimonialism results in a systematic fiscal crisis’. Catherine Boone has argued that in the long run the capacity of a neopatrimonial political system to generate patronage resources will be exhausted (Boone, 1990: 352–353). Together with the argument that neopatrimonialism inevitably leads to factional strife and instability of the political system as such, these two theses ultimately add up to the neopatrimonial unsustainability thesis. The trouble with these arguments is the fact that neopatrimonial African regimes have over the last 30 years demonstrated their flexibility and adaptability; they have endured economic liberalisations and recurring economic crises, and they have withstood the political pressures from below and from the outside. In sum, they have largely survived the third wave of democratisation.
of neopatrimonialism, presidentialism and clientelism. I will discuss this in further detail, add some comments on certain core concepts, and try to illustrate my points using Senegal as an example.

Quantitative versus Qualitative Approaches

At the outset, I am somewhat sceptical about any quantitative analyses of ‘democracy’ in Africa. Quantitative analyses will largely reflect the indicators one decides to single out in the first place, and the relative weight one chooses to give to them. Besides, in Africa statistics are at the best ‘guesstimates’ for several important variables. Finally, with a limited number of cases and a large number of variables each (deviant) case is not only likely to heavily influence the results but will also tend to stand out as a category of its own.

Take for instance van de Walle’s two economic performance indicators, real GDP growth and inflation. For one thing, African GDP growth indicators are indeed uncertain. Besides, they are possibly unrelated to the question of democratisation. They do not measure informal economy changes although we know that political liberalisations might lead to a sharp increase in informal economic activities that may benefit people’s living conditions more than a registered increase in GDP. Furthermore, GDP growth indicators are averages that say nothing about the distribution of resources. Increases in GDP might be caused by increased exports of minerals, for example, which do not contribute positively to people’s living standards when the mechanisms of redistribution are lacking. Therefore, redistribution policies, which are usually more prominent in democracies, may be more relevant for people’s living standards than GDP growth.

Nicolas van de Walle admits that the particularities of the Franc Zone (with its fixed parity of the CFA franc to the French franc) and the devaluation of the CFA franc had a large impact on inflation and growth, cutting across political regimes. Controlling for both the currency factor and for ‘politically irrelevant’ factors such as drought, epidemics and oil finds, and taking into account the very brief history of Africa’s democratisation and the very mixed political and economic backgrounds and outcome, all result in too small

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3 In many cases, political liberalisation means less bureaucratic regulation, which can open up for more black/parallel market activities, cross-border trade, etc. One specific example is Tanzania’s lifting of its previous ideologically motivated ban on private transport companies.
a number of units in each sub-category for a meaningful statistical analysis.

Nicolas van de Walle’s classification of regimes is also problematic. In assessing the degree of freedom allowed in a regime (Table 1), he makes use of a typology that combines transition (whether there has been a transition, an outing of incumbents) and time (whether the multi-party system has been in place for an extensive period of time, excluding countries without multi-party regimes and multi-party elections). In testing the hypothesis of economic performance, on the other hand, he makes use of another typology, new, non-, old and liberal democracies. In other words, van de Walle is employing different typologies when assessing the various aspects of democracy’s performance. Besides, in this latter typology several countries figure in more than one category. This is a diversion from elementary statistical techniques and becomes almost meaningless, in particular given this rather small number of countries.  

It remains unclear what van de Walle means by democracy, and it is unclear according to which criteria or characteristics regimes are to be classified. I believe this is partly a problem of identifying what minimum criteria are employable (and at what cost) when the purpose is to distinguish between ‘democratic’ and ‘non-democratic’ countries. It is also partly a problem of a variable (regime type or level of democracy) that cannot be measured directly in numerical terms because it embraces so many different elements at the same time. Sometimes indicators are working in opposite directions, and quite often an indicator is qualitatively different (more meaningful, perhaps decisive) at one stage in one country than at another stage or in another country.

There are several possibilities for selecting criteria that can distinguish between ‘democracies’ and ‘non-democracies’. Take for instance the debate on what is a ‘consolidated democracy’. According to the strictest ‘electoral’ definition there must be two electoral turnovers according to the popular will: one constituent election in which the president of the pre-democratic period transfers power to an opposition candidate in free and fair elections (a transition-validating election), and a second (confirming) election in which this new president steps down. In other words, the new democratically elected president will also have to prove his willingness to put demo-

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4 A simpler and intuitively easier categorisation would have been to make only two mutually exclusive categories: democratic and non-democratic, or try the same exercise using the free/partly free/not free categorisation.

cratic principles into practice. This very strict condition seems particularly relevant for Africa’s presidential systems, where the president’s organisational advantages and superior access to political and economic resources make it tempting and possible to hold on to power once in position. Applying these strictest criteria, the African members of the democratic club are reduced to only one – Benin – with the transfer of power from Kérékou to Soglo in 1991 and from Soglo to Kérékou in 1996.

However, we can apply some slightly less strict criteria for distinguishing between ‘democracies’ and ‘non-democracies’. We can for example accept that the constituent (first democratic) presidential elections can be democratic even when won by the candidate of the ruling party or junta of the pre-democratic period, if there is a later turnover. In other words, we can accept the democratic credentials of one or another possibly constituent (first democratic) election if its democratic Gehalt is proved beyond doubt through a transfer of power to the opposition in some later elections. By this, we can invite two more members to the club: Senegal and Ghana. Senegal held the first democratic elections in 1983 (with several presidential candidates) and confirming elections in December 2000 that transferred power from Diouf to Wade. Ghana held the constituent elections in 1993 and confirming elections in December 2000, transferring power from Rawlings to Kufuor.

If we are also to invite into the club any African country in which a pre-democratic regime has been replaced in democratic elections by presidents representing an opposition party, but without applying the strict conditions of a previous democratisation or two democratic shifts (i.e., simple first wave democratisers without confirmation), we have to welcome Cape Verde, Zambia, Congo (Brazzaville), Madagascar, Mali, Niger, the Central African Republic, Guinea Bissau, South Africa and Namibia.6 The problem with these countries is that they have not proven their democratic consolidation. With strong presidential systems, the new presidents in these countries are frequently reinforcing their personal power rather than accepting checks and balances, participation and transparency. Some have fallen back into the ‘semi-democracy’ category where a presidential shift according to the popular vote is not an established norm, and seems unlikely to take place again.

6 The list concerns countries with a ‘democratic’ regime shift during the 1990s. The list has been adapted from Bratton and van de Walle (1997), Africa South of the Sahara (yearbook 1999), and Africa Confidential.
However, some African regimes are relatively well-established democracies without ever having passed the litmus test of a presidential and ruling party succession (regime shift), for instance Botswana. And more importantly, some ‘democratisers’ have moved back from an initially prospective political liberalisation to a marked illiberalism, for instance Zimbabwe. Any democratic/non-democratic categorisation will therefore have to consider each country over a rather long time span.

Finally, the question of a country’s status in the process of democratisation rests in part upon factors such as the political will and character of the core players in the political game, and on the strengths and weaknesses of both the incumbent regime and the opposition. In order to assess a possibly democratically productive balance of forces, for instance, and whether this or that organisation or institution might take a lead and bring a polity another round the upward spiral of democratisation, it will be necessary to develop quite different typologies and analytical tools.

In sum, the more variables we bring in, the more each African country will stand out as a category of its own. Given the limited number of African democratising countries, lessons from individual countries may be more revealing than a search for patterns employing poor data sets. Consequently, in-depth case-studies of a few well-chosen countries, their recent political and economic history, and a careful comparison between these, are probably in order to establish whether politically liberalised and democratised African countries are performing better than the non-democracies in economic terms.

Democracy’s Economic Performance
Nicolas van de Walle finds that the economic performance of African regimes, in terms of GDP growth and inflation, is largely uncorrelated to regime type. His interpretation of this is twofold. His conclusion, that ‘no single pattern emerges from these estimates’, is first of all interpreted in somewhat positive terms because one might fear a more disruptive economic effect from political transitions. Second, van de Walle suggests that political transitions having no clear economic effect ‘may reflect the superficial nature of democratisation’, although the lack of significant economic development is in fact influenced by many factors in addition to the actions of governments.

Two more hypotheses are then forwarded and tested in qualitative terms: that democratisation will introduce a participatory explo-
sion, and that it will result in weakening executive authority. Van de Walle argues that political participation is on the decline in Africa’s new democracies. This is confirmed by other studies, and there is probably a cyclical pattern of high (but anarchic) popular participation in manifestations prior to elections (and sometimes immediately after) and during certain upheavals, and then a drastic reduction in the participation level as politics are ‘normalised’ and channelled back into the political institutions and the clientelist and corporatist channels of a restricted political elite.

Nicolas van de Walle argues that Africa’s executives are weakened only in a few cases by the process of democratisation. A few parliaments are able to check on presidents, but as most African multi-party systems have been moving into a system with a dominant ruling party, parliamentary controls are symbolic and executive dominance continues. The advantages of incumbency in Africa’s presidential systems are still immense. It is indeed a ‘winner takes all’ system.

Nicolas van de Walle notes that not a single democratising African state has chosen to move to a parliamentary form of government. However, Namibia and South Africa are at least semi-parliamentarian, and some former British colonies have not entirely abolished the principles of the Westminster model. In Kenya, parliament has the formal right to issue a vote of no confidence to the government, and has also threatened to do so, but with a dominant party and a large number of MPs in government positions (an example of the large so-called extended African governments that include ministers, vice ministers, deputy ministers, etc.), this threat is more formal than real.

Notwithstanding the weak status of parliaments in Africa (and the common practice of ignoring formal regulations), the possible future effect of existing institutions and regulations should be recognised. Take for instance the hypothesis that the multi-party system was probably more easily reintroduced in countries where opposition parties were never formally banned (such as Cameroon), than in countries where they were explicitly outlawed (such as the Côte d’Ivoire). Any institutional legacy has a possible bearing, because to some extent the formal and legal characteristics of institutions will shape individual behaviour and might shape power relations. This is entirely in line with Bratton and van de Walle’s politico-institutional approach suggested in their seminal book *Democratic Experiments in Africa* (1997).
Multi-partyism
Nicolas van de Walle uses the concept ‘multi-party politics’ as short-hand for officially multi-party electoral democracies, in other words formally liberal democracies. His ambition is not to investigate multi-partyism or political parties in terms of institutionalisation, despite the title; it is to evaluate how democratic Africa has become, and to consider the economic performances of African countries at different levels of democratisation and the continuation of long-standing neopatrimonial patterns.7

I would nevertheless like to make a comment on multi-partyism in itself. What is important to observe is that multi-partyism is but one element in a broader democratic process. Several parties, and preferably internally democratic parties that offer real policy alternatives and perform certain functions, are necessary but not sufficient in a democratic system. Democracy also requires free and fair elections, the rule of law (functioning judiciaries, a constitution, judicial review), and transparency and accountability (horizontal control of the executive branch by parliament and other core players such as auditors, control committees, ombudsmen, etc., in addition to vertical control through elections, media and civil society organisations).

In certain phases in a given process of democratic transition, some of these elements might be stronger than others. The lack of competence, institutionalisation and influence in one instance might well be compensated for by a more substantial legitimacy and persistent activism in another. The problem is that a given country moves along several dimensions of political development at the same time, and possibly in opposing directions. Senegal can illustrate this point, and also demonstrate how general trends can be confirmed and possibly also qualified and challenged.

The Senegalese Example
When Abdoulaye Wade won the presidential elections in March 2000, Senegal entered the very exclusive club of African countries to fulfil the strictest formal conditions of democratic consolidation. It demonstrated not only that democratisation takes time, but also that this time-consuming, institutional step-by-step process can be rewarding.

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7 In another article by the same author, the emerging party systems and the characteristics of the political parties are analysed in more detail (van de Walle and Butler, 1999). This article argues that some of the core functions of African parties are neglected, like interest aggregation and representation, and that the logics of clientelistic politics militate against the institutionalisation of parties.
In Senegal the process of democratisation started earlier than in the rest of Africa, with the authorisation of the PDS (*Parti Démocratique Sénégalais*) as a legal opposition party in 1974, the introduction of a restricted three-party system in 1976, and unrestricted multi-partyism in 1981. Then, almost 20 more years passed before the democratic institutions were made to work and the electorate chose not to re-elect the incumbent president.\(^8\)

This can illustrate how ‘institutions matter’. Starting with a ‘canalised, dosed and progressive’ liberalisation initiated from above by President Senghor in 1974 to give new life to a state that was up against social, economic and political constraints it could hardly control,\(^9\) Senegal embarked on a ‘two steps forward and one step back’ process that has not been completed, but by which democracy has become consolidated. Of decisive importance in this process was the establishment of multi-partyism, constitutional reforms and a new electoral code, and the independent election commission ONEL (*l’Observatoire national des élections du Sénégal*). The *ancien régime* delayed and tried to control the organisation and functioning of these institutions, but once they were established there was no way back.

Senegal also illustrates the point that African presidents and ruling parties are strong and therefore not easily overturned. With the formal democratisation of the *ancien régime*, rulers have often strengthened their democratic credentials through relatively free and fair elections. In Senegal, President Diouf was elected in 1983 and re-elected in 1988 and 1993, in three multi-candidate and increasingly free elections, until he had to step down in 2000.\(^10\)

Senegal also contradicts the core hypothesis of modernisation theory that economic development is a precondition for political democratisation, and it is a ‘deviant case’ in the quantitative analy-

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\(^8\) Whether formal democratisation will lead to a change in Senegal’s economic policies and performances, including growth and redistribution, remains to be seen. There is not much room for optimism, given van de Walle’s conclusion in this article that the general impact of democratisation on economic performance is insignificant, and given that the Senegalese promise of ‘change’ is unrelated to fundamental policy changes (*Sopi*, the Wade/PDS slogan, primarily referred to a change in personnel, and Wade said at one point he wanted the same policies but wanted them to be executed better). The background of Abdoulaye Wade and his team in the old political-administrative establishment in Dakar also points to a continuation of policies.


\(^10\) The 1988 elections were rather ‘irregular’ and their fairness contested, though most observers agree that incumbent President Diouf would still have won even if the elections had been fully free and fair.
ses in which the single best predictor for democratisation is found to be economic growth. In Senegal the process of democratisation has followed its course largely unrelated to economic cycles. Democratisation has progressed despite a chronic economic crisis, it gained momentum after the devaluation of the CFA franc in 1994, and the presidential turnover took place without any new or strengthened Senegalese bourgeoisie to carry it through.

Institutionalisation and Consolidation

Is Senegal now a consolidated democracy? Democratic consolidation and democratic institutionalisation are two aspects of the same process, but consolidation is a broader and more time-consuming process. Institutionalisation means building institutions and making them efficient. Thus, both authoritarianism and neopatrimonialism can be well-institutionalised regime types. Democratic institutionalisation implies that core state institutions (the executive, legislative and judicial branches of government, including the ministries) as well as political parties, media, and civil society organisations are well organised and operating efficiently in a rational-bureaucratic sense. It also implies that all major players accept the democratic rules of the political game, so that political competition takes place within, but is not about, the institutions of democratic government.

In other words, democratic institutionalisation takes place for instance when someone who did not initiate or draft the constitution, who did not approve some legislation or initiate a particular institution in the first place, points to some clause in it, or calls upon some explicitly recognised principle or established procedure, with success. Malawi’s constitution limits a president to two five-year terms, but President Bakili Muluzi has said he wants a third. Mali’s constitution does likewise, and here some ADEMA ruling party bosses want President Alpha Oumar Konaré to go for a third. Democratic institutionalisation is the direct opposite; it is when the constitutional limitation is respected, preferably taken for granted, and neither the outgoing president nor his party bosses utter anything that can be interpreted as disrespect for this clause.

Consolidation includes institutionalisation. A broad definition of democratic consolidation will nevertheless include two more elements. First of all, it means political stability and an unlikely return

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11 According to Diamond (1994:15): ‘most of all, and most urgently, [democratic consolidation] requires political institutionalisation.’
to authoritarianism through an expressed and efficient civil control of the military forces and the other services of the ancien régime. Second, consolidation requires legitimation. Legitimacy does not only imply that the political leadership adopts democratic values and practices, but also a widespread public adoption of and support for the same. One indicator is the percentage of voters who consider democracy as an indispensable way of life. It is in other words a democratic culture, where not only the elites but also the general public accept the basic interests of other constituent groups in society, and that they instead of violent dissident and intensified conflict will prefer moderation, accommodation and restrained partisanship.12

It is well known that democratic transitions and democratic consolidations are two distinct phases in the process of democratisation, with different characteristics, explanations and outcomes. Another not so well-established distinction is between the two separate paths of consolidation. On the one hand, there is the democratic consolidation that takes place in countries that have been through a revolutionary regime transition (revolutionary in terms of time and extent, implying a regime shift where the ancien régime – its president, government, ruling party and top military officials – is removed and replaced within months, a tabula rasa situation that requires a relatively wholesale restructuring of politics). On the other hand, there is the democratic consolidation that happens in countries going through the much slower, incremental and evolutionary process of regime transition. In the latter, the process of democratisation follows the salami tactics, one slice at a time, until the system has changed, without any watershed event that can be identified as the point of transition.

The difference can be illustrated for instance by the difference between Mali and Senegal (despite the probable shallowness of the revolution in Mali and the possible hollowness of the evolution in Senegal). One of the most inflexible and corrupt personal dictatorships in Africa was overthrown in Mali in 1991, and a fairly democratic regime was established within months. In Senegal, the

12 There is no consensus on the distinction between the two concepts institutionalisation and consolidation; they are used interchangeably. I would like to suggest, however, that the term institutionalisation narrows the focus down to the core institutions of government, the relationship between these institutions and between these and the immediate political environment, and to include the efficiency and rationality of these institutions in democratic and administrative terms. Likewise, I would like the term consolidation to include factors beyond formal institutions and elections, like popular legitimacy, civil–military relations, international aspects, etc.
incremental democratisation took at least 20 years until the presi-
dent and the ruling party were finally defeated in free and fair elec-
tions, and nobody can tell exactly when Senegal passed the point of
no return.

The Limits of Clientelism
Nicolas van de Walle characterises African politics during the
course of the last two decades (and more) as ‘neopatrimonial’,
attributes the slowness of and the resistance to the process of de-

cratisation largely to continuing patrimonial logics such as
presidentialism and clientelism, and points to the systematic eco-
nomic crisis that neopatrimonialism results in. Although his outline
of neopatrimonialism is indeed too brief in this article, 13 there is
much agreement on this point in the literature on African political
economy.

However, given the rather vague and all-embracing character
of the notion of ‘neopatrimonialism’, this agreement is unsurpris-
ing. Bluntly speaking, ‘neopatrimonialism’ has come to include eve-

everything that is not Weberian rational–legal and bureaucratic; it has
come to replace the all-embracing traditional–modern dichotomy of
the 1950s. But the degree and nature of neopatrimonialism vary
enormously between African countries, and aspects of it are also
found in other parts of the world. I believe the time is ripe for a far
narrower and more precise delineation and evaluation of the core
aspects of neopatrimonialism. It is important to delineate and de-

scribe what aspects are relevant in a given country at a given time.

In most cases, it may be the clientelist networks that are the most
prominent feature of neopatrimonialism. But which clientelist net-
works, between whom and in the interest of which groups? Are
they, for instance, informal networks mainly between government
and business, or between government and traditional elites, or be-
tween government and particular ethnic groups or between gov-
ernment and external forces? Where are the aspects of nepotism
strong? And to what extent are these networks underpinned by the

13 For a more extensive outline of neopatrimonialism, one can refer to Bratton
and van de Walle (1997), and to the French academic tradition that brought the
concept into the debate, like Bayart (1989), Bayart et al. (1992), and Médard
(1990, 1991, 1992). For studies that make use of the concept in all its richness
on Africa in general, see Chabal and Daloz (1999), and for some early studies
applying the concept in the analysis of various African countries, see Boone
(1990), Charlton (1990), and Crook (1989).
formal powers embedded in a presidential structure? A focus on the lack of distinction between private and public interest, on corruption, abuse of power, extortion and misuse of funds for private enrichment will lead to other findings. Conversely, other aspects of neopatrimonialism, such as straddling, patronage, nepotism, ethnic manipulation and favouritism, and the criminalisation of politics may be more relevant at certain points and in certain cases.

Clientelism and democratic institutionalisation are opposing logics in analytical terms, but both can very well be found operating simultaneously in the political development of a given country. In Senegal, for instance, the new President Wade moved in very efficiently and replaced the chief of the armed forces, and promoted colonels to replace other generals, in order to prevent a military takeover à la ivoirienne. However, he also provided those military officers who were laid off with jobs in unprivatised parastatals! Thus, the possibility of a military take-over is reduced, but the government’s economic reforms received a blow and clientelist practices are reinforced.

