The essays in this collection in honour of Ole Therkildsen analyse attempts to create development in Africa over the last half century. They have been written by specialists in development and African politics who have all interacted with Ole Therkildsen as researchers or development practitioners. The essays cover issues related to foreign aid, local government, public administration, taxation, agriculture and political systems, these being the central sites where development efforts are ordinarily undertaken.
The thread running through the essays is a common concern with politics, how it should be understood and how it shapes development. In Africa, as elsewhere in the world, politics is decisive for change, but poorly understood, sometimes neglected, and often depicted using rigid models. The book seeks to dig below the surface and do justice to the complexity of the politics of production and public administration in Africa.

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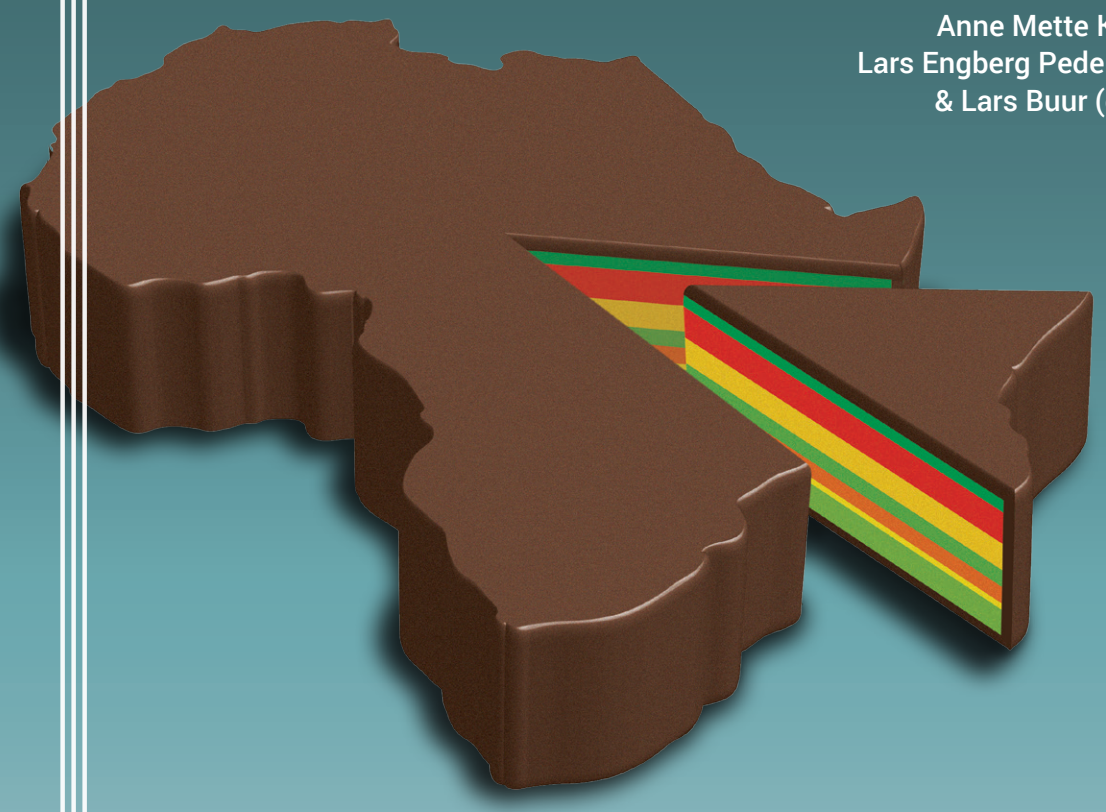
PERSPECTIVES ON POLITICS, PRODUCTION AND PUBLIC ADMINISTRATION IN AFRICA

ESSAYS IN HONOUR OF OLE THERKILDSEN

Anne Mette Kjær,
Lars Engberg Pedersen
& Lars Buur (eds)



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PREFACE

Any fool can know. The point is to understand.
(Albert Einstein)

When Watering White Elephants was published in 1988 it's rather candid criticism of traditional control-oriented donor support to rural water supply created quite some excitement. The paper argued that development projects and programs should be regarded as policy experiments and that instead of detailed medium- and long-term plans donors and recipient governments should emphasize long-term strategies to guide short-term planning and implementation. However the strategies are temporary and change with experience and power constellations among participating agencies and beneficiaries. The paper identifies a dilemma between the donors need for results and on the other hand sustainability of projects which did not follow a more adaptive process where resources, conflicts of interests and beneficiaries were dealt with.

In the paper Therkildsen identified the readers as planners, policy makers, administrators and researchers dealing with donor involvement in rural development and it is fair to say that this audience has been a constant feature in OTs work. This was obviously the case in the period when he focused and aid and knowledge which Watering White Elephants belong to, and it remained central in the period of research in local government and public administration. I still remember the day in my office in the Danish Ministry for Foreign Affairs Ole Therkildsen and Odd-Helge elaborated on the outcome of their field research on taxation in Uganda and Tanzania and the intricate web of relations between the state and its citizens through different taxation mechanism. As I remember they managed to capture our attention, because the long-term vision was one of understanding how countries can generate own resources in an equitable and fair way and maybe over a longer period of time with economic growth reduce their dependency on aid. Perhaps the two researchers sitting in my office in the 90'ies were a bit ahead of their time and none of us administrators grasped the importance of the issue or perhaps more rightly knew what to do about it. However, today taxation is back on the agenda both with regards to illicit illegal financial flows and to proper taxation with regards to natural resource exploitation.

The economic rise of several countries in South East Asia and in China drew OTs attention more specifically to the conditions for economic growth in Africa and a wish to understand what the constraints were for repeating the Asian growth patterns in an African context. In many Asian countries the state played an important role in promoting structural change in the economy and by assisting private companies. Increased agricultural productivity and job creation in the processing industries laid the foundations for economic growth and poverty reduction. Targeted interventions from the political elites, the civil service and private entrepreneurs were central in the transformation. The research program on Elites, Poverty and production through its field based comparative research tried to understand what hinders or enables different economic sectors from developing. Industrial policy is identified as necessary to increase productivity and structural change in the least developed countries. However, industrial policy is only successfully implemented under specific political economic circumstances of mutual interests between national productive entrepreneurs and the rulingelites.

The fact that all the contributors to the present volume did not hesitate in responding positively when invited to write a chapter speaks for itself: Ole is a highly esteemed researcher among his peers. Trying to capture what has been the driving engine behind these many years of research I shall point at some more personal features. Ole has this wonderful non-dogmatic approach to Africa. No one will doubt his keen interest and personal engagement in East Africa particularly Tanzania and Uganda, but his analysis is without prejudice and he does apply the same methods and approaches on Africa as well as the rest of the world. His blogs in Ulandsnyt in which he compares aspects of politics and administration in African countries and Denmark are not only entertaining and fun, but also points at the need for same standards for all be it with regards to one-party rule in Tanzania and in the municipalities of Frederiksberg and København, or to tax evasion and taxation of multinationals.

The advantage of having an open and non-prejudicial mind that takes on new and non-conventional approaches has been characteristic for Ole's work and engagement. Ole's modesty will make him feel embarrassed for these words, but for those of us having the privilege of being his colleague it is striking how enthusiastic and deeply committed he is to his work. When you leave after a discussion or meeting with Ole the words of Einstein that I started with comes to mind: he is not a fool, for he always tries to understand.

May 2015,
Nanna Hvidt
Director, Danish Institute for International Studies

AID AND KNOWLEDGE

STILL WATERING WHITE ELEPHANTS? THE BLUEPRINT VERSUS PROCESS DEBATE THIRTY YEARS ON

DAVID BOOTH[1]

Twenty-seven years ago, Ole Therkildsen's study of water projects in Tanzania (Therkildsen 1988) contributed to a compelling argument about the importance of uncertainty in development interventions. Based on a close examination of the experience of five donors between the mid-1970s and mid-1980s, the book provided one of the best documented examples of the waste and disappointing development results produced by control-oriented project-planning approaches. It provided a particularly clear explanation of the unrealistic assumptions underlying the blueprint planning approach of the donors, as well as a characteristically shrewd appreciation of the political barriers standing in the way of the recommended alternative: an adaptive-planning or learning-process approach.

By the end of the 1980s, the intellectual debate about blueprint versus adaptive planning had been decisively won by advocates of the latter. Therkildsen's book built on foundations laid by Korten (1980) and Rondinelli (1983) among others. It was followed up in another outstanding case study in control-oriented development failure, this time about a resettlement scheme in Kenya (Porter et al. 1991). Eventually, some donors began to fund 'process projects', prompting in due course some serious reflection on the particular challenges they pose (Mosse et al. 1998). However, much of this learning was swept aside as new concerns came to the fore.

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By the time Therkildsen's book appeared, donor priorities in Africa were already shifting from poverty-focused projects to promoting policy change. The perception was that projects were failing largely because of unfavourable conditions in the macro-economy, which was true (see, among others Kleemeier 1983). However, one effect of the new emphasis on improving policy was to side-line discussion of other reasons for weak project performance. In turn, as policy frameworks began to improve, attention shifted to flexible funding, sector-wide approaches and budget support, with the emphasis moving towards social-sector provision and away from infrastructure and livelihoods. While much of this aid continued to be projectised, little of the previous experience in project design was transferred across to the new modalities. Some very significant learning was effectively forgotten.

Today we have come full circle. Improving policies beyond the basics has proved extremely hard using conventional aid modalities. Bio-medical innovations have been translated into major breakthroughs in some important areas of human development. On the other hand, funding the expansion of public services has proven to be no guarantee of reasonable quality or improved outcomes. Disillusionment with budget support is widespread. New species of white elephant are being fed and watered by donors. And, as in the 1980s, numerous voices are pointing to unresolved problems and suggesting alternative ways of doing things.

There are two linked strands in the current disaffection with aid practice. One is the irrefutable importance of acquiring a deeper understanding of the country contexts in which external development assistance is expected to work. The other is about the gains to be made, in almost all contexts, from recognising complexity, abandoning a blueprint-planning approach and beginning to act in a learning-process way.

This chapter provides some reflections on the implications of this history for the future of development assistance. It begins by recognising some significant differences between the 1980s debate and the discussions now under way. It then points to substantial continuities, which raises the question of whether the prospects are better now than they were then for widespread adoption of the recommended adaptive approach to programming. The answer offered is that they are significantly better. This is both because in several respects the intellectual context is more favourable and because a body of evidence is building up on the achievements that are possible when aid-funded interventions become both context-sensitive and adaptive.

A significantly changed context?

In one important respect, the context of the debate is now different because one of the strands in the argument that Therkildsen and others were making *did* come to be influential and was adopted into mainstream donor thinking. This is the strand referring to the donor practice of by-passing official country systems and organisations.

Therkildsen's overall thesis was about the counter-productive effects of the desire of water-sector donors to maximise control over project activities and the illusion that a high level of managerial control is the best way of ensuring the delivery of project outputs and outcomes. One of the effects of this control-orientation was a marked tendency to avoid contact with Tanzanian government systems and local organisations:

> [B]ypassing of local institutions is based on the assumption that the lack of recipient capacity to plan and implement can be efficiently substituted by technical assistance staff in the short run without serious long-term consequences. (Therkildsen 1988: 17)

The approach was deliberately technocratic. It rested on the assumption that predictability of results would be best achieved by ignoring the political economy of the country at the planning stage and leaving relations with project beneficiaries to be handled by implementation teams. User participation in shaping the schemes played a minor role,

> partly because user participation may conflict with the desire by donors and the recipient [i.e., the Government of Tanzania] to control activities from above; and partly because it is assumed that planned activities will fit beneficiary needs, and that user acceptance, resource commitments and knowledge can be mobilized at will if and when needed'. (ibid.)

Not surprisingly, this approach generated a great many unpredicted events which interfered substantially with the roll-out of the technical programme. In due course, the lack of proper engagement with the beneficiary communities led to the multiplication of broken-down, non-functional water sources. Project outcomes were compromised because, rather than reducing uncertainty, by-passing country institutions increased the risks of serious project failure.

About this particular issue, the international community has certainly learned a few lessons. The risks arising from bypassing country systems and the gains from taking beneficiary participation seriously did pass into the conventional wisdom of the development business. Participatory appraisal and evaluation, stakeholder analysis and related techniques were increasingly adopted in social-infrastructure and natural-resource interventions, including the next generation of local projects in Tanzania. Then other parts of Therkildsen's argument reappeared in new contexts as preferred aid modalities shifted in the 1990s. Together with another theme of the 1980s project literature – that the proliferation of donor projects which bypass local systems and organisations can actually do harm to the institutional fabric of a country (Morss 1984; Gow and Morss 1988) – it created the basis for a new consensus among donors on the importance of country 'ownership' of development interventions. The 'ownership' concept, first articulated by Johnson and Wasty (1993) in connection with World Bank adjustment lending, became an article of donor faith by the 2000s, and it is still widely adhered to.

This needs some qualification, however. The 1980s critics, Therkildsen among them, linked their appeals for serious, early engagement with local institutions to advocacy of an adaptive approach to aid interventions. In a genuinely adaptive approach, there is the room to find ways of working with or around the interest conflicts and other unpredictable eventualities that such engagement typically throws up. When working with country systems and supporting country ownership became the order of the day, from 1999 with poverty-reduction strategies and from 2005 with the Paris Declaration on Aid Effectiveness, it no longer contained this element. Donor thinking these days is certainly less technocratic and more aware of institutional issues. However, the way donors 'support country ownership' typically involves the formal negotiation of some blueprint or other with government counterparts. In this context, donor illusions about the advantages of having a good plan are alive and well.

In sum, the move away from projects and the adoption of 'country ownership' does provide a different setting for debates about aid approaches. But this makes advocacy of context sensitivity and adaptive planning *more* pertinent and important, not less. The basic arguments and core issues remain the same.

Enduring issues

Faith in the formal type of support to 'country-owned development' persists in spite of both a growing awareness among donor agencies of the importance of basing programming on a good understanding of the country context (especially its political dimensions) and an accumulation of evidence on the superiority of process designs. The story of the 'almost revolution' of development aid's efforts to come to terms with politics in recipient countries has been expertly told by Carothers and de Gramont (2013) and does not need to be repeated here. As discussed further on, the steadily growing awareness in the aid business of concepts for understanding and responding to differences in country context helps to create favourable conditions for the uptake of ideas about adaptive planning. But the one does not necessarily imply the other. A key recent development is the willingness in some international quarters to move on, as Rocha Menocal (2014) puts it, from 'thinking politically' to 'working differently'. The meaning being given here to 'working differently' recaptures much of Therkildsen's 1988 alternative to control-oriented planning.

The evidence base for the new thinking is diverse, and some of it is quite recent. Over a relatively extended period, experience in parts of Latin America and Asia has illustrated the power of agile, politically smart and adaptive approaches to developmental reform. When well-placed actors, with or without discreet support from funding agencies, facilitate processes of change without the hindrance of a pre-established campaign plan, they can achieve remarkable results (Grindle 2002; Asia Foundation 2011). Surveys of other documented experience have led different communities of practice to advocate what they have called 'problem-driven iterative adaptation' (PDIA) (Andrews 2013, Andrews et al. 2013), 'politically smart, locally led' development (PSLL) (Booth and Chambers 2014; Booth and Unsworth 2014), or 'development entrepreneurship' (Faustino 2012; Faustino and Booth 2015). Although the labels are different – partly because the experiences surveyed operate in different sectors and on different scales, and address a variety of development challenges – these summaries are fundamentally consistent both with each other and with Therkildsen's 1980s thinking about projects.

A good way to illustrate the basic philosophical convergence among these proposals is to consider how they respond to the typical objection raised inside large bureaucratic organisations. To the development bureaucrat, the adaptive approach can seem less reliable, or more uncertain, and therefore harder to defend, than the conventional approach to planning and implementation. So a common view is that adaptive methods may have some advantages but are never going to be adopted into the mainstream of agency practice or endorsed by senior managers or ministers.

The appropriate response, in the 1980s and still today, is that uncertainty is a feature of the operating environment, not the result of the method. The method is precisely a way of contending with the prevailing uncertainty, so that the risks are reduced and results are able to be achieved despite them. Here is how Therkildsen responded to objections of this type in 1988:

> In contrast to the control-oriented approach, the adaptive one appears to be an argument for murky generalities. This is a misconception. Compared to the control-oriented approach, the adaptive approach emphasizes:
>
> - the formulation of long-term policies and strategies rather than long-term targets;
> - continuous planning linked to implementation, rather than extensive and detailed pre-implementation planning followed by implementations with limited monitoring;
> - the regular monitoring and formative evaluation to detect and learn from errors on a continuous basis, rather than periodic external evaluations;
> - continuous dialogue with intended beneficiaries to adjust activities to their needs, knowledge and resource commitments, rather than provision of services. (Therkildsen 1988: 208)

Now consider the recently influential formulation by Andrews and colleagues:

> The four elements [of Problem-Driven Iterative Adaptation, PDIA] are that activities should
>
> - aim to solve particular problems in particular local contexts, as nominated and prioritized by local actors, via
> - the creation of an 'authorizing environment' for decision-making that encourages experimentation and 'positive deviance,' which gives rise to
> - active, ongoing and experiential (and experimental) learning and the iterative feedback of lessons into new solutions, doing so by
> - engaging broad sets of agents to ensure that reforms are viable, legitimate, and relevant – that is, are politically supportable and practically implementable. (Andrews et al. 2013: 237)

Finally, the idea of development entrepreneurship takes inspiration from the way risk is handled in the field of business start-ups. Summarising Sims (2011), Faustino and Booth (2015) argue that successful innovation comes from making a series of little bets about what might be a good direction, learning from the failures of the experiments and from small but highly significant wins. The method can be summarised as:

1. Experiment: learn by doing, with small prototypes.
2. Play: Stimulate creativity through play and humour.
3. Immerse: Get insights and ideas from the ground up.
4. Define: Use insights from experimentation to define new problems.
5. Reorient: Be flexible and pivot when necessary.
6. Iterate: Repeat, refine and test assumptions. (ibid.: 13)

The central idea that is common to these otherwise diverse formulations is that by far the safest and least risky way of dealing with the uncertainties that characterise complex fields of activity is to adopt a flexible, iterative and adaptive way of working. Counter-intuitively, blueprint planning is more risky because it makes large bets and leaves little or no room for salvaging resources when things start to go wrong.

Improved prospects?

If, as this suggests, the flood of recent writing advocating adaptive or entrepreneurial approaches to development work is drawing attention to some longstanding findings that have been 'forgotten' by the development establishment, this begs a question: are the prospects of these insights becoming adopted into the mainstream of thinking and practice any better this time around?

In two major respects, I would argue, they *are* better. First, the intellectual climate is more supportive. To begin with, the place of uncertainty in human affairs generally is much more widely and explicitly recognised than in the 1980s. The literature on 'complexity' and the corresponding need for learning by doing is huge. Development is actually one of the few fields in which this thinking has had only limited influence, as argued in a string of recent publications (Harford 2011; Hummelbrunner and Jones 2013; Ramalingam 2013; Root 2013). These days, those larger development agencies that have some claim to be considered learning organisations tend to respond defensively when the need for 'smarter' planning methods is raised as an issue. They know they are in a minority.