It is not unreasonable to hypothesise that the single biggest hurdle to realising existing reform objectives is the prevalence of patrimonial behaviour in government circles, but scholars need to study this issue more closely and not merely assume that African political systems are in transition from some form of neopatrimonial rule. Neopatrimonial practices are still present, and the process of democratisation is largely hampered by it, but one cannot identify every obstacle to democratisation as neopatrimonialism. Other explanatory factors also exist. Nicolas van de Walle points to external factors such as the aid regime and terms of trade, and to institutional factors such as presidentialism. One can also add the socio-cultural factors of ethnic and religious divisions (the cleavage structure), and political culture. It is a complicated but necessary task to dis-

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14 Take for instance the largely unabated right of Africa’s presidents to nominate and appoint (and of course rotate and dismiss) government ministers, officials in the presidency (‘la Présidence’ in Francophone Africa, a large body sometimes overshadowing the government), senior civil servants, military officials, judges, the diplomatic corps, regional governors, members of various state councils and boards, directors of state companies and parastatals, and in some cases even local chiefs and clergy. Sometimes it also includes the election candidates for the ruling party, because the president of the republic is usually also the president of the ruling party. And it has been noted that this adds up quite exactly to what some observers have called the ‘ruling class’ or the ‘state-bureaucratic ruling elite’ (see Amundsen, 1997).

15 According to Africa Confidential, 9 June 2000.
tistinguish ‘neopatrimonial’ factors from other factors, and to analyse the relationship between these.

To find the limits of clientelism/neopatrimonialism as an analytical tool, as well as the analysis of the limits of clientelism as an explanatory factor in itself, in given countries, calls for further research. In other words, under what conditions are personalised and segmented primary networks forced into formal organisation and institutionalisation? Where is the turning point? Why are some ethno-professional groups reorganising themselves in ‘modern’ institutions, with written rules and procedures, and through this more able to compete on a modern market-place, while others are not? Why are some ruling elites still basing their power on clientelist structures and nepotistic practices while others are moving towards the adoption of democratic structures and meritocratic principles? Studies of such processes can perhaps be based on early development sociology, on Tönnies’ Gesellschaft–Gemeinschaft dichotomy and Weber’s analysis of the interrelations between capitalism, bureaucracy and democracy, including his notion of rationalisation; and on the largely forgotten parts of modernisation theory that addressed the dynamics and processes of institutionalisation.

Anyway, the ‘neopatrimonial school’, of which I understand Nicolas van de Walle is a proponent, can be interpreted as a moderate return to modernisation theory but without the excesses of the dichotomy and without ignoring the detrimental impact of world capitalism. With a comparative and politico-institutional approach, the basic analytical tools are also at hand for analysing the process of democratic institutionalisation and consolidation in Africa, and the possible impact of political developments on economic development.

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Why Does Democracy Have to Do with It? van de Walle on Democracy and Economic Growth in Africa

Stein Sundstøl Eriksen

The relationship between democracy and economic development is one of the classic themes of political sociology. The theme can be approached in several ways. On the one hand, one may seek to explain political development in terms of economic factors, and ask how economic development affects the character of a political regime and how the prospects of democracy are affected by economic development. These are the kind of questions asked by authors such as Moore (1966) and more recently, Rueschemeyer, Stephens and Stephens (1992).

On the other hand, we may ask the converse question: How does the presence of a democratic political regime affect economic development? Addressing the latter question, some authors argue that a combination of economic and political liberalism is the best way of achieving economic growth. As representatives of broad sections of society, democratically elected leaders may serve as a counterweight to state power. They may therefore be able, at least to some extent, to control the predatory behaviour of state leaders. Thus, democratic regimes would be better able to promote economic development than authoritarian ones. This was the common view in the early 1990s, shortly after the collapse of communism. In this period of Western triumphalism, the simultaneous processes of economic and political reform were seen as mutually reinforcing.

Others, such as Haggard and Kaufmann (1995), remained sceptical of this view of the relationship between democracy and economic development. They argue that democratisation, other things being equal, impedes economic development by increasing the political pressure for distribution. As a result, a democratic regime will tend
to find it more difficult to allocate funds for long-term investment.

Nicholas van de Walle’s article in this issue addresses the second of these questions. His starting point is the hypothesis that the introduction of democracy will impede economic growth, because it will lead to increased pressures for redistribution. This, in turn, is likely to distort economic policies in ways detrimental to economic growth, because it will divert funds away from productive investment. In the following, I refer to this theory as the Haggard/Kaufmann model.

To test the Haggard/Kaufmann model’s validity for Africa, van de Walle has made two systematic comparisons. On the one hand, he compares the economic performance of African democracies with that of non-democracies in the 1990s. The second comparison is between the economic growth of democratised countries before and after the transition. Both comparisons reveal that there is little or no difference between regime types in terms of economic performance.

In this comment, I will not question the validity of his main empirical finding, or the data he uses to substantiate his argument. Van de Walle acknowledges several times that the data on economic growth are notoriously unreliable, and that this must be kept in mind in the interpretation of his findings. To this, one could add that the data on democracy are no less problematic, if for somewhat different reasons. Here, the problem is less the availability of data than the concept of democracy itself, and the classification of countries into the categories free, partly free and not free. Any such classification is based on judgment and interpretation, and given the relatively small number of cases, the conclusion could well be different if a few countries were classified differently.

The basic question raised by van de Walle is why the introduction of democracy has not had any impact on growth rates? In the following, I will focus on his tentative explanations of the lack of impact of democratisation on economic growth.

Before proceeding to discuss some of the substance of van de Walle’s argument, we may note that the hypothesis he sets out to test is based on two important claims. First, it is assumed that democratic regimes in fact pursue different economic policies from non-democratic ones. Economic policy, therefore, is the mechanism that links democratisation and economic performance.

Second, and related to this, is the implicit counterfactual claim that non-democracies are more growth-oriented than democracies, and that the kind of economic policies followed by non-democratic regimes are more conducive to economic growth than the policies
of democracies. In addition to these assumptions, van de Walle argues that the process of transition itself could inhibit growth by creating political instability, at least temporarily.

According to the Haggard/Kaufmann thesis, democratisation impedes growth because democratic regimes pursue different policies from non-democratic ones. More specifically, democratic regimes, according to this theory, will tend to follow policies that are more geared towards redistribution than towards growth.

Van de Walle’s main empirical finding is that, contrary to what the Haggard/Kaufmann thesis predicts, growth rates do not differ between regime types. His explanation of this finding is that the policies of democratic regimes have not in fact been substantially different from those of non-democracies. This, in turn, is explained by the fact that democracies in Africa have not experienced increased pressure for redistribution, as assumed in the Haggard/Kaufmann model. Consequently, the mechanism linking democratisation with economic performance in this theory – policies emphasising redistribution – is weak or non-existent.

There are two reasons for the lack of pressure for redistribution, van de Walle argues. First, in spite of democratisation, the level of political participation has remained low.

Consequently, there has been no significant change in economic policies, because pressure for redistribution has not increased. Second, the executive branch of government has remained dominant, even after democratisation. As a result, legislative assemblies have limited influence on policy-making.

Thus, according to van de Walle, African states, whatever the type of political regime, are characterised by the absence – or at least the limited amount – of pressure for redistribution. As a result, regime type does not have the impact on policy and performance assumed by the Haggard/Kaufmann model.

Is this a convincing explanation? I will raise three issues to question van de Walle’s account. The first concerns the relationship between patrimonialism, democracy and pressures for redistribution. The second concerns van de Walle’s analysis of the role of foreign actors. Finally, and very briefly, I will point out some other aspects of the state’s role in economic development, which may be more significant than the nature of the political regime.

Democracy, Development and Distributive Pressures

van de Walle associates low participation and weak legislatures
with patrimonialism. But although the emphasis on patrimonialism is important, I think its impact on policies and economic development should be seen somewhat differently. The defining feature of patrimonialism, or rather neo-patrimonialism, as stated by van de Walle himself, is that ‘office holders almost systematically appropriate political resources for their own use, and political authority is largely based on clientelist practices’.

To be sure, patrimonial regimes tend to have low levels of participation and strong executive dominance. However, this does not mean that the pressure for redistribution is insignificant in such regimes. After all, what is patrimonialism if not a large-scale system of redistribution? In his introduction, van de Walle points to the dependence of African states on distribution of spoils for their maintenance of power, referring, apparently with approval, to arguments to this effect made by Richard Sandbrook and Jean-François Bayart.

This – in my opinion crucial – argument is not drawn upon in his explanation of the lack of impact of democratisation on economic growth. If ruling regimes in Africa depend on the distribution of spoils to stay in power, this surely applies as much to formally democratic regimes as to authoritarian ones, and it would apply even if participation increased and executive dominance was reduced. In patrimonial systems, the pressure for redistribution is massive, although it does not take the form found in Western democracies, or in the Asian and Latin American states studied by Haggard and Kaufmann.

When regime survival depends on distribution of spoils, pursuit of policies that are ‘rational’ in a strictly economic sense may be politically impossible to sustain, regardless of the nature of the political regime. Governments may then pursue policies that are detrimental to economic growth, in order to secure its own position, even if it means that the economic development of the country is adversely affected in the long run.

In so far as African states are patrimonial, therefore, they fundamentally depend on redistribution as a strategy for securing a minimum of support. In a fundamentally patrimonial system, democratisation may mean that the pattern of distribution of spoils could be different, but the amount of distributional pressure would not necessarily change. Other sections or interests could get access to state resources, but funds would still tend to be used for redistribution rather than investment.

Thus, my argument is in a sense the reverse of that proposed by van de Walle. The continuity across regime types in terms of eco-
Economic development is not explained by the fact that both democracies and non-democracies experience little pressure for redistribution. On the contrary: the economic performance of democracies and non-democracies is similar because both regime types are subject to strong pressures for redistribution. It is the continued strength of demands for redistribution, rather than their continued weakness, that accounts for the continuity across regime type. This means that the continuing dependence of regimes on clientelist practices to sustain their support, rather than the low levels of participation and executive dominance, seems to be the most important explanation for the limited impact of democratisation on growth. After all, when preservation of regime power – and ultimately state power itself – is at stake, distribution is likely to take precedence. Thus, since patrimonialism, is a system fundamentally based on redistribution, there is no prima facie reason to assume that the introduction of democracy will change the amount of distributional pressures.

This means that a key assumption underlying the Haggard/Kaufmann model, which van de Walle appears to accept – i.e. that democracies tend to be more subject to pressures for redistribution than non-democracies – must be rejected. Or to be more precise: the argument does not apply to patrimonial states, since the assumption on which it depends is not valid for such states.

Democracy, Growth and the Role of Donors
van de Walle’s article also deals with the role of foreign donors. The relationship between democratisation, economic growth and the role of donors is a complex one, and van de Walle does not really address it in full. However, given the fact that the overall focus of the article is on the relationship between democratisation and economic performance, one would have expected this section to deal with how donor policies towards different regime types have affected economic growth.

This is not the focus of the discussion, however. Instead, van de Walle discusses how donors have responded to democratisation. Donors have not, he argues, directed more aid to democracies than to non-democracies. Empirically, this is an important point, which shows that in spite of all the rhetoric about democratic governance, donor practices have not changed. But van de Walle does not link this discussion explicitly to his overall theme of how democracy affects economic development.

He seems to regard the lack of increased external support to
democracies as one reason why the economic performance of democracies is no different from that of authoritarian regimes. Counterfactually, this implies that if more aid had been given to newly democratised countries, they would have performed better economically. This, however, would be an explanation of why democracies have not performed *better* than non-democracies. And given that van de Walle started out with the assumption that democratisation impedes economic growth, this seems to be a question that hardly needs to be asked at all.

Perhaps van de Walle thinks that selective international support to democracies can serve to counteract the general mechanism described in the Haggard/Kaufmann thesis. This may or may not be reasonable. In any case, this argument is neither explicitly put forward nor justified in the present article. In fact, following Mick Moore (1998), one could also argue the opposite: Increased donor support to democracies could make these states more dependent on, and therefore more accountable to, foreign donors than to their own citizens. Such a ‘delinking’ of the state from society could undermine both democratisation and economic growth: Democracy could be undermined by the change in accountability relations, while increased access to donor funds could absolve new democracies of the need to improve their tax collection system. One must therefore conclude that this issue remains unresolved.

In discussing the role of foreign donors, van de Walle mainly focuses on the use of (or the rather the failure to use) aid to reward new democracies. However, given that his main aim is to explain the lack of impact of democratisation on economic performance, this focus seems somewhat misleading. As he notes in passing, donors have been more concerned about economic policy prescriptions than about democracy. Almost all African countries, whether democratic or not, have adopted structural adjustment programmes. As van de Walle points out, the volume of aid has increased to all governments who follow liberal economic policies, regardless of the nature of the political regime. Thus, the most important way in which donors have influenced political and economic development in Africa is through these programmes (Mkandawire, 1999).

This seems to be a point of some significance. The Haggard/Kaufmann thesis presupposes that democracies will tend to follow different economic policies from authoritarian regimes. But if economic policies are determined by donors, the nature of the political regime would seem to be of limited importance, since different types of regime would follow similar economic policies anyway.
One might, not entirely without justification, respond that the ability of donors to follow up and ensure that economic policies conform to the agreed conditions in practice is limited. This view seems vindicated by the continued ability of African governments to maintain clientelist systems of distribution and various forms of corrupt practices, despite entering into agreements with donors that ban such practices.

However, even if this is the case, it seems reasonable to believe that conditions set by donors in general, and the World Bank and IMF in particular, restrict the range of economic policies available to governments. And if this is the case, the role of donors in determining economic policy would at least be part of the explanation for the similar economic performance of democratic and non-democratic regimes. In any case, it remains odd that van de Walle does not mention this possible explanation.

The State and Economic Growth

Instead of asking how a given regime type affects economic development, one may ask what kind of state is required in order to achieve economic growth. As the extensive literature on ‘the developmental state’ shows, there are other aspects of the state that are more important for economic development than whether the regime is democratic or not (Evans, 1995; Leftwich, 2000; Wade, 1990). By way of a conclusion, I will point out some of these.

To be able to restructure society, or to be developmental in the sense of promoting economic development and industrialisation, a state needs reasonable administrative capacity. Moreover, it needs to be able to use that capacity in a way that promotes ‘development’.

Transformative capacity of this kind concerns the state’s ability to shape society according to state priorities. It is closely related to Michael Mann’s concept of infrastructural power or ‘the institutional capacity of a central state... to penetrate its territories and logistically implement decisions... This is collective power, “power through” society, co-ordinating social life through state infrastructures’ (Mann, 1993:52).

In his recent discussion, Adrian Leftwich sums up the features of the developmental state in the following way:

- A relatively uncorrupt government elite committed to economic growth
- Relative state autonomy from interest groups
- Strong bureaucracy
- Weak civil society.
Although most developmental states have been authoritarian, there are also examples of democratic developmental states, including two African states, namely Botswana and Mauritius. The point to note in this connection, however, is that democracy does not seem to be a major factor in explaining economic performance. As Leftwich argues: ‘There have been some democracies and some non-democracies that have been developmentally successful, and it is therefore crystal clear that regime type (that is democratic or not) has had little to do with it’ (Leftwich, 2000:151).

Most African states are a far cry from this description of the developmental state. In other words, the kind of state apparatus required for the effective promotion of growth is simply not found in Africa. In many African states, the capacity of the administration is so limited, that even the most ‘committed’ government would be incapable of implementing policies of any complexity. In this respect, the contrast with the so-called developmental states of East Asia is stark.

In such conditions, regime-type and the choice of official policy may not be the most important ways in which the state influences economic growth. Growth patterns are likely to be more affected by other properties of state institutions than the nature of the political regime. This analysis is entirely consistent with van de Walle’s findings, but it provides a more convincing explanation of the lack of a link between democracy and economic development.

In conclusion, the lack of connection between democracy and economic development found by van de Walle appears to be over-determined. The persistence of patrimonialism, the weakness of state institutions and the influence of donors on economic policymaking all pull in the same direction. All these factors contribute to reducing or undermining the impact that democratisation might have on economic performance. The great merit of van de Walle’s article is that it documents the lack of such a link empirically. Its limitation is that the proposed explanation of why this is the case remains unconvincing.

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The present report consists of introductions delivered at a bilateral seminar on Russian and Norwegian security policy held at Gamle Logen, Oslo, on 4 December 1998. Although organised by the Centre for Russian Studies at the Norwegian Institute of International Affairs, with the support of the Norwegian Ministry of Foreign Affairs, the seminar was very much the brainchild of the Norwegian and Russian Foreign Ministers, and the result of a joint effort.

Whereas the geographic proximity of Norway and Russia favoured a bilateral perspective, the increasing interconnection of issues and actors in the current international climate inspired a more comprehensive agenda. In the wider context of the ongoing redefinition of the European cooperative agendas, topics relating to the OSCE, NATO, and all-European and sub-regional cooperation were included. The seminar, and, subsequently, the report, was thus organised around three main themes: security policy challenges in the North; sub-regional cooperation in the Barents and Baltic Sea regions; and the all-European dimension, the OSCE and NATO.
The excellent comments by Amundsen and Eriksen make many points with which I agree. They have noted sins of omission in my essay, which were the result of space constraints rather than fundamental disagreement on my part. Indeed, I am heartened that both appear to agree with the main contention of my piece, that at least in economic policy terms, the third wave of democratisation in Africa did not represent a major historical watershed.

On the other hand, they do take me to task on several important issues, and I appreciate the chance to respond with some brief further comments. First, Amundsen is skeptical regarding the utility of cross-national quantitative comparisons, citing problems with data quality, the relevance of deviant cases and the shortness of time that has elapsed since the beginning of the third wave in Africa. He complains that it is hard to determine which African countries have actually undergone a transition because most African countries move ‘along several dimensions of political development at the same time’. He has serious reservations about data quality. Throughout my essay, I was at pains to stress the tentative nature of my study and I noted these difficulties. I argued at some length that many countries in the region combined democratic practices with authoritarian ones. Indeed, this argument was one of main points I used to counter the widespread view that the move towards multi-party politics represented a major historical watershed.

My choice of a cross-national quantitative approach for this article was in no way meant to denigrate the value of in-depth case-study research to advance theory-building. Different research methodologies complement each other, and both are certainly desirable if we are to understand fully the course of democratisation
in developing countries. Having said that, I was motivated to write this essay by widespread claims that the third wave of democratisation and the emergence of multi-party politics in Africa would have significant impact on the region’s economic performance. Was this the case? The research question lent itself to a cross-national quantitative design, since it was inherently comparative. Of course, the research was imperfect, littered with problems relating to data issues and conceptual pitfalls. That is why I kept the research design simple and as transparent as possible. That is why I tested different possible classifications of regimes and looked at a variety of economic indicators. But my approach allowed the formulation of falsifiable results, and other scholars can (and no doubt will) improve the data and employ more sophisticated methods and alternative classification schemes to challenge my conclusions. To abandon comparative analysis entirely until we have perfect indicators would be counterproductive.

Amundsen advances the case of Senegal to buttress his case, but ends up evoking the limits of case-study work. Sure enough, the Senegalese political system is fraught with contradictions, combining elements of liberal democracy with authoritarian tendencies. In at least some respects, it is a unique case. But we can know that, only if we make explicit comparisons with other countries. In his four paragraphs on the country, Amundsen makes several implicit comparative assertions about Senegal that cannot easily be falsified. To give one example, he asserts that Senegal ‘contradicts’ modernisation theory because Senegal has become a consolidated democracy despite a chronic economic crisis. I disagree: Senegal’s economic performance has been about average for Africa, while its long-standing links with France, relatively high levels of urbanisation and literacy would make it a relatively good candidate for political reform according to modernisation theory – at least by regional standards – but democratisation has advanced less than in neighbouring countries such as Mali. The differences in political behaviour between Dakar and what happens in the back-country are actually extremely compatible with modernisation theory. How might Amundsen and I reconcile our different viewpoints? For all intents and purposes, the only practical way would be to compare the comparative economic and political indicators he disparages. Precise indicators and quantitative data may be imperfect, but if they do not frame scholarly debates, we are much more likely to continue talking past each other.

Second, both Amundsen and Eriksen criticise my argument that
the dynamics of neopatrimonialism have continued to condition the economic policy performance of African regimes, even after democratisation. Amundsen appears to find this argument trivial, in the absence of a more precise definition of neopatrimonialism that emphasises differences between African states. I agree that the concept is elusive and disguises significant cross-national variation in such phenomena as clientelism or personal rule, to discuss which would have required much lengthier treatment than my brief essay allowed. But I stick by my argument that, first, the general phenomenon of neopatrimonialism captures an essential set of characteristics that distinguishes most of the low-income states of Africa and sets them clearly apart from the more developed countries in other regions; second, I was making the broader point that sociological structures evolve only very slowly in response to short-term changes in political institutions, a point with which Amundsen appears to agree.

Eriksen puts forward a very different argument, accepting the utility of the concept, but arguing that neopatrimonial states are inherently redistributive and participatory, whereas I had argued that these political systems were in fact characterised by low levels of political participation. Here Eriksen adopts the traditional view of African political systems, recently espoused by such authors as Reno or Chabal and Daloz, and it is one that I reject. On the contrary, key practices such as pervasive clientelism should be understood as instruments to legitimise social systems of great inequality and inequity. The discourse of social insurance and redistribution that surrounds them disguises the fact that these systems generate rapid social stratification, and that little of the state’s resources get redistributed beyond the confines of a narrow elite. Unlike the situation in the classic populist regimes of, say, Latin America, the absence of mass organisations in Africa weakens the political influence of lower-class groups who have little leverage over the ‘patrons’ who capture the benefits of prebendal and rent-seeking practices. Indeed, dyadic clientelistic linkages undermine the institutionalisation of organisations that would spearhead participation and demands for redistribution. What is the evidence for this view? In fact, African states are quite small in relative terms.1 They employ a smaller proportion of the population and use up a smaller share of GDP than the states of any region. African states do less to increase the welfare of their populations than any other states. The evidence

1. My forthcoming book (van de Walle, 2001) provides much evidence on this front, and elaborates at length on the arguments in this paragraph.
on participation is similarly striking. Voting turnout tends to be low, though there is much variation across countries. Political and social organisations tend to be weak and have demonstrated little mobilisational capacity.

Will democratisation change this? In the short run, my essay suggests not. Deeply ingrained practices take time to catch up with regime changes. Economists have taught us that basic asset distribution is extraordinarily stable over time in most societies, at least in the absence of transformative social revolutions. But throughout history, the development of political and civil rights has been both a cause and a result of the empowerment of lower and middle classes and there is no reason to believe Africa is any different.

Finally, Eriksen takes me to task on my argument about donors. He agrees with my contention that there was no aid windfall for the democratising states. He cites Mick Moore’s argument that current aid dependence tends to foster unaccountable governments, a view with which I largely agree (van de Walle and Johnson, 1996). But then he goes on to suggest that the real reason for the low impact of democratisation on performance is that economic policies are set by the donors, not the actual governments. This is the ‘choiceless democracy’ thesis advanced by Mkandawire and others. Such a view will not withstand even cursory scrutiny. First, it assumes that all donors actually have the same policy preferences. This is clearly not true, since at least some bilateral donors have explicitly sought to undermine the conditionality of other donors. Second, in the mid-1990s, as my essay shows, the average African state was not following donors’ prescriptions in most areas: by their standards, it had unsustainably high fiscal deficits, inadequate public investment, and excessive levels of trade protection. To give just one germane example, not only are donors not penalising the Central African Republic for having accumulated over a year of arrears on civil service salaries (large arrears are common all over francophone Africa and clearly reduce the developmental effectiveness of the state), but the several hundred million dollars of annual external support on balance should surely assist that nation’s government to pay those on its payroll. There are plenty of similar policy areas, in which government policies are clearly at odds with donor preferences.

For donor conditionality to be completely constraining would mean that donor programmes were entirely imposed from the outside and did not benefit from any local input. But this is clearly fantasy. Though there may be important power asymmetries, the donor–government relationship is clearly marked by negotiation and
compromise. Moreover, donor conditionality is far from completely constraining. The most careful studies of conditionality suggest that roughly half of donor conditions are fulfilled in a meaningful manner. In sum, governments have considerable latitude, not only in how they choose to negotiate their relationship with donors, but then in how much of what they have agreed to they choose actually to implement. That reality is little affected by democratisation in the short term.

References

2. For instance, Killick (1998).
The application of a gender perspective in the analysis of different stages of conflict has been limited. One of the main consequences of this is that women’s experiences, knowledge and efforts to a large extent have been left out. The prevailing understanding of conflicts, conflict prevention and transitions from war to peace is therefore mainly based on male premises.

The contributors to this volume come from a variety of academic disciplines: anthropology, sociology, political science, philosophy and education. Represented is ethnographic work on the social consequences of warfare, and analyses that deconstruct concepts such as ‘security’, ‘war’, ‘peace’ and ‘citizenship’ to expose the gendered underpinnings informing theory. The arenas subject to analysis are military institutions, frontlines of war, feminist protest movements and community initiatives, to introduce just a few. A better understanding of the true nature of conflict is necessary in order to identify the potentials for reconstruction of war-torn societies.
Understanding Taxation in Poor African Countries: A Critical Review of Selected Perspectives

Ole Therkildsen

1. Introduction

Issues of taxation are central to economic and political debates in the North. They loom large in party manifestos, in parliamentary discussions of budgets, and in public debates. Indeed, it is now conventional wisdom that taxation was central to state formation in Europe and remains a central feature of present state–society relations (Tilly, 1992).

The situation is different in most poor African countries. Here issues of taxation and resource mobilisation are rarely prominent in party declarations nor often publicly discussed by power-holders. They do not occupy a central role in the media debate either (although newspapers do write about problems of tax collection, evasion and fraud). Taxation is not even much discussed during multi-party elections. Similarly, many well-known political scientists writing about politics, democratisation and state formation in Africa pay little attention to taxation (e.g. Bratton and van de Walle, 1997; Chabal and Daloz, 1999; Chazan et al., 1988; Hyden and Bratton, 1992; Sørensen, 1993; Tordoff, 1984). Indeed, the political economy of revenue mobilisation in African countries is a neglected area of study. It is also poorly understood.

Three features of resource mobilisation in the present African context make a focus on the tax–aid–democracy linkages particularly interesting. One is that there are considerable differences in

Note of acknowledgements. This is a revised version of a conference paper (Therkildsen, 2000). The usual disclaimers apply to useful comments on an earlier version by anonymous referees and by members of the taxation–aid–democracy research group (Fjeldstad et al., 2000).
resource mobilisation levels across countries. Measured by the ratio of central government tax revenue to GDP during the 1990–95 period, it ranges from below 10 per cent for example in Burkina Faso, Cameroon, Chad, Niger, Nigeria and Uganda to above 20 per cent in Angola, Botswana, Kenya, Lesotho, Namibia and Zimbabwe (Stotsky and WoldeMariam, 1997: Table 1). How can such differences be explained?

Furthermore, there has been a trend towards democratisation in Africa. Thus, in the early 1990s, 29 out of 47 countries held multi-party elections for the first time in a generation. By the end of that decade, only a small number of states were not officially multi-party electoral democracies, although their democratic practices were often less than perfect (van de Walle, 2000: 1). How does democratisation affect the modes and magnitude of resource mobilisation and how do these, in turn, affect state–society relations?

Finally, most African states are aid-dependent. Thus, the median ratio of aid receipts to GNP for 41 poor countries (mostly in Africa) rose from 8.3 per cent in 1980 to 18.3 per cent in 1994. During the same period, the median ratio of aid to government revenues rose from 39 per cent to 78 per cent for the 16 of these countries for which data are available (Moore, 1998: Tables A3.2 and A3.4). Does such external dependency on aid reduce domestic efforts at resource mobilisation and undermine the future sustainability of the public sector if or when aid declines? How might aid dependency of this magnitude affect accountability relations between state and society?

The purpose of this article is to provide a critical review of some recent, comparative and longitudinal studies that focus on one or more of these questions from different theoretical perspectives. No single study, however, covers all relevant aspects of possible tax–aid–democracy linkages. Moreover, the various studies address different aspects of these linkages. The first study focuses on the importance of economic structure in explaining cross-country differences in tax collection levels. In the second study – based on a new institutionalism perspective – the importance of economic structure and regime type on collection levels is investigated. The importance of institutions in explaining collection levels is stressed in the third study. The final study reviewed is based on a political economy perspective on how aid and the form and extent of tax collection affect regime type.

Examples of each perspective are reviewed in some detail by presenting the key arguments and findings followed by an assessment. Namibia, Tanzania and Uganda are given specific attention.
where the selected studies provide relevant information. Implications of the review findings for the understanding of and further debate on taxation in poor African countries are presented in the conclusions.


In poor aid-dependent countries, policy-makers and donors often use comparisons of tax revenue-to-GDP figures (tax shares) like those presented above as a basis for setting tax collection targets. The logic is that a low tax share is regarded as an indication of an unused potential for increased taxation or of low tax effort. In the following, the methodology of comparing tax shares is presented and its problems assessed. It is then shown how target-setting based on this approach has direct implications for tax–aid–democracy linkages in aid-dependent countries.

The structure of a country’s economy influences taxation significantly. It is, for example, administratively easier and cheaper to tax major industrial activities than peasant agriculture. Such differences in economic structure ought to inform tax policy-making, based on comparative assessments of the potential for increased taxation. In a regression model of tax shares in sub-Saharan Africa, Stotsky and WoldeMariam (1997) estimate a tax share for each country based on the structure of its economy, and compare that with its actual tax share. The ratio of actual tax share to predicted tax share is then used as an index of tax effort for the 30 countries for which complete data are available.

As expected, tax shares are negatively related to agriculture’s proportion of the economy, and positively correlated with export share and per capita income. These relations are statistically significant (Stotsky and WoldeMariam, 1997: 15 and Table 4). The econometric analyses also show that tax efforts in Uganda between 1990 and 1995 are more or less around average for the 30 countries included in the analysis. Those of Namibia and Tanzania are above average. From 1990 to 1995, tax efforts appear to have decreased in Tanzania, while remaining fairly stable in Namibia and

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1 These three countries are included in a current research programme on taxation, aid and democracy (see Fjeldstad et al., 2000).
2 Detailed comments on the data and the analyses are provided in Therkildsen (2000).
Uganda. Moreover, Tanzania belongs to one of four countries with a high tax effort and a relatively low tax share (Stotsky and Wolde-Mariam, 1997: 31).

Assessment

There are four main methodological problems with this economic approach to comparative studies of tax effort.

One is that the concept of tax effort measures effects of tax policy and administrative capacity (‘effort’ in the narrow sense), as well as tax compliance. Differences in tax effort may therefore reflect taxpayer behaviour as much as government actions (or non-action). This complicates interpretations of country differences and trends.

The second problem is that the comparisons do not account for changes in tax policies. Yet, during the 1990s many countries reformed their tax systems to increase revenues and improve economic growth (e.g. by abolishing export taxes and lowering tax and tariff rates). Such objectives may conflict in the short and medium term – even if the tax reforms work as intended. Many tax administrations must therefore ‘run faster’ today than 10 years ago just to collect the same amount of revenue. Such efforts are not caught by the economic structure approach.

A third problem is that – even if the premises of the economic approach chosen by Stotsky and WoldeMariam are accepted – changes in economic structure other than the composition of GDP and of imports and exports as measured in national accounts are ignored. Economic liberalisation has affected the ownership structure of economic activities, the degree of state control, and the demonetisation and informalisation of the economy (Charmers, 2000). Such structural changes also affect resource mobilisation and this makes interpretations of variations in tax levels across countries and the trends as observed by Stotsky and WoldeMariam problematic.

Finally, due to problems of accountability and corruption in revenue collection, the official revenue figures used for the comparative analyses may not reflect the taxes actually paid (Ghura, 1998).

These methodological problems are not just of technical interest. It is when such analyses are used for tax policy-making in aid-dependent countries that the linkages between tax, aid and accountability come to the fore. In Tanzania and Uganda, for example, the Stotsky- and WoldeMariam-type comparisons of collection levels – and even
cross-country comparisons of crude tax-to-GDP ratios – form the main basis for tax collection target-setting despite the methodological problems highlighted above. Such targets are often central to donor agreements with the recipients and the achievement of targets is linked to aid inflows. Consequently, once targets are set, there is substantial donor and government pressure on the tax authorities to meet them. This may lead to increased use of coercive methods in tax collection. Coercion is facilitated by tax laws which often do not provide much protection of taxpayer rights but assign substantial discretionary powers to tax authorities. Hence, already weak accountability mechanisms between citizens as taxpayers and the state in poor aid-dependent countries may be further undermined by such donor demands for increased taxation.

Irrespective of its methodological problems and of its actual political use, the economic structure perspective on taxation provides a useful reminder to political scientists that specific economic features of the economy have a significant impact on taxation levels. Moreover, as will be argued later, economic structure also has a considerable effect on tax administration and through this on state–society relations.

3. New Institutionalism Perspectives
Stotsky and WoldeMariam deliberately treat the influence of political factors on revenue mobilisation as a residual in their regression analyses. In contrast, Cheibub (1998) confronts the political issues by asking: do democracies collect as much in taxes as dictatorships?

Cheibub’s review of the literature does not give a clear-cut answer to this question. Some argue that dictatorships have an incentive to tax at higher rates than democracies because authoritarian rulers have greater autonomy in deciding on tax policies and to appropriate revenues for their own benefits. In democracies, on the other hand, citizens decide the size of government and the spending of revenues through voting. An alternative hypothesis holds that democracies, not dictatorships, tax more and grow less than authoritarian regimes. The main argument here is that in a democracy public decisions must reflect the preferences of the majority of the population because of political competition. The majority typically

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3 The Policy Framework Papers of the late 1990s, which recipient governments sign with the IMF, specify such targets.
demands immediate public and private consumption because (i) most people have low incomes and prefer consumption now to growth and consumption in the future; and (ii) in the process of development, consumption demands will increase much faster than the economy’s capacity to satisfy them.

With respect to a regime’s ability to collect taxes, there are also conflicting views. Some argue that dictatorships are better at collecting taxes than democracies. Not only do authoritarian regimes have the autonomy to pass tax laws that yield larger revenues; they are also less constrained from using force to ensure tax compliance. Others argue that democracies are relatively better at ensuring compliance because taxation is based on a system of bargaining in which the government provides public goods that are positively valued in exchange for tax payment. Moreover, democratic pressure ensures that the government will keep its side of the bargain, and that taxpayers are treated equally.

To test these conflicting views on the relations between regime type and tax revenue, Cheibub (1998) uses a model based on the well-known work on taxation by Levi (1988). Her arguments are therefore briefly dealt with first, followed by a presentation of Cheibub’s empirical evidence.

**Tax compliance under predatory rule**

Levi’s (1988) work on taxation is inspired by Machiavelli and by theories of collective action. As empirical evidence, she uses information from republican Rome, France and England in the middle ages, Britain in the 18th century, and Australia in the 20th century.

Rulers are predatory, according to Levi, because they need state revenues to pursue their personal objectives of staying in power. In effect, rulers subscribe to a pro-state ideology. Levi’s main proposition is that ‘rulers maximise revenue to the state but not as they please’ due to the various constraints: transaction costs, the discount rate of the rulers, and the relative bargaining power vis-à-vis agents and constituents (p. 10). These constraints determine the choice of revenue system, since rulers do not possess unlimited power, nor do constituents pay taxes voluntarily. Even with considerable power and effective surveillance of taxpayers, a ruler cannot achieve full compliance. ‘There is always room for shirking and cheating.’ Consequently, rulers strive to improve compliance at minimum costs, while taxpayers try to avoid and evade taxes. A ‘balance’ between these conflicting interests is achieved through bargaining. This re-
sults in a ‘fiscal constitution’ for a polity. Its negotiation is a major political event, which establishes the operative definition of a fair revenue policy with which widespread compliance can be expected (p. 49).

Once a fiscal constitution is negotiated, the contract between the rulers and the constituents comes under pressure due to free-rider problems, imperfections in the specification of the contract, and changes in the relative bargaining power between rulers and constituencies. Special interest groups negotiate favourable deals for themselves; people find ways to avoid and evade taxes; state functions change in scope and character and this influences people’s perceptions of the costs and benefits of a given revenue system.

Non-compliance may increase as a result of these trends, thereby setting the stage for renegotiations of the tax contract. But rulers have other options. They can improve compliance by coercion. They can also seek to shape the norms of tax compliance through ideological means that socialise the population or shape its conception of fairness to fit the policies of rulers (e.g. education of taxpayers). Or they can promote quasi-voluntary compliance. It is voluntary because taxpayers choose to pay. It is quasi-voluntary because coercion will be used against non-compliers if they are caught. The fact that compliance is not only a matter of principle but also of various inducements distinguishes quasi-voluntary compliance from ideological compliance.

Quasi-voluntary compliance will occur when taxpayers have confidence that rulers keep their part of the contract, and other constituents keep theirs. Taxpayers are strategic actors who will co-operate only when they can expect the co-operation of others. Thus, quasi-voluntary compliance rests on norms but is backed by coercion and material incentives. These incentives are broader than the financial rewards, standard of living and working conditions that are usually considered. Levi includes ‘the sanctions, incentives and reciprocity practices that produce social order and conditional co-operation without central state- or ruler-imposed coercion’. Reciprocity is therefore very important. The key ‘lies in what rulers and other government officials do to create mutual expectations of tax payment’. They can, for example, establish institutions that promote conditional co-ordination or contract by convention, and that reduce ‘multiple defections’ from paying tax, since these make it unlikely that valued collective good will actually be provided. Such measures are important because once quasi-voluntary compliance has declined, its revival is extremely difficult. Often this requires an
extraordinary event – war, revolution, depression – which makes people willing to negotiate a new bargain.

**Taxation in democracies and dictatorships**

Cheibub (1998) provides an empirical analysis of Levi’s theory. He specifies the variables in an econometric model on the basis of reviews of propositions scattered throughout the public-finance literature. The five-factor model explaining the level of taxation consists of regime type, transaction costs, discount rate, bargaining power and fiscal requirement (i.e., variables indicating the expected level of activities to be financed by the government, as well as alternative sources of revenue such as aid).

Cheibub relates transaction costs to economic structure, using similar variables to those employed by Stotsky and WoldeMariam, and arrives at similar findings. The discount rate of the regime is related to the risk of being removed from office through elections or coups. Cheibub finds that higher risk correlates with higher revenue collection. Governments will plunder when their tenure in office is insecure. Relative bargaining power is a function of the resources that a regime controls. Cheibub identifies periods of relatively limited power as the years when a presidential or legislative election takes place (elections occur surprisingly frequently in dictatorships), when a chief executive changes, or when a regime transition happens. Consistent with other studies, he finds that taxation is lower in election years. Finally, Cheibub finds that a government’s overall fiscal situation (measured as the ratio of public foreign debt to exports and the aid-to-GDP ratio) is not statistically significant for taxation although it has the expected sign. Overall, Cheibub (1998, 373–374) finds that democracies are as capable as dictatorships of extracting taxes from society. Observed differences in tax levels between countries are not due to regime type but are caused by factors such as those mentioned above.

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4 Data for 108 countries in Africa, Latin America, Asia and Europe from 1970 to 1990 are used. The sample includes several rich OECD countries as well as 40 African countries. The data excludes non-tax incomes from state-owned enterprises.

5 Aid influences tax levels negatively but not significantly, according to Cheibub.
Assessment

The theoretical foundation for Cheibub’s analyses is Levi’s theory of predatory rule. An assessment of this theory is therefore a useful way into an assessment of Cheibub’s work.

The power and elegance of Levi’s parsimonious theory of predatory rule should be weighed against the realism of the simplifications that she makes. What is the evidence for the proposition that rulers try to maximise revenues? Does this proposition hold in African countries? Might some rulers not actually prefer a limited role for the state and therefore try to reduce taxation for ideological and political reasons?

Levi specifically dismisses the latter objection. She admits that such rulers do exist, but that they are rare. Their attempts to reduce revenues are actually a strategic move necessitated ‘by powerful constituencies or by the desire to increase revenue over time’ (p.4). But it seems equally plausible that rulers may lower taxes to gain political support. Empirical tests of the maximising behaviour hypothesis – Levi’s own ultimate criterion for accepting her theory – are therefore very difficult to make.

Moreover, public transactions are different from private ones as Steinmo (1993: 195) points out. Private transactions are done on a quid-pro-quo basis: payments are made for specific services. Public transactions involve indirect payment for services through taxes. This often leaves the impression that such payment is confiscatory. Add to this that taxes pay for many services that individual taxpayers may not want at all (primary schools for the childless; military for the pacifist; nation-building activities for the tribalist). It may therefore be questionable only to apply market-exchange assumptions to such public transactions – especially in countries where the concept of a nation state itself is a controversial idea.

Finally, Levi’s theory of predatory rule is based on the implicit assumption that rulers maximise revenue for the state in order to stay in power. This assumes a separation of the private from the public which may not exist in patrimonial systems where rulers may regard taxation as a source of personal income. How this may affect taxation is, however, not obvious. It may induce rulers to non-maximising behaviour depending on their personal needs for income. On the other hand, rulers may want to maximise income because finances are required to build and maintain political support through costly patrimonial networks. Consequently, they may have substantial interest in expanding state capacity for revenue generation.

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6 I am grateful to an anonymous referee for making this point.
Cheibub sets out to find empirical evidence for Levi’s theory. It is therefore important to note that Cheibub’s model is incompletely specified. First, although Cheibub regards administrative capacity to tax as important, it is not included in the model. Second, there is no attempt to relate tax levels to the provision of public goods although the *quid-pro-quo* concept is central to Levi’s theoretical considerations about voluntary compliance. Third, Cheibub does not test Levi’s proposition that ideology about the role of the state in development is important in explaining differences in revenue mobilisation. Fourth, Cheibub’s quantitative comparative approach obviously forces him to use simplified indicators for the concepts used by Levi. She defines, for example, transaction costs as the positive costs of bargaining to reach a policy decision and of implementing that decision once it is agreed. The most important elements concern the cost of negotiating agreements, measuring revenue sources, monitoring compliance, using agents and other middle-men, punishing the non-compliant and creating quasi-voluntary compliance (Levi, 1988: 23). Cheibub uses data on the composition of the GDP as a proxy for all these cost elements but such data only capture a limited part of Levi’s transaction costs.