Another relevant feature of the intellectual environment is the steady growth of comparative studies and conceptual tools for making sense of the country contexts in which donors work. During the first wave of donor interest in better understandings of country political contexts, the emphasis in most commissioned political economy studies, as well as in mainstream academic research, was on the common features of clientelist or neopatrimonial systems. The key thing at that stage was to appreciate that the politics and economics of the typical aid-receiving country could not be understood as just immature versions of the politics and economics of Sweden or the USA. The formal façade of constitutional rules, laws and regulations might lend itself to that interpretation, but the façade was not the reality. This was, and is, important to say, but by the second decade of the 21st century, several comparative research programmes were generating useful typologies of neopatrimonial political regimes (Kelsall 2013), political-economic trajectories (Levy 2014) or 'political settlements' (Khan 2010, Whitfield and Therkildsen 2011, Whitfield et al. 2015), together providing the basis for finer grained appreciations of country context.

Although this typological effort remains very much work in progress, it already marks an important step forward. It goes some way to meeting Grindle's (2011) complaint that governance researchers expect development practitioners to approach every country context afresh without the benefit of mid-range theoretical guidance. It also means that those arguing for adaptive approaches on the basis of complexity and uncertainty are able to add the rider that the form this should take will vary systematically with context. One of the reasons why interventions will work better if they are politically smart, not formulaic, and locally led is that ways of working need to be adjusted to the prevailing political economy, and in ways that outsiders may not easily grasp.

In these several respects, I suggest, the intellectual case for adaptive working is better supported. A second favourable factor this time around is that we understand more about how to give the approach a feasible operational form.

None of this is easy, of course. In his 1988 book, Therkildsen concluded with the observation that, notwithstanding their inability to generate sustainable benefits on the ground, control-oriented projects might result in faster disbursements of aid to Tanzania and would be attractive to the authorities on those grounds alone. 'The challenge for Tanzania', he wrote, 'is to find the trade-off between buckets full of aid money and buckets full of water!' (Therkildsen 1988: 209). In 2013, Andrews et al. presented PDIA as the alternative to reform dynamics characterised by 'isomorphic mimicry' – 'the tendency to introduce reforms that enhance an entity's external legitimacy and support, even when they do not demonstrably improve performance' (2013: 234-235). In other words, the aid relationship – especially when donors are under pressure to disburse and the rulers of countries are more interested in aid flows than in their results – continues today, as in the 1980s, to work strongly against recognising the evidence regarding what works.

At the same time, we have become better at finding ways around or ways of limiting this constraint. For sure, the evidence is mixed. Of the seven experiences of 'politically smart, locally led' (PSLL) development analysed by Booth and Unsworth (2014), four were directly funded DFID programmes. Those were able to take a PSLL approach, including a strong element of adaptive iteration, for various particular reasons of location and timing. The authors admit that it is doubtful whether these features that set these programmes apart would have been so easily approved for funding under DFID's current rules. Some analogous reservations have been noted in connection with the successes of SAVI, a state-level governance initiative in Nigeria (2008-2016). This programme has been able to break with convention and pioneer a PSLL approach inspired in earlier experience with natural resource management projects (Derbyshire and Mwamba 2013, Derbyshire et al. 2014). However, the processes in DFID that allowed this to happen were unusual (Booth and Chambers 2014). It may be that exceptional circumstances, and/or an exceptional contribution from individual 'intrapreneurs' within funding agencies, are the *sine qua non* of PDIA under direct donor funding.

On the other hand, successful cases of *indirect* funding are beginning to be documented. These are potentially a means of spreading the PDIA or development entrepreneurship model without the need for any special circumstances other than the availability of intermediary organisations of sufficient quality. In the PSLL set, three of the success stories were cases where donors allowed PDIA to happen by providing grants to intermediary organisations which in turn identified and supported front-line organisations with their own ideas about facilitating change and their own motivations for doing so. In these experiences, one in the Democratic Republic of Congo and two in the Philippines, the burden of reporting to the donor and complying with the donor's current accountability requirements was entirely assumed by the intermediary organisation, while the intermediary's contributions to the front line included small amounts of funding and large amounts of mentoring, steering and encouragement carried out in a PDIA spirit. These are documented working models, not hypothetical conjectures. They suggest we know not only what to do but also how to do it.

What to do and how to do it: experience from the Philippines

As illustrated by some of the spectacularly successful examples of reform in the Philippines (Asia Foundation 2011; Booth 2014; Sidel 2014), the development entrepreneurship approach sponsored by the Asia Foundation does not revert to by-passing government. The reform alliances and ginger groups that do the work generally include government officials, as well as former officials and independent actors with non-profit or private-sector backgrounds. However, what they do avoid is the type of formally negotiated agreement with a government department that elicits 'signalling' behaviour and isomorphic mimicry from government and implementing contractors, and that binds all parties into an inflexible implementation schedule with limited scope for learning by doing. In at least one of these case studies, the results of the two approaches can be compared side by side, providing a useful counterfactual.

The experience in question was the successful reform of the law on residential property rights in the Philippines. By replacing a slow and expensive legal process for issuing land titles with a fast and cheap administrative procedure, the Residential Free Patent law of 2010 enabled a 1,400% increase in urban land titling rates without any increase in the staffing of the government agency responsible. The resulting cumulative improvements in security of tenure are expected to have economic, social and political benefits, including increased investment in property improvements, fewer family conflicts and reduced dependence of poor families on unscrupulous political bosses. The legal change was the result of patient work by a multi-skilled reform team with good networks inside and outside the executive and legislative branches of government and various business associations. Over a five-year period, this team and its principal enabler, Jaime Faustino of the Asia Foundation, defined and refined the reform objective – looking for an approach that would be both technically sound and politically feasible – and then set about discovering a way of getting it adopted.

This meant searching out potential supporters among the political elite, dealing with their objections and convincing them to spend scarce political capital on getting the measure through the various stages of the congressional approval process. The searching process was informed, naturally, by a good understanding of the way politics works in the Philippines, including an appreciation of the particular strengths and weaknesses of its competitive and 'oligarchic' clientelism.

The reform team was supported with modest and discontinuous funding from USAID and Australian aid sources. It was largely self-motivated and self-disciplined. It achieved a much more substantial result than an expensive, nine-year programme funded by the World Bank and the Australians called the Land Administration and Management Project (LAMP). LAMP, which ran in parallel with the successful reform initiative, took the classic form of a donor-funded public-sector reform programme. It was comprehensive, aimed to establish 'best practice' procedures and was based on a formal agreement between the funders and counterpart agencies in the Government of the Philippines. It had plenty of formal government ownership but was informally resisted by some key counterparts, resulting in dead-slow implementation and few of the intended results. It was closed prematurely.

This experience is particularly telling because it leaves no doubt that the results achieved were the product of the innovative way of working and of using aid that was adopted. It is, however, not the only example confirming that we know how to institutionalise PDIA in countries with challenging political economies. The Residential Free Patent experience is one of half-a-dozen reform experiences that the Asia Foundation has supported in the Philippines using essentially the same method (Asia Foundation 2011).

Of these other initiatives, the 2012 'sin tax law' is particularly striking. The reform issue was the low and declining real value of excise taxes from tobacco and alcohol sales, combined with the need for more public subsidies to the Aquino administration's health insurance scheme. According to the same formula, donor funds from USAID and Australia were deployed, through the Asia Foundation, to identify and support a multi-skilled team of national reformers. The reform team provided bridges among several pro-reform constituencies, including the government's Departments of Finance and Health, individual cabinet members and legislators, anti-smoking advocates, medical pressure groups and business associations both in the Philippines and internationally. Providing a kind of secretariat to this informal coalition, it shaped the reform in ways that divided an initially overwhelming opposition to higher taxes, led by the Philip Morris Corporation. Working iteratively and changing course several times in the light of experience, the team tweaked the details of the law to buy off opponents, including the congressional representatives of tobacco-growing areas, working with the grain of the Philippines political system. The law was eventually passed against fierce resistance from the congressional representatives of the tobacco lobby and by a narrow margin. It led to the collection of an additional US$1.18 billion in revenue in 2013, the lion's share of which has been earmarked for the health insurance of poor families.

Importantly, these experiences in the Philippines not only confirm that adaptive ways of working can be operationalised effectively; they also show that the idea of big agencies supporting development in this innovative fashion is not as radical as might appear. American and Australian aid officials not only agreed to fund the initiatives; they actively created the spaces in which the approach was developed and rightly took some credit within their organisations when results were achieved. This is a model that could and should be emulated by others and tried out elsewhere.

Conclusion

There are those who disparage the current advocacy about PDIA and PSLL by saying that there is nothing new here – it has all been said before. This has not been my argument in this paper. It is one thing for something to have been said, and quite another for it to have been adopted in a way that has significant effects. It is nonetheless of interest to note that ideas have precursors and that the development business in particular has a severe tendency to forget things that it has learned, with key insights leaving and returning in cycles.

The need for development interventions to be treated as learning processes is a notable example of this chronic tendency. Ole Therkildsen is one of those who did say it all before, and he said it rather well. Among the things we have discovered since, I suggest, is how to operationalise this approach in an aid community that has learned something about country ownership, and a bit about politics, but has forgotten what it once knew about the perils of blueprint planning. We now have operational models for applying the basic idea of adaptive planning, with appropriate adjustments, to current development challenges in a range of country contexts, in Africa as well as Asia. Consequently, it is less easy to claim that it cannot be done. All this should give us new energy and hope.

Note

1 I am grateful for very helpful comments on a draft by Lars Buur, Jaime Faustino, Tim Kelsall and Anne Mette Kjaer, but I remain responsible for the final form and content of the paper.

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KNOWLEDGE FORMATION AND DEVELOPMENT: RETHINKING THEORY AND PRACTICE

GÖRAN HYDÉN

International development discourse has been a preoccupation for academics and policy practitioners for now close to six decades. Theories and practices have come and gone. This is especially evident for those of us who study African countries. Social and economic realities on the continent have kept defeating well-intended models aimed at making life better for its peoples. One of Ole Therkildsen's major publications on the subject, *Watering White Elephants* (Therkildsen 1988), was his own decisive dismissal of the blueprints that had determined ambitious policy designs in the 1960s and 1970s.

The readiness to question and to doubt theoretical blueprints or uniform solutions is a hallmark of Ole Therkildsen's scholarship and contribution to development discourse. His writing, whether it is about organizational management, neo-patrimonialism or other aspects of governance, emphasizes the importance of seeing and analysing the issues from the bottom up and in their wider context. Ole Therkildsen's work represents the kind of scholarship that unfortunately has become increasingly marginalized in the broader field of development research. His is an inspiration to examine more systematically where this type of research has been and why there is such a glaring need to ground development research in approaches that echo his spirit and conviction.

This chapter in his honour will *first* take stock of the shifts that have occurred in the intellectual environment responsible for shaping development research since the 1960s, *secondly* examine how knowledge about development has become increasingly standardized and simplified, and *thirdly* discuss how at this point knowledge formation can be enriched and more grounded in social and political realities.

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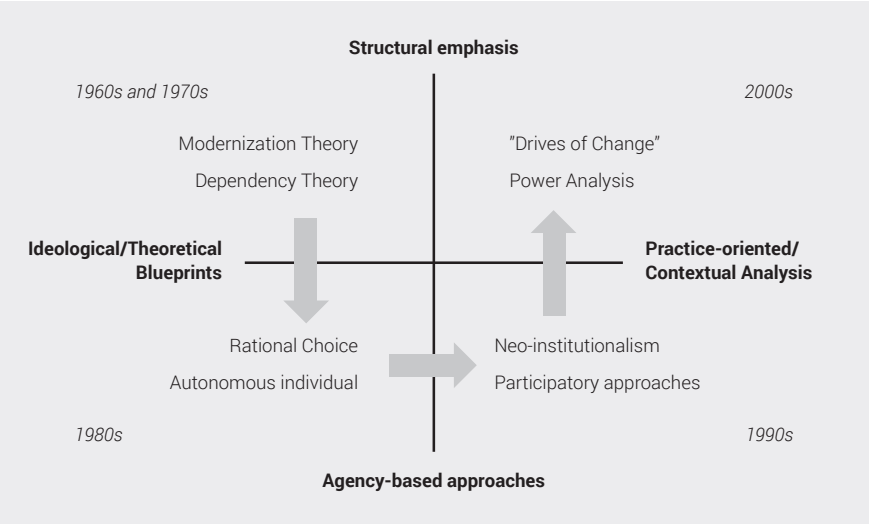
The Ever-Changing Nature of Development Research

Our theories are no better than what reality tells us; our methods no better than what they let reality show us. Because there is no magic bullet in the social sciences, theories come and go, and methods are on and off. Development becomes a moving target because political leaders raise popular expectations beyond what resources allow, policies fall short of intended goals, and analysts come in at the end of the process to put their stamp of failure on the efforts. For example, the move toward independence in Asia and Africa in the mid-twentieth century produced modernization theory; its insufficient delivery led to the theory of underdevelopment. So the saga has continued.

Development researchers have a say in this process, but as suggested above, they do not control it. Although their ability to put a stamp on the international development agenda occurred in the early days of development research, the trend has been toward making the field more anonymous. It has become more difficult to identify specific contributions that make the development agenda move forward to a single or even a few names. Finding the candidates for the equivalent of a Nobel Prize in development research today would be a tricky and contentious affair.

Development research differs from conventional academic research in its ambition to be policy-relevant. It is sandwiched between general theories on the hand and policy practice on the other. It takes inspiration from both sides, but, as Figure 1 suggests, the main sources of inspiration have changed over time.

Figure 1. How development research has changed over time.



The history of development research has been the subject of others, e.g. Leys (1996) and, within an especially ambitious format by the United Nations in its effort to trace how global ideas have contributed to and changed policy practice, (Jolly et al. 2005). My own effort to trace this evolution builds on these other contributions but reflects my own interpretation of this process. Thus, I suggest that development research may be traced along two axes. The *vertical* axis in this figure indicates that research has shifted between structural explanations and those rooted in the notion of the autonomy of human agency. The *horizontal* axis captures the movement between general theory and practice, the latter also recognizing the contextual nature of development.

The figure indicates first that any paradigm in development research rarely survives longer than a decade. It is driven in parallel with changes in policy orientation. Because development research is intertwined with practice, it is not neutral or autonomous but is a factor that takes its lead from development policy. The arrows indicate the principal movements that have occurred since the 1960s. There is always a significant collective feedback from development research into politics and policy through books as well reports.

The second observation is that the academic influences on development research were especially prominent in the 1960s and 1970s – the heyday of the Grand Theories. Leading academic researchers like Jan Tinbergen in the Netherlands, Just Faaland in Norway and Richard Jolly in the U.K. – to mention just a few – were architects of key approaches to development: Tinbergen shaped the emerging field of development economics, Faaland made a similar contribution in public administration, and Jolly was at the forefront of putting a human or social face on development. With the benefit of hindsight, one can now say that these were the Golden Years for academics in development research. Their influence continued into the 1980s with the rise of rational choice and public choice theories that originated in the academic works of scholars like Mancur Olson (1965), and James Buchanan and Gordon Tullock (1962). However, these approaches, with their emphasis on autonomous human choices, paved the way for a turn toward practice, as suggested on the right side of the figure.

The third factor is that, while human agency has featured prominently in development research since the 1980s, in the work of scholars like Elinor Ostrom (1990) and, with reference to Africa, Robert Bates (1981), it has gradually given way to a greater respect for context. The whole Structural Adjustment movement that culminated in the Washington Consensus was the most radical effort to prioritize human agency and the notion that policies apply regardless of context. However, the idea

that 'best practices' can be transferred from one development context to another as if they are culturally neutral has been gradually abandoned in the 2000s in favour of 'best fit' approaches that take into consideration contextual variables. The movement away from 'blueprints' has continued even further, with researchers like David Booth (2012) and Tim Kelsall (2008) arguing that development is most effectively pursued by 'going with the grain', that is, starting with what is on the ground rather than a preconceived theory or model.

The fourth comment is that for a long time development practitioners kept development and politics apart. The former, they argued, is about economics and relies on specific techniques and methodologies that are universally valid. In more recent years, however, there has been a gradual acceptance that development is political. For example, its outcomes have both winners and losers. Politicians steer policy outcomes in ways that are not neutral. Thus, there has been a growing interest in political economy studies, some focusing on the role of power (Hyden and Mmuya 2008), others on the factors that drive change (Centre for the Future State 2010). The research project on 'Elites, Politics and Production' (EPP) which Ole Therkildsen coordinated also makes the call for greater attention to be paid to the political economy of national development policies (Whitfield et al. 2015). In short, the shift has been from treating development as a state or condition to realizing that it has to be treated as a process.

The fifth remark is that dominant ideas about development today, fed as they have been by development researchers, acknowledge its structural or contextual dimensions. The predominant focus on institutions that came with the interest in democratization and governance has proved insufficient. We have learnt, for instance, that institutions, even if they are just, do not change human behaviour. The result has been the emergence of political systems that are formally democratic but in practice lack most of the cultural attributes associated with such systems (e.g. Zakaria 2007; Levitsky and Way 2010). Explanations, therefore, have to be found in underlying structural factors that it may be possible to change, but not necessarily in the short run. We are not quite back to square one where it all started in the 1960s, because the current use of structural explanations is not driven by optimism about social transformations but instead their opposite. Structural explanations today are brought in as a cautionary measure (Booth 2012).

The current dilemma for development researchers is that, while there is a growing consensus that progress is not made merely by identifying specific policies and institutions that may have worked in other social or historical settings, the international development community which funds much of this research says one thing but

does another. Recent political rhetoric building on the 2005 Paris Declaration (OECD 2005) and its principles about the national ownership of external resource flows, as well as the message contained in the 2013 United Nations High-Level Panel report on the post-2015 Development Agenda (United Nations 2013), call for greater understanding of the historical and cultural foundations on which a country's development rests. Yet, when it comes to finding out what works in development, funding goes to standardized evaluation exercises that produce a form of knowledge that has little if any bearing on how policies really get implemented. This 'thinning out' of development research in favour of models with simple and short causal chains is harmful not only to the scholarly community, but also to those who have a genuine belief in the importance of national or local ownership of the knowledge formation process.

The rise of King Practice

Development research is located in the wider field of development studies, and as such it is diverse and multi-faceted. It straddles the many social science disciplines and touches other fields such as the humanities, medicine and the environment. Much of it is by nature multi-disciplinary, some even inter-disciplinary. The natural predisposition of a development researcher is to accept the complex nature of the subject matter. The process of thinning out development research leaves it considerably diminished.

This process begins with the turn away from theory to practice as illustrated in Figure 1. Up until the 1980s, research was driven by structuralist theories that placed development in its wider historical context. Modernization and underdevelopment theories had their own biases, which were eventually rejected, but were based on the premise that policy actors were not free agents capable of transforming society on their own. Instead, these theories privileged societal forces as drivers of change. Modernization theory emphasized education, professionalization and entrepreneurship; underdevelopment theory a social and political vanguard. In hindsight, the conviction behind the two theories appears excessively optimistic, if not naïve, because they assumed that social transformations take place within short-term time horizons, although they were all dealing with slow-moving structural variables.

So while these theories now are part of a historical record rather than being directly policy-relevant, they do point in the direction of what has increasingly become marginalized in knowledge formation in and about Africa: the relevance of a historical and 'big-picture' analysis. Despite being lofty and being pursued with ideological conviction by their protagonists, these theories helped fuel the rise of development

research and thus provided an understanding of specific policy issues in their wider setting. Theory was the original king of development research, but as Figure 1 confirms it was eventually dethroned and replaced by Practice.

Most development research in recent years, as suggested above, has its empirical roots in the design of institutions such as electoral systems, public services and judicial systems, or the implementation of specific policy interventions. As policy has been increasingly driven by practice – and practical results – it has also become more specialized, with the result that crucial contextual variations have been ignored in favour of generalized policy prescriptions within these specialized spheres. The many grand reform programs in the civil service, judiciary or those aimed at decentralizing authority to local government authorities are cases in point. The international community that has sponsored these programs appears to have ended up with solutions looking for problems rather than the other way around.