It is, in any case, very difficult to test the extent to which quasi-voluntary compliance depends on norms, coercion and material incentives. Although each factor seems plausible enough, it is complicated to sort out their relative importance in a specific setting. In poor countries with a limited tax base and tax administration capacity, compliance may be better ensured through the threat of coercion against defaulters or by close surveillance of compliance behaviour, than through provision of public goods. The resources for such provisions may simply not be available. Nevertheless, the focus by Levi and Cheibub on the factors that influence quasi-voluntary compliance remains a central one in the understanding of taxation in African countries.

4. Historical Institutionalism Perspective

This perspective provides a very different explanation of why tax systems differ. Steinmo (1993) is a prominent advocate of historical institutionalism and his work on taxation and democracy – using Britain, Sweden and the USA as examples – has produced interesting insights and results.

The starting point for his theoretical arguments is that citizens typically are ignorant about taxation and that individual interests
concerning this issue are often confused and split (wanting better services and lower taxes). Sometimes citizens oppose outright what the government must do (e.g. raise taxes to achieve macroeconomic balance). If citizens’ opinions were unambiguous, the mechanisms by which these opinions are translated into public policy should (in a democracy) have little independent effect on policy outcomes. But when public guidance is unclear, or subject to different interpretations, political institutions become important in shaping tax policy decisions. Such institutions also shape the trade-off between the autonomy of the ruling elite and its responsiveness to the public’s ambiguous tax/spend preferences. The outcome may be dramatically different tax policies in otherwise similar countries. It is political institutions – rather than ideology – that are significant in rich capitalist and democratic countries.

Before Steinmo’s arguments are presented in more detail, an obvious objection to the political institution perspective in African contexts should be considered. Many would claim that the lack of stable and strong political institutions is precisely what characterises many African states. An institutional perspective is therefore inappropriate. But this view is misguided. There are strong institutions in most African states, although they are significantly different from those in mature capitalist democracies of the North. Bratton and van de Walle (1997: 274–276) argue along the same lines and suggest that the central institution to look at is that of neo-patrimonialism. That may be an oversimplification, but more on this later.

The important point, according to Steinmo, is to focus on the political institutions that write the tax law and to look at the historical development of both tax policies and their outcomes. ‘Domestic political institutions operate within – and must be understood in the context of – the broader social, economic and political setting in which they are embedded’ (p.12). Political institutions provide the context in which individuals, groups and classes interpret their self-interests and thereby define their policy preferences. But the long-term consequences of tax policy decisions are very difficult to predict because of the dynamic interaction of political institutions, public ideas and political/economic interests.

Two main observations are used by Steinmo to support these arguments. Universal suffrage in the three countries used as case-

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7 Broadly defined as ‘patterned relations’ by Thelen and Steinmo (1992: 12–13). They also provide an extended discussion of the historical institutionalism theory.
studies provided a political stimulus that led to the introduction of progressive taxation and the legitimation of the principle of ability to pay in all three countries. Moreover, the size of state spending was determined by the amount of revenue collected — not by spending priority requirements. The tax-collecting machinery ‘delivered’ a certain amount of revenue, which was then available for spending. One proof is that tax collection policies and tax effort during war or crisis were not changed when the original need for more revenues diminished but were maintained and used for other or new purposes.

More generally, Steinmo emphasises four features of the political institutions as important to an understanding of tax policy outcomes. First, constitutional differences between countries are crucial in defining the political institutions that write the tax law. Second, rules for the election of politicians are particularly important (proportional representation, first-past-the-post, etc.) because these have significant influence on the stability of political decisions and the extent of corporate decision-making concerning tax policies. The third important factor concerns the balance between responsiveness and autonomy. Institutional arrangements influence how this balance is struck in a particular country and over time. Governing elites must have some degree of autonomy from the public that they represent. Finally, depending on the configuration of political institutions, they have varying degrees of influence on actual tax policy. Therefore, the degree of separation and fragmentation of executive and legislative powers is important (higher fragmentation leading to lower tax levels).

Differing institutional structures in the three countries therefore have enormous implications not just for the features of each nation’s revenue system, but also for the construction of political/economic interests and, ultimately, public attitudes as well. Despite similar demands, the outcomes can therefore be very different. Differences in tax burden between the three countries result from differences in political institutions — not from differences in citizens’ attitudes to service delivery or willingness to pay tax. Citizens generally pay taxes reluctantly but want better services. That the Swedish tax level, for example, is comparatively high is not because of a

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8 In contrast to Levi, Steinmo observes that the more momentous the reforms, the less outside groups and interests are consulted (p. 176). In the UK, for example, major corporate tax reforms in the 1980s were prepared by the chancellor and a select group of Treasury top officials (excluding party officials and corporate interest groups, and most Treasury officials themselves).
particular Scandinavian ideologically-based desire to pay taxes (and enjoy the services of a well-financed public sector), but primarily because of specific institutional factors (proportional representation and corporate government).

Assessment
Political institutions in African countries are in many ways quite different from those of rich, capitalist and mature democracies such as those studied by Steinmo. His specific arguments – and the importance placed on constitutional matters and electoral rules – may therefore not be directly applicable in African contexts.

But as Bratton and van de Walle (1997: 274–275) argue, ‘just because politics is not bureaucratised in Africa does not mean that it is not institutionalised’. They propose that ‘neopatrimonial regimes in Africa are marked by recurrent patterns of behaviour – in short, by institutions – to which all political parties are attuned and which impart structure to political life’. These institutions are often informal, sometimes out of sight, and operate outside the law (owing to presidentialism, prebendalism and clientelism, clustered together as neopatrimonialism). ‘They are nonetheless concrete and consequential.’

This is an interesting point, but neopatrimonialism should not be analysed out of historical and country-specific context – a point on which Steinmo would agree with Mamdani (1996: 11–12). For country-specific institutional differences are likely to be significant and evolve over time. It is also wrong to regard neopatrimonialism (however context-specific) as the only important political institution. This is interestingly illustrated by Bates and Collier (1993: 401–406) – normally regarded as exponents of rational choice perspectives – in their analysis of policy reform in Zambia. They show how the structure of political competition is strongly influenced by election rules (including party election rules). Which political institutions are relevant with respect to resource mobilisation policies in a particular country can, however, not be decided upon a priori.

For obvious reasons, Steinmo does not consider the effect of aid on taxation and democracy. Nor does he consider the extent to which differences in tax administration may affect tax levels and the political economy of taxation. He simply assumes that tax policies decided by political institutions are actually implemented in full. Obviously, this is unrealistic in poor-country settings, where actual tax policy is strongly influenced by the operations of the tax administration.
Finally, it is interesting to note that Steinmo makes very little reference to the expenditure side of public finances. He limits himself to discussions of measures to reduce the tax burden on particular groups, classes or individuals, and of issues related to equity and poverty (Steinmo, 1993: 37–38; 55–59, 138–140). Steinmo does simply not regard a *quid-pro-quo* relationship – which is central in other perspectives on taxation presented in this review – as important.

The usefulness of Steinmo’s contribution lies in its focus on the importance of political institutions for taxation. Obviously a study of taxation in African countries must also include other institutions than those Steinmo looked at. Moreover, it must focus as much on their influence on tax administration as on tax policy. For in Africa, tax administration tends to determine actual tax policy.

5. Political Economy Perspective

Interesting and innovative ideas about the links between taxation, aid and democracy are presented by Moore (1998). He deals specifically with Fourth World states characterised by a high degree of aid dependence (with some 50 per cent of state income derived from aid); by low income and poor economic performance; and by weak state capacity (limited ability to control population, exercise authority, ensure law and order, and raise taxes).

Moore seeks to relate revenue-raising and democracy. His concept of democracy is substantive and relative rather than procedural and absolute. ‘Democracy is a sub-set of a broader concept of accountability of the state to society…a polity is democratic to the extent that there exist institutionalised mechanisms through which the mass of the population exercise control over the political elite in an organised fashion’ (p. 86).

The core argument of the article is as follows. Effective democratic governance is undermined when a state relies on a high degree of unearned income derived from aid or various forms of economic rent, and minimal efforts are used to raise revenues by direct forms of taxation agreed with citizens through political involvement. In short, ‘the capacity to create…a tax system is the defining feature of effective, stable modern states… If the revenue raising function is permitted to decay, weak states leave themselves vulnerable to more committed and organised predators’ (p. 105).

The concept of ‘(un)earned income’ is central to this argument. The extent of ‘earnedness’ of state income depends on (a) the state’s
organisational and bureaucratic efforts to raise revenues; and (b) the degree of reciprocity between citizens and state (i.e., real services in exchange for tax payment). The empirical indicators of this concept are listed in the notes to Table 1 below.

Much of the empirical evidence and many of Moore’s propositions derive from sub-Saharan Africa. The detailed arguments are based on a mixture of historical and intuitive reasoning, with a strong deductive element, and run as follows.

Successful state making in Europe came about through two main processes: Darwinian inter-state military competition; and an intra-state process of resource mobilisation for war that stimulated the creation of state–society linkages, markets, bureaucracies, taxation systems, etc. In the process, the nature of ‘powerful’ states changed. States lost despotic power (direct arbitrary control of subjects) but gained ‘infrastructural’ power (capacity to penetrate society, to extract resources from it and to co-operate with social classes to achieve collective goals). Consequently, there is ‘considerable historical evidence’ to suggest that the emergence of a representative government and, more loosely, of interdependence and mutual accountability between states and citizens is ‘more likely’ when states face incentives to increase income through bargaining with citizens.

Although it is wrong to argue by historical analogy, and no causal linkage between fiscal dependence of states on citizens and democracy (accountability) can be assumed, Moore argues that ‘we can establish a strong prima facie case for such a link in the modern world on deductive grounds’. The mechanisms through which institutions originate and are maintained and replicated may, however, be significantly different in Fourth World countries today from those established in Europe in the past. States in sub-Saharan Africa are no longer established through inter-state war, for example. Darwinian competition is ‘positively ruled out by the new international and regional state systems’. After 1945, being a legitimate successor to colonial rule became sufficient grounds for recognition by the international community and for receiving aid and other resources. Aid volumes to Fourth World governments are now so substantial in relation to other incomes that states have become ‘relatively dependent’ on external political and material support and ‘relatively independent’ of their own subjects. Increased aid dependence is, however, ‘in no major part due to faltering of their own revenue raising effort’.

This general ‘independence of states from citizens’ interacts with the more specific fiscal ‘independence of states from citizens’ in
malign ways. The reasons for such malignity are best understood in the light of the emergence of state–society relations in states that became fiscally dependent on their citizens. ‘The mechanisms likely to be at work are largely self-evident... Representative government originated in political struggles between rulers and private owners of capital about the linkage between taxation and representation’. Taxes became more predictable, revenues became stable through negotiations, and this was to the advantage of both the rulers and the owners of capital. The latter ‘had necessarily to be represent-ed corporately for such bargaining to be effective’. This process did not take root everywhere, however. ‘While cultural context was no doubt important’, economic structure played an important role, too. The process was most pronounced where capital was mobile (i.e., in the form of financial and trading assets). Here the mutual advantages of co-operation were greatest. Co-operation protected owners of mobile capital from arbitrary and exploitative taxation practices. It also gave owners of capital direct and legitimate influence over the military and diplomatic policies and operations. This was useful in competing with other trading nations. Rulers, on the other hand, could gain greater tax compliance from co-operation by retaining owners of mobile capital within their jurisdiction and by attracting owners of mobile capital from other states.

Such processes are not likely to operate when the state is fiscally independent of its population because its resources are obtained from owners of fixed property, from a few specific internal sources (e.g. oil, mines and canals), or from aid. An active revenue-raising bureaucracy ‘may be an important means of keeping the state machinery alive and active at the grass roots’ (p. 105). Without it, the state cannot be expected to be responsive to the needs of citizens or to consult and be accountable to them. With little bureaucratic presence and limited information about what goes on at grassroot level, states leave themselves vulnerable to organised predators (guerrillas, private armies based on narcotics or minerals trade, etc.). In such situations states may also rely more on patrimonial and personal linkages in running government and be more dependent on coercion to raise revenues.

Tax systems therefore work in two ways. On the one hand, a tax system is potentially an instrument for political control based on information about citizens, and on a network of tax collectors. On the other hand, it is a mechanism for generating funds to provide real services to citizens in exchange for taxation. Conditions for interdependency and mutual accountability between states and citi-
zens are improved when states face incentives to bargain with citizens to increase their incomes.

Assessment

Moore’s insights into the relations between taxation, aid and democracy are inspiring, but not without theoretical and empirical problems. These concern the concept of ‘earned income’; the causal links between earned income, aid, and accountability; the empirical evidence of co-variation between earned income and accountability relations; and the role of coercion and technology in taxation.

The first problem concerns the definition of the concept of ‘earned income’, and its two components of effort and reciprocity mentioned earlier. While state effort depends on two elements (information on citizens, and a network of tax collectors), reciprocity is defined as the degree to which the mass of the population receives services in return for tax contributions.

These two components of the earned income concept do not, however, fit well together. It is semantically awkward to combine them under the label ‘income’. The first component concerns the way that state incomes are obtained. The second concerns the way such incomes are spent. But the problem runs deeper. Changes in the two components may have rather different impacts on state–society relations as argued below. Moreover, it is unclear how important Moore actually considers the reciprocity element to be. For while the effort element is extensively discussed, the reciprocity element simply disappears out of the theoretical arguments about state–society relations and is not dealt with empirically either. This may indicate that Moore considers expenditure issues less important than revenue issues in shaping state–society relations.

The second problem concerns the causal relationships between earned income and state–society relations. The problem can be illustrated in two ways. According to the definition, higher earned income occurs through increased effort or increased services. Each type of increase affects accountability relations positively. But this is a doubtful general proposition. If an increase in earned income is brought about by greater use of coercive methods, it is likely to have

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9 Moore (2000) has recently modified some of the arguments made in the 1998 article.

10 Moore mentions that oil-rich states may spend lavishly on welfare, but does not pursue the political implications of this because the focus is on poor cash-strapped countries.
negative effects on accountability relations (as argued below). If earned income increases are due to a rise in real service levels, accountability relations will also improve, according to Moore, if such service improvements are financed by tax contributions. Aid-financed service improvements will not have a similar accountability effect regardless of the types of aid in question.

This argument requires that citizens are able to distinguish service improvements financed by aid from those financed by domestically earned income. Is this a reasonable general assumption in the heavily donor-dependent Fourth World countries where aid makes up some 50 per cent of state incomes? Fjeldstad and Semboja (2000) argue that people at local government level in Tanzania do make this distinction between government- and donor-funded services. This may hold for project aid, but not for aid given as sector- or budget-support. In any case, if service improvements financed by tax revenues enhance accountability (as Moore argues that they do) then untied aid used for service improvements should do the same (which Moore rejects).

There is, however, an additional problem with the causality argument. According to Moore, a high dependence on unearned income (for example from international trade, aid, oil or mines) causes relations between a regime and its citizens to be less accountable, thereby limiting the scope for substantive democracy.

The indicator of ‘high dependence’ used is the percentage of unearned income to total state income. The relationship is plausible if highly aid-dependent countries actually put less effort into earning incomes from the mass of the population because they have access to aid. But there is no clear evidence for that. As Moore himself notes (p. 90), increasing aid dependence ‘is not in any major part due to faltering in their own revenue raising efforts’ – falling revenue being more often caused by collapses in world market prices for primary commodity exports. The same conclusion is reached in recent empirical studies of the fungability of aid in sub-Saharan Africa. Consequently, the causal relationship between aid and taxation does not appear to be as close in practice as Moore

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11 Although the aid-service relationship is far from given as Moore points out.
12 Hence, low-income countries have had particularly big difficulties in maintaining revenue/GNP ratios over time (p. 118).
13 Devarajan et al. (1999: 19) find that only some 10 per cent of aid went for financing tax cuts in African countries: every dollar of aid leads to an increase of 90 cents in government spending. Dollar and Easterly (1999: 551) reach a similar conclusion in their review of the literature.
postulates on theoretical/deductive grounds. From an economic point of view, aid seems to affect expenditure levels rather than domestic revenue mobilisation.

The third problem concerns the effects of variations in earnedness on accountability. As shown above, aid-dependent rulers are just as keen to raise revenues as other rulers are. Aid should therefore be excluded from the measurement of earnedness. This adjustment to Moore’s figures is done in Table 1. It shows a much smaller difference in earnedness between low-income and higher-income countries than the figures shown in Moore’s Table 3.1. The difference in ‘low earnedness’ revenues between low and lower-middle income countries are modest (6 percentage points). This may not be statistically significant but Moore’s article does not provide information on the within-group variation.

But the key question is, of course, whether differences in relative unearned incomes (with or without aid) correlate with differences in state–society accountability relations. Such information is central in assessing the validity of Moore’s argument. Information of this kind is not provided in the article. Even if it were available, it might be difficult to interpret. What level of relative unearned in-

<p>| Table 1. Earnedness of state income with and without aid, 1988 (as percentage of total current revenue) |</p>
<table>
<thead>
<tr>
<th>Source of state incomes in various countries (a)</th>
<th>Low income</th>
<th>Lower-middle income</th>
<th>Upper-middle income</th>
<th>High income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low earnedness (b) – minus aid</td>
<td>45</td>
<td>39</td>
<td>24</td>
<td>12</td>
</tr>
<tr>
<td>Average earnedness (c) – minus aid</td>
<td>31</td>
<td>33</td>
<td>37</td>
<td>30</td>
</tr>
<tr>
<td>High earnedness (d) – minus aid</td>
<td>24</td>
<td>28</td>
<td>39</td>
<td>58</td>
</tr>
<tr>
<td>Total – minus aid</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Aid/ (own revenues plus aid)</td>
<td>43</td>
<td>12</td>
<td>2</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: based on Moore (1998: Table 3.1)
Notes:
(a) There are 53 and 35 low-income and lower-middle income countries respectively (p. 113). The table includes around half of these because small countries and countries without the required data are excluded.
(b) Low earnedness (revenues from taxes on international trade and non-tax revenues).
(c) Average earnedness (revenues from domestic taxes on goods and services and other taxes).
(d) High earnedness (revenues from taxes on income, profit, capital gains and social security contributions).
come has a significant effect on state–society relations? Could the same features of state–society relations exist at (widely) different levels of relative unearned income? Is it the relative or the absolute size of unearned income that is relevant?

These problems do not imply that aid has no effect on state–society relations. Moore’s analyses of fragmentation and competition among donors and of the government’s inability to make effective coherent budgeting are still valid. But such effects are of a different kind from those that are central to Moore’s main argument.

The fourth problem concerns the role of coercion in raising revenues. According to Moore, the extent of earnedness of state income depends on the state’s organisational and bureaucratic efforts. Local government revenue mobilisation is therefore more relevant testing ground for Moore’s hypotheses than central government resource mobilisation is. The reason is that all adult able-bodied men are typically required to pay a poll tax to local government (this involves several million people in Tanzania and Uganda, for example), whereas only a couple of hundred thousands individuals pay income tax to central government. The number of corporate taxpayers is also very small.

Direct or indirect use of coercion is, however, always part of the effort to raise local government revenues. Even if direct coercion is not used, non-compliant taxpayers know that they may still be forced to pay. Many local governments put considerable effort and coercion (use of militia, roadblocks, village-by-village invasions of tax collectors, etc) into raising income-related taxes (Fjeldstad and Semboja, 2000; Mamdani, 1996). The use of coercion in raising local government taxes in Tanzania and Uganda is so pronounced and detested that this mode of earning income is not conducive for improved accountability links. Moore’s concept of earnedness needs modification. It is necessary to qualify the types of effort used to raise earned incomes.

This leads, finally, to the issue of tax administration and ‘tax collection technology.’ Moore mentions the importance of using non-coercive methods in order to be able to mobilise revenues in ways that are conducive to political stability and state–citizens accountability. He lists the elements of an elaborate taxation infrastructure: officers, understood procedures, current information on names, addresses, occupations, incomes, business turnover, and wealth. He

14 Women without independent income are often exempted.
also, briefly, considers the logistical costs.

The implicit implication here is that rulers of poor cash-strapped central or local states actually do have choices of tax technology. Less coercive methods are available if rulers want to use them. But the structure of typical African economies limit such choices considerably. Such economies are poor and often informalised. They are dominated by peasant agriculture. Most potential income providers own mostly moveable assets (crops, animals, tradables) rather than property (much land is not privately owned). The use of more sophisticated non-coercive tax technologies requires detailed knowledge and information about citizens, and this is very difficult to obtain in such economies.

In summary, the parsimonious model of tax–aid–democracy proposed by Moore is problematic. The one-factor model with ‘earnedness’ as the central explanatory variable is too simplified. However, this does not undermine Moore’s key proposition that state–society relations and taxation are inter-linked. Democratisation may depend on increasingly effective tax collection, but this cannot be achieved through increased use of direct coercion. Aid may have negative effects on accountability, but not all types of aid may do so. In short, Moore has made very important propositions about the role of taxation and aid in political development. The challenge is to test their empirical validity and limitations.


Cheibub (1998: 357) argues that the existence of a vast literature on public finance has not resulted in much insight into why countries have different tax systems and mobilise different levels of resources. This review indicates that possible tax–aid–democracy linkages in poor aid-dependent African countries are also poorly understood. It also points to five issues that are central to a better understanding of such linkages, namely economic structure and size; reciprocity between taxation and service provision; aid; coercion in tax administration; and social conflict.