Three factors explain the institutionalization of this ambiguous trend. The *first* is that development research is largely funded by donor agencies with an agenda of their own, as illustrated by the Millennium Development Goals and related poverty-reduction strategies. Through being the largest benefactors of the development research community, these agencies have played an important role in keeping it going. The road forward, however, has become increasingly narrow, responding more and more to their specific interests. To be sure, this reflects a broader concern in western countries that public expenditure be controlled, but there is little doubt that this has put development researchers up against the wall: take their money or leave it! The relative generosity and flexibility that prevailed into the early 2000s have disappeared, and with them have gone studies that can independently throw light on new issues and provide complementary perspectives. Such research these days is rare and is seldom picked up by those who consider and design policy.

The *second* factor is the associated trend towards a greater focus on results. Under the auspices of the OECD, there has not only been a move to turn bilateral donors into a cartel that sets the global development agenda on its own terms, but also an increasing emphasis on aid effectiveness. This has had the effect of reducing evaluation research to the status of a standardized exercise with the aim of meeting specified accountability measures, rather than knowledge that is relevant for national or local decision-makers in developing countries (OECD 1998). A lot of money and intellectual energy, therefore, goes into proving to donors that a particular intervention has had some impact. Knowing what happens with specific policies is important for accountability purposes, but it has clearly become too overwhelming a concern at the expense of understanding context, providing learning, and so on.

There are at least two especially problematic aspects of this trend. The first is that the focus on impact tends to generate overly positive and often poorly substantiated conclusions simply because funding may otherwise be terminated. The second is that development tends to be viewed above all as a form of service delivery that can be measured. However, counting how many water points have been built or how many pills have been sent to rural dispensaries is hardly sufficient evidence of development. Quantitative concerns are allowed to sideline the interest in quality, as shown, for example, in the effort to build more schools to meet the targets of universal primary education, while leaving out related issues such as providing enough qualified teachers, textbooks and other facilities associated with satisfactory educational standards.

The *third* factor is the growth in popularity of experimental or quasi-experimental methods in the donor community. These are based on a 'counter-factual' methodology in which the aim is to compare what has happened to what would have happened without the intervention. For many, this has become the 'gold standard' of evaluating development (Jones 2009). Again, this methodology may be justified when the goal is to measure the impact of providing vaccinations, school dinners, cash transfers or the like. It hardly tells us anything, however, about what these micro measures mean to the lives and welfare of the receiving beneficiaries. The final effect on their welfare can never be fully predicted, yet in the longer term this provides a bigger picture of what development is all about.

So, despite the calls for and interest in structurally grounded political economy research, development researchers tend to be stranded in the land of King Practice. Our intellectual horizon has been formed by what is possible to see from there. As suggested above, our view has confined development research to evaluative concerns and methods suiting the development principals. Development research has become increasingly commissioned, and as a result it has come to respond to calls for upwards accountability and policy legitimation. While some may argue that this orientation has made development research denser since it addresses a larger number of precise questions, it has above all become thinner in the sense of externalizing those factors that do not lend themselves to measurement within a short-term time horizon.

Fortunately, the land of King Practice is not only glum. Like other places it has its joy as well. There is no need to dream about a return to King Theory. The challenge instead is to discover Practiceland – to realize that it offers alternative views and approaches than those we have been influenced by in recent years.

Broadening the horizon

Development research has been dominated by two contrasting conceptions of knowledge. The first may be best described as *knowledge-for-practice*. It was the dominant mode in the first decades of development research. Knowledge of development was fostered largely in academic settings and then transmitted to practitioners. This had its parallel in development management, where planners operated in isolation from managers. In both cases, however, the reigning assumption was that theories and plans were superior. Practitioners and managers had to comply with what they demanded.

Much rested on a mechanical notion of how development works. It assumed functionality in closed systems that could be controlled and managed to reach the stated goals. None of it, however, could capture the complexity that reality poses. Eventually the link between research and policy broke down. Academics were accused of 'armchair' approaches; practitioners, in turn, were called 'tool peddlers' and the like.

The second conception goes under the label of *knowledge-in-practice*. This is the notion that there is a special 'craft' knowledge inherent in development policy management. This second notion has emerged since the 1980s to shape development research. Our knowledge of development, as suggested above, has increasingly been shaped by how it is designed, managed and assessed. Research has become a means to an end focused more on improving the process of managing development than on substantive issues stemming from underlying structural conditions. The best evidence for this is the enormous growth of the evaluation industry that nowadays serves as a major source of income for development researchers. This is what keeps King Practice in power. It is why we are stranded on his estate.

So, is there a third conception of knowledge that can lead us in a new direction? I believe there is, and I label it *knowledge-of-practice*. This is a process of systematic, critical and collaborative inquiry between researchers and practitioners aimed at generating knowledge on a participatory basis. It brings the best aspects of the other two conceptions together in a catalytic effort to learn about the practice rather than taking it for granted. The interesting thing here is that is exactly the collaborative context in which Ole Therkildsen's study of water development in Tanzania – the *White Elephants* publication – occurred. Labelled *fölgeforskning* in Danish, it aimed at demonstrating the value of examining development programs in their broader national context.

The call to problematize development practice in order to improve outcome, therefore, is not completely new. It led to calls for a 'learning approach' to development, for example, by prominent development researchers like David Korten (1980) and Robert Chambers (1983). It is significant that, despite their persuasive arguments, it was soon abandoned in favour of approaches that reduce practice to an end in itself. Methods and techniques have come under criticism again, which is why the knowledge-of-practice notion is once more applicable to development research.

Knowledge-of-practice does not reject existing practices altogether but aims at putting them in their proper perspective as tools that may but also may not work as intended. The hammer is not always the most useful tool; the knife requires regular maintenance; which screwdriver to use is a matter of choice, and so on. Practice requires its own analysis to ensure that it is suitable. There are at least three issues that development researchers in Practiceland need to question: (1) empiricism, (2) reductionism, and (3) mechanism.

Social science in its positivist form privileges knowledge in which the observer detaches himself from sense impressions and subjects them to systematic analysis before arriving at conclusions. It is based on the logic of the material as identified in the physical sciences – the notion that objects have their own solidity and distinctness. This assumption, however, is nowadays being questioned in the hard sciences. Quantum Theory holds that nothing is solid, separate or independent of its environment. Dense physical objects exist in constant relationships with things around them. Against this background, it is surprising that the positivist logic of the material still holds ground in the social sciences, especially since it faces non-material forms such as emotions and ideas. The empiricist basis of social science analysis becomes especially illusory in contexts such as policy designs or policy evaluations where frameworks like log-frame and specific methodologies are prescribed in advance rather than subjected to scrutiny and debate. For example, if log-frames become subject to participatory analysis they lose their precision as positivist evaluative tools, and in the minds of the principals, that is, those who call for their use, it is typically the exact numbers that matter most.

Reductionism is another product of the physical sciences which has also taken root in the social sciences. It presupposes that the whole is nothing more than the sum of its parts, that it can be fully understood based on the properties of its smallest parts, and that causality always goes from the part to the whole. This emphasis on the study of change at the micro-level has led to a gradual specialization of disciplines and fields similar to the division of labour in industry. It has produced its own undeniable progress in both the physical and social sciences, but it also has its

drawbacks, which are usually ignored. This reverse side is the drive to compartmentalize knowledge and narrow the range of questions asked, as well as place an emphasis on the disaggregation rather than aggregation of knowledge. Clamping everything into rigidly fixed forms and apparently unchanging external factors becomes especially questionable in policy contexts, yet it still flourishes there as much as it does in conventional academic research.

Mechanism here refers to the tendency to treat reality in mechanical terms – yet another loan from the physical and biological sciences. Mechanical necessity rather than purposeful choice determines progress. This view of reality has taken root in the social sciences largely thanks to the influence of economics – more specifically Adam Smith's 'invisible hand', which promises impartially to generate maximum benefits to people. This mechanistic view has reduced human behaviour to the task of seeking a stable equilibrium between supply and demand in the market place, identifying marginal utility, respecting the law of cost and following other 'natural laws' of economics. The idea that values are exogenous, that is, given in advance, as implied in the 'rational choice' theory underpinning this mechanistic notion has gained ground in other social science disciplines, and despite (or thanks to) its deceptive simplicity it flourishes in the policy world.

The solution in a knowledge-of-practice perspective is not to dispense with rationality but to widen it by challenging the dogmatic assertions associated with reigning conceptions and methods. The whole is greater than the sum of its parts; knowledge formation rests not only on specialization but also on integration and inclusion; not everything that counts can be counted, nor does everything that can be counted count, and so on.

I believe that these and related challenges to conventional wisdom are present in Ole Therkildsen's work. It highlights in its modest ways what is wrong with much of what goes on in development research, especially when pursued in Practiceland, but also what can and should be done to redress these shortcomings. The battle to find the relevant middle-ground between evidence and relevance in the publication emerging from the EPP project (Whitfield et al. 2015) is only the most recent example of Ole Therkildsen's efforts to move beyond knowledge-for-practice and knowledge-in-practice in order to broaden our understanding of the complexity that determines development policy outcomes.

Conclusions

Ole Therkildsen is not alone in trying to transform Practiceland from being an estate dominated by short-term horizons and disaggregated knowledge that privileges donor interests in accountability into using holistic knowledge to foster understanding of broader social and political processes of change. Apart from his EPP colleagues, other projects such as the African Power and Politics Program (APPP) and the Tracking Development project at Leiden University, to mention just a few, have emerged in a similar reaction to the narrow scope of conventional donor concerns.

As long as development research is primarily funded by donor agencies, there may be a limit to how far researchers can change the policy world in the direction of greater openness to ideas other than those already in use. The reason for making the case right now for broadening the perspectives on how policies are designed and implemented, however, comes from the donor community itself. With the political declarations issued in the name of the United Nations (the post-2015 Agenda process) and the OECD (most recently the 2011 Busan Statement), the political compass points in the right direction: greater diversity in approaches, more respect for contextual variation, better learning, more sharing of approaches, and so on. Nobody is better placed than the development research community to take the lead in this brokerage role. Knowledge formation is not just a matter of practitioners being informed by academics, nor of ruminating about specialized craft knowledge. At this point, it is above all a matter of generating knowledge that integrates the two into a critical and collaborative inquiry.

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CAN 'REAL AID' BE MEASURED?

OLE WINCKLER ANDERSEN[1] **& HENRIK HANSEN**[1]

When Ole Therkildsen left Denmark in 1970 to work as a volunteer for Danish Volunteer Services in Tanzania, he started on a long journey which led to many subsequent visits to the country, as well as to a strong professional and continued interest in recipients' perspectives on development assistance. This interest is proved especially by the numerous analyses Ole Therkildsen has published on public-sector reforms and public-sector revenues in developing countries.

The focus of this chapter is on how to measure the magnitude of donor funds actually received by developing countries, using Tanzania as an illustrative example. Without solid information on the inflows of donor funds, recipient countries will have difficulties in managing developing processes. The chapter therefore deals with an issue which is closely related to Ole Therkildsen's main areas of interest.

The present notion of official development assistance (ODA) was introduced in 1972.[2] Today most people are familiar with the 0.7 percent ODA/GNI target, which was adopted in 1970 based on the work of the Pearson Commission (Pearson 1969: 148; ECDPM 2012: 10; Roodman 2014: 1). The target reflected the assumed need for external development finance at that time, and the understanding was that ODA constituted, if not the sole source of development finance, then the primary source (ECDPM 2012: 10; Schirl and Sieler 2012).

In addition to discussions spurred by aid budgets increasingly coming under pressure, the traditional ODA concept has recently been challenged from at least two perspectives, which has led to discussions of the need to 'modernize' the concept and for the establishment of additional broader measures of development finance, as well as measures of recipient receipts, sometimes described as 'real aid'.

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First, the development agenda has become more complex, with new goals (e.g. various global public goods, democracy, peace and security), new actors (a number of new public and private donors have entered the scene) and new instruments (traditional ODA has been supplemented with various innovative and philanthropic forms of development financing) (Severino and Ray 2009; Shafik 2011). As a consequence of these developments, the relative size of ODA compared to other types of development finance has decreased significantly in a number of developing countries.[3]

These developments are reflected in current discussions on the financing of the post-2015 goals, it being recognized that the post-2015 agenda will have to be financed from several sources in addition to traditional ODA (Greenhill et al. 2013; Greenhill and Ali 2013), including strengthened domestic resource mobilization and private flows (United Nations 2013; World Bank Group 2013: 3-4). The composition of these different sources of financing will obviously differ from country to country, but the traditional ODA measure will not capture the relevant flows, and it is generally agreed that the ODA concept must be complemented with other measures.

Secondly, it is increasingly being recognized that the ODA concept reflects a donor perspective on development assistance, and that a recipient perspective is also needed. This latter perspective could be seen as directly related to the emphasis in recent decades on recipient country ownership as expressed in, for example, the Paris Declaration of 2005 and subsequent commitments in Busan (2012) and Mexico (2014), but also in the fact that it is far from the case that all ODA results in actual resource flows to the recipient countries (Petras 2009). This second perspective has been inspired by discussions on 'phantom aid' and 'real aid' (Action Aid 2005, 2006, 2011). Thus, the ODA overstates the volume of development assistance transferred to recipient countries and does not provide the relevant information for planning and budgeting purposes in these countries. Consequently, most recipient countries have developed their own reporting systems on inflows of external development finance. Based on case studies, it seems that country systems may contain more up-to-date information than the reporting on development assistance carried out by the donors to OECD-DAC (Petras 2009). This second perspective therefore also reflects a need for additional information to ODA on development funds flowing into recipient countries.

In the following, the focus will be on this second perspective and on the potential for establishing a relevant measure for recipients' receipts. The rest of the chapter is organized into four sections. First, a brief introduction will be made to current discussions of the ODA concept. This will be followed by a presentation of different potential measures of recipients' receipts, and a discussion of the potential for using balance of payments statistics when measuring aid inflows. The differences in recorded flows are illustrated using data from Tanzania. In the final section some conclusions and perspectives for further analyses are provided.

Recent discussions of the ODA concept[4]

Discussions of the ODA concept are not new. In fact, the definition of ODA has been debated since its introduction in 1972.[5] The discussions have mostly taken place in donor forums without much involvement by the recipients (EDCPM 2012: 2). As definitions of aid measures will impact on the levels of aid that donors can report, the discussions have not only been technical in character – they have to a large degree also reflected the donors' different compositions of aid and their related interest in influencing the definitions of applied aid measures.

The existing ODA definition has four explicit requirements:[6]

1. The flows must be 'to countries and territories on the DAC List of ODA Recipients and to multilateral institutions';
2. the flows must be 'provided by official agencies';
3. their main objective must be the 'promotion of the economic development and welfare of developing countries';
4. they must have a 'concessional character'.

Although each of these requirements has been, and still is, debated, current discussions focus mainly on the last two: (i) 'the objective of transactions' and the related types of flows; and (ii) the 'concessional character' of the flows. In particular, the ODA eligibility of so-called 'development enablers', such as support for democracy, peace-keeping and global public goods, including climate and environmental support, has continually been discussed (Hynes and Scott 2013: 14-18).

In connection with the general debate about the purpose of transactions, a more specific discussion has dealt with the kinds of expenditures, or types of flows, that should be considered as coming under ODA. At least five different areas have been brought up and have led to extensive discussions: (i) the administrative costs related to the provision of aid programmes (ECDPM 2012: 28-29); (ii) imputed student costs (Hynes and Scott 2013: 13-14; ECDPM 2012: 4); (iii) in-donor refugee costs (Hynes and Scott 2013: 14, ECDPM 2012: 29); (iv) awareness in donor countries of development activities (Hynes and Scott 2013: 15); and (v) technical assistance (ECDPM 2012: 29-30; World Bank Group 2013: 2).[7] Today these types of expenditure

are, to varying degrees, reported as ODA, and the discussions naturally centre around the extent to which they should be included, as they only partly result in transfers to recipient countries (Schirl and Sieler 2012: 3).

The treatment of loans and concessionality in ODA has been disputed since 1972. The discussions comprise several elements in which it has been argued in particular that the present flow-based system, with at least a 25 percent grant element and a 10 percent discount rate, is arbitrary. The main criticism of the 25 percent grant element has been that the loan is either fully reported as ODA or not at all, depending on whether the grant element of the loan is over or under the 25 percent threshold (Schirl and Sieler 2012: 3-4; Hynes and Scott 2013: 8-9). The criticism regarding the 10 percent discount rate has been that it represents neither the opportunity costs for recipients, which may be much higher, nor the funding costs for donors, which today are much lower.[8] As an alternative to the present definition, it has been proposed to calculate a grant equivalent (EPDCM 2012: 3) and to use country-specific discount rates.

The idea of country-specific discount rates has naturally led to discussions of whether concessionality should be seen from a donor or a recipient perspective and of how to deal with the risks involved (Hynes and Scott 2013: 10-11). Related discussions are the degree to which equity, debt and guarantees, as well as the catalytic effect of official finance, should be reported as ODA (ECDPM 2012: 3-4), and whether a net or a gross concept of ODA should be used.

The discussions over how ODA should be defined have led to different proposals to modernize the concept. These proposals can be divided into those suggesting minor revisions in the present concept, those suggesting a broader measure of donor country efforts,[9] and finally proposals with a stronger recipient perspective. Usually these proposals fully recognize that a single measure of development assistance is not sufficient, and they are often based on the understanding that the various measures would be complementary.

Measures for recipients' receipts

Construction of a separate measure for recipients' receipts is clearly related to the ongoing discussions, but the purpose of such a measure would be different from an ODA statistic that focuses on donor efforts. A potential measure for recipients' receipts would therefore not be a solution to the issues mentioned above, but would be a supplement to ODA.

Recipients' receipts are of interest for several reasons. First of all, for planning and budgetary purposes recipient governments have an obvious interest in obtaining a more precise picture of the funds they receive and also of the increased predictability of transfers of future funds (OECD 2014: 8). As mentioned above, this is closely related to the discussions on transparency, alignment and the use of country systems. Another advantage of a measure for recipient's receipts is its potential use in research and other analyses, including, for example, when the recipients' aid dependency is calculated and when analysing whether development aid has led to any improvements in, for example, economic growth in recipient countries.

Several alternative ways of adding up the resource flows have been suggested to give better measures of recipients' receipts, but basically there are two approaches.[10] The first approach subtracts some types of expenditure from the development assistance presently reported by donors as ODA. This is the most common approach, which has been used with some variation in several proposals. It is also used in attempts to 'clean up' the present ODA. The proposal of a new statistic for 'official development effort' (ODE) is an example of such a cleaning-up attempt (Hynes and Scott 2013). The second approach aims at measuring actual flows to recipient countries, and as a consequence it does not rely on donors' reporting of development assistance.

In the following, three examples of the first approach are briefly discussed. The three examples provide a good introduction to the various elements in the ongoing debate about recipients' receipts, but it should be noted that other proposals exist, including some that only focus on individual elements in the debate (e.g. technical assistance, student costs etc.).