Obviously, the size and structure of a country’s economy significantly influence the types and yield of taxes that can be collected (Stotsky and WoldeMariam, 1997). However, standard economic measures based on the composition of GDP figures (themselves unreliable) do not capture the extent of informalisation and changes in the ownership of the economy. Such changes have been significant in sub-Saharan Africa since independence, and have accele-
rated with the recent economic liberalisation. Changes in world market commodity prices are important, too. These structural changes have direct implications for tax administration and available choices of taxation technology, and hence for how taxation affects state–society relations. Moreover, revenue target-setting based on simple tax-to-GDP ratio comparisons across countries, that seem so central for much policy thinking about taxation in ministries of finance and among donors, may force tax administration into more coercive methods of collection. Hence, more attention needs to be directed to the ways in which revenue target-setting and aid conditionality have direct implication for tax collection methods and accountability.

Surprisingly, the review shows that reciprocity between tax payment and service provision is, perhaps, not as central to taxation as conventional wisdom, intuitive reasoning and proponents of the new institutionalism and political economy would have it (e.g. Levi, 1992; Cheibub, 1998; Moore, 1998). There are five problems with the _quid-pro-quo_ argument. First, the studies under review do not provide empirical evidence for it, but take it as axiomatic. Second, paying taxes as a contribution to general service provision is not equivalent to paying for a specific service in a shop. Tax payment is not just an economic matter, but also political. Third, following Steinmo (1993), revenue mobilisation may be influenced as much by the specific political institutions writing the tax laws (and implementing them) as by the reciprocity between taxes and service provision. Fourth, paying taxes in a poor country, where the gap between the demand and the supply of services is huge, may have different political implications than paying tax in a welfare state. The reciprocity relationship is simply seriously out of kilter in poor countries. Even at significantly higher levels of taxation, a substantial percentage of citizens will not be adequately provided for. Finally, it is taken for granted that taxpayers prioritise the provision of public services. This may be so in countries where tax authorities are under some democratic control, and where the state adheres to the rule of law. But in many poor countries without strong democratic institutions, tax authorities typically use considerable coercion and violence in revenue collection. Generally, taxpayers have few rights and are accorded little or arbitrary justice when dealing with the tax authorities or the courts. Under such circumstances, issues of accountability rather than service provision may be of particular concern to citizens.

Aid is often ignored in theories and analyses of state–society relations in poor aid-dependent countries. Moore (1998) deserves
credit for bringing this issue to the fore. His main idea is that if aid is a substantial part of revenues, rulers have little incentive to negotiate the conditions under which citizens and firms willingly pay taxes to the state. This weakens the accountability mechanisms between state and society. Aid can therefore be anti-democratic. Interestingly though this is, there are several problems with the argument. One is that aid-dependent rulers seem just as keen to mobilise revenues as less aid-dependent rulers (increased aid seems to affect expenditure levels rather than domestic revenue mobilisation). Another is that Moore postulates a positive relationship between service provision and accountability if such services are financed by direct taxes – but not if they are financed by aid. Why this should be the case is not clear. There is a need to distinguish how different types of aid may have different accountability impacts.

Typically, coercion is a key element in revenue mobilisation in many African countries. This, together with general bureaucratic efforts in mobilising revenues, is important in shaping state–society relations, according to Moore. But using more coercion in revenue mobilisation is unlikely to enhance accountability relations. Historical experiences seem to suggest that – for important practical reasons – choices of tax administration methods are closely related to the tax bases available. A radical view is that ‘patterns of taxation throughout history can be explained largely by administrative considerations’ (Britannica, 2000). Over time, as commercialisation increases, more extensive surveillance of taxpayers is possible, and reliance on direct coercion diminishes (Tilly, 1992: 89). These factors – in addition to political ones – explain the shifts in taxes from tribute to rents to taxes on trade and stocks, and finally to taxes on income. If this explanation holds, direct taxation in many African countries will still depend on coercion for some time to come. Donor demands for increased revenue collection may therefore have detrimental effects on state–society relations. On the other hand, coercive tax collection may be a catalyst for political mobilisation of the kind necessary for an accelerated democratic process. In any case, it is central for a better understanding of tax–democracy relations to focus on the role and effects of coercion in resource mobilisation.

Finally, the review indicates the need for a reconsideration of the political implications of taxation in poor countries. In some interpretations, resource mobilisation is based on a mutually negotiated fiscal constitution (Levi) and on the evolution of mutual accountability mechanisms between states and citizens (Moore).
Levi adds that renegotiations of such contracts tend to occur if quasi-voluntary compliance deteriorates considerably. They are triggered by extraordinary events – war, revolution, depression. Yet, there were no significant changes in the tax system in most African countries at independence in the 1960s, or during the transition to democracy in the 1990s. Tax systems have remained remarkably unchanged until recently. Perhaps these were therefore not major events but merely continuations of business as usual. Or perhaps it is questionable just to conceive of state–society relations in terms of political negotiations. Relations are more confrontational, and should therefore also be analysed from a social conflict perspective given the central importance of coercion, citizens’ insecurity, and tax riots in the evolution of tax systems. Moreover, it seems that the economic features of tax bases (and hence the technology of tax administration and surveillance) are as important as political factors in shaping state–society relations. Conceptualising and analysing taxation, aid and democracy from a social conflict and a tax technology point of view are therefore also fruitful avenues for research and debate.

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Turkey, with its more than 60 million people, is a candidate for EU membership and is in this capacity heading for a place as one of the great powers within the union. Turkish EU membership will change not only the place and role of Turkey but also the profile of the EU itself in the wider European and global context. Turkey will like the other applicant countries have to adapt itself to the EU acquis in every respect, which is a huge task indeed. The enlarged EU, on its part, will also change through enlarging to include a new member of Turkey’s geopolitical significance.

In addition to European and geopolitical aspects, a special emphasis is laid on human rights and minority issues in this book. Other topics are Turkish energy policy, police co-operation across borders, the fight against international crime, illegal drug trafficking and human trade.

Gems are sometimes found in publications where, initially, we did not expect to find them. This pamphlet ... is the proof of this

Bulletin Quotidien Europe, September 2000
The Politics of Revenue Mobilisation: Explaining Continuity in Namibian Tax Policies

Lise Rakner

1. Introduction

Revenue is the lifeblood of the state and taxation is the primary mechanism of revenue generation. Moreover, taxation is considered the most economically efficient way of transferring resources from the private to the public sectors (Steinmo, 1993). Nevertheless, whereas the politics of taxation is one of the most important policy concerns for any state, we seem to know very little about it, either in developed or developing nations. The analytical literature, mainly derived from a Western political setting, has concluded that political considerations are important in shaping tax policies and their actual implementation. In the context of Africa, however, little is actually known about the actors involved in determining tax policies, the institutional channels applied, the conflicts arising, and the actual outcomes arrived at (Fjeldstad et al., 2000).

A main task of development theory is to explain why, in some cases, efficient institutions are established under the authority of development-oriented governments whereas, in others, government intervention produces inefficient institutions hampering growth and resource allocation. Within this perspective, the revenue mobilisation efforts of governments are crucial. In a sub-Saharan African setting this question has gained a new urgency as many of the regi-
on’s nations moved in the early 1990s towards pluralist systems of rule. If Western experiences hold true, democratisation will have profound implications for taxation: in democratising environments it will be necessary to build institutional capacity and political legitimacy in order to generate revenues from citizens; confiscatory or coercive forms of revenue extraction are considered incompatible with the long-term process of democratic consolidation.

This article draws on the institutional literature derived from Western historical experiences and suggests that politicians face four main constraints when seeking to increase revenue. These constraints relate to (a) the governments’ bargaining position vis-à-vis their citizens, (b) the nature and capacity of the political institutions of government, (c) the structure of the economy, and (d) the international context – here defined as the external actors and institutions that affect the country’s economic policies. These four constraining factors structure my analysis of Namibia’s tax policies since independence in 1990. In the light of the democratic transition in Namibia in 1990, the continuity in Namibia’s tax policies challenges the institutional theories based on Western experiences. Ten years after Namibia gained its independence from South African rule, the system of taxation is only marginally different from that established under South African colonial rule. Since Namibia’s tax share is high by international standards, at 32 per cent of GDP, it could be argued that there have been few incentives for the Namibian government to broaden its tax base or alter its taxes (World Bank and Namac, 1999). This article argues that the SWAPO government has managed to maintain liberal economic policies, with large incentives to minority business interests, and at the same time has carried out relatively progressive social policies due to the revenue windfalls from the Southern African Customs Union (SACU). Since independence, the incomes from the Southern African Customs Union (SACU) have increased markedly and now represent approximately 33 per cent of Namibia’s total revenues. Namibia’s current tax base is challenged, however. The ongoing processes of regional and international trade liberalisation may reduce the revenues from SACU by one-third within the next few years. In the

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2 Due to the limited written information on tax policies and tax administration in Namibia, the empirical discussion relies partly on key informant interviews conducted in Windhoek between April and July 2000.

3 These are the figures the Ministry of Finance base their policy calculations on. Personal interview, Paul Hartman, Director of Economic Policy Advisory Service, Ministry of Finance, 12 July 2000.
near future the Namibian government may therefore have to make a choice between extracting more revenues from its wealthy (still mainly white) minority through the implementation of capital gains tax, inheritance tax and/or land taxes, or widening the tax net to include a greater share of the population not currently included in the tax net due to lack of formal sector employment. Based on the economic, political, institutional and international factors constraining the SWAPO government’s revenue mobilisation, this article suggests that, in the short run, there will be few ‘politically easy’ solutions open to the Namibian government.

In the next section Namibia’s macroeconomic policies and system of taxation since independence are presented. Section three discusses various institutional approaches to the study of revenue mobilisation and presents four constraining factors which, based on theory, are considered to affect revenue mobilisation. In the main analysis (section four), these institutional constraints are analysed within the context of post-independence politics in Namibia. A concluding section summarises the main arguments.

2. Macroeconomic Developments and the System of Taxation in Namibia

Namibia achieved its independence 21 March 1990 after 70 years of South African rule that replaced the German protectorate established in 1884. The South West Africa People’s Organisation (SWAPO) spearheaded the liberation struggle from the 1960s onwards and formed the first government in independent Namibia, following the December 1989 elections. In the 1994 presidential and parliamentary elections SWAPO gained an over two-thirds majority and this majority was further increased in the December 1999 elections.

With a per capita income of US$ 2,200 per year, more than four times the average of sub-Saharan African countries, Namibia falls into the category of middle-income countries. Nevertheless, the statistical average-income figures hide marked inequalities. Namibia is one of the most unequal countries in the world, measured by the Gini coefficient for Namibia of 0.70, the highest recorded in the world (The Namibian Economy, No. 22, 1999). Furthermore, half the population lives below the poverty line, and the official unemployment rate is approximately 35 per cent.

Since independence, the Namibian government has implemented and maintained a liberal economic policy regime, emphasising...
incentives for investments and a stable macroeconomic environment; it has also taken a rather cautious approach to the issue of redistribution of land, assets and capital. Namibia has maintained political stability and succeeded in reducing its levels of inflation, with the result that the country has become integrated in the world economy and foreign investments and tourism have expanded. At the same time, the public sector has expanded rapidly since independence and a large share of public expenditures has been redirected to primary health care and education. Namibia has a large public sector, and tax revenues finance the central government as well as regional and local governments. Central government employs 80,000 people, or around 5 per cent of the population. It has proved increasingly difficult for the government to scale down public expenditures, as the growth-oriented policies have so far not yielded results in the form of substantial job creation. It may therefore be argued that the government has attempted to address economic inequalities on the expenditure side of the budget, rather than on the revenue side.

The central government tax structure in Namibia is based on the Income Tax Act No. 24 of 1981, the Sales Tax Act of 1992, the Income Tax Amendment of 1991 and the Second Income Tax Amendment in 1991 (Linden, 1992). In November 2000, the General Sales Tax (GST) and Additional Sales Tax (ASD) were replaced by value added tax (VAT). Namibia’s reliance on its share of the customs union (SACU) has increased since independence. In 1989–90, 25 per cent of total revenue derived from Customs and Excise. This share rose to 36 per cent and 39 per cent in 1990–91 and 1991–92 respectively. Estimated figures from the 1999–2000 fiscal years indicate that 34 per cent of total revenues are derived from trade taxes. In 1990, SACU receipts accounted for 605,100 Namibian dollars and the budgeted figure for 1999/2000 was 2,240,700 Namibian dollars (GRN: 1991, 1999). Since independence the General Sales Tax (GST) has remained the second most important source of tax revenue. Tax revenue from mining has decreased as proportion of tax revenue in Namibia over the last decade. This is partially explained by the decline in prospecting and exploration activities and the low uranium world market prices.

At present, taxing authority in Namibia remains centralised. Under the current system of government, only municipalities have separate taxing authority and their only source of tax revenue is

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4 The decision taken by the SWAPO government in 1998 to absorb 9000 ex-combatants into the civil service, the Peace Project, underscores how the SWAPO government sees its role in employment creation.
property taxes (in the major cities) and various forms of user-charges. Decentralisation of political authority – hereunder taxation – has been discussed since the early 1990s but, so far, decentralisation policies have not been implemented. Thus, revenue mobilisation in the context of Namibia is at present concentrated at the central level of government.  

Few changes have taken place in the tax regime of Namibia despite the fact that a new majority government came to power in 1990. The income tax act of 1981 has been amended 22 times. Otherwise, the system is based on modifications of the system of taxation that existed in South West Africa. Furthermore, the tax base appears limited. At present, 125,000 individuals and 15,000 companies pay taxes in Namibia. The tax system is based on quasi-voluntary compliance and PAYE for the formal sector workers. Reports are filed and taxes collected on the basis of a voluntary register. Currently, there are three tax controllers in Namibia! So far, the Namibian government has made few efforts to extend its tax net to include the informal sector.

Furthermore, the tax base is not used to its full potential due to evasion and numerous tax exemptions that are considered to erode the tax base. Certain groups of taxpayers, such as the mining sector, the fishing companies and the farmers pay little tax in relation to their contribution to GDP (Linden, 1992; Moll, 1994). Tax evasion still appears to be widespread throughout Namibia. One explanation offered for the continued high levels of evasion is that people were encouraged during the anti-apartheid struggle not to pay taxes or user-charges, and that this tendency has continued into the independence era. Another argument raised is that the SWAPO government has been reluctant to tap the increasing wealth appearing in the northern parts of Namibia.

5 The crucial issue in the Namibian context, with very high regional disparities, is whether additional income tax levied at the local level would be a sufficient revenue source for local governments (IMF, 1991).
7 The problem of tax evasion, and the limited administrative capacity to safeguard against evasion, was pointed out by the IMF as early as 1991 (IMF, 1991). Administrative weaknesses were again emphasised in the World Bank Public Expenditure Review of 1994 (World Bank, 1994). In personal interviews with key policy-makers conducted in July 2000, the majority of the informants raised the issue of tax evasion as a major challenge in Namibia.
8 Personal interview, P.B. van Nieuwenhuizen, Deputy Director, Taxation, Ministry of Finance, 5 June 2000.
9 A number of the informants referred to the North as a ‘tax-free zone’.
Third, tax collection in Namibia is based on a system where the receiver of revenue, the Inland Revenue Office in the Ministry of Finance, sets tax policies, collects revenue, pushes legislation through parliament and grants exceptions. A number of informants questioned the transparency of the current system. Interest groups are only to a limited extent involved in debates involving revenue issues. Moreover, and reflecting the fact that debates over tax policy only involve a small section of the public authorities, taxation does not appear to be an important issue in election campaigns.

Finally, the Namibian tax system may be characterised as regressive, particularly in the light of the country’s skewed income distribution. The system gives farmers and manufacturers very generous exemptions. There are currently no capital-gains, inheritance or land taxes. Arguably, the system of taxation has not been utilised as a redistributive mechanism to any significant extent.

What factors explain the stability witnessed within Namibia’s system of taxation? In the next section a theoretical framework is set out, which suggests that governments face four major constraints in their efforts to raise revenues from their citizens.

3. Taxation and Representation: Institutional Perspectives

That politics determine the formulation and implementation of tax policies is firmly established in European and, more generally, Western scholarship (Brennan and Buchanan, 1980; Levi, 1988; Steinmo, 1993). Steinmo (1993) analyses the evolution of the system of tax-

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11 The debate on land taxes is political and has been ongoing since 1991. The arguments in favour emphasise that commercial.

12 However, the implementation of an inheritance tax is currently being discussed in the Ministry of Finance.

13 Of course, 10 years of independence is a very short time period for the institutional mechanisms referred to in the analytical framework to be played out. Furthermore, it should be emphasised that the institutional analyses, which shape this paper, mainly focus on the politics of revenue mobilisation. Herein lies the assumption that policies adopted will be implemented. The Namibian case indicates that institutional constraints on the part of the government, relating both to capacity and ideology, affect the ability of the government to implement policies. However, compared to many other African nations Namibia has a relatively small informal sector. The bureaucratic capacity is also comparatively high. A focus on policies may therefore be less problematic in the context of revenue mobilisation in Namibia than in the case of other sub-Saharan nations.
tion in the UK, the USA and Sweden within a historical institutional framework. He concludes that differences in systems of taxation and tax burdens between the three countries result from differences in political institutions, not from differences in citizens’ attitudes to service delivery or willingness to pay taxes. He argues that interests cannot be treated as ‘given’ since they are affected and shaped by the institutional context. Political institutions alter the distribution of power among participants, and the structure of the decision-making institutions profoundly affects how interest groups, politicians and bureaucrats develop their policy preferences.

Whereas political institutions are emphasised in Steinmo’s analysis, Margaret Levi adds the perspective of individual actors to her analysis of revenue generation in various historical settings. One of the main arguments in her much-cited book *Of Rule and Revenue* (1988) is that institutions and individuals matter and that it is necessary to maintain both an actor and an institutional perspective to account for the effects of institutional change. Working within the tradition of rational choice institutionalism, the assumptions underlying Levi’s analysis are that actors who compose the polity are self-interested; in other words, they calculate the costs and benefits of proposed actions and choose the course of action most consistent with their fixed preferences. Rulers have interests of their own, derived from and supported by institutional power. Thus, while rulers act on behalf of others, they will act in their own interests if and when they can. Second, Levi assumes that rulers are predatory in the sense that they try to extract as much revenue as possible from their populations. Within this perspective, it is assumed that rulers want first and foremost to maximise wealth and the key factor is to

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14 The key institutions analysed by Steinmo are constitutions (the committee system in the US, party government in the UK and corporative government in Sweden).

15 The case-studies in *Of Rule and Revenue* are ancient Rome, medieval and renaissance England and France, late-eighteenth century England and post-World War II Australia.

16 This term is here applied to refer to a direction within rational choice theory emphasising the role institutions play in structuring individual choices. Emphasising the issues of transaction costs, limited information and collective action, institutions are seen as both expanding individual choice by increasing available information and as constraining individual actors’ scope for choice.

17 Levi’s concept of predatory rule is drawn from North (1981). Within this perspective the state is regarded as an organisation with comparative advantage in violence (a modified variant of Weber’s notion of states being defined by their monopoly of violence). Based on this advantage, the state can trade services for tax revenue. The ruler is a wealth-maximiser who derives revenue from these services in the form of rents, taxes and fees.
stay in power. Thus, policies represent the outcome of an exchange between the ruler and the various groups making up the polity.

The two comparative studies referred to here represent two different institutionalist schools, but both perspectives hold intrinsic values for analyses of revenue mobilisation in non-Western contexts. The historical perspective presented by Steinmo provides an important reminder of the need to analyse the evolutionary nature of the institutions setting tax policies, and that the preferences of actors are partly formed by institutions. The historical institutional perspective also suggests that changes in a country’s revenue system may be connected with major historical changes, such as wars or, as in the case of Namibia, independence. Levi’s emphasis on the state (the ruler) as an institution with interests of its own also offers important insights into politics in Africa, as politics have often been characterised by strong executive powers. Her emphasis on policy formulation as a bargain between different sets of actors offers important insights into the study of institutional change in new democracies as it is suggested that power relates both to politics (majority position) and control of economic resources. The subtle circularity that the preferences of actors are partly formed by institutions but that, at the same time, the choice of institutions partly reflects the preferences of actors, is important in the context of African politics, which is characterised by institutions established under colonial rule, and shaped and altered by both external and domestic political actors.

Whereas Levi and the rational choice institutionalist school emphasise individual actors and individual preferences affecting institutions, both the historical and rational choice institutional perspectives are firmly rooted in the study of existing, formal political institutions. This institutional focus is premised on the established interconnection between taxation and democracy in the Western world, where, historically, the rulers’ demand for revenue was met by demands for representation by the ruled (Tilly, 1990; Brautigam, 2000).