In 2005 Action Aid computed their first measure of what they denoted as 'real aid'. The measure is based on an assessment of 'phantom aid', which 'never materializes for poor countries', and entails deduction of several ODA elements (Action Aid 2005: 17-18; Action Aid 2006: 9; Action Aid 2011: 43). Specifically, Action Aid classifies the following types of flows as 'phantom aid': (i) flows which are not targeted at poverty reduction; (ii) debt relief; (iii) spending on overpriced and ineffective technical assistance; (iv) the costs of tying aid; (v) the costs of poor donor-coordination; (vi) immigration-related costs in donor countries; and (vii) the costs of excess administration. The resulting reclassification showed that 50-60 percent of the reported aid is 'phantom aid', and that 'real aid' thus only constitutes 40-50 percent of the aid provided (Action Aid 2005: 17; Action Aid 2006: 9; Action Aid 2011: 9).[11]

While Action Aid's computations of phantom aid has surely enhanced the interest in new measures of aid flows, the resulting real aid measure has too many subjective assessments to be useful as an official measure. Furthermore, some would argue that real aid to a recipient should include concessional finance from private actors (private philanthropy). Thus, Action Aid's measure is understating recipients' receipts of development finance.

In 2007 the DAC introduced an ODA measure called 'Country Programmable Aid' (CPA). The CPA is based on the traditional ODA flows, measured on a gross basis. The methodology is described as 'defined through exclusions' by DAC (OECD 2011: 27), and the CPA is thought to comprise that part of aid which is 'programmable to individual countries' (OECD 2011: 7). Specifically, CPA is obtained from gross ODA by deducting costs like administrative costs, refugee costs, imputed student costs, humanitarian aid, debt relief, the promotion of development awareness and development research in donor countries.[12]

The idea of CPA is obviously close to Action Aid's real aid measure, as also recognized by Action Aid (Action Aid 2011: 32). CPA has been criticized for not being a measure of actual resource transfers because it excludes flows like humanitarian aid, while it includes technical assistance. Even so, analyses have shown that CPA is a good indicator of the overall flows to partner countries as reported in the countries' own systems (Petras 2009: 12; OECD 2011: 8, 19). Estimates show that the share of CPA in total ODA varies, but in general it constitutes significantly higher percentages of ODA than Action Aid's measure of real aid.

A recent proposal from OECD-DAC on a measure for 'Resource Inflows for Development' suggests that, in addition to CPA, 'private flows mobilized by external public sector interventions and from philanthropy would be included' (OECD 2014: 39-42). The measure will be applied on a gross basis, and both concessional and non-concessional flows will be recorded (OECD 2014: 9-10). It is suggested that loans be reported at face value (OECD 2014: 41). This measure is thus a broader measure than CPA. The measure is interesting because it includes some flows from private actors, and given the increasing importance of private philanthropy, it is evident that flows from such actors must be recorded in a systematic way. No estimates of the implications for recipients' receipts of using this measure have been made so far, as the measure is still under discussion, but it is recognized that its many components will require that various actors will contribute to reporting on development finance (OECD 2014: 43-44).

These three examples of recipients' receipts are all based on information reported by donors. An alternative option is to try to measure actual cross-border transfers, which can be done using data from the balance of payments accounts recorded by the IMF.

The balance of payments statistics are based on records of all transfers between countries. Hence, in principle it should be possible to identify foreign aid transfers defined as transfers from governments or government institutions. However, in the official statistics it is not possible to identify the purpose of the transaction, nor is it possible at present to categorize loans according to the degree of concessionality. Moreover, as the approach includes all transfers from the 'general government', it includes DFI-funded activities[13] in recipient countries and outflows from multilateral organizations to developing countries, thus ensuring that all official aid is included. The balance of payments statistics also comprise flows from non-traditional donors and South-South collaboration, which will not be recorded systematically in the traditional DAC statistics on ODA. On the other hand, aid channelled through NGOs or other private actors will not be recorded in the statistics under 'general government'. Finally, the balance of payments statistics capture both gross and net flows, where outflows for some developing countries constitute a significant amount (see Development Initiatives 2013: 38-39).

The main problem in using the IMF's balance of payments statistics is that the quality of data is low for some countries and disaggregation of the flows at present difficult.

The balance of payment statistics will likely improve recipient country oversight and their management of aid flows, but as indicated earlier they are not sufficient alone to ensure a real overview unless private flows are also identified and included. Moreover, the balance of payments statistics will for obvious reasons not report on future spending plans, which constitute important information for recipient governments, and the measure would therefore have to be supplemented with other data.

An Illustration: Flows to Tanzania

As a simple way of comparing different measures of recipients' receipts, we present four measures of aid to Tanzania, which has been a main recipient of not only Danish development assistance, but also international aid for many years.[14] The four measures are:

1. Net ODA from all donors. This is the official aid measure as reported by the DAC. The data for Tanzania are available from OECD's International Development Statistics (IDS) online databases: http://www.oecd.org/dac/stats/idsonline.htm.

2. Country Programmable Aid (CPA) as defined above. Recent data for Tanzania are available from the CPA homepage http://www.oecd.org/development/effectiveness/cpa.htm.[15]
3. Aid from all official donors registered in the Aid Management Platform (AMP).[16] The data for 2001-2008 were supplied by the Ministry of Finance in Tanzania.[17] The original data follow the fiscal year used in Tanzania (July 1st /June 31st). We re-computed the data to correspond to calendar years by averaging over every two consecutive years.
4. Transfers from 'general government' to Tanzania as recorded in the balance of payments statistics (BoP).[18] The measure covers current transfers (grants from foreign general governments), capital transfers (loans from foreign general governments) and investment income (foreign general government support to projects lasting longer than the current year). Debt relief has been subtracted from the transfers.[19] Changes in the IMF's balance of payments database prevent us from computing the general government transfers after 2008.

Figure 1 shows aid received per capita based on the four aid measures. For the sake of comparison over time, the flows are reported in constant US dollars using the general DAC deflator (2012=100) for the conversion from current to constant values. Further, the flows are divided by the population in each year to give a per capita measure. In Figure 2 the aid recorded as CPA, through the AMP and BoP, is given as a percentage of the ODA flow.

The differences between ODA, CPA and AMP registrations of aid flows for Tanzania are noticeable. The main discrepancies can be traced to debt relief in 2001 and 2007. In general the CPA appears to be more than 90 percent of ODA. AMP is of the same order of magnitude as CPA, but there are discrepancies, particularly in the most recent years. The extent to which these differences are caused by our fiscal year/calendar year adjustment, differences in reporting practices or true differences in recorded aid flows is unclear. As the AMP platform is an important platform for aid management information in Tanzania, it seems worth investigating further.

The difference between ODA and the transfers recorded in the BoP statistics is of a different order of magnitude, in particular during the 1990s. The recorded flows have both different patterns and different levels, with ODA fluctuating between USD 40-70 per capita, while the balance of payment transfers are between USD 10 and USD 30. From 2000 onwards flows recorded by the two measures seem to converge, as the BoP transfers jump from about USD 10 per capita to more than USD 40 per capita from 2000 to 2001. This may be an indication of noisy BoP data in earlier years, but it may also show the increased funding from the IMF during the last decade.

Figure 1: Transfers to Tanzania 1990-2012, USD per capita, constant 2012 prices using the DAC deflator

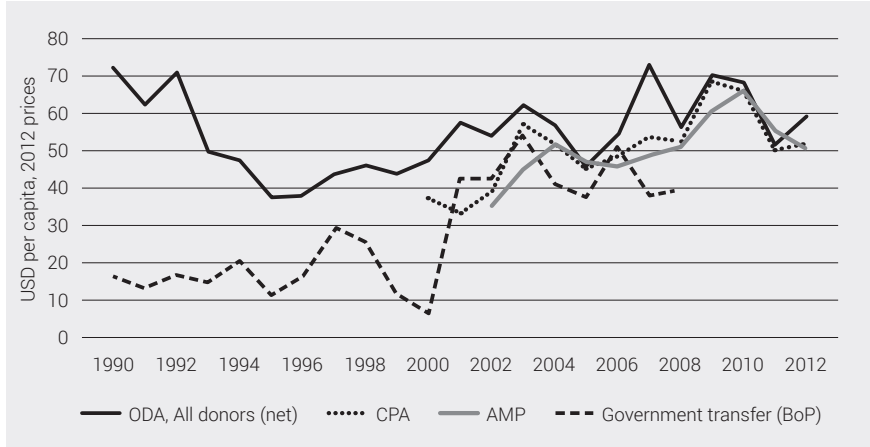
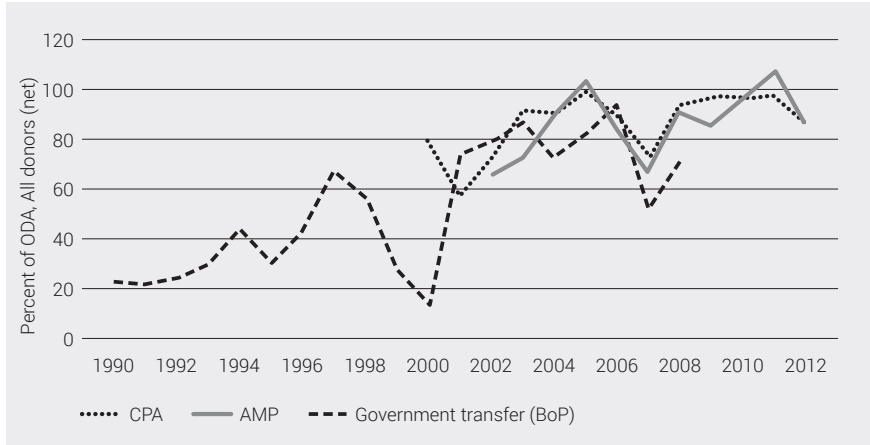
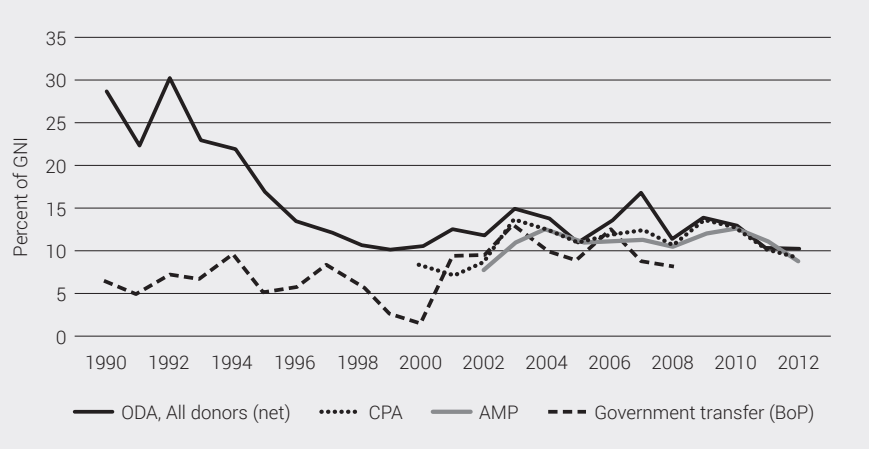


Figure 2: CPA and Government transfers 1990-2012 as percent of ODA (net)



In Figure 3 we illustrate the modification of the perception of Tanzania's aid dependence that arises from switching from ODA as a percentage of GNI to the BoP transfers as a percentage of GNI. Using ODA, aid was more than 20 percent of GNI during the early 1990s, slowly decreasing to the present level of 10-15 percent. In contrast, government transfers in the BoP statistics were about 5-10 percent of GNI during the 1990s, increasing to about 10 percent in the 2000s. Differences of this order of magnitude call for closer investigation, and it appears worthwhile to compare aid and balance of payment statistics for more countries.

Figure 3: Transfers to Tanzania 1990-2012 as percent of GNI



Conclusion and perspectives

The ongoing discussions of new definitions of ODA and real aid point to a need for an additional measure to reflect a recipient perspective on development finance, as the present ODA calculations do not adequately offer such a perspective. A measure of recipients' receipts could provide governments in partner countries with information for strategic planning and budgetary purposes. In addition, recipients' receipts would be a very useful measure for research, analyses of aid dependence and effectiveness, etc. Today most analyses of aid dependency and aid effectiveness are based on ODA and not on recipients' receipts (Development Initiatives 2013: 76).

Recipients' receipts can be defined and measured in several ways. A first quantitative comparison of the different measures, based on data for Tanzania, shows significant differences. Any attempt to consider the relevance of a statistical measure must therefore start with a clarification of the purpose of the measurement, it being a characteristic feature of many existing proposals that their specific purpose is not explicitly stated.

Two basically different approaches can be used, in which the first approach is based on a deduction of expenditures from ODA, while the second approach aims at measuring the actual flows from the balance of payment records. While most of the effort in the DAC is focused on using the detailed aid reporting from donors in order to construct measures of country programmable aid (CPA), the balance of payment statistics appear attractive from several points of view, as they measure actual flows and will be based on the existing statistics, which have been reported in accordance with international standards and therefore facilitate comparability. This is an advantage compared to other proposed measures, which will have to rely on several new reporting sources. Other key advantages are that the measure could capture aid from non-DAC donors, and that information on both gross and net flows would be available.

Among the disadvantages are the quality of data and the fact that disaggregating the data may turn out to be difficult. The balance of payments data also exclude guarantees and equity, and the measure cannot be used to assess the catalytic effect of ODA. In addition, the data would not be able to capture future planned flows and would therefore be less relevant for strategic and medium-term budget planning. As a consequence, the balance of payments statistics would most likely have to be supplemented with other types of information.

In conclusion, using balance of payments statistics seems to have both advantages and disadvantages, but the above discussion raises some interesting perspectives which deserve further analysis. There is an obvious need for more detailed analyses which compare the different measures and consider their relevance in view of the potential purposes of measurement. These comparisons should obviously include recipient countries' own efforts to establish reliable data on donor flows such as the AMP in Tanzania.

Notes

1 We would like to thank Suzanne Steensen, Fredrik Ericsson and Guillaume Delalande, all from the Development Co-operation Directorate of the OECD, for helpful comments on a draft of this paper.

2 The first definition of ODA was established in 1969, and the definition was subsequently tightened in 1972 (see ECDPM 2012; Hynes and Scott 2013). Basically the concept has not changed since 1972 (OECD 2013), but it has been argued that there is a tendency for the concept to 'creep outward' (Roodman 2014: 4).

3 Analyses have shown that private flows, including private investments, philanthropic flows and remittances, are much higher than government aid. Today 80% of the flows from developed (members of OECD-DAC) countries to developing countries are private, while the opposite was the case forty years ago (see Hudson Institute 2013: 5). There is, however, wide variation, and a number of development countries, in particular fragile states (World Bank Group 2013: 21), are still highly dependent on development assistance. Thus, in 2011, ODA was still the largest international resource flow in 43 countries (Development Initiatives 2013: 64).

4 This chapter was finalized in November 2014, when discussion of the modernization of the ODA concept and the establishment of other measures was still ongoing. The chapter therefore reflects the discussion at that point in time.

5 Hynes and Scott (2013) argue that the ODA concept was a matter for discussion right from its introduction, and that the concept reflects a compromise between different views (Hynes and Scott 2013: 5). In particular, the questions of export credits and concessionality were discussed.

6 http://www.oecd.org/investment/stats/officialdevelopmentassistancedefinitionandcoverage.htm. Accessed July 7, 2014.

7 Other areas include the reporting of DFI activities, the potential reporting of tax concessions and the reporting of emergency relief (ECDPM 2012: 28-31).

8 It has been suggested instead that the IMF/World Bank approach be used, which has a 5 percent discount rate. This would still maintain a donor perspective, and with the present low international interest rates it could be argued that even 5 percent is a very high level (Hynes and Scott 2013: 20-21).

9 Most of these proposals include non-concessional flows and in some cases non-public sources, i.e. private (and philanthropic) flows (see e.g. the proposed measure of 'Global Policy Finance' in Severino and Ray 2009). The present chapter will not go into detail regarding the various proposals.

10 It is worthwhile noting the many types of flows that exist between a recipient country and the rest of the world. These include both public and private flows, as well as concessional and non-concessional finance, and the flows can be analysed gross – all inflows – and net – after subtraction of reflows. An attempt to make an overview of different flows can be found in OECD (2014).

11 The ODE excludes in-donor refugee costs, students costs and 'awareness costs' (Hynes and Scott 2013: 14) and found that this would only reduce ODA by less than 5%. They also argue that their measure '… deals effectively with the objections to "phantom aid" …' (Hynes and Scott 2013: 27).

12 The complete methodology is described in OECD (2011, annex 2).

13 This obviously depends on whether the DFIs operate through local intermediaries (OECD 2014: 38).

14 According to the latest statistics, Tanzania received USD 2,832 million in 2013. Denmark was the 9th largest donor in 2011/2012, recorded as giving just below USD 120 million. (http://www.oecd.org/dac/stats/documentupload/TZA.JP, accessed August 25, 2014).

15 We would like to thank Fredrik Ericsson of the OECD for assistance in providing these CPA estimates.

16 See www.developmentgateway.org/amp.

17 We are grateful to Alex Mwakisu of the Ministry of Finance in Tanzania and Guillaume Delalande of the OECD for their kind support and assistance in obtaining these aid data.

18 The balance of payment categories are defined and described in IMF (1993, 2005).

19 Information on debt relief is provided by the DAC statistics.

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LOCAL GOVERNMENT

MAKING THE MANDATORY HAPPEN IN LOCAL GOVERNANCE

NEIL WEBSTER

In 2000 Ole Therkildsen published an article dealing with the new public management-inspired public-sector reforms then underway in Tanzania (Therkildsen 2000). The article explored the domestic support for a largely donor-driven reform agenda, pointed to the gaps between policy and implementation, and questioned the assumptions behind some of the instruments proposed, notably performance-based pay for officials and performance contracts for those working with government-funded budgets. This chapter takes its point of departure in the challenge raised, namely how to secure more effective and efficient use of government funds – in this instance through local government – when corruption remains evident and there is an aversion to reform.[1] The chapter suggests that change can be introduced by linking the provision of local government grants rather than officials' pay to a performance-based system. This can strengthen local government accountability and challenge the norm of corruption amongst government officials.

In 2010 a major national development programme in Nepal implemented by the Ministry of Local Development[2] faced a serious risk of the misappropriation of funds. A government contract for media and communications materials promoting local democratic governance across the country's villages and towns had been finalized, but the contract was still waiting to be signed. National procurement guidelines had been followed correctly, but the ninety-day time limit for concluding the contract was approaching very quickly. Through informal enquiries it was discovered that one of the President's advisers owned a media company that had not been short-listed for the assignment and that was offering a phased 'commission' of 38% of the contract's value to the ministry's officials if his company was awarded the contract. This would require that the ninety days deadline for finalizing the contract be passed, all bids then nullified, the procurement reopened and presumably the adviser's company would be 'successful'. The contract was for one million US dol-

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lars, the 'commission' therefore USD 380,000. Private discussions with civil servants in the ministry revealed that many felt this particular commission was wrong, as indeed was the general practice of taking commissions from consultants contracted for assignments, but they did not see what they could do as individuals.[3]

The incident drew attention to the pressure on government officials and expectation that they should deliver funds to superiors and the extent to which the practice had been institutionalized as the norm. The size of the commission and the pressure applied in this instance marked it out as exceptional; in the end the pressure was resisted, and the original company selected won the contract. One influential factor was a new instrument for strengthening local government accountability that is beginning to reshape the norm for financial management amongst officials in the Ministry of Local Development both nationally and locally. Not only are they responsible for administering the instrument across all local governments, but an increasing number have experienced the monitoring as they are regularly rotated through senior management positions in local government.

If officials recognize the moral and illegal nature of the act of commission-taking, why in the institutional context of a ministry has this low-intensity corruption been accepted as the norm and how can a performance-based grant system change this? The relevance for programmes that are seeking to build the capacities of public administrations to deliver better governance is clear: if such commissions are the norm, it will be difficult to change the behaviour of individual officials through training alone.