18 The debate between the various institutionalist schools is large, and intense. Steinmo’s historical institutionalist analysis is based on the notion of bounded rationality and holds that individual decisions are ‘embedded’ in culture and institutions that determine the very concept of self-interest and utility. Contrary to perspectives of historical, organisational and sociological institutionalist literature, rational choice institutionalism insists that individuals and their strategic calculations ought to be the central concern. Thus, institutions within this perspective constitute an intervening variable capable of affecting individual choices but not determining them. Koeble (1995) provides an informed review of the various institutional schools and positions.
Maybe as a result of the ‘Western bias’, neither the historical institutional nor the rational choice approach have much to say about the international context. However, in Africa, the colonial period undoubtedly affected institutional development, since European institutional forms were transferred to the colonies directly (Brautigam, 1992). Colonial rule was brought in by powerful external actors who were never held directly accountable to the people they ruled.

Mick Moore provides an important contribution to this debate by emphasising the international context as a factor determining a government’s tax policy. Moore (1998) challenges the linkage between democracy and revenue mobilisation in what he refers to as the ‘fourth world’, or developing countries, due to the strong presence of external forces and forms of capital. According to him, the more states depend on unearned income the less accountable they will be towards their citizens. Thus, when state incomes are derived from aid and economic rent, minimal attempts will be made to raise revenue from direct forms of taxation and, as a result, effective democratic governance will be undermined. The argument raised by Moore is important because it points to the exceedingly important role played by external forces in post-colonial Africa. The role of the international donor community in terms both of financial aid and of influencing institutional development has so far not been adequately addressed in analyses of Africa’s post-colonial development (Rakner, 1998; Remmer, 1995). Here, Namibia provides an interesting case, since with international financial assistance at the level of US $ 120 per capita, it is the largest recipient of external assistance in the Southern African region (UNDP, 1998).

4. Revenue Mobilisation under Constraints. The Case of Namibia

Despite the relatively high tax-to-GDP-ratio, the limited changes witnessed in Namibia’s tax policies remain puzzling since a new government came to power in 1990 and the new government’s constituency was fundamentally altered when Namibia became an independent nation. Why would a black government, with an 80 per cent majority, maintain a system of taxation that continues to favour major white interests? The theoretical frameworks discussed above all offer some insights into this question and, together, they suggest that democratically elected governments in developing settings face four major constraints in terms of revenue mobilisation.
The rational choice perspective suggests that the introduction of multiparty politics will alter the bargaining potential of various political actors. Representative institutions, such as the electoral channel, political parties and interest groups, are therefore considered to be factors that constrain governments’ revenue mobilisation efforts. In addition to representative institutions, Margaret Levi emphasises the bargaining powers of economic interests as a potential constraint on a government’s ability to maximise revenue. Steinmo emphasises institutions as constraining factors. By arguing that institutional change is a slow and incremental process, his contribution provides an explanation of why few changes can be expected to take place over a 10-year period. Finally, the international context is brought in as a factor that influences the revenue-collection efforts of third world governments, largely depending on external assistance for the majority of their investments and development budgets. Moore suggests that aid provides a disincentive for revenue mobilisation. However, since the early 1990s, the major aid agencies have made continued economic assistance conditional on improved tax-to-GDP-ratios (Stotsky and WoldeMariam, 1997). The influence of aid, and more generally of international actors, on revenue mobilisation is therefore a question that cannot be determined a priori. Thus, international actors, like representative institutions, the economic structure and the nature of government institutions, will be treated in this article as potential constraining factors on the efforts of rulers (governments) to raise revenue. In the next section, these four constraining factors are discussed in the context of Namibia’s post-independence tax policy.

The institutions of representation in Namibia

New democracies face a number of constraints when they attempt to institutionalise democratic rules of governance and establish legitimacy for their own rule. The constraints facing governments may be particularly acute in new democracies characterised by marked inequalities, since the new governments’ economic abilities will often fall short of citizens’ expectations. Pluralist theory postulates that interests are channelled to states through competing political parties, each seeking the support of important electoral segments (Dahl, 1961). On the other hand, Steinmo’s analysis does suggest that major changes in tax policies occur at important historical junctures, and independence might be expected to provide such a scenario for change.
1971). Within pluralist systems of rule, voluntary associations operating independently of state structures can therefore be expected to play a major role in influencing and shaping taxation policies and their implementation. Thus, at the level of theory, one could expect that the introduction of competitive electoral policies would bring new stakeholders into the debates over the politics of taxation. But, post-independence policies in Namibia do not support this expectation.

At independence in 1990, Namibia inaugurated a very liberal constitution with proportional electoral system at the local and national levels. However, after three successive presidential and parliamentary elections, Namibia resembles most democracies on the African continent in that a multi-party system with one dominant party and a host of lesser parties has already become the norm (Diesch, 1996). Linked to the increasing consolidation of political power within SWAPO, in the first decade of independence no meaningful opposition has established itself as a political factor. The 1999 election campaign produced a variety of political programmes drafted by the different parties campaigning. Interestingly, neither the government nor the established opposition party, the Democratic Turnhalle Alliance (DTA), made any reference to taxation. Only the Congress of Democrats (COD), emerging as a party in 1999, promised to broaden the tax base, cut down on tax evasion and introduce a more progressive system of taxation (Melber, 2000). Thus, it cannot be argued that the SWAPO government has faced major challenges in terms of revenue policies from its political opponents.

The increasing influence of the executive power in Namibia is partly explained by the weakness of interest groups. At 52 per cent, trade union membership in Namibia is one of the highest in the developing world, surpassing that of South Africa, where it is approximately 40 per cent (Klerck et al., 1998). However, in general, labour’s influence over the government’s economic policy has been negligible (Bauer, 1998). Trade unions are subject to co-optation, a factor that underscores the lack of distinction between unions and the party. Furthermore, tax issues have not figured centrally in trade union debates since independence (ibid.). Similarly, few of the eco-

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20 There are three trade union federations in Namibia: the National Union of Namibian Workers (NUNW), the Namibia People’s Social Movement (NPSM) and the Namibian Federation of Trade Unions (NAFTU). NUNW’s eight affiliated unions have approximately 75,000 members, or 65 per cent of total membership. NUNW’s affiliation to SWAPO remains a controversial issue.

nomic interest groups in Namibia have the capacity, in terms of membership density, finances and organisational resources, to engage in an active dialogue with government on issues of taxation, and more generally, economic developments. The main business association, the Namibia Chamber of Commerce and Industry (NCCI), has been weakened by its inability to link the emerging black business sector to the established white business sector, the latter having only a limited interest in national issues. In the period since independence, NCCI has only to a limited extent exerted pressure on the government on issues of taxation.22

Within the business community, the commercial farmers’ organisation, the National Agricultural Union (NAU), is perhaps the most influential. NAU succeeded in its lobbying activities when in 2001 the government revoked the 1991 legislation on life-stock valuation taxation (GRN: Budget Speech 2000–01). This is one of very few occasions in the past decade where an organised interest group has managed to revoke a government tax policy. However, this should perhaps not be interpreted as a sign of political impotence on the part of commercial farmers. The revenue contribution from the farming industry is small.23 According to Moll (1994), the net contribution of commercial agriculture to the exchequer is negative, implying both inefficiency and inequity. The system of ‘hobby farming’ – in which losses and investments on a farm can be written off against salary income – is not only maintained, the phenomenon is increasing.24 Interviews carried out with members of the business community in Windhoek suggest that the focus on formal institutions representing business may hide important channels of influence over government policies. From a variety of sources it was argued that the main economic interests in Namibia are still dominated by a small group that has close links with the Republic of South Africa, and that this group, despite its apparent marginality – being numerically small and having a weak organisational basis – in fact influences the government’s economic policies considerably. Both manufacturing and farming interests have close, informal ties with the government. As argued by a representative of business: ‘Really,

22 No. 3, 1998. 22 Personal interview, executive director NCCI, Sam Geiseb, 8 June 2000.
23 Personal interview, Paul Hartman, Director of Policy, Ministry of Finance, 20 June 2000.
24 Both the IMF (IMF, 1991) and the World Bank (1994) have raised this issue with the government. However, according to Paul Hartman, Ministry of Finance, hobby farming is increasing (5 July 2000).
if you want to get things done, you do it on a one-to-one basis. Consultations are done on an ad hoc basis.\textsuperscript{25}

In summary, neither the electoral processes nor organised interest groups have exerted major pressures on the SWAPO government to review its taxation policies. Nevertheless, it may be argued that the lack of changes in Namibia’s taxation system is due to the government’s concern for support and popular legitimacy. Across the world, taxation is unpopular and governments are often reluctant to risk changing tax policy (Steinmo, 1993). Since the tax base in Namibia at present is fairly narrow, a policy aiming to widen the tax base and thereby incorporate sectors that are not paying today would most likely make the government more unpopular.\textsuperscript{26} Thus, while the interest groups appear to have little influence and policy debates only to a limited extent address taxation issues, it can be argued that fear of losing electoral support has acted as a constraint on the Namibian government’s revenue-generation efforts. However, this factor does not explain why after 10 years in office the SWAPO government has been so reluctant to tighten tax-loopholes for commercial farmers and major manufacturing firms or to introduce capital gains taxes that would mainly affect a minority of potential supporters. The economic constraints on the SWAPO government’s revenue generation policies must therefore also be considered.

The structure of the Namibian economy
As emphasised in rational choice reasoning, if a sector of society controls major economic interests, the bargaining position of the government (or ruler) is challenged (Levi, 1988). In the same vein, but inverting the argument, Moore (1998) questions the willingness of a government to abide by democratic rules if the same government controls major economic resources through state ownership and rents. Southern Africa represents an exception to the general trend in sub-Saharan Africa, where the expansion of state power in the post-colonial period manifested itself in processes of nationalisation of major industries and the take-over of former private land (Bates, 1999). In Namibia, as well as South Africa, Botswana and Zimbabwe, major sectors of the economy are privately owned by minority groups.

\textsuperscript{25} Personal communications, Windhoek, 23 June 2000.
\textsuperscript{26} I thank Odd Helge Fjeldstad for these insights.
Arguably, at independence the Namibian government was faced with a choice between two economic policies: either a policy of drastic redistribution that might well result in the better-off pulling out and an uninviting climate for new foreign investments, or a policy of encouraging foreign and domestic investment, private enterprise and private savings, at the expense of continued socioeconomic disparities. The SWAPO government chose the second line, in the hope that market-oriented policies would further economic growth. Since independence Namibia has implemented liberal economic policies that have benefited large corporate interests, the commercial farming sector and the manufacturing industry, which has close ties to the Republic of South Africa. The constitutional guarantees for private land ownership and the clause that land redistribution is to be carried out on a willing-buyer willing-seller basis further underscores the government’s continued support for the interests of private business. Furthermore, the origin of Namibia’s imports and the destination of its exports remain highly concentrated. Trade is concentrated in the Southern African Customs Union (SACU). Namibia belongs to the Common Monetary Area (CMA), together with South Africa, Swaziland and Lesotho. Under the CMA terms, savings from one country can flow unhindered to other countries, and interest rates and exchange rates are determined for the CMA as a whole rather than for individual members. Due to the size of the South African economy vis-à-vis that of the other members, it is South Africa that largely determines the group’s interest rate and exchange rate. Overall, therefore, the structure of Namibia’s economy has not changed significantly since independence. Forty per cent of the total economy is still controlled or owned by South African interests (Melber, 2000). The three main commercial banks in Namibia are all subsidiaries of South African banks. The commercial agricultural sector is closely tied to the South African economy through beef exports in markets set up during the colonial period. The fishing industry is overwhelmingly foreign-owned. And while the Namibian state has secured ownership and rights in the mining industry through the Namibian diamond corporation (Namdeb), the influence of the South African company Debeers is still considerable. As argued by one informant: ‘The Namibian business community is really the South African business community. As a result, they do not need to work in tandem with the government the way they do in South Africa.’

27 Professor N. Kariuki, Department of Economics, University of Namibia 7 June 2000.
Due to Namibia’s open economy and to regional economic integration, the government has refrained from implementing tax reforms that could lead to capital flight. In this respect, it is, however, worth noting that Namibia has maintained more investor-friendly taxes than the RSA, with lower corporate taxes and an absence of capital-gains tax. Whereas the South African government has implemented ring-fencing of economic activities, farming losses remain deductible in Namibia. Nevertheless, the SWAPO government also faces institutional constraints in terms of both extracting more revenues from the business sector and widening its current tax base.

Institutional constraints on revenue mobilisation in Namibia

One weaknesses of much of the current theoretical literature on revenue mobilisation is the implicit assumption that, once decided on, policies are necessarily implemented. Particularly in a developing context, it must be acknowledged that governments work under institutional constraints; their own capacity to carry out policies being one major potential obstacle (Semboja and Therkildsen, 1995). Further, precisely due to their developing status, factors beyond the control of the national government often have decisive impacts upon both policy formulation and implementation. The institutional constraints on policy change are particularly marked in the case of Namibia. Despite the political transition and advent of independence, overall institutional change has not taken place in Namibia, partly as a result of the SWAPO government’s emphasis on national reconciliation. The government was bound by the 1982 Constitutional Principles, which stated that it could not expropriate private property without market price compensation. Furthermore, the constitutional principles prohibited the dismissal of existing members of the civil service at independence, or a reduction in their terms of service. The Namibian constitution deliberately sought to reconcile previously antagonistic forces in society by means of a common framework. The constitution specifically refers to national reconciliation and acknowledges the legal and administrative structures from the time of the South African regime. Articles in the

28 Personal interview, Alf Carling, resident advisor, Minister of Finance, 5 June 2000.
30 Produced by the Contact Group countries and agreed to by SWAPO in exile and written into the independence constitution (Leys and Saul, 1995: 197).
The emphasis on reconciliation, and the merger of the former South West Africa bureaucracy with the new SWAPO bureaucracy, have so far led to a slow process of change (Melber, 2000: 87). As argued by Leys and Saul (1995: 197): ‘The best the government could do .... was to place as much of its current revenue as possible into expanding health services and school places in the north while trying as hard as possible to reassure and encourage private investment.’

Thus, provisions in the independence constitution limited the SWAPO government’s economic flexibility in terms of tax policy. In addition, the institutional overlap with the former colonial state, coupled with the limited institutional capacities to carry out major reforms, goes some way to explain why the system of taxation has remained static since independence. An illustration of these factors is found in the lack of separation between functions of tax administration and tax policy within the Ministry of Finance.

In Namibia, the office of the receiver of revenue (the Ministry of Finance) is very influential in terms of setting tax policies, implementing policies and authorising exemptions from current tax laws. The central position of the receiver of revenue has its historical origins in the colonial era when Namibia was treated as a semi-province of South Africa and tax policies were determined from Pretoria. As a result, no separate policy unit was created. In the 1980s a policy unit was created, but tax policies have remained in the domain of the receiver of revenue. The problem with the current system, according to informants, is the lack of transparency, since the same unit devises, implements and monitors tax policies with very little outside attention and monitoring. Informant interviews suggested that the political thinking within the receiver of revenue’s office appears geared towards formal sector business and public sector workers. Thus, the limited amount of change in the system of taxation since independence must partly be understood against the background of institutional continuity.

The influence of external actors on Namibia’s tax policies
Lastly, to what extent can it be argued that foreign aid and international aid agencies have influenced Namibia’s tax policies? A major
characteristic of the political and economic reform processes that have taken place across Africa is the extent to which the processes have been affected by international advocacy and support. While the political transition in Namibia was demanded domestically, political openings appeared only because domestic pressure combined with international pressure from foreign governments and international organisations. In view of the active international involvement in Namibia’s independence struggle, it might be expected that international aid organisations would exert a decisive influence in the shaping of the country’s post-independence economic policies. Throughout the 1990s, aid to Namibia increased, despite the country’s middle-income status. The importance of aid has fluctuated over the years. Loans and grants in the 1990–95 period averaged at US$ 176 million per year. In the 1995–98 period grants amounted to US$ 170 million and loans to US$ 36 million. Aid is thus an important part of the Namibian economy, making up approximately 10 per cent of government revenue and 4 per cent of GDP (Kameri, 2000: 8).  

Based on the available data it is not possible to establish whether the relatively large influxes of foreign aid to Namibia over the past decade have provided a disincentive for the government in terms of its tax-collection efforts. What seems clear is that despite the high levels of aid provided, the international finance institutions have not influenced Namibia’s economic policies as in many other African societies. Thus, while both the IMF and the World Bank (Muten et al., 1991; World Bank and Namac, 1999) have suggested expenditure cuts and tax reforms for Namibia, the views of these institutions do not appear to have influenced decision-making. Interviews with policy-makers indicate that while aid is a welcome part of the government’s development budget, the political impact of the multilateral and bilateral donor agencies are limited. In this respect, Namibia’s situation is in sharp contrast to that of most countries in sub-Saharan Africa.  

The main reason is that Namibia’s debt, which at 24 per cent of GDP is low compared to many African countries, is still mainly domestic as the government has largely refrained from taking out international loans and has instead preferred to borrow domestically.  

34 Namibia’s development budget of 600 million Namibian dollars indicates a striking difference to many aid-dependent nations of Africa in that 400 million is financed by government revenues (Personal communications, S. Piertse, NPC, 13 July 2000).  

35 This point was emphasised by a great number of the informants in the economic sectors.
The international factor that has shaped Namibia’s revenue policies, and more generally economic policies, since independence concerns its relationships with the other southern African nations, in particular South Africa, through the Common Monetary Area-agreement and SACU.

5. Concluding Remarks
During its 10 years in office, the Namibian government has in a sense foregone revenues, as it has not sought to alter the system of taxation in a manner that would have enabled it to broaden its tax base. Furthermore, the system of taxation in Namibia has not been utilised as a redistributive mechanism to any significant extent. Instead, the government has sought to divert public expenditures to particular sectors to address income inequalities. Taking a rational choice approach to the study of revenue mobilisation, this article has portrayed governments as revenue maximisers; in other words, it is assumed that governments maximise revenue to the extent that they are able to maintain power. In democratic settings, governments are constrained by institutions of representation, institutional capacity, economic structures and international factors in their efforts to mobilise revenue. Whereas the evolution of tax policies in many aid-dependent nations appears influenced by the policy demands raised by the international finance institutions, the discussion of Namibia has emphasised the marked influence of South Africa. South Africa controls and dominates macroeconomic policies in the region through CMA and SACU. Economic integration in the region has constrained the Namibian government’s revenue policies, since too progressive a tax system could have resulted in the removal of capital from Namibia to South Africa or Botswana. Furthermore, the discussion has indicated that the institutional constraints created by post-independence policies of reconciliation have ensured continuity within the colonial administration in terms of personnel as well as guarantees of private ownership. Thus, the policies of reconciliation have reduced the majority government’s scope for change in terms of setting tax policies. Despite multiparty politics and associational freedom, ten years after independence the business interests of the minority still appear more influential than trade unions and emerging black business associations. But the article has also suggested that the Namibian government may have refrained from broadening its tax base to include the emerging informal business sector in order not to jeopardise its support among the Owambo-speaking majority.
For a decade, the SWAPO government has been able to maintain the dualism of macroeconomic conservatism and large incentives for business, coupled with fairly progressive social policies due to the revenue windfall from the common revenue pool (SACU). But, in March 1999, South Africa concluded a wide-ranging trade pact with the European Union. Botswana, Lesotho, Botswana and Swaziland (the BLNS countries) stand to lose 15 per cent of fiscal revenue as tariffs are removed. Because of their strong economic ties to South Africa, the four member countries are forced to accept a de facto free trade with the EU. Other factors are at play, too. SACU members’ efforts to reform their own customs union could lead to further erosion of revenues from the customs union. SACU renegotiations have taken place since 1994 and, according to government sources, the revenue-sharing formula will now be replaced by a new formula. In this so-called ‘clean’ formula, Botswana, Lesotho, Namibia and Swaziland will receive a smaller percentage of the total revenues from customs and excise. Arguably, the reduction in the SACU revenue pool will be the single item with the greatest effect on Namibia’s economic policies in the years to come. In addition, figures from the National Planning Commission indicate declining levels of aid and the Namibian government is now basing its forecasts on a gradual decline of aid flows (Kameri, 2000). Within this scenario of immediate losses of revenue, coupled with increasing expenditure pressures, the Namibian government now faces fiscal challenges that may imply increased taxation, expenditure cuts, or foreign borrowing. The years to come may indicate whether the government is able to challenge the factors constraining revenue mobilisation, or whether it will continue to seek relatively ‘easy options’, and thus resort to foreign borrowing.

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Africa Recovery
The Namibian Economy
Southern African Labour Bulletin
In the 1990s, a widely shared conviction emerged among aid donors that their policies should be more coherent than in the past. The drive towards increased policy coherence came as a response to a state of policy coherence.

The shifting grounds of policy coherence in development co-operation are outlined in this volume. The policies of some selected donor countries – Canada, France, Germany, the Netherlands, Norway, Sweden and Switzerland – are scrutinised and analysed, with particular reference to the 1990s. Spotlights are also directed towards the European Union, with particular reference to the internal coherence of its development co-operation policy and the common foreign and security policy, and the coherence of EU policies and the bilateral policies of its member states. Some perspectives are highlighted in separate contributions: one analyses the coherence and incoherence of aid and trade policies, another the challenge of policy coherence in the new global order. Governance and coherence in development co-operation are also given particular focus as are coherent approaches to so-called complex emergencies, taking Belgium’s policies towards the Great Lakes Region of Central Africa as the point of departure. The volume starts off with a state of the art contribution by its editors.

The book represents the first effort to deal with the issue of policy coherence in a systematic and comprehensive way. It will be of considerable interest to researchers, university teachers and students in the field of development studies, and of particular interest also to politicians and administrators at all levels concerned with development co-operation and North-South relations.

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The World Bank and the IMF: Tax, Democracy and Shrinking Aid in Sub-Saharan Africa

Gorm Rye Olsen

1. Introduction

During the 1990s, the politics of international aid to sub-Saharan Africa was characterised by two conspicuous trends. On the one hand, the region experienced a remarkable fall in global aid allocations both in absolute and relative figures. Net transfers per capita to the continent were reduced sharply from US$ 32 in 1992 to US$ 19 in 1998 (World Bank, 2000b: 236) while at the same time, the gross disbursements fell from 34.9 per cent of total aid transfers in 1987/88 to 31.8 per cent in 1997/98 (OECD, 2000). In spite of decreasing net inflows of aid, Africa was still the most aid-dependent region in the world with aid being equivalent to 9 per cent of GDP by the end of the 1990s; on average, foreign aid accounted for something like half of public expenditures (World Bank, 2000b: 9).

On the other hand, sub-Saharan Africa was the primary developing region to be exposed to the ‘new’ or post-cold-war ideas of democracy, respect for human rights and good governance as crucial preconditions for promoting ‘development’ (Stokke, 1995; Uvin, 1993: 63ff; Robinson, 1993a; Gibbon, 1993: 54f; World Bank, 1989). During the 1990s, the World Bank and its sister organisation, the International Monetary Fund (IMF), were the strongest proponents of thorough reforms in Africa. This was a natural continuation of their policy from the 1980s promoted under the heading ‘structural adjustment’ (Mosley et al., 1991).

Because of the prominent role played by the two international financial institutions (IFIs) during the 1980s and the 1990s, it is assumed here that their views on and analyses of a number of policy issues including their reflections on aid and development in Africa are of significance to global thinking on development in general. It
is precisely because of their prominence that the position of the two IFIs on certain specific issues is examined in this article.

The conspicuous position of the World Bank in Africa is based on the fact that ‘the size and professionalism of the Bank has enabled it to claim a role as leader in development, especially in Africa’ (Lancaster, 1999:207). Furthermore, ‘the World Bank has come to play a leadership role both in development discourse in Africa and in certain areas of donor coordination. Since the 1970s, it has been the intellectual leader among development aid agencies operating in the region and the most active coordinator of the efforts of those agencies, at least in the field of financing economic reform’ (Lancaster, 1999:191f; Gibbon, 1993; Woods, 2001:88ff; Squire, 2000). The dominant position becomes even more obvious if the financial backing of the two Washington institutions is compared with the financial support of the UN system as a whole (OECD, 2000:64).

The specific questions asked in this article are inspired by the research programme ‘Taxation, aid and democracy. The evolution of tax systems in Namibia, Tanzania and Uganda’ (Fjeldstad et al., 2000). The article looks into the following three broad sets of questions. First, how do the two Washington institutions analyse the current situation of less and less aid being channelled to Africa? Specifically, how do the two IFIs look upon the future budgetary problems of African governments as a consequence of the shrinking aid budgets? Second, and closely related to this, how do they look upon the ongoing economic globalisation processes? Is globalisation a threat to already weak African economies and especially to their public budgets, or are free trade and the prospects of increased inflows of foreign direct investments the medicine that will give African countries the necessary push forward?

Third, how will or can African governments react to shrinking aid flows? There are two possible ways in which the governments can react to the expected future budget squeeze. The first is to cut public budgets. The second is to raise the tax level and thereby increase taxation of the local population. Basically, the first policy option was contained in the structural adjustment programmes that the two Washington institutions promoted so strongly during the 1990s. The consequences of this policy have been widely analysed (Engberg-Pedersen et al., 1996; Gibbon, 1993; Gibbon, 1996).

The second option, to raise the tax level, is most relevant in this context. It leads to the following question: What do the Bank and the IMF think of the prospects for and the problems involved in increasing local taxation to compensate for shrinking aid flows? Is
such a step possible? Will increased taxation produce unintended consequences such as growing demands for political participation? Based on the historical experiences of Europe, it is often argued that there is a more or less close link between state-making, taxation and democracy (Tilly, 1992). Thus, can it be expected that the higher the taxes, the stronger the popular pressure will be for influence, in keeping with the old saying ‘no taxation without representation’?

It is necessary to stress that neither the World Bank nor the International Monetary Fund is in any sense monolithic. Significant differences in outlook exist between individuals at all levels within the two organisations (Gibbon, 1993) and the article will therefore distinguish between viewpoints where these are possible to identify. In the international development discourse, there is no unanimity about the points of view, analyses and policy prescriptions of the two Washington institutions. Therefore, different and opposing views on the questions raised will also be presented and discussed in the article.¹

The following section looks at the position of the two institutions on the issue of the shrinking aid flows, public finances and reforms of the tax administration. The presentation also takes into consideration the current position of the World Bank on the reform of foreign aid. Then follows the presentation of the position of the Bank and the IMF on the prospects for economic globalisation. Criticisms of the positive evaluation of the prospects for free trade are also presented. Finally, the IFIs’ reflections on the possible link between increased taxation and democracy are presented and discussed at some length, as are alternative points of view.

2. Aid Flows, Public Finances and Taxation

According to the two IFIs, the drastic reduction in global aid flows that has taken place since 1993 is not necessarily a threat to the public budgets in most African societies. On the contrary, they argue that until now there has been too much waste of economic resources and that many development projects are unprofitable and were started only because of the availability of donor money (interviews). Thus, the basic argument is that more money does not automatically mean better service delivery.

¹ Some of the information presented in this article was obtained via personal interviews carried out in the World Bank and the International Monetary Fund during the first week of September 2000.
Public budgets may be squeezed but the solution, it is argued, is to use the decreasing amount of aid in a much more ‘sensible’ and ‘responsible’ way than has been the case until now (interviews). So, instead of being a problem, decreasing financial resources can be considered a blessing because they may well make it easier to start implementing the necessary economic and political reforms that the World Bank and IMF have demanded for years. In relation to the subject of this article it is interesting to note that one of the first steps towards thorough reform could be changing the national taxation systems in order to eliminate the whole range of tax preferences, exemptions and exceptions that exist in all African tax administrations (Thirsk, 1997:1ff). Moreover, there is a pressing need to do something about the widespread abuse of tax money, including outright corruption, which is a general phenomenon because of the low-quality tax administrations (interviews; Thirsk, 1997; also Toye and Moore, 1998).

Irrespective of the urgent need to reform the taxation system, including the tax administration, the highest pay-off could nevertheless be obtained by improving the budgetary processes in order to secure more efficiency in public expenditure. Thus, reforms of public budgets in Africa can be seen as among the most important challenges to be met, especially if redistribution of resources is a political priority (Stiglitz, 1997: xiii). It must be realised, however, that such reforms are difficult to carry out because they go to the heart of the local political and economic power structure. Therefore, it is clearly acknowledged by both IFIs that without strong local support it is impossible to implement the necessary reforms (interviews; Thirsk, 1997: 16f, 28f; World Bank, 2000b).

Many international organisations and researchers strongly disagree with the views of the World Bank and the IMF both on the question of the reduction in the global aid flows and on the issue of the possible positive effects of this reduction in aid flows. The general argument against lowering the level of aid is quite simply that aid helps finance a number of necessary social and economic investments as well as reforms within the public sector (OECD, 2000). It is even argued that ODA supports ‘the development of solid tax systems and tax administrations, thereby increasing national savings’ (OECD, 2000: 34). The UNDP argues that increased aid transfers, especially to sub-Saharan Africa, are the crucial precondition for fulfilling the aim of ‘eradicating human poverty worldwide’ (UNDP, 1997: 106–116). The view is held by the Reality of Aid group (Reality, 2000). In academic debates, it is likewise possible
to find support for the position that aid is necessary and contributes positively to financing the social expenditures of the recipient countries. Also, a number of writers on aid argue that aid helps promote growth (Cassen et al., 1994; Riddell, 1987; Burnell, 1997).

At first glance, there seems to be strong disagreement between the two Washington institutions on the one hand and, on the other, a number of institutions and individual writers involved in aid. However, the difference of opinion may turn out to be less fundamental. The main point of the IFIs is that money does not automatically lead to social and economic improvements, which seems to be a reasonable position. The most decisive disagreement concerns the question of how to start the reform process that everybody agrees is urgent. The position of the two IFIs seems too simplistic, namely that the necessary push to begin necessary reforms will be a budget squeeze. Most of the organisations involved in development aid argue that without moral encouragement, technical assistance and financial backing from donor countries reforms cannot be implemented. Considering the enormous political and administrative capacity problems involved in starting serious reforms until now, the position of a number of aid organisations seems more convincing and realistic than that of the two IFIs. Furthermore, it can be argued that severe pressure on African governments’ public budgets will seriously affect the poor segments of the populations, while the elite probably will know how to take care of itself and its close allies.

Reforms of the tax administration
According to the World Bank, the incentives to start reforming the taxation systems have to come from local politicians and from local political pressure, and not from outside, via aid. In a World Bank study, Wayne Thirsk puts it this way: ‘The time for tax reform appears ripest either when a new government assumes power… or when political opposition is weak…’ (Thirsk, 1997: 27). The need for local public support of reforms of the public sector is also acknowledged by Vito Tanzi and Howell Zee (both employed by the IMF) in a study on how to reform the tax administration in developing countries (Tanzi and Zee, 2000). Among a number of impediments to tax reform, the two IMF economists point to the fact that political and economic powers are concentrated within a very narrow group of rich people, and that this group will often be able to prevent tax reforms that could affect them negatively (Tanzi and Zee, 2000: 300).
Attempts to reform the tax systems do not only face resistance from the rich and powerful; the establishment of effective and efficient tax systems faces a number of other challenges too (Thirsk, 1997: 16–18). The structure of the economy, such as agriculture’s large share of total output and employment, the large informal sector, the many small establishments and a limited share of wages in total national income, all these ‘characteristics reduce the possibility of relying on certain modern taxes, such as personal income taxes, and to a much lesser extent, on value-added taxes. They also reduce the possibility of achieving high tax levels’, it is pointed out (Tanzi and Zee, 2000: 300).

The very limited capacity of the existing tax administration (Thirsk, 1997: 7ff) where the staff is neither well educated nor well trained, is definitely also an impediment to reforms. When the economic capacity to pay good wages and buy essential equipment is lacking and when taxpayers have only a limited ability to keep accounts, etc. it is extremely difficult to establish an efficient tax administration. Finally, problems arising from poor quality of basic data should not be underestimated, since these make it difficult for policy-makers to assess the potential impact of major changes on the statutory tax system.

Concerning specific reforms of the taxation system, both the IMF and the World Bank (Thirsk, 1997: 15) strongly favour value-added taxes (VAT), and both institutions find that the experience with this kind of tax has been fairly good in Africa. Most importantly, it has not been particularly difficult to introduce VAT in Africa, compared with other regions (interview). Of course some countries with weak tax administrations have had implementation problems, but it is argued that specific problems can be dealt with through technical assistance from the IMF (interview). Also, taxing consumption through VAT has been far less regressive than commonly thought when viewed in a life-cycle perspective rather than from a static perspective. At least in theory, consumption can be taxed on the same graduated basis as income, by allowing unlimited deductions from savings income, Vito Tanzi and Howell Zee argue (Tanzi and Zee, 2000: 306; also: Toye, 2000: 37–40).

Despite the general unanimity that tax reforms are necessary, different perspectives can be identified within the IMF and the World Bank. Representatives of the IMF are strongly in favour of reforming tax systems whereas a more hesitant attitude can be found among individuals attached to the World Bank. Coolidge and Rose-Ackerman argue that donors should be careful not to support tax reforms
too strongly in ‘systems where a substantial proportion of state resources flow into the pockets of top rulers and their close allies’ (Coolidge and Rose-Ackerman, 1996:48). Wayne Thirsk finds that ‘revenue-raising tax reforms make little sense if their proceeds are used to finance an inefficient amount of public expenditures. Thus, if expenditure reform does not accompany tax reform, it should ideally precede it’ (Thirsk, 1997:29).

Paul Collier of the World Bank is outright against raising the level of taxation. Instead, he argues in favour of keeping taxes at their current level because that will improve the incentive environment at the level of the individual agent. ‘The marginal costs of taxation are often quite high in developing countries because there are few efficient tax handles. Hence, reduced tax effort can free households and firms from powerful disincentive effects of taxation’, Collier argues (Collier, 1999: 317). Seen in this light, aid can contribute to keep taxation low by financing part of the public budgets and thereby improve the incentive environment for individuals. So, if the overall policy goal is to secure sustainable economic growth, a higher tax burden is not necessarily a blessing (interview).

Because the two Washington institutions have been almost alone in their research on taxation and tax administration, it is difficult to identify alternative views on the reflections presented above. This implies that possible disagreements remain either between or within the two institutions. The most interesting disagreement seems to be related to the question of the potential consequences of raising taxation levels. Paul Collier’s argument is very much within the lines of classical economics, stressing the need for economic growth. By stressing the issue of growth, Collier avoids the question of how African states finance their public expenditures in the face of falling revenues from aid. Here, the answer does not seem to be a further lowering of tax levels. Rather, the arguments of the IMF appear to be more sound: that there is a strong need for reforms of the tax administration which, on the other hand, are not easy to implement, as both the IMF and the World Bank agree.

Reform of foreign aid

Shrinking international aid makes all the more urgent the thorough reform of foreign aid that has been on the World Bank’s agenda for some years (World Bank, 1997; World Bank, 2000 a: 189–204). Since 1997, the main argument of the Bank has been that aid ‘works’, but only in countries that are seriously engaged in reforming their

Limited belief in the potential influence of aid is part of the new or current thinking about aid within the World Bank. A number of World Bank writers even claim that there is a limited relationship between aid and policy reform, implying that aid does not necessarily promote reforms and in fact tends to undermine them (Burnside and Dollar, 1997). Another Bank study points in the same direction, concluding that a survey of 10 African countries shows that the countries which can be called ‘successful reformers’, all had modest aid programmes during the pre-reform period (Devarajan et al., 2000: 26).

The lesson learned from several decades of aid-giving to sub-Saharan Africa is that donors should allocate aid only to governments that are seriously engaged in reforming the economy and the political-administrative system. It is crucial that the reforming governments show positive results such as economic growth and/or more elements of good governance. The advantage of such ‘performance-based aid’ is supported by the ‘fact’ that aid has been effective in promoting growth and poverty reduction in poor countries, if these have sound economic policies and institutions (Collier and Dollar, 1999). On the other hand, aid has had limited efficiency where a good policy environment has been lacking, it is argued officially by the World Bank (World Bank, 2000b: 242, 251; World Bank, 1998: 1–2). In a number of instances, large amounts of aid to countries with bad policies have even tended to sustain the poor policies and therefore, it is pointed out, to reduce the pressure for reforms (Devarajan et al., 2000: 5, 26). In this perspective, aid has contributed to making things even worse.

If, it is argued, reforms of the international aid system are implemented along these lines, there is no reason to worry about shrinking aid flows. According to the current thinking of the World Bank, the small number of African countries that belong to the group of ‘good performers’ can expect to receive sufficient aid in the future. There will be no squeeze on the budgets of these governments and consequently they will face limited pressure to raise domestic taxes.

On the other hand, the non-performers will face problems if they choose to reform their taxation system. They will be more or less on their own because of the Bank’s advice that donors should operate on a much smaller scale in these states, implying that they should provide technical support only where there is a real demand. Donors should restrict their engagement to policy dialogues with the aim of
informing the government and civil society about policies in neighbouring countries so that they can, in principle, learn from the successes and failures of others (Devarajan et al., 2000: 26 and interview).

Contrary to the Bank’s analyses, most of the existing studies on aid effectiveness conclude that development assistance has had a positive impact on growth, although in some cases the impact has been minor and statistically insignificant. The studies emphasise that development assistance represents only one of many elements in the complex economic growth process. Factors other than aid, notably sound and stable macroeconomic policies, contribute substantially to growth and can enhance the positive effects of aid (OECD, 2000: 127–132).

Basic methodological and econometric criticisms of the World Bank’s analyses have been raised. It is argued that the original Burnside and Dollar conclusions are very sensitive to model specification and that the impact of aid on growth is positive, irrespective of the policy environment. Hansen and Tarp show that aid is effective in increasing capital accumulation and hence growth. The overall conclusion of the two authors is that aid does improve economic performance even in countries hampered by an unfavourable policy environment (Hansen and Tarp, 2000).

Lensink and White have pointed to the inherent weakness in the Bank’s use of cross-country regression analysis to explain the determinants of growth. They also note that the selective choice, use and interpretation of different policy variables can be questioned (Lensink and White, 2000). Although a large number of variables have been shown to have significant impact on growth, only a few, such as the investment share, secondary school enrolment rate, the initial level of income, and different financial indicators, do so robustly. Only a few of these appear in the World Bank analysis and those that do so prove to be insignificant, such as for example initial GDP per capita (Beynon, 2001: 21–22).

One particular strand of the literature on aid effectiveness has stressed the significance of external shocks and aid instability. In a recent study of the impact of aid instability, Lensink and Morrissey show that reducing aid because of poor policy performance may exacerbate an external shock problem (Lensink and Morrissey, 2000). They point out that studies arguing that aid is only effective in the context of the right policy environment may simply be omitting the possibility that aid is positively responsive to external shocks that impact negatively on indicators of policy (Beynon, 2001: 25).
So in conclusion, it is possible to identify two opposing views on the question of aid effectiveness and on the need for reform of foreign aid. On the one hand there is the World Bank view that aid works only when government policies are good, and that only more selective allocations of aid to ‘good-government countries’ will result in substantial poverty reduction. On the other hand, there are a number of analyses and studies arguing that aid effectiveness is not clearly dependent on policy, and which are sceptical about the Bank’s approach. Mosley and Hudson even suggest that aid effectiveness has increased since the introduction of structural reforms in the early 1980s, thereby invalidating the policy advice of the Bank (Beynon, 2001: 26).

There is a dilemma in the discussion on aid effectiveness. Officially, the World Bank is sceptical about the effectiveness of aid, whereas critics of the Bank’s position basically question the scientific foundation for its stance. So, the conclusion of this article ought to be clear: aid works, irrespective of the political and economic environment. However, such a conclusion can be accepted only with considerable reservations. If the general statistical indicators on African economic development can be trusted, it is difficult to accept the general claim that aid improves economic performance. World Bank figures make the econometric argument that economic performance has been improved through aid highly questionable. The figures show that ‘Africa’s average output per capita in constant prices was lower at the end of the 1990s than 30 years before … The number of poor people has grown relentlessly, causing Africa’s share of the world’s absolute poor to increase from 25 to 30 per cent in the 1990s’. The Bank continues to point out that this negative development has taken place despite the fact that ‘net transfers from foreign assistance average 9 per cent of GDP – equivalent to almost half of the public spending and far higher than for typical countries in other regions…’ (World Bank, 2000b: 7ff).

So, if these figures are to be trusted, it is difficult not to reach a similar conclusion to that of the World Bank, namely that aid has had very limited impact on Africa’s economic and social development. Of course aid has not been the only factor affecting the changes in sub-Saharan Africa, and therefore it is analytically difficult to isolate the effects of development aid. Irrespective of this reservation, the conclusion forces one to ask the question: why has aid had such limited impact in Africa? As will be argued at the end of this article, the current debate on development and political culture clearly indicates that the political and economic environment in sub-Saharan
Africa has not been favourable to economic growth and social improvements.

3. Globalisation and Taxation
Turning to the issue of globalisation and taxation, the two Washington institutions have a positive view towards the consequences of ongoing economic globalisation while at the same time being sceptical about the role of aid in promoting trade liberalisation. The two IFIs maintain that globalisation, understood as the growing internationalisation and integration of different national economies, offers the best opportunities for decision-makers in Africa to promote economic growth (World Bank, 2000b: 208ff). It is explicitly emphasised that ‘it is now nearly universally accepted… (that)…trade liberalisation enhances economic efficiency and accelerates growth’ (Ebrill et al., 1999: 1). Or in the words of the World Bank: ‘Given the region’s tiny and fragmented economies…the issue is not whether Africa should be quickly integrated – but how...’ (World Bank, 2000b: 208–209).

The basic argument in favour of further liberalisation is that it promotes economic growth. Economic growth has important consequences for domestic taxation because a growing economy represents a much broader tax base than a stagnating one. Liam Ebrill et al. argue in an IMF Occasional Paper from 1999 that there is ‘considerable evidence …that trade liberalisation is linked with higher rates of economic growth. This enhanced growth leads to expansion of tax bases, with a concomitant expansion of revenue potential… Along with this growth, the composition of revenue is also likely to change over time, with increased reliance on domestic taxes and reduced reliance on trade taxes, consistent with reductions in tariff rates’ (Ebrill et al., 1999: 6, 7).

In spite of the persistent arguments that trade liberalisation is an absolute necessity for Africa, the IFIs are not blind to the negative effects that trade liberalisation and thus tariff reductions might have on government revenue. These are especially obvious in the case of Africa where in 1995 trade taxes accounted for about 5.5 per cent of GDP on average. This was much higher than in other developing regions, where the percentage was well below 4 per cent of GDP (Ebrill et al., 1999: 16).