What helps to reproduce this norm apart from the behaviour of superiors? Clearly clientelism in a ministry is a central element, but economic discussions that make an analytical distinction between short-term individual gain and long-term collective gain are also useful. In the absence of social accountability pressing for the latter, most post-colonial bureaucracies in developing countries tend to illustrate the former. It is no coincidence that a public-sector position remains the preferred entry point to greater wealth and power for many educated families' sons who can pass the entrance examination in a low-income country. Their social networks provide the relations and connections to facilitate strategies for individual gain.

Foucault writes of how institutions such as prisons, schools, factories and the military actively work to make certain norms simply 'normal', that is, they are not to be considered, let alone questioned (Foucault 1989). The same argument can be applied to public administrations in developing countries, structured as they are in hierarchical ministries extending through subnational levels to local government departments and technical secretariats to councils. The administrative office plays a key role in the maintenance and proliferation of power in a society. The public office is where the official meets the citizen and where the state and status of the citizen are often shaped and reproduced, particularly in low-income countries. The common scene is of a district office with a queue outside each door as benefits are applied for, signatures sought, jobs requested, contacts and contracts enquired after, and favours sought. Overlaid with social structures of education, caste and similar, it is an environment whose very nature is conducive to corruption being the norm in the absence of accountability mechanisms that work.

For an outsider, seeing and hearing of corrupt actions generates understandable moral outrage and political condemnation. Whether it is government or donor funds that are involved, somewhere citizens as both taxpayers and beneficiaries are being cheated. From a development perspective, the intended gains of increased resources, greater access to services and improved infrastructure for targeted groups and localities suffer: '…higher inequality reduces the effect of growth on poverty not mainly by the arithmetic translation of growth into poverty reduction, but by creating and sustaining economic and power structures in which the poor have few income opportunities and few competitors for their political support (Wade 1982: 393).'[4] This preserves the clientelist hierarchy of a ministry and the institutional role of the norm to override any individual moral or ethical doubt that an official might have. However, this Foucault-inspired analysis also provides for a degree of optimism, as corruption is not innate in the individual official, but lies in corruption as a norm. Expose the norm to a critical light (accountability), shift institutional behaviour through performance assessment related to its mandate, and change becomes possible.

By distinguishing between individual and collective gain, it is possible to identify pragmatic gains that officials, politicians and citizens can all see benefits in. To succeed in this requires coordination, and that requires something of a philosophical shift on the part of policy-makers. In economics, the failure of coordination is seen to occur when individuals are left to their own devices in the pursuit of market advantage. This is rational behaviour for the individual, and it ensures the relative nature of wealth and of poverty. The collective consequence is inequality and a strong potential for weak governance and corruption. In the absence of social and administrative accountability, the hiring, firing, promotion and transfer of local officials are based more on social and political connections and their contribution to these than on the basis of their functional performance as an official. If promotion is not linked to performance, then why perform? If the mechanisms for administrative or citizen accountability are not in place or not operational, why be accountable?

The mandatory in policy and legislation becomes voluntary in practice, and in a low-income country the consequences for those who are most marginalized and vulnerable for reasons of gender, age, ethnicity, remoteness and economic condition are the most severe. The potential for change lies in the collective experience of such coordination failures being negative for all in the longer term: the weaker the institutional or social sanction the more polluted becomes the environment, unemployment increases, and expenditure on social benefits increases. Moreover, expenditure to maintain social order (police, prisons, business and home security) also rises, as politics become more volatile and regimes less stable. These affect elites as much as the marginalized (WEF 2014).[5]

Studying local government accountability in Mexico, Merilee Grindle suggests that the extent to which citizens have recourse to sanctions, benefits and rights is critical in determining the extent to which local government is 'government by the people' (Grindle 2013). In a study of thirty randomly selected municipalities, she finds that citizens demonstrate an ability to enforce change and to ensure that particular elites do not monopolise power in local government, but they have less success in affecting the quality of the performance of public officials and parties. It is important to note that the research looked at municipalities that have responsibilities for a range of basic services, including water, sewage, garbage, urban transport, public markets, bus stands, street lighting, roads, highways, public security and abattoirs. They also have responsibilities to support other services with the maintenance of school buildings and grounds and health premises, as well as a range of environmental responsibilities. These expenditure assignments are partially matched with revenue assignments, not least property taxes and other local taxes, licences and fees. And then there are technical departments and officials covering treasury, public works, public safety, culture and youth, public health, urban development, rural development and more. Grindle looks at how revenues, whether in the form of inter-governmental fiscal grants or of local revenues, are used to demand accountability.

When resources accompany responsibilities in local government, the potential for holding local politicians and local officials accountable is considerable, as is the need. It requires effective instruments if factors such as citizen satisfaction are to play a role here and more inclusive local development is to be achieved. The absence of such instruments tends to leave a 'hollowed out' decentralisation that swiftly loses popular and developmental legitimacy. As Grindle found, 'Local officials and governments controlled few resources and did not have significant decision-making power; local elites frequently used their ties to the Partido Revolucionario Institucional or organised interests to extract personal benefits from government and maintained control of local populations through clientelist networks that originated at the national level. There were not, in fact, many policies or actions that local citizens could influence locally (Grindle 2013: 220).' Grindle found state-society relations to be corporatist, clientelistic and non-democratic, with overt oppression as a last resort.

However, the research did reveal instances of citizens organising effectively (citizen activism) at the local level to secure benefits. Where communities were also able to mobilise funds, their municipalities would sometimes respond with resources and support. But this is activism for investment in public works, not for rights in terms of citizens' expectations regarding the work of government. Little was found to be happening in monitoring government performance in service delivery. Grindle's argument is that, whether one looks at the role of elections, collective action or citizens' rights, the general relationship of the citizen to local government is best seen as an extractive relationship. The idea of holding local government accountable for the performance of its mandates and making it work towards a participatory, inclusive and even representative democratic institution with citizens possessing rights did not exist.

The Mexico example points to municipalities with revenue and expenditure assignments and technical support services failing due to accountability instruments lacking any leverage. However, by introducing incentives and sanctions into local public financial management, local government can be held more accountable to citizens as well as to higher authorities. The linking of grants to local government bodies that meet certain preconditions that include citizen participation, and then monitoring their performance through other indicators, can result in better service delivery and more inclusive local development. The policy environment, the resources and capacities available, and the work ethic of individual officials are all important factors, but incentivizing and sanctioning financial accountability can achieve much more than is perhaps imagined.

The approach works with the financial requirements that are found in most countries' local government rules and regulations in ways that shift the norm in the government–citizen relationship as to what is acceptable and unacceptable according to the legislated mandate of local government to engage its citizens in its work. Here participation and transparency can be supplemented with local body grant expenditure reviews, community-based monitoring of local governments' goods and services, public hearings and compliance monitoring.

Understandably, such accountability is not always popular. Not only does it bring civil-society organisations into a government monitoring role – often an unpopular move in the eyes of public officials – it actually challenges what constitutes the

norm in government institutions with all the implications for individual interests and relations of power that this carries. Even in developed political environments, such steps raise powerful concerns. In Baltimore, top officials have pushed for more performance accountability from the city's public servants. Citistat, a programme that uses real-time data to track performance, was introduced in 1999, and in 2010 the city moved to outcomes-based budgeting, a process that identifies the services that most efficiently meet citizens' needs, allocates money to agencies to provide those services and monitors their performance in meeting their goals. And in 2011, Mayor Stephanie Rawlings-Blake introduced Open Baltimore, a website loaded with city data ranging from employee salaries to traffic camera violations. 'Every step of the way you should anticipate getting pushback from whoever's been there the longest,' Rawlings-Blake said recently at the U.S. Conference of Mayors winter meeting in Washington, D.C. 'Making all the data as real time as possible doesn't sit well with some people (Farmer 2014).' This is understandable in so far as it makes agencies' and officials' performances more transparent to those they are mandated to serve.

Local financial management requires not just knowledge of the mandated revenue and expenditure assignments and the rules and regulations concerning planning, budgeting, account maintenance and auditing requirements, it needs an understanding of the local political economy of government finances, their sourcing, management and utilisation. Suffice it to say that the assumption of a contract between government and citizen based upon consensual agreement by all parties is not consistent with the realities of most developing economies. It is the condition of this contract that defines the type of statehood present, of the prevailing relationship between a rights-holding citizen and a duty-bearing state at the heart of representative democracy.

Therkildsen and Fjeldstad's work on taxation points to its centrality in shaping the state of citizenship and in defining the condition of governance (Therkildsen and Fjeldstad 2008). They see the original relationship between the tax-payer and the state as being intrinsically coercive and therefore not conducive to consensual governance, nor to the democratising function of revenue bargaining between the state and its citizens. In many ways the transition from coercive to consensual taxation, from extractive and coercive to accountable and responsive financial management by local authorities, is parallel and complementary to the transition from (local) authoritarianism, as in de-concentrated and/or delegated local rule on behalf of the centre, to a devolved local rule rooted in participatory and representative democratic governance. Here the processes of planning, budgeting, implementation and monitoring are critical. They can underwrite a coercive and extractive public financial management regime that is designed to use revenues as political capital and for

personal aggrandisement, or they can be the foundation for an effective and accountable system of local governance securing greater equality of access to government services, public goods and resources. Again, however, the transition in the government administration from a norm of wealth extraction to one of collective wealth creation is critical.

It is here that the use of grants within the framework of local development funds has provided the quite unique instruments with which (i) to incentivise change at both the individual, but more importantly, the institutional level in local governance, and (ii) to secure inter-governmental transfers in such a way that they serve policy priorities rather than more personal political interests. The first is the performance-based grant system (PBGS), and the second is the use of formula funding (FF). At the core of the PBGS is a grant made up of three main elements. The main part is unallocated, and therefore the decision-making responsibility is passed to the local government body. Receipt of this grant element is made conditional on a few minimum conditions being met. A second performance-related element is designed to incentivise institutional and individual performance in local government; the third capacity development element is present so that those local governments that fail or perform poorly can strengthen their capacity to perform better in the following year.[6]

As for formula funding, this is a simple but extremely effective way to challenge political allocations. It has the double benefit of strengthening key policy objectives through the targeting it introduces and of reducing political interference to support vote-buying, patronage and self-aggrandizement. However, it is often not popular amongst politicians. From a government perspective, equal grants to politicians and their constituencies regardless of geographical size, population size or remoteness results in less argument and complaint. There can also be a misguided argument for per capita equity in allocation, forgetting that the costs of service provision can vary widely on the basis of proximity to urban centres or ease of access.

Minimum conditions were first introduced in Nepal with the Decentralised Financing and Development Programme (DFDP 2000-2006). This was a pilot that began with eight districts and was increased to twenty in 2003. DFDP was designed to build upon and strengthen the participatory planning process, financial management system, service delivery capacity and overall accountability of the District Development Committees (DDC) and the Village Development Committees (VDC). The programme provided formula-based block grants to the DDCs for small-scale infrastructure projects. The formula-based approach, which was developed by DFDP and adopted by the Government of Nepal, was established to ensure transparency and equity. The grants aimed at increasing access to basic public infrastructure for

poor people living in remote and rural areas. However, and more importantly, DFDP also aimed to leverage institutional change within the local government system by improving local government's capacities in planning, infrastructure delivery and management, financial management, and overall accountability and responsiveness.

DFDP was scaled up to a national Local Governance and Community Development Programme (LGCDP) by the Government of Nepal in 2008, covering all 75 DDCs, 3,915 VDCs and 58 Municipalities.[7] It was supported with funds and technical assistance from six UN agencies, five bilateral agencies and a major development bank. In 2012 it entered a second phase, with more than 85% of its annual funding (over USD 160 million) coming from the government.

In LGCDP, the minimum conditions are the indicators by which local governments are assessed to see whether they have observed the requirements mandated by law. The minimum conditions can be seen as representing the minimum safeguards for the proper utilization of public resources and for identifying the basic absorption capacity – in other words, for maintaining basic financial discipline. Importantly, they are statutory requirements of local bodies, derived from the Local Self-Governance Act (LSGA, 1999), the Local Self-Governance Regulations and the Local Body Financial and Administration Regulations (LBFAR, 2000). Table 1 lists the fifteen minimum conditions in four functional areas as applied to the 75 DDCs. It is a requirement that all are passed in order for a DDC to receive the unconditional capital grant. They were introduced in a phased manner over three years, thereby systematically raising the threshold of local government's public financial management.[8]

Table 1. The Minimum Conditions applied to Nepal's 75 District Development Committees

Planning and Management

MC 1	Approved annual plan and budget for the current fiscal year by district council in previous fiscal Year (LSGA, Art. 188, 195, 197, 202 and LSGR Art. 199)
MC 2	Annual budget ceiling and planning guidelines provided to Municipalities and Village Development Committees (VDCs) by DDC. In case central government did not provide such guidelines and ceilings to DDCs, even then the DDC should have provided them from its internal resources
MC 3	DDC has publicly informed the Municipalities, VDCs and relevant stakeholders about the approved annual budget and programs
MC 4	Annual progress review of the previous year conducted by the DDC
MC 5	DDC has submitted its reports as per the provision mentioned in grant guideline

Financial Management

MC 6	Accounts and financial details of the previous of the previous Financial Year (FY) should be completed and submitted for the final audit
MC 7	DDC has prepared the annual statement of income and expenditures of District Development Fund (DDF) and financial statements for the previous FY
MC 8	DDC must release the budget or grant from DDF (non operating account) to VDCs, municipalities, sectors and other organizations as per approved work plans and budgets. No transfer should be made in the operating account prior to council approval
MC 9	Internal Audit Section established (LSGA art. 232) and functioning in accordance with (LBFAR art. 57 and 58)
MC 10	Due and timely response have been made upon comments and reactions made in the Office of the Auditor's General Report within 35 days
MC 11	Cumulative records of unsettled irregularities documented and updated (LBFAR 60 Annex 75)
MC 12	DDC appointed auditors for the final audit of last FY of the last FY of VDCs final accounts

Formation and Functioning of Committees

MC 13	Formulation and functioning of supervision and monitoring committees (this indicator is not active)
MV 14	Formulation and functioning of account committees (this indicator is not active)
	Transparency
MC 15	Information and documentation centre established, and all information and records kept as specified

For their part, performance measures are designed to create incentives for local governments to improve their performance. The local governments achieve a score in a core set of functional areas providing a strong assessment of each local government body's overall service delivery capacity and efficiency. Each performance indicator evaluates a certain procedure, result and quality of one of the working areas of the local government. These indicators pressure the local government to monitor its

own function, improve its internal working capacity and compare its performance across a set of functions with other equivalent local government bodies in the country.

The annual assessment of minimum conditions and performance measures for local governments helps to establish data sets over time on service delivery status and accountability to citizens, and also to identify capacity weaknesses in various functional areas. Such information is used in developing a strategic and pragmatic capacity-building programme. Furthermore, regular assessments of minimum conditions and performance measures will strengthen the general monitoring and evaluation system of local governments in a way that promotes annual progress in various service delivery functions and in responsibility and that ensures that accountability can be measured. Central to the monitoring and accountability underwriting the approach is open access via the web to the results of each and every local government body and the formula-based allocation it would receive.

To illustrate the approach, Table 2 shows the scoring system developed by the Nepal Local Bodies Fiscal Commission (LBFC) for the DDCs. The performance attained releases the rewards and incentives. Table 3 shows the rewards and sanctions applied on the basis of the score achieved.

Table 2. Summary of PM Indicators and Scores for Nepal's DDCs

Performance areas	No. of indicators	Max. score possible	Min. score required
1. Planning and Program Management	8	15	6
2. Budget Management	6	11	4
3. Financial Management	9	15	6
4. Fiscal Capacity	6	11	4
5. Budget Release and Program Execution	7	12	4
6. Communication and Transparency	8	14	5
7. Monitoring and Evaluation	5	10	3
8. Organization, Service Delivery & Property Management	8	12	4
Total	57	100	36

Table 3. Summary of Sanctions and Rewards for Nepal's DDCs

Performance 'rating' and conditions	Reward/ Sanction	Staff Incentives
MCs not met	Lose all development grant	none
MCs met, but failure in an area of PMs	lose 20%	none
MC met & obtained 36-50 marks in PMs	Static	none
MC met & obtained 51-65 marks in PMs	Bonus of 20%	Rs. 100 thousand
MC met & obtained 66-80 marks in PMs	Bonus of 25%	Rs. 125 thousand
MC met & obtained 80 + marks in PMs	Bonus of 30%	Rs. 150 thousand

At the local level, the minimum conditions promote downward accountability wherever possible. In planning and budgeting, procurement and the implementation and management of accounts, public participation and downward accountability is promoted based upon the opportunities present in the rules and regulations for implementing decentralization legislation. Transparency of information is pursued using websites, noticeboards, meetings, printed media and FM radio stations. Being able 'to follow the money' is a powerful tool for citizens and civil-society organisations, enabling them to pursue more accountable local government and governance and to promote the broader political outcomes of accountable democratic development.

Formula Funding has been introduced in Nepal to strengthen local development through a more efficient allocation of grants to local governments. It supports two important objectives: (i) to enable specific policy initiatives to be pursued, not least equity; and (ii) to reduce political manipulation. Regarding the first, simple indicators of administrative area and size of population, both weighted with a cost index, can be used to pursue policies of poverty reduction and equity. This gives a citizen in a remote mountainous region access to basic mandated government services and resources closer to that of a citizen in a much more accessible locality and in line with national standards. Regarding the second objective, the use of formula funding significantly reduces the political abuse of grant allocations. As a Joint Secretary in the Nepal Ministry of Federal Affairs and Local Development succinctly expressed it: '*When a Minister calls me and demands that I allocate funds to his or her constituency, I cannot say that I will not, I have to say I cannot.*' He also added, '*This is not a good place to further my career.*' Yet he said it with a sense of pride.[9]

The performance-based grants have risk-mitigation measures built into their design through the use of minimum conditions that constitute basic good public financial management and performance measures that incentivise good performance in core functional areas. The capacity-building element in the grants ensures that both those who pass and those who fail receive the support needed to improve their assessment the following year. In that these are all based on the government's own local public financial management systems and processes, they offer the possibility of transferring funds to the government (budget support), but linked to the government delivering on internationally recognized financial management norms; it makes the mandatory happen with national ownership. It also promotes democratic and inclusive governance both locally and nationally. This is complemented by the use of formula funding that can promote the increase in level and quality of local service provision and of local capital investments made by government. It also promotes greater equity and equality in local development based on a form of collective action between government and citizenry.

Paul Smoke points to the challenge of decentralization reforms being stalled, altered or even put in reverse in a number of developing countries (Smoke 2014). Amongst donor agencies and their development practitioners, there does appear to be a growing sense of decentralization fatigue and a move back towards more centralized engagements and stronger financial management based on fiduciary risk assessments, if successful and sustainable inclusive local development is to occur. Budget support is no longer being pushed as it once was, at least by donors, and human rights appear to be taking precedence over participatory democracy as a basis for monitoring the quality of local development.

It is also apparent that the need to achieve results or 'impact' has placed the mismanagement or misappropriation of aid funds more centrally on donors' agendas, and support for decentralization has suffered as a consequence. In response, it can be argued that the discussion needs to be more nuanced, as the form of corruption can have very different development impacts, some more damaging than others (Wade 2003).[10] Secondly, if decentralization reforms were poorly designed, poorly enacted or poorly resourced, failure becomes an almost inevitable outcome. Thirdly, fiscal decentralization has often been ignored due to a focus on representative democracy and reforms of public administration, both of which appear on the surface to be much more politically sensitive to key elites and are therefore likely to be resisted. Pressing for better financial management can often slip under these elites' political radar, at least in the crucial initial period of acceptance and implementation.