Nevertheless, whether the effects are negative, neutral or positive depends on a whole range of circumstances. One of the most important of these is simultaneous reform of the domestic tax pol-
icy and the tax and customs administration (Thirsk, 1997: 27–29). For example, if import values are unchanged, the immediate effect of tariff rate reduction is to lower revenues. On the other hand, the value of imports can be expected to change in response to tariff reductions. If the price elasticity of net demand for imports is sufficiently high, the revenue gain due to increased demand for new, cheaper imports may compensate for or even outweigh the revenue loss caused by the tariff cut itself (Ebrill et al., 1999: 5).

For the discussion here, it is most important that the two Washington institutions stress the unavoidable need for simultaneous reforms of the tax policy and the tax and customs administration, because such reforms will provide essential support to trade liberalisation measures. It is the argument that trade liberalisation can be greatly facilitated if steps are taken from the start to implement comprehensive reforms of the domestic tax system combined with ‘sound’ macroeconomic policies (Ebrill et al., 1999: 7, 26; also Thirsk, 1997).

Analyses of the revenue implications of trade liberalisation in developing countries suggest a number of interesting conclusions. First, they show that many countries can easily liberalise further without there being adverse consequences for trade tax revenues, even in the short term. Second, genuine trade liberalisation will eventually result in reduced trade tax revenues and will thus raise difficult fiscal issues unless adequate steps are taken to strengthen the domestic tax system. Third, a reformed tax system will not only help generate revenue, it will also work to improve resource allocations and potentially to contribute to higher rates of growth. According to the World Bank, Uganda once again illustrates that trade liberalisation can be a clear advantage to an African country (Reinikka and Collier, 2000).

Within the framework of the recommended deepening of trade liberalisation in Africa, there exists a threshold of aid flows beyond which aid may impede rather than help growth and development in general, it is argued by Elbadawi, a World Bank employee. So, if African countries want to pursue export-oriented development, they should reduce their dependence on foreign aid, as this impairs their export competitiveness (Elbadawi, 1999: 606–607). ‘Unsustainable’ aid flows may even harm the export competitiveness of the most aid-dependent countries as shown by the substantial RER (real exchange rates) overvaluation in many African countries that large aid flows caused during the 1990s (Elbadawi, 1999: 605).

The academic debate on globalisation and its impact on Africa
has been far more sceptical, arguing that globalisation has considerable negative effects on African economies (Bush and Szefel, 1998; Edoho, 1997; Rasiah, 2000; Harris and Said, 2000). Grunberg argues that public budgets will face severe problems, not least because lowering tariffs is an important element in the liberalisation policy that will remove a very important source of public finance. Due to economic liberalisation, there will be an increasing need for public spending, which in turn will add to the ‘fiscal squeeze’ (Grunberg, 1998).

The most serious critique of the IMF approach may be the one that questions the basic argument that trade openness leads to economic growth. Morrissey argues that at best, there is a shortage of convincing evidence that trade liberalisation necessarily increases growth (Morrissey, 2000: 382). When the link between liberalisation and growth is examined in greater econometric detail, it is found to be weak (Morrissey, 2000: 382). Paul Mosley argues that the proposed strategy of the IMF has to be modified and supplemented. It needs to be modified because there is no simple relationship between economic growth and openness to international trade in low-income countries with limited government intervention. Therefore, if the IMF strategy is going to be successful, it has to be supplemented with a number of policies that are potentially relevant for achieving economic growth. In fact, stability of policy seems to be more important than trade liberalisation in itself. So, according to Mosley, the IMF’s policy advice is ‘not necessarily helpful to the poorest countries’ (Mosley, 2000: 631; Morrissey, 2000).

Mosley is also hesitant about the IMF advocating simultaneous reform of the taxation system. Instead, he argues that it is not possible to say in advance which policies will be the most relevant in a given developing country. In Africa, the continent with the poorest institutional and physical infrastructure and the highest level of endogenous distortions, policies that compensate effectively for those distortions are more important as a complement to prudent macro-policy than they would be in an environment with better infrastructure (Mosley, 2000: 632).

A.P. Thirlwall is likewise sceptical concerning the blessings of free trade, specifically in an African context. Based on existing trade theory, the issue is ‘not so much whether to trade but in what to trade and on which terms trade should take place with the developed countries’ (Thirlwall, 2000:132). Thirlwall does not question whether exports can act as an engine of growth. It is only questioned how powerful this engine is. He argues that its strength de-
pends on the production and demand characteristics of the goods produced and exported. Countries in Africa, which largely produce and export primary products, tend not to perform as well as those that produce and export manufactured goods. Therefore there are sound economic arguments in favour of protection if income and output are raised above what would otherwise be the case. Basically this is the classical infant-industry argument, which can be buttressed by the historical fact that no country except the UK has ever developed on the basis of free trade (Thirlwall, 2000: 155–156).

The benefits to a particular country will depend on the goods it imports and exports. Although most countries are likely to benefit from liberalisation, low-income African countries will in all probability be losers (Morrissey, 2000). This raises the issue of compensation, with implications for future aid flows. If globalisation causes increased poverty because some countries or groups within countries become losers, the case for aid to compensate the losers or support the impoverished groups is strengthened. Aid can also play a role by helping a country to adapt, through institutional capacity-building, or by meeting some of the costs of adjustment (Morrissey, 2000: 376).

In summary, there are considerable reservations about the general claim of the IMF that trade liberalisation creates growth. Although in theory trade can have positive effects on economic growth, sub-Saharan Africa seems to be an exception from the general picture. It is much more likely that trade liberalisation will have negative consequences, and contrary to what the IMF and Ibrahim Elbadawi argue that it will lead to an increased need for development aid. Such aid might suitably be channelled into increasing the capacity of local tax administrations.

If the World Bank’s own information is taken into account, it is highly questionable whether the general position of the two IFIs is valid when it comes specifically to Africa south of the Sahara. For example, the World Bank points out that ‘Africa’s share of world trade has plummeted since 1960 … In contrast to other regions that have diversified, most countries in Africa are still largely primary exporters’ (World Bank, 2000b: 7ff). Because of this, and the fact that their economies are so small and weak, African countries will face very serious problems in the context of the fierce international competition that will result from total free trade. The position of the two IFIs in relation to sub-Saharan Africa should probably be described as ‘ideological’ rather than sensitive towards the specific development problems of the region. The enormous development
problems, including the very strained trade situation, that most African countries face can only be solved through an open-minded, flexible approach, not by rigidly adhering to the general claim that trade liberalisation accelerates growth. Sub-Saharan Africa’s experience needs to be seen as an exception from the general pattern where trade liberalisation has a number of positive effects.

Clearly, when the focus is specifically on sub-Saharan Africa, there must be scepticism about the potential benefits from economic globalisation processes currently underway. Indeed, a case might be made for implementing temporary protection of African economies through tariffs instead of continuing with trade liberalisations. Such a stop would not run counter to reforms of the tax and customs administration, rather the contrary. Moreover, as pointed out by Oliver Morrissey, such reforms might very well require external economic and technical support.

4. Taxation and Democracy
Shrinking aid flows to Africa will probably force most African governments to take a position on whether or not to raise domestic taxes if they want to keep up the current level of service provisions. If they decide to increase domestic taxation, African governments are likely to have to face the fact as European governments were likewise forced to do earlier in their history – that there is ‘no taxation without representation’; in other words citizens or taxpayers will demand something in return for increased taxation. This ‘something’ could of course be improved service deliveries, but it could also be demands for increased influence over political decisions, as indicated in the old saying quoted above.

For a start, the two Washington institutions do not accept that there is a close relationship between taxation and democracy/representation in Africa. They point out that there is no empirical evidence of an obvious link between the level of taxation and the quality of government in Africa. Kenya and Zimbabwe are cases in point because they are among the countries with the highest tax rates in Africa, but for a number of years they have also been among the countries with the least acceptable level of governance and ‘development’ (interview). Uganda proves the same point but from the opposite position as Kampala has had a remarkably good record concerning governance and economic growth, whereas the level of taxation in Uganda has been much lower than in Kenya and Zimbabwe (Stotsky and WoldeMariam, 1997: 6). Finally, the IMF points
out that the level of taxation in Africa is not particularly low compared to other parts of the developing world (Tanzi and Zee, 2000: 303), which further stresses the point about the missing link between taxation and democratisation/representation (interview).

For the IFIs, the decisive question relations to Africa is how to secure a high and reliable level of public services. Here, the main instrument is not democracy but information and thus public knowledge of the amount of resources going to which purposes in which districts. The World Bank finds that Uganda is a prime example of how the information mechanism has worked to secure accountability through transparency. In 1990 it was estimated that around 98 per cent of public funds to primary schools disappeared before reaching their final destination at village level. At that time the government started announcing in the newspapers the amount of money going to which districts and for what purposes. By the end of the 1990s this public scrutiny and insight into the flow of money had secured that almost 80 per cent of the resources now reached the village schools they were intended for (interview). This example underlines the crucial role that information, including a free press, can play in securing public service deliveries.

A comparative field study of two selected sectors in Uganda, primary education and health care, confirms this observation. It concludes that public funding for these sectors suffered serious problems due to the lack of accountability (Ablo and Reinikka, n.d.). The survey also shows that the level of service delivery varied considerably between the two sectors depending on the institutional context and the incentives. As far as incentives are concerned, the two Washington institutions claim that people are willing to pay taxes provided they feel they benefit from doing so. They are therefore in favour of user fees as one of the fundamental instruments in service provision, since such fees are prime examples of transparent service deliveries due to the fact that those paying can see directly what they get for their money (interview).

The insistence of the World Bank on the value of a free press and free information flows does not imply that the two Washington institutions dismiss the value of democracy as such. Democracy is important because democratic elections may result in a change of government. This is because newly elected governments are much more inclined to implement reforms than governments that have been in power for a longer period (Dollar and Pritchett, 1998: 19). Also, because of the World Bank’s emphasis on control and transparency, it is argued that parliaments may play a role in securing trans-
parency in public policy, not least in relation to scrutinising public service deliveries (interview).

In spite of the arguments in favour of regular democratic elections, a World Bank survey of 10 African countries concludes that ‘there is no relationship between formal democratic institutions and reform’. What is important is the way in which the societies have organised vested interests, technocrats and leadership. Therefore it seems to be ‘a fair generalisation to say that successful reformers have consultative processes that result in a broad consensus for reform’ (Devarajan et al., 2000: 11).

In summary, the two IFIs do not have a clear-cut position on the question of democracy and taxation. On the one hand, they dismiss the link between taxation and democracy/representation. Instead, they find that the crucial issue is service deliveries, and here democracy is not as important as information, transparency and the organisation of vested interests. On the other hand, because the World Bank is so eager to find mechanisms that might help promote reforms in general, democracy and regular elections are considered as potentially important instruments, in an African context as elsewhere.

Very few researchers have carefully examined taxation in Africa, including the specific relationship between taxation and democratisation (Therkildsen, 2001). One of the few exceptions is Mick Moore, who has looked into the question, using the concept ‘un-earned income’ as one of his central variables (Moore, 1998). The extent of ‘earnedness’ of state income depends on several factors, one of which is the precise degree of reciprocity between state and citizens as far as services in exchange for tax payments are concerned. It is characteristic of poor states in Africa that they have become so heavily dependent on aid, that is on un-earned incomes from the OECD countries, that they have become relatively independent of, and less sensitive towards, their own citizens. One way of making the state more responsible to its citizens could be to force it to tax its citizens. Such a step might lead to increasing popular demands for political influence. The same line of argument is found in relation to limiting corruption in tax collection. The reason is ‘that dependence of governments on earned income actively fosters interaction between state and society, and these interactions tend to promote demands for improved accountability of the state apparatus. Taxpayers are likely to exercise some voice that is likely to contribute to dampening down corruption in tax collection’ (Toye and Moore, 1998: 68). So it is the basic argument that increased
state dependence on local taxation will increase accountability among politicians and decision-makers.

Although democracy and democratisation in recent years have been central themes in the social science literature on African development (Joseph, 1997), as mentioned there has been remarkably little research into how democracy affects the citizens’ relationship with government in situations where there is heavy aid dependence, or how democracy affects service deliveries. Instead, a substantial amount of the literature on democratisation has focused on the issue of civil society and whether it is possible and meaningful to talk about such a phenomenon in Africa. One conclusion to this debate is that it is indeed difficult to identify a strong civil society. Rather, contemporary African politics is shaped by the lack of organised protest, by sectarian identities and by the importance of state patronage, all of which have a significant impact on the citizens’ relationship with the state as well as the state’s delivery of public services (Kasfir, 1998; Lewis, 1998; Hadenius and Uggla, 1996; Robinson, 1995; Rooy, 1998). Therefore, the really big question is whether a democratically elected government can deliver public services and benefits to most citizens or whether the benefits will be enjoyed only by the small ruling elite (Wisemann, 1999:147–149). Taxation and what it may do to the relationship between government and citizens do not seem to come into the picture in this debate.

Another part of the literature on democracy in Africa has focused on what has changed and especially what has not changed since the introduction of free and fair elections and formal changes in government structure (Joseph, 1997). One strong trend within this is ‘afro-optimism’, the expressed belief that democratisation in Africa is a long and difficult transformation process but that nevertheless things are moving in the right direction: in the words of Joel Barkan there is a process of ‘protracted transition’ towards democracy (Barkan, 2000; Wiseman, 1999). The position of the ‘afro-pessimists’, on the other hand, is that very little has changed: ‘constitutional authoritarianism is almost gone, but authoritarian ways of, it seems, authoritarian leaders from the past, are not’ (Baker, 1998: 126; also: Bratton, 1998; Osaghae, 1999). Michael Bratton and Nicholas van de Walle reach the same conclusion, identifying only minor changes in leadership patterns in sub-Saharan Africa during the 1990s (Bratton and Van de Walle, 1998). In this context of very little change, the question of a possible relationship between democracy and taxation has not yet been raised.

Finally, the most recent debate on the state and politics in Africa
at least indirectly dismisses the relevance of possible links between government, taxation, participation and service deliveries (Chabal and Daloz, 1999; Bayart et al., 1999: 1–31; Clapham, 1996: 249–256, 266; Reno, 1998). According to this debate, African politics is mainly about gaining access to economic resources. It is not about serving the ‘people’ in general but much about obtaining a formal position in the state apparatus that makes it possible to channel resources to family members, friends and other ‘clients’. This implies that ‘service deliveries’ tend to be restricted to the extended family and people to whom you owe favours are thus guided by a neopatrimonial logic that has remained fundamentally unchanged by the introduction of democratic elections (Chabal and Daloz, 1999: 110–119, 124ff). In this situation it is extremely difficult to establish an efficient tax administration. Should such an administration be established, it would probably end up being heavily influenced by the existing patron–client relationships, making the question of the possible relationship between democracy and increased taxation irrelevant.

In summary, although the two Washington institutions are concerned about the issue of taxation, for sub-Saharan Africa they dismiss the existence of a close relationship between taxation and representation similar to what is supposed to have existed in the developed world. The crucial issue for them is how to secure a reasonable level of public service delivery. Democracy is not seen as of much value in itself, whereas user fees can secure the provision of public services. It is worth noting that the general social science debate on the development of Africa has hardly focused on the issue of taxation, and therefore there are no explicit reflections on the potential link between taxation and democracy.

Nevertheless, it is a challenging idea that such a link exists in all societies and not just in developed ones. If it does, it could be argued that development aid in sub-Saharan Africa is undermining the potential relationship between those who govern and those who are governed. This would imply that the conditionality concerning promotion of democracy that was attached to aid during the 1990s was at best irrelevant, and at worst directly undermined the aim of promoting democracy: ‘un-earned income’ aid replaced the direct link between the ‘people’ and the state that could result in the former demanding ‘representation’ or democracy.

The counter-argument is that it is impossible to raise the level of taxation in African countries, because it is already comparatively high and because poverty is so widespread that it is impossible to
impose further taxes on the majority of the population. The widespread poverty in sub-Saharan Africa seems indeed to be a strong argument against using taxation as a means of promoting political responsiveness among ruling elites. Having said that, it should be realised that knowledge of the potential level of taxation in Africa is quite limited, and that the relationship between taxation and democracy in an African context is clearly underresearched.

Nevertheless, two dilemmas remain. The first is related to the question of whether user fees can secure a stable level of service provision, or whether public services must necessarily be financed by government. The second is whether there is a link between service deliveries, taxation and democracy. As to the first, it is safe to conclude that until today, the governments’ provision of basic public services has been far from satisfactory. Whether this is largely because of lack of transparency or because of inefficiency and corruption or because states lack the economic means to finance service deliveries is impossible to say conclusively on the basis of existing evidence.

The second question is even more difficult to answer. Due to the lack of basic research into the potential link between democracy and taxation we are left with on the one hand the claim of the two IFIs that there is no link, and on the other hand the abstract argument that there might be a relationship. As a starting-point, the views of Mick Moore and of Moore and Toy seem convincing. At least, they touch explicitly upon the crucial issue of how to promote government responsibility and the political will to carry out necessary reforms, and how to reduce corruption. There is no doubt that it is crucial to find ways to increase government responsibility. On the face of it, less dependence on ‘unearned income’, development aid, and more dependence on earned income, tax, seems to be the way forward.

5. Concluding Remarks
The article has focused on the current positions of the World Bank and the IMF in three selected policy fields. Due to the enormous influence of the two IFIs both on international aid policy and on policy advice to aid donors and governments in Africa, knowledge of these policy issues is considered to be important in itself. This particular knowledge is also considered to be of special importance to the research programme on ‘Taxation, aid and democracy in sub-Saharan Africa’ (Fjeldstad et al., 2000). In spite of the con-
spicuous influence of the two Washington institutions on the international discourse on development, there are different opinions on the three questions raised in this article. The opposing views and arguments have been presented here, mainly in order to underline the many-faceted debate on these issues.

The general argument of the two IFIs is that falling aid flows to Africa do not constitute a severe problem. On the contrary, shrinking foreign aid can and ought to be an incentive to start implementing reforms not only of the aid system itself, but in particular of taxation systems in Africa. The counter-argument is that aid is necessary because it may contribute to finance some of the necessary reforms. There is also quite a heated international debate on the efficiency of aid, questioning the effects of development aid on economic growth. It is possible to identify two opposite positions in this debate. The pessimistic one argues that the effects of aid are insignificant, whereas the more optimistic strand stresses that aid has a positive effect on growth.

The conclusion in this article is that external technical, moral and economic support is needed if reforms are to be successfully implemented. At least it seems highly questionable that budget pressure will automatically lead to reforms, as argued by the two Washington institutions. Rather it seems probable that budget cuts will hit the poor segments of the population very hard instead of promoting the necessary reforms. On the basis of the crude figures on Africa’s economic and social development, however, one has to be extremely careful not to overestimate the positive effects of development aid. This article implies a scepticism about the econometric arguments that development aid has improved economic performance in sub-Saharan Africa. This does not mean that aid has not had positive effects on investments and economic growth in other parts of the world.

Second, the generally optimistic position of the two Washington institutions on the ongoing economic globalisation is challenged by counter-arguments pointing to the exceptional weakness of most African economies, which means that they will not be in a position to reap the benefits of this trend. However, the IFIs do recognise that economic liberalisation may have negative consequences for domestic tax revenues. Both therefore stress the need for thorough reforms of domestic tax policy and tax administration. The opposing view stresses that development aid may play a role supporting the reform processes, and also that aid can compensate for some of the negative consequences of increasing international competition.
The conclusion of this article is that sub-Saharan Africa’s experience must be considered an exception to the general rule that trade liberalisation creates economic growth. Instead, it might be reasonable to consider introducing temporary trade protection of small and extremely weak African economies, not as an argument against necessary reforms of the tax and customs administration, rather on the contrary. But such reforms might very well require economic and technical support from aid donors.

The third issue that the article looked into was whether there is a link between the level of taxation and the growing popular demands in Africa for more participation, democracy or representation. According to the two Washington institutions, it is not possible to find an equivalent link to the one that existed in the developed countries between taxation and representation. In present-day Africa, other issues are far more important. First of all, the crucial question is about how to promote efficient service deliveries. Debates on the African state, civil society in Africa, or African politics in general, have not contributed much to the discussion on taxation and its relationship to the possible demands for popular participation. Also, there is a general lack of reflection on the relationship between democracy and service deliveries.

Thus, we have to realise that our knowledge of what might potentially be a useful level of taxation as well as the potential relationship between taxation and democracy/representation is limited. Nevertheless, the article concludes that it is important to find ways to increase government responsibility in sub-Saharan Africa in order to improve the general economic and social situation for the majority of the population. At least it seems challenging to give some consideration to the question of whether ‘unearned income’ in the form of development aid has had some unfavourable consequences not only for government responsiveness, but also for the level of corruption and the will to implement political and economic reforms. Finally, in relation to the research programme on ‘taxation, aid and democracy’, the most urgent need for future research seems to be in relation to the third issue discussed here, namely the question of the possible relationship between taxation and democratisation and also of the potentially unfavourable consequences of aid as unearned income.
References