In Nepal, the introduction of a performance-based grant system and formula funding has begun to deliver on an agenda of collective long-term gain over individual gain. In so doing, the institutional norm of corruption is beginning to be opened and questioned, not least as citizens and civil society become more engaged in local governance. The example of Nepal therefore contains important lessons, particularly given the absence of local elections after 1997.[11] It might prove to be the case that the strengthening of local public financial management is not sufficient in itself, but it is emerging as a powerful option for pursuing more inclusive and effective development in developing countries. Intellectually it builds directly upon Therkildsen's important contributions on public-sector reform and the role of fiscal instruments in the strengthening of governance.

Notes

1 Corruption is the misuse of an authority and thus of power using means that are deemed illegal and/or immoral and incompatible with accepted ethical standards.

2 Now the Ministry of Federal Affairs and Local Development.

3 Information on this case was provided to me from several sources, government and non-government, on the basis of anonymity.

4 Wade's study of canal irrigation in south India describes how the engineers operated and maintained the canals in line with the incentives of a well-institutionalized system of bureaucratic corruption (based on auctions for the franchises to particular posts in particular places, at each rank), and that the resulting practices lowered the productivity of canal-irrigated agriculture.

5 The World Economic Forum's 'Outlook on the Global Agenda 2015' places deepening inequality of incomes as the number one challenge facing the world.

6 For a detailed study of performance-based grant systems, see Steffensen 2010.

7 The numbers of local government entities is likely to change with the transition to a federal system of governance, but how has yet to be decided.

8 In practice, to date only thirteen indicators from three functional areas have been applied due to the failure to hold local elections in 2002 and the subsequent dissolution of the elected councils.

9 Personal communication with the author.

10 'The emphasis on "anticorruption" in the "good governance" agenda of the international development community obscures the distinction between modalities, some of which are more developmentally damaging than others. As a stylized fact, Indian civil works corruption takes the form of correct pricing of substandard structures, which wash out in the next monsoon; Korean civil works corruption takes the form of inflated prices for properly built structures, which endure' In Wade 2003, footnote 4, p. xv.

11 Local government has functioned through non-elected entities since the 2002 local elections were cancelled.

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THE POLITICAL ECONOMY OF LOCAL GOVERNMENT REFORMS IN TANZANIA

PER TIDEMAND

This chapter explores the political economy of decentralization reforms in Tanzania. More specifically, three main questions are discussed: (1) what has been the main trajectory of reform; (2) who has benefitted most from these changes (or lack of changes); and (3) what have been the incentives and political motivations of different key stakeholders determining their support of or resistance to reforms?

Since independence, Tanzania has undertaken a range of reforms of its subnational governance structures. Today local governments are bestowed with significant responsibilities for the local delivery of most basic services, including primary and secondary education, primary health care, agricultural extension, rural water and local roads. The importance of the local government sector in Tanzania is also significant in making comparisons with other African countries: thus a majority of all public servants are formally employed by local government, just as the latter's total share of public spending (approximately 30%) also is significantly higher than the average for Africa.[1] An explicit local government reform programme has been implemented with significant donor support since 1999. However, according to external reviews many aspects of the reforms have moved painstakingly slow – in particular those that aimed at enhancing local government autonomy, as well as reform elements aimed at enhancing fiscal equity and transparency.

It is now widely recognized that it is impossible to understand local government reforms only as technical administrative reforms. A political economy approach to understanding the drivers and obstacles to reform is therefore now widely accepted (Eaton, Kaiser and Smoke 2010). Much earlier, Therkildsen (2000) argued that Tanzania had embarked on a multitude of public-sector reforms with very fragile domestic support: the earlier period of 'projectisis' had been substituted for an era of 'reformatitis' largely driven by donors. This chapter confirms the nature of the donor-funded Local Government Reform Programme (LGRP) as having been significantly driven by donors with limited domestic policy support, but at the same time

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our analysis also suggests that the broader changes to the local government system, as well as resistance to many of the formal LGRP objectives, have been driven by domestic interest groups – in particular the CCM – and shaped by their particular incentives.

The Main Trajectories of Local Government Reform in Tanzania

The history of local government reform in Tanzania has been discussed extensively elsewhere.[2] In summary, the development of the local government system can be divided into the following main periods:

- The gradual introduction of elected local government immediately prior to independence, followed by a short period (1962-67) of relatively strong democratic and autonomous local governments
- A subsequent gradual decline in local government's (fiscal) autonomy followed by the complete abolition of elected local governments (1972)
- 1972 onwards: strengthening of 'deconcentrated' regional administrations and the period of Ujamaa, which also saw the introduction of 'village governments' – a concept later carried forward into current local government system.
- From 1976–1982 a gradual re-introduction of elected local governments, though in the years that followed these were left with very limited resources,
- From 1986 a 'second wave of devolution' was articulated in the form of the 'Local Government Reform Agenda' (1996) and Policy (1999) that led to the demise of the previous very strong Regional Administrations and a significant strengthening of local government (in terms of human and fiscal resources), but with less clear outcomes regarding local government's political autonomy.
- From 1999, the launch of a donor-supported Local Government Reform Programme (LGRP intended to further increase local government's autonomy and capacities.

Although the LGRP was officially launched around 1999, it can be argued that the most substantial parts of the reforms actually occurred earlier, in around 1994-1997. In this period, the Civil Service Reform Process completed the more painful aspects of reform—in particular, substantial retrenchments and a comprehensive reorganization of public service that, *inter alia*, included the creation of several new executive agencies, the privatization of several state-owned enterprises and decentralization by devolution. The most significant step towards devolution was initially

not the overhaul of local government legislation but the reforms at the (deconcentrated) regional level. Essentially the implementing role of the regions was abolished around 1997 with the passing of the new Regional Administration Act. Until then, the regions had been responsible for the implementation of all local development projects in key sectors such as education, health, roads, water and agriculture. Each region had, for instance, water departments with more than a hundred staff. After the 1997 reform, the Regional Water Department was reduced to just one engineer, with the majority of technical water staff deployed to local governments.

Since then, progress in the last decade of reform has been mixed: on the one hand, the resources allocated to the Local Government Authorities (LGAs) have increased significantly and technical capacities have improved; on the other hand, there has been hardly any further transition towards more autonomy at the local government level, just as inequitable resource allocations have persisted.

The yardstick used to measure progress of the LGRP has been the official Local Government Reform Policy (1999), which, as pointed out by Professor Semboja (this volume), articulated a specific vision of decentralized governance that in hindsight had limited domestic political support. While some aspects of the reform were stated vaguely with reference to general principles, other aspects were stated very specifically. It was in particular stated that all staff in LGAs should be entirely locally managed (locally hired and fired). This feature of the reform was probably the most ambitious in terms of policy change and also the element that most clearly failed to materialize, as the initial pilots for decentralized human resource management (Regulations issued in 2000) were completely overruled when the government passed the Public Service Act in 2002. This Act unified all public service management, and in subsequent years it undertook various steps for the further centralization of human resource management, such as the central government posting of teachers and health personnel (from 2004/05) and the establishment of a centralized Public Service Recruitment Secretariat in 2009.

The centralisation of staff management also impacted on the intended redistributional aspects of the local government reform (see below).

The Distributional Impact of the Reforms

Before analysing disparities in the funding of service delivery in LGAs, it is important to understand the overall framework for funding service delivery and the relative importance of different channels of funding.[3]

In the fiscal year 2012/13, LGA revenues amounted to approximately TZS 3.3 trillion or approximately TZS 73,000 per capita on average (approximately 45 USD per capita). Most of the LGA budgets are funded through various fiscal transfers from central government:

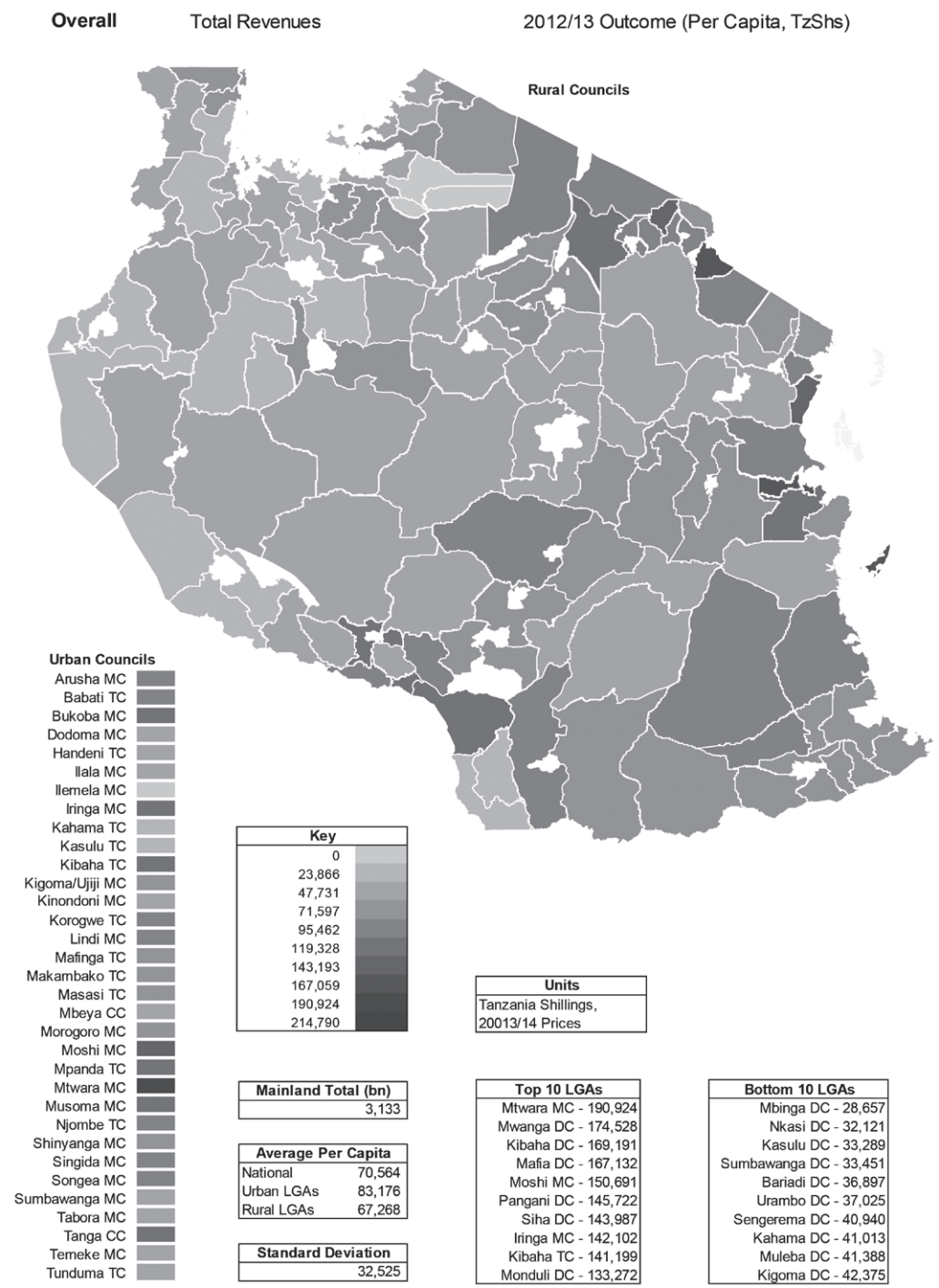
- Earmarked transfers for recurrent expenditures (primarily salaries): 71%
- Transfers for various development initiatives (capital expenditures): 21%
- Own-source revenue, excluding user fees and direct contributions to service delivery, representing a very small share of revenues: only 8% in 2012/13.

The vast majority of recurrent transfers are earmarked for specific sectors. Of these, allocations to salaries (Personal Emoluments or PE) dominate. In the 2012/13 budget, PE transfers represented 78% of recurrent transfers and 55% of total LGA revenues. Other recurrent transfers cover operating costs (e.g. staff travel costs, fuel, stationary, recurrent costs of schools and clinics etc.). They represented only 15% of LGA revenues overall and 22% of recurrent transfers. Over the last five years it is also clear that PE allocations have continued to increase over time relative to operational funding.

In summary, local government budgets are primarily composed of fiscal transfers from central government that are earmarked for recurrent expenditures, primarily salaries.

At the onset of LG finance reforms it was noted that the fiscal transfers to LGAs were allocated in a very uneven manner: urban and wealthy local governments generally received substantially more resources than rural and poor local governments (Boex 2003). One of the objectives of the LGRP was therefore to introduce a more transparent and formula-based allocation mechanism. A set of formulae for each was in principle approved by the Cabinet in 2004, though in practice these formulae were only very partially implemented: only for some of the development fund transfers and, for example, the donor-funded health basket fund. In 2014 a similar analysis (Tidemand et al. 2014) confirmed the continued existence and even deepening of these inequities. The analysis also concluded that the primary driver for these fiscal inequalities was the inequitable distribution of staff. The centralised system for human resource management made it impossible to use the formula for the allocation of staff salaries (as LGAs were not allowed to hire and fire). Instead the Ministry of Finance had to allocate the staff salaries according to where staff had been posted.

Figure 1. Map comparing total per capita LGA revenues across Tanzania[4]



In general the allocation patterns showed significant consistency across the main sectors. Several of the LGAs that are relatively underfunded in one sector are also underfunded in others – likewise for the overfunded LGAs. For example, Kibaha DC is receiving far above average allocations in all sectors, whereas Sumbawanga DC fairly consistently receives the least.

These inequalities of funding across LGAs are primarily driven by staff allocation patterns, which have in turn been increasingly centralised in the past ten years. Central government directly allocates newly trained teachers and most others staff to local government. Once posted to particular LGAs, the staff may decide not to report for duty (if the posting is too unattractive) or, having reported for duty, they may later try to be transferred to another, more attractive post. The combined result of an initial weak targeting of understaffed LGAs and a lack of incentives for staff in remote areas have led to immensely skewed staff allocation patterns. The differences are staggering (a 400% difference between the lowest and highest funded LGAs), and the 2014 analysis also indicated that LGAs had significant patterns *within* each LGA: typically the centres of each LGA would have far better resource allocations (such as the ratio of teachers to pupils) than in the periphery. When the relatively poorly funded Kigoma LGA was subdivided recently into a new Kigoma LGA and Uvinza LGA, then data on pupil-teacher ratios (PTR) revealed the significant and previously hidden intra-district inequalities. The overall PTR of Kigoma Rural DC was 54 in 2012; after the split of the district into the new Kigoma DC and Uvinza DC, the PTR of the two LGAs were respectively 41 and 61. In summary, the poorest and most rural parts of Tanzania receive far less funding through local government than the more urban and developed parts of the country.

Some authors (e.g. Weinstein 2010) have claimed that fiscal allocations are determined by local government political voting patterns. However, LGA-level voting patterns explain little: relatively remote and rural LGAs such as Sumbawanga (with overwhelming support for CCM) receive similarly meagre allocations as the opposition-controlled rural Kigoma LGA, while more urbanized areas such as Kibaha (with a similar voting pattern to Sumbawanga) receive four times as much in fiscal transfers. The main explanatory factor for inequalities in LGA funding is ultimately staff locational preferences.

The Political Economy of Policymaking

This section explores the involvement of the main stakeholders in the Tanzanian local government reforms. The main actors discussed here include CCM and the executive, Parliament, the bureaucracy, civil society and donors.

CCM and the president/executive

There is a significant consensus on the relative dominance of CCM in policy-making more generally in Tanzania.5

Looking back, it is clear that the CCM and the executive (and not donors) initiated the local government reform and also drove the most significant real policy changes through, but simultaneously they resisted aspects of the reform that could threaten the political basis of the CCM. Thus the reintroduction of local government in the 1980s was entirely based on internal discussions within the party, just as there is no evidence of donor influence on the CCM election manifesto in 1995 that later led to the Reform Agenda and the initiation of the overall local government reform by the late 1990s.

There is evidence that the executive led some of the more critical aspects of later **resistance** to devolution, such as:

1. **The abolition of several local government taxes around 2004**. As Therkildsen and Kjær have pointed out (2013), the driving forces for the decision were found within the CCM, which feared that the opposition would make use of the unpopularity of some of these taxes.
2. **CCM resistance to devolution of local government staff**. The Local Government Reform Policy is clear in its outline of a vision of a complete devolution of local government staff. However, interviews with the prime minister during the 2007 LGRP evaluation6 indicated that the CCM leadership did not share that vision; they found it politically dangerous to have each LGA employ its own staff to any significant degree. The Prime Minister was largely unaware of several of the LGRP efforts to 'pilot' decentralized HRM (e.g., the establishment of local employment boards in LGAs from 2001-2005).
3. **The relative strengthening of the (de-concentrated) regional administration and central government oversight as reflected in the Local Government Amendments 2006**.

Ole Therkildsen acted as a civil service reform advisor in the period leading up to the LGRP. He also noted in an interview that the CCM resisted some important aspects of the reform from the beginning. This included, for instance, proposals regarding reform of the electoral systems for the grassroots elections (discussed further in the Conclusion to this chapter). A scrutiny of the CCM election/party manifesto for the period is summarized in the box below. As is evident from the analysis, there is a significant change from the 1995 CCM manifesto and its declared support to decentralization and the most recent (2010) statements that clearly favour a more centralized approach to governance. The policy shift reflects partly leadership changes within CCM, realization of the political opportunities that autonomous LGAs provide the opposition, and probably also . increasing admiration of the Asian models and related frustration over the imposition of western governance models.

Box 1. CCM Policy Statements on Decentralization[7]

CCM's commitment to decentralization by devolution was first expressed in its Manifesto for the 1995 election—Benjamin Mkapa's programme. Commitments were (CCM, 1995, pp. 54-55):

- Central government will undertake its legal responsibilities to give LGAs the capacity to serve the people by implementing the commitments made in the 1994 grassroots elections manifesto.
- Central government will support the efforts of LGAs to fight poverty.
- LGAs will be accountable to the citizens.
- LGAs will be enabled to raise more revenue in order to run their affairs as efficiently as is required.
- Citizens will be encouraged to pay their taxes and take part in development activities.
- Central government will transfer expert staff to LGAs from regional secretariats.

The 2005 Manifesto, on which Jakaya Kikwete first ran for office, has just one line devoted to local government. The 2010 Manifesto contains no mention of the issue for the mainland. Nevertheless, for Zanzibar, there is a stated commitment to reform local government.

More telling is the document 'CCM Policy Direction 2010 to 2020'. This clearly states the intention to ensure a top-down, centralized approach to delivering on CCM's commitments (CCM, 2010, p. 6):

> Asian Countries which developed rapidly were not celebrated for their democracy and good governance. We ourselves decided to have a democratic system by our own choice, and we must continue on that path, as freedom and respect is both an objective and a catalyst for human development.
>
> But Tanzanians know that, in our great national achievements, a key lever of success has been the political will of our country's supreme leadership...

Parliament, including the role of the opposition

Parliament has not had a very significant influence on the decentralization reforms, although some voices have been raised in support of greater local autonomy. Thus Kelsall (2000: 15) noted that MPs in the early phases of reform 'forced significant changes to the Government's Regional Administration bill, extending the control of District Councils over divisional officers'. The major opposition parties have continued to criticize the central government's interference in local government, in particular when directed against councils dominated by the opposition. However, Parliament as a whole has on many occasions supported policies for centralization and/or advocated parallel systems of local governance and has approved the following legislation:

1. The Local Government (Miscellaneous Amendments) Act (2006), which strengthened the central government-appointed structures at the expense of the locally elected structures
2. The passing and later amendment of the Public Service Act, which centralized human resource management
3. The Constituency Development Catalyst Fund, which introduced a parallel mechanism for local service delivery controlled by MPs rather than local governments.

The bureaucracy and its subdivisions

The government bureaucracy has not taken a common stand on local government reforms. On the one hand, it is an official policy of the government; on the other, it is seen as just one of many, often contradictory reform initiatives and has subsequently been challenged by some parts of the bureaucracy. The ministry responsible for local government has been the lead institution in advocating the reforms. However, while it has always had a mandate for local government, it has never had the powers to coordinate reforms across sector ministries or to instruct the ministries responsible for finance or public service. The office was for a few years under the President's Office, but it shifted later to the **Prime Minister's Office Regional Administration and Local Governments (PMO-RALG)**. Since 2000, a dedicated reform secretariat has been established within the PMO-RALG. However, the permanent PMO-RALG staff and the contracted **LGRP team** often had contradictory positions on policy reform issues.

In general, the LGRP team pursued a 'purist' interpretation of the Local Government Reform Policy. PMO-RALG is, for instance, also responsible for the de-concentrated regional structures, where staff clearly found the LGRP moving too quickly towards LGA autonomy, while they felt starved of resources and stripped of authority. Thus, the Local Government (Miscellaneous Amendments) Act was long debated internally within PMO-RALG before it came to the attention of the LGRP team. Another tension between the LGRP team and PMO-RALG arose from the continued use of 'transfers' of LGA staff by PMO-RALG in spite of the declared intention to have LGA staff locally managed.

The President's Office–Public Service Management (PO-PSM) pursued its own reform strategy after 1999 based on a public service policy that culminated in the new Public Service Act in 2004. The main concerns of PO-PSM regarding local government reforms have been questions related to the devolution of staff to the LGAs, over which the two ministries had completely divergent reform policies (both originally developed through donor-funded consultancies). Ultimately the PO-PSM policy prevailed.

The Ministry of Finance was only marginally involved in the design of the LGRP. Nevertheless it did engage in discussions on the development of formula- based grant allocations. The Ministry also worked actively to build the capacity of LGAs' financial management and ensured *inter alia* that substantial numbers of qualified accountants were posted to the LGAs in tandem with the increased allocation of resources. However, ultimately the Ministry only marginally implemented the formula-based system of local government transfers, just as it resisted reform proposals regarding the introduction of specific LGA votes in the national budget structure. The Ministry's support for enhancing local government autonomy in revenue generation has also been limited.

The **sector** ministries have in various ways sought to interpret the broad decentralization policy within their respective sectors. The resulting sector decentralization has often been a mix of decentralization by devolution and various form of de-concentration. Sectors have maintained a significant grip on sector staff working in LGAs and have maintained a range of sector-specific development interventions managed at the LGA level through various forms of conditional grant transfers that all have their sector-specific planning and reporting guidelines.

Civil society

Civil society organizations (CSOs) have increasingly engaged in advocacy work related to various government reforms, but they still only have marginal influence. Most of the CSO policy and advocacy work is coordinated through the Policy Forum, which has also established a dedicated working group on local government reforms.[8] This group has in various ways sought to interact with government to influence aspects of the local government reforms, and *inter alia* it has been formally consulted as part of a wider stakeholder consultation related to the formulation of the second phase of LGRP. However, the effective influence of CSOs has in general been limited. A case in point is the debate over the Constituency Development Fund (CDF), in which the Policy Forum took particular interest. It undertook various analytical work in relation to the proposed bill and dedicated a website to debate its relevance and implications. The position of the CSOs has been quite clear:[9] the best way to provide additional development funds at the local level is through increased local government transfers and a strengthening of the local government planning and service delivery system. They argued that the introduction of the CDF would jeopardize an integrated approach to local planning and budgeting and confuse the roles of MPs. Rather than work on national policy issues, the attention of MPs would be directed toward local service delivery issues that, in principle, have become the responsibilities of local governments, not central government. The NGOs rightly saw the MPs interest in the fund as closely related to the increasing 'commercialization' of politics. Nevertheless, a conclusion of the debate on the CDF was reached when the Constituency Development Catalyst Fund Act was passed by Parliament on 31 July 2009 (and signed into law by the president in August 2009). CSOs have to a much lesser extent engaged in debates over other local government reform policy issues and have rather focused on local-level support for greater local government accountability to citizens.

Donors/development partners (DPs)

In the selected period, DPs have been very active in their involvement with the decentralization reforms. For a decade after 2000 the LGRP was financed through a common basket fund by a number of the major bilateral donors, UNDP and EU. The World Bank has supported parallel (but closely aligned) operations such as the Local Government Support Project.

Through quarterly meetings, the DPs have followed the reforms in great detail and have appeared on some occasions to support the principles of devolution to a far greater extent than the government. After the LGRP Review in 2001, it was also decided to establish key task forces to work on the more problematic aspects of 'systemic reforms', chaired by DP representatives. As part of the General Budget Support Dialogue, DPs have continued to raise concerns over lack of progress of the local government reforms. A recent evaluation (2013)[10] found that local government reforms and divergent views of corruption cases were among the thorniest issues of dialogue throughout the period of general budget support.

However, the DPs in Tanzania cannot be seen as a uniform group with one common approach to local government reforms and decentralization. Several donors are financing different sector programmes that may counter some of the efforts of devolution. Several donors are also financing various alternative sector or local/community-based approaches that establish parallel planning and financing modalities for services that are devolved to local governments.

Conclusions

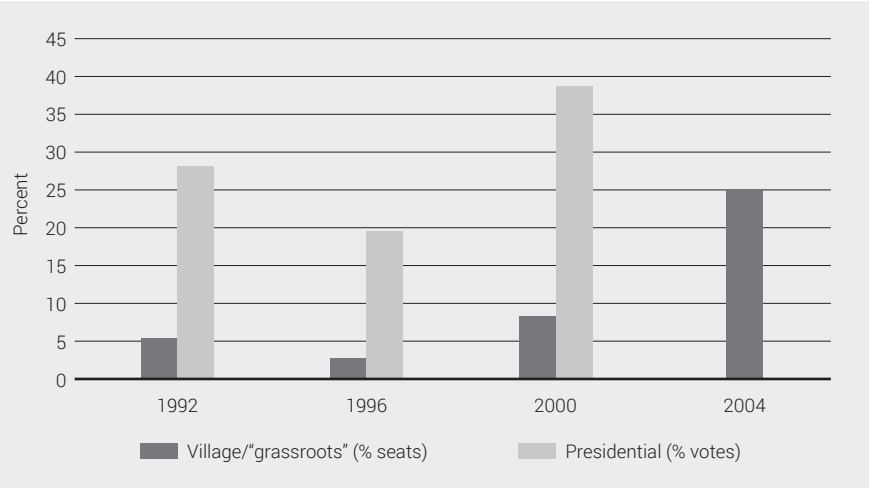
The local government sector in Tanzania has changed significantly over the last thirty years, but it has also retained important features. The main legal and policy changes in support of devolution occurred in the years immediately after the 1994 CCM announcements of reform intentions and had largely already been completed in 1999, that is, before the formal launch of the donor-supported LGRP in 2000. This early reform greatly diminished the role of the de-concentrated Regional Administrations and created the existing local government system in which the LGAs are mainly responsible for the provision of all basic services and at least nominally overseen by elected local councils. The last fourteen years have witnessed significant capacity-strengthening of local governments, but they have not led to any further significant devolution in terms of greater local autonomy. In fact, it can be argued that in several respects central government has reasserted its relative powers. In particular, it can be noted that the reform-policy intentions regarding the devolution of staff management have never materialized. This in turn has influenced resource allocation patterns across LGAs: the intended formula-based allocations of fiscal-recurrent allocations could never materialize in the absence of the progress of HRM reforms.

The central government bureaucracy and CCM resistance to reforms has been most marked in one particular area: resistance to the devolution of staff management . The primary interest of the bureaucracy has been to protect its respective sector-ministerial powers, sector-professional career paths and independence of local politicians. The Executive and CCM have used similar technical arguments, but their political interests in controlling the (increasing number of) opposition-controlled LGAs is obvious. The current system of central government appointment of staff – not least the LGA directors (who also act as electoral officers in civic elections) – ensures the maintenance of strong central political control over local governments and enables continued extensive Presidential use of patronage in staff appointments.

A continued marked inequality in resource allocations among LGAs has largely been an unintended consequence of the retention of centralized systems of staff management. The major losers have been the rural poor: contrary to the urban middle classes, they rely almost exclusively on public services provided by LGAs for access to basic social services, in particular education and health. Yet, in spite of the greater needs of their LGAs, and in spite of the lower potential for local resource mobilization in these LGAs, they are also the ones that receive significantly less resources. The impact on the quality of services for the rural poor has been significant: although access to services generally has improved, it is evident that in many respects the quality of services has declined and that access to services in remote rural areas is well below the national average.[11]

How can the CCM afford this evident neglect of its otherwise so important rural voter base? O'Gorman (2012) argues that the generally low level of organization of rural residents (whether through farmers' groups or other organizations) and their access to the media are the key explanatory factors. Another significant factor may be the current system in place for so-called 'grassroots elections', whereby village councils and other lower level local government committees are elected.

Figure 2: Opposition Strength in Presidential and 'Grassroots' elections[12]



The system for 'grassroots elections' is separate from the elections overseen by the National Election Committee (which includes the presidential, parliamentary and district/municipal council elections), being organized by the Prime Minister's office. The elections take place one year ahead of the national parliamentary, presidential and LGA council elections: a total of more than 250,000 committee members are elected. The CCM has long resisted any proposal that these elections at community level should allow independent candidates. As a result, it manages to dominate these elections to the extent that opposition's share of seats is less than a third of the results they achieve in the national elections.[13] However, an interesting recent development emerged in the October 2014 elections, when the opposition's share of seats drastically increased (from 8 to 25%) – a stark warning to the CCM ahead of the general elections in October 2015.

Notes

1 For the most recent update on the degree of fiscal decentralisation in Tanzania, see Tidemand et al. 2014. For the most comprehensive overview of fiscal decentralisation in Africa, see United Cities and Local Government 2010: Local Government Finance: The Challenges of the 21st Century (GOLD II) http://www.cities-localgovernments.org/gold/gold_report_2.asp

2 See chapter by Professor Semboja, this volume.

3 This follows Tidemand et al. 2014. All quoted figures for LG budgets and expenditures are from the PMO-RALG published data (http://lginf.pmoralg.go.tz/lginformation) or the most recent published budget by the Ministry of Finance.

4 Source: Tidemand et al. 2014. The raw data on budget outcomes are publicly available at www.pmoralg.go.tz

5 Hyden 2005, Kelsall and Mmuya 2005, OPM, CMI and REPOA 2005, Cooksey 2009, Therkildsen and Bourgouin 2012.

6 Interview with Prime Minster Lowassa, February 2007, by the author during the LGRP evaluation.

7 CCM, 1995, 2005, 2010; the text in the box is the author's own translation from the original . Swahili.

8 http://www.policyforum-tz.org/groups/lgwg.

9 See Policy Forum, 2009.

10 The European Commission, the Ministry of Foreign Affairs of Denmark, Irish Aid, the Ministry of Foreign Affairs of the Netherlands and the Ministry of Finance of Tanzania: Joint Evaluation of Budget Support to Tanzania 2013.

11 World Bank and Ministry of Finance: Public Expenditure Reviews 2010 and 2011 (focusing on education and health respectively).

12 Presidential Election data from the National Electoral Commission, data on grassroots elections from PMO-RALG – see Tidemand, Sola and Chaligha 2010, and *Citizen*, December 18, 2014.

13 For details, see analysis in Tidemand, Sola, Bofin and Chaligha 2010.

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A PRAGMATIC APPROACH TO LOCAL GOVERNANCE: LESSONS FROM TANZANIA

JOSEPH SEMBOJA

The production of this book has prompted me to reflect upon my association with Ole Therkildsen, which dates back to the late 1980s, when a shared interest in the development and reform of local governance brought us together. Since then we have both been involved in researching and observing issues of governance, performance, financing, privatization and donor influence. In this chapter I will offer my thoughts on the overarching issue that has had the greatest impact on the evolution of local governance: decentralisation. These thoughts are based on my personal observations from practising as a researcher and policy analyst in Tanzania.

We have seen approaches to local governance move back and forth between centralisation and decentralisation in many developing countries since the 1950s (Cheema and Rondinelli 2007). This movement has been cyclical: history has shown us that opposite arguments have the greatest appeal. A system of governance is not working as desired, resulting in the completely opposite system of governance being proposed, the underlying philosophy being that if centralisation didn't work, then the opposite, decentralisation, should. Indisputably there are strengths and weaknesses in decentralisation and centralisation, and good intentions lie behind each change in the cycle, namely the desire to see improved local governance.

In the process of moving back and forth, many governments have tended to operate somewhere in the middle, using a hybrid system which contains elements of both approaches, despite experts prescribing a single system approach. In this chapter I use the case of Tanzania to propose that in real situations governments make necessary adaptations to reflect each country's unique situation. Tanzania is not unique – many governments of countries at a similar level of development operate in this manner.

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At this juncture, I would like to clarify the distinction between devolution and de-concentration with regard to decentralisation. Traditionally, devolution is viewed as the transfer of the authority over decision-making, finance and management to local government, this being the stronger concept of decentralisation. De-concentration, by contrast, refers merely to the redistribution of authority among the lower levels of central government, for example, from a central location to the regions. However, experience shows that in practice the context determines the execution. For example, while some experts regard de-concentration as a form of decentralisation, I will use the case of Tanzania to demonstrate that de-concentration was implemented as a form of centralisation.

A Brief Account of the Evolution of Local Governance in Mainland Tanzania

Prior to the independence of Tanganyika, the British operated a governance system of indirect rule, where those chiefdoms, Native Authorities, district and town councils which were pro-British and possessed resources desired by the colonists were nurtured, while those which resisted colonial rule and/or had limited resources were neglected and sometimes even punished. This system, which can be described loosely as devolution, tended to reinforce tribal identities and locational interests at the expense of national interests. The result was increased inequalities in development, including infrastructure and human resources, and consequently in economic and service provision.

Local Governance by De-concentration

When Tanganyika gained independence in 1961, the new leadership weighed up the pros and cons of the inherited local governance system to determine the best option for the common goal of the young nation. At that time the primary concerns for this new state were national unity and shared development, given the high levels of inequality among these culturally and linguistically diverse peoples. Maintaining the status quo in local governance would have reinforced the uneven distribution of the limited human and infrastructural resources and consequently the already high inequalities in social-economic development across the country. In addition, partly due to the high socio-economic and cultural differences across the various groups, some better-off tribes were already favouring the idea of becoming independent kingdoms, generating concerns about the possibility of balkanisation.

The question was how to promote equality and national unity in this young nation (United Republic of Tanzania 2011). The nascent government did not have the mechanisms in place to alter the existing imbalance by redistributing resources

from the robust and better-endowed local authorities to the neglected authorities. Nor were there ample resources at the disposal of the new government that could be allocated to the weaker and poorer authorities to bring them up to the level of the better-off authorities. The most logical and practical solution was to centralise the locally owned and locally governed resources and manage service provision from the centre.

One example was the ownership and provision of secondary education. At independence the new nation possessed only 41 secondary schools concentrated in a few better-off locations, mostly owned and managed by religious organisations, co-operatives and local authorities. Obviously it would take substantial time and re-sources to build new schools and train new teachers to cater for the underserviced majority, so during this transition period it was decided to make the best use of the existing schools. Bringing these schools under the control of the central government provided increased and equal access to opportunity for secondary education for anyone regardless of race, tribal affiliation or geographical location.

Dismantling the existing silos of local governance and introducing a centralised system in which resources were centrally determined, collected and distributed was considered to be the most effective way to develop the infrastructure and human resource of this young nation. It also meant that the limited infrastructure and human resources available could be utilised to benefit the entire country, rather than being concentrated in a few better-off locations, (such as Arusha, Kilimanjaro and Kagera), thus excluding the majority. The Arusha Declaration promulgated in 1967 elaborated this framework more coherently and comprehensively, declared all the commanding heights of the economy to be publicly owned for the benefit of the majority.

While a centralised approach to governance was chosen in order to address inequalities among the people, provide equal opportunity across races and tribes and build national unity, this approach compromised some of the ideals of TANU (the Tanganyika African National Union), the ruling party, especially those of inclusive and democratic decision-making. The ruling party and leadership had a clear under-standing of the implications of this proposed new system of local governance and took deliberate steps to address the conflict.

First, the official terminology of the new local system of governance in Kiswahili was *'Madaraka Mikoani'*, literally meaning the 'Regional Authority', hence de-concentration. However, the term 'decentralisation' was adopted as the official English translation to suit the ideals of TANU as the ruling party. This careful choice of terminol-

ogy has caused confusion among local governance experts. The term *'Madaraka Mikoani'* has left the false impression of a decentralised authority with significant decision-making powers when that was not the case. Thus, care should be taken when using these terms with reference to the situation at this time in Tanzania.

Secondly, party cadres and representatives of the ruling party were strategically placed to steer the agendas and discussions at all levels of decision-making within the local governance system. As TANU was regarded the peoples' party, the views and interests of the people would be reflected in discussions and decision-making.

Local governance by de-concentration was officially adopted in 1972, with the authority for decision-making, finance and management delegated downwards within levels of central government. Local government authorities were abolished and replaced by regional and district directorates. More regions and districts were created in Mainland Tanzania: between 1972 and 1974, the number of districts increased from 62 to 72 and of regions from 17 to 20. These directorates were firmly entrenched as part of the central government and were responsible for infrastructure development and service provision. Regional and district offices became primarily responsible for development planning and implementation, with the central government providing the required financial and human resources; senior staff were transferred from Dar es Salaam, the centre of administration for the country. This form of local governance from the centre through the regions and districts, i.e. de-concentration, was justifiable given the level of development of most communities and the leadership's vision for this young and under-resourced government.

This move away from decentralisation via devolution at independence towards centralisation via de-concentration was chosen in order to bring about the sharing of resources, the growth of economic and social infrastructure for increased and equitable service provision, the weakening of the existing power structures of local authorities and chiefdoms, the strengthening of national unity and the creation of a strong leadership core for the new nation.

Local Governance by Devolution

The centralised system of resource mobilisation and allocation generally achieved its intended objectives of building national unity and achieving significant growth of infrastructure development for providing equitable economic and service provision. However, it was soon recognised that the important ideals of democracy, local autonomy, innovation and self-reliance continued to be compromised.

Furthermore, challenges arose in implementing the new system of local governance. First, some bureaucrats from the administrative centre who had been transferred to the new regional and district offices experienced difficulties in adjusting to their new working environments. Secondly, in the absence of local authorities and related political institutions a mechanism for promoting checks and balances and local ownership was lacking. Thirdly, as the country was predominantly rural, the perspective of the leadership was biased accordingly. The impact of this bias was seen almost immediately in urban areas, which were merged for administrative purposes with rural locations and put under one central authority, despite the fact that the requirements of urban areas were quite different from those of rural areas. The support systems for the townships and urban centres that had rapidly grown in number and size after independence began to collapse, and the failings became blatantly obvious. In addition, these challenges were exacerbated by the large size of the country and its socio-economic and geographical variations, which added extra administrative complications to the new system.

The leadership recognised that these challenges had to be addressed and that a move towards decentralisation by devolution was necessary. The question was how to achieve a move to a strong local government presence without losing the strengths of the de-concentrated system. This time the discussion about the proposed swing was much easier than during the early years of independence. The balance of power had already shifted away from the local authorities and chiefdoms, and the government was now relatively strong and ready to manage any complexities that were likely to arise from issues concerning national unity and inequalities. In any case such complexities were not likely to be significant; as the nation had by then built adequate infrastructural and human resource bases to support the requirements of the new devolved local governance system. This led to the country being cited as a success story regarding national unity and equitable service provision.

Nevertheless, even with such confidence the swing was implemented with the utmost care using a phased approach. Urban authorities were reinstated in 1978 during the first phase, followed by the reinstatement of local authorities in 1984 during the second phase. However, despite the reinstatement of local authorities, regional directorates continued to operate until 1996, albeit with reduced staff and responsibilities. It is believed that the decision to abolish the strong regional directorates took time to implement because this institution had strong political support; hence care was needed to avoid a possible backlash. The Local Government Reform Pro-

gramme launched in 1996, which continued up to 2014, aimed to strengthen decentralisation further through devolution, bringing increased independence, authority and responsibilities at the local level.

Determinants of a Local Governance System

We thus see that the decision to adopt the centralised rather than the devolved approach depends on the context at the time, which is understandable. The swing from the trend towards centralisation to the trend towards devolution and vice versa has occurred across the world over many decades. This debate about the merits of either approach continues and extends into many fields. The recent global financial crisis has stimulated opposition to centralisation, particularly where the state has been susceptible to influence from particular business interests, rather than promoting the common goal. Another contemporary example is the current debate concerning the European Union, which is seen by some member states as having too much centralised power.

Governments devolve in order to make service provision more effective, efficient and accessible. The accepted view is that it is better to devolve, as the 'local people' have a better understanding of priorities and issues for the development of their locality. The same also applies to the centralisation of authority – governments undertake this because they want to improve services and hasten the progress of development (Kathyola and Oluwatoyin 2011, Oluwo and Wunsch 2004). Essentially the underlying rationale for devolution and centralisation are the same: to attain improvements in organisational management and strengthen governance for enhanced service provision. There are several issues to be considered when adopting either approach; I outline some of these below.

The first issue is avoiding conflicts of interest and ensuring that the 'big national picture' is not missed. Local authorities tend to develop an inward-looking perspective, missing the 'big national picture' and/or failing to look beyond their boundaries. The lack of the 'big national picture' perspective of a nation's development can mean that national strategies and policies may be overlooked or even rejected by local authorities. This localised focus can be compounded by politics. If pushed too far, devolution has elements of market-led philosophy, thus diminishing the concept of a common national goal.

For example, the rise of democracy will result in increased political competition, thus spurring a market-led approach by politicians who respond to demands from

their own constituents. This is understandable, given that each local authority's immediate concern is its locality, and its constituents are primarily concerned with issues that directly affect their everyday lives. However, this can result in conflicts between local and national interests, as local authorities miss a crucial connection between a local problem and a national issue. An example of an insular perspective is when a locality is suffering from poor access to market for its produce, leading the local electorate to continue short-sightedly pushing for improved roads in their locality. However, if their elected member of parliament were to join with other members representing neighbouring constituencies to push for an improved national road to a major outlet, then more local people would benefit.

Another example of a conflict between local and national interests in a coffee producing country such as Tanzania is a national policy to encourage the export of coffee by removing the tax on coffee exports. However, some local authorities may impose a crop cess on coffee, thus counteracting the intent of the national policy.

The questions which must be evaluated to avoid conflicts of interest and an insular perspective include:

- Can the local authorities develop and implement local policies that take the global commons into account, for example, climate change?
- Will local authorities embrace national policies for economic growth and national development?
- Can the local authorities develop and manage fiscal structures and systems which do not contradict national fiscal systems?
- How will the possibility of an insular perspective be minimised?

The second issue concerns the 'national' commons of national security and national unity. Although local authorities and communities have important roles in fostering national security and national unity, national governments are ultimately responsible for the defence of the country's boundaries, maintaining the overall peace and security of its citizens, and building national identity and unity. History has demonstrated the negative impact of tribalism, racial and religious factions in many countries, which remains a crucial factor today. Sometimes local authorities can reinforce identities and tribalism, as I observed earlier. The level of vulnerability for national security and national unity will determine the approach to the local governance of a country. The country's leadership will have to assess how a local governance system will operate in conflict areas and diverse societies without compromising national security and national unity.

The third issue relates to safeguarding the country's citizens during extraordinary disasters, natural or otherwise. Citizens need to be protected at all times, and there must be adequate mechanisms and resources in place to mobilise rescue services for citizens affected by disasters. Since the impacts of different disaster events differ, resource requirements and approaches to governance will differ. Criteria must be put in place to determine the division of responsibilities for handling extraordinary disasters across levels of governance.

The fourth issue relates to safeguarding national interests and standards in order to protect the citizens, foster equality in service provision and promote the nation's competitive edge. As with the third issue above, this is an area which the central government has an interest in overseeing, either directly as the implementer, or indirectly as a regulator. Here too, therefore, criteria must be developed to determine the division of responsibilities across levels of governance.

A recent example in Tanzania is the provision of education in secondary schools, where over the last decade there has been huge growth in the number of secondary schools dispersed around the country. Previously the administration of primary education had been the responsibility of local authorities, while secondary education remained under the central government. This substantial growth in the facilities of and enrolment in secondary schools created a significant demand in administrative requirements, which the central government experienced difficulties in satisfying. Local authorities had substantial experience in administering primary schools and were considered the appropriate bodies to undertake this task. Thus the decision was made to transfer the administrative burden for secondary schools to them, while still retaining the policy and inspectorate responsibilities with the centre.

It is logical that the available capacity and size of the country determine the system of governance to be adopted. Other things being equal, devolution is often desired for large countries in order to strengthen governance. Essentially one has to move 'down' because a country's large size means that it is difficult to manage from a central position. However, other contexts, such as history, infrastructure development and its distribution, available human and financial resources and their distribution, and the capacity of the centre to provide regulatory and oversight services need to be considered in determining the preferred governance structure.

By way of summarising, the justifications for either system of governance are worthy and valid, just as there are weaknesses and strengths in both devolution and centralisation. Ultimately both systems are trying to improve the livelihoods of the nation's citizens.

Successful devolution requires strong national foundations, adequate resources, sound preparations and efficient implementation. Devolution across the board assumes that capacity already exists at all levels, yet this is most often not the case in a developing country. Just as certain goods are subject to market failure, there can be failure in decentralisation when there are weak national foundations and limited capacity, whether financial, infrastructural and/or human. When there is failure in devolution, service provision will suffer. A similar narrative can also be made to describe a scenario of failure in centralisation.

The crux of the matter is that a strong central government is needed in order to have strong local government. A particular governance system, say devolution, cannot be applied unilaterally; this explains why a governance system must be specific to the country, sector, and in some cases even to the locality. If there is weak capacity in local authorities, then it is necessary to keep them closer to the centre in order to allow for prompt intervention to address the failures. Inversely, competent capacity at both the local authority level and at the centre means that a nation can be fairly close to the extreme side of devolution.

A Practical and Flexible Approach

This cycle of moving from one governance approach to another will continue as bureaucrats and citizens become disenchanted with the existing system. As stated earlier, the choice of a governance system is determined by historical, social and political contexts, the size of the country and the resource and infrastructural base. Except for the size of the country, these factors change with time, which in turn may affect the effectiveness of an operating governance system. As these changes are gradual and continuous, it makes sense that the shift from one governance system to the other is equally measured. Moreover, there is no guarantee that the process will be unidirectional. Therefore, governments and practitioners are right to push against the wholesale adoption of a prescribed governance system, and I believe that many pragmatists working in the field of service delivery concur with this view (see also, e.g., Therkildsen and Semboja 1995).

I also believe that models of local governance should evolve into a hybrid appropriate for 21st-century Africa. This hybrid, incorporating what is optimum on either side, has its roots in the common good and national goals, with the trunk consisting of local authorities empowered to fill a greater role than mere implementers. The crux of the matter is that governments must be pragmatic and that there must be provision to adapt systems of local governance as necessary.

Priorities for the nation's socio-economic development must nonetheless be determined at the national rather than the local level. As I noted earlier, local authorities have an inward-looking perspective, which often leads to competition for national resources. Politics and security are added elements which the national government must take into account. One solution is to centralise issues relating to the common goals, so that the uneven distribution of resources can be addressed and the rights, safety and unity of its citizens safeguarded. The definition of the common goals may differ from country to country, though it is likely to include climate change and environmental protection, external trade, health care and education. Once the central level has set in place the vision, policies and strategies relating to the common goals, it must actively encourage each local level to appreciate, interpret and implement them.

Without doubt devolution at its strongest has its merits: local authorities must be recognised as equal partners and should be accorded discretion over the resources allocated to them. These local authorities should work within the framework of national policies, but the local interpretation and implementation of policies should largely be determined at the local level as long as national policies are not contradicted. This would foster local engagement, as well as ensure the relevance of policies and strategies.

The key will be to ensure a substantial component of pragmatism. The modus operandi would be devolution, but with a strong, proactive and effective central power which can intervene to balance and redistribute if needed. This pragmatic and adaptive approach would be similar to how many multinational businesses are managed. Some departments of multinational businesses are managed at the local level, while others are managed at the global head office. Thus for a nation there would be centralisation where there is a capacity shortfall and a need for a common goal. This approach could be per sector, for example, the agriculture and water sectors, and it is possible that full devolution would work for particular services.

Such hybridisation would require an explicit delineation of roles and responsibilities, as well as a demonstrable enforcement of accountability. Proactive attention to two-way communication would be vital to promote strong coordination between central government and local authorities. This should foster prompt attention to address any shortfalls in local capacity, as well as timely reactions to the changes that will inevitably occur in this dynamic global and national environment. As stated earlier, developments in the governance system are gradual; they will invariably take time to be adopted and implemented. Furthermore, as the systems reach maturity, then the balance between the central and the local should be modified as circumstances demand or permit. Active commitment to learning from the successes and failures of implementation would improve the likelihood of a sustainable hybrid being produced.

Conclusion

Governments in developing countries have preferred a hybrid system of local governance within the spectrum of centralisation and decentralisation, as I have shown for Tanzania. This hybrid adopts a flexible approach which maximises the merits of both systems, as well as adapting the methodology in order to minimise any weaknesses which may arise as circumstances change. This ability to adapt is particularly important for the governments of developing countries as they face capacity problems and security issues, as well as evolving democratic and political systems.

However, experts in local governance such as advisors and researchers have tended to prescribe one approach or the other, perhaps due to the complexities of modelling a hybrid system. These experts should learn to appreciate the hybrid system of local governance prescribed by national governments, rather than advocate a one-size-fits-all solution that does not take into account the local context. Pragmatism should rule, with the country's vision, size, geography and socio-economic and political status being taken into account.

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PUBLIC ADMINISTRATION

CAPACITY DEVELOPMENT: AT THE END OF THE ROAD? 'BETWEEN NAIVETY AND CYNICISM' REVISITED

NILS BOESEN

The perennial Achilles heel of aid has always been effectiveness and sustainability, or the ability of aid to continue contributing demonstrably to lasting and sustainable impact at scale after aid agencies have withdrawn their assistance. The efforts to strengthen organizational and institutional capacity and performance have largely been unsuccessful.[1] This is a litany of nearly five decades, passing through stages during which the remedies changed, but to little avail: from the belief that technical assistance would perform its magic, through project-related training to institution-building and onwards to broader program approaches with their associated weight on capacity development and endogenous learning.

Development agencies have been keenly aware of the difficulties, even though public rhetoric often underplays the seriousness of the challenges. Danida, the Danish aid agency, is no exception – it has invested heavily in the development, refinement and regular updating of policies, approaches and methodologies regarding capacity development (CASA/Denconsult Team 1991; Boesen and Therkildsen 2005; Danida 2006; Danida 2011). Notably, it afforded Ole Therkildsen and this author the opportunity to devote time to going through the capacity development-relevant literature and prepare what became a reference document in this area aimed particularly at public-sector performance both centrally and locally (Boesen and Therkildsen 2004). For subsequent work on the topic, see (Boesen 2005; LenCD 2006; EuropeAid 2009: ADB 2011: NEPAD 2011; OECD 2011).

The key approach to what we termed a 'Results-Oriented Approach to Capacity Change', or ROACH, was drawn from institutional economics and sociology. It was an open systems approach to organisations and represented a purportedly pragmatic search for a middle ground between two extremes. The first extreme was the

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embarrassingly uninformed and naïve practices of donors whenever they sought to promote their current brand of New Public Management and Good Governance. The other extreme was the notion that power and politics shaped by domestic and regional elite interests would eventually shape capacity and reform outcomes, leaving little or no room for donors to influence institutional transformations significantly. This viewpoint had strong resonance further down the continuum towards fragile states and in settings where patrimonial governance dominates (Chabal and Daloz 1999; Boesen and Kjær 2006; Cammack 2007).

After a very brief description of the ROACH approach, this article will review recent, additional attempts to add to the approaches and toolkits that have sought to make donor-support to capacity development (CD) and reform more sensitive to both the constraints and drivers of change in this context, and to the inherent complexities of institutional transformation. It will then explore whether these additions are likely to work, coming to a pessimistic conclusion mostly based on an assessment of the political economy of donor agencies and the incentives that shape asymmetrical relations between donors and recipients. These relations are changing, but the winds of change seem to be blowing CD and reform even further off the agenda of traditional state-to-state development cooperation. A look ahead in the final section will argue that this may give more prominence to new modalities of cross-boundary cooperation explicitly building on and strengthening a different set of the collaborative and brokering capacities that are needed to address shared global challenges. The final section will also question whether, given their legacy business approach, aid agencies are best suited to playing a hands-on role in pushing these new trends forward.

The ROACH

The ROACH argued that public-sector organizational performance (the quality, quantity and relevance of the services, products or regulations of a unit, an organization or a network of organisations) is a good focus for any dialogue about past and present capacities, as well as possible desirable future ones. It then added that change can occur in the various internal 'capacity parts' ('push approaches'), or in the external context, whether in the form of changed regulations, articulated demands from citizens/consumers, or changed governance ('pull approaches'). Finally, we suggested placing an analytical focus on the options of changes in the 'functional-rational' as well as 'political' dimensions, providing four fields for possible change (and possible CD support from donors), as shown in the table below.

Four dimensions of organisational change

	Focus on the 'functional-rational' dimension	Focus on the 'political' dimension
Focus on organisation-internal factors	Focus on changes in the task-and-work system in the organisation	Focus on changes in the distribution of power and authority, conflicts, and the pursuit of different interests
Focus on organisation-external factors	Focus on how changes in external factors and incentives will affect the task-and-work-system dimensions of organisational capacity	Focus on how changes in external factors and incentives will affect the distribution of power and authority, conflicts, and the pursuit of different interests in the organisation

(Mastenbroek 1995; Boesen and Therkildsen 2004)

Recognizing that change must largely be an endogenous affair, we affirmed that the role of donors should change from one of implementers to one of engaged partners able to stimulate change without trying to enforce it. This would require donors to obtain a better and more intimate context-specific knowledge of capacity development opportunities and constraints. We thus hypothesized that donors should be:

- looking for possible rather than desirable capacity development under present and foreseeable conditions in any given country.
- considering a much wider range of factors and issues that determine actual capacity and performance than those that are immediately observable in apparently poorly performing individual organisations.
- analysing if and how outsiders such as donors can support and encourage capacity opportunities, provided that the preceding analytical work indicates that such opportunities exist. (Boesen and Therkildsen 2004)This was explicitly a strong argument against poorly informed and naïve donor support to CD through short-term technical fixes in individual organisations. But we also argued strongly against falling into the opposite, cynical trap, where CD is deemed impossible because of 'politics' dismissed as simply implying opportunism, clientelism and corruption, or because of 'the nature' of the state and society in poor countries. Instead, we advocated a pragmatic, patient, systemic approach to CD and CD support which focused on change in outputs from organisations and organisational networks.

We were thus riding the wave of political economy assessments informed by institutional economics and political science (Dfid 2003; SIDA 2006; Unsworth and CRU 2007), but adding a perspective on organizational and reform politics that derived from mainstream organisational sociology and the organizational development literature. We expected that this would allow a focus on the specificities of incentives, interests and power in and around organisations, thereby escaping the already then common perception that political economy analysis was interesting, but difficult to make operational (Dahl-Østergaard et al. 2005).

Good theory and guidance, but ...

Alas, despite the efforts and the uptake of the ROACH approach by other organisations such as the EC, it cannot claim to have changed their CD business significantly. The same is true of the efforts to promote CD spearheaded by OECD-DAC over the years from the Paris Declaration to the run-up to the Busan conference: they claim the existence of an international consensus, largely along the lines sketched out here (DAC 2006; OECD/DAC 2011; OECD/DAC and LENCD 2011), but with little success as measured in evaluations and studies (see footnote 1).

The push for context-sensitive, incremental and politically informed approaches has continued (Levy and Kpundeh 2004; Levy 2007). The realization that institutional and governance *forms* and appearances may overshadow actual *functions* or performance has informed both analysis (Harth and Waltmans 2007) and recent proposals for action (Andrews et al. 2012). This latest addition advocates, both convincingly and in some detail, a problem-driven iterative approach (PDIA) to enhance performance that encourages local experimentation and trial-and-error as opposed to grand reform designs (also discussed by David Booth, this volume). In particular, Andrews et al. (2012) warn against 'isomorphic mimicry' where organisations or states embark on reforms or change that will give them the apparent features of democracy, acceptable governance, decent public financial management, strategic plans etc., but where in reality they keep on functioning driven by underlying patrimonial and institutional logics that do not put a premium on performance. They thereby find themselves locked in 'capability traps', the way out of which is, according to the authors, to abandon 'best practice' solutions in favour of a focus on locally appropriate solutions to specific problems; to seek an 'authorizing environment' for experimentation; to have short feedback loops; and to involve of a broad range of local actors in the reform efforts, as opposed to a narrow set of 'experts'.

This approach is not seen narrowly as focused on 'capacity development' understood as (technical) improvements in the different parts of the 'machinery', 'organism' or 'ecosystem' of organisations or network of organisations. It focuses on solving performance problems, but on doing so in a manner that effectively builds on and strengthens the capabilities of local actors.

While Andrews et al. continue to see a space for aid agencies in the pursuit of such approaches, others have more reservations, arguing that donors have adopted an unfounded trust in principal agent approaches that overlooks the nature of the collective action problems that hinder performance and the application of the tools and tricks of traditional public-sector bureaucracies (Booth and Cammack 2013). They argue that donors may often do best by staying at arm's lengths, or at least working very differently. This has recently been summarized in the call on donors to work to support 'politically smart, locally led development'(Booth and Unsworth 2014). Booth and Unsworth find evidence that donors can contribute when they are politically astute, adopt iterative problem-solving and stepwise learning, and broker relationships to discover common interests. Notably, however, to scale-up the successful cases will require that donors abandon practices that assume development progress to be simple, predictable and deliverable from the outside.

Ole Therkildsen contributed to the issue in the same vein in 2012, when five major European research programmes issued a joint statement claiming that a fundamental shift in aid philosophy in the OECD countries is required, away from aid as principally a financial transfer and towards a clearer recognition of the role of institutions and the relevance of institutional change. These programmes argued that this would enable donors to pursue 'good fit' approaches by unpacking the political incentives and interest (Booth and Therkildsen 2012). The attempts to make political economy analyses 'actionable' for donors are also continuing at full speed (Batley, McCourt et al. 2012; Hudson and Leftwich 2014)

These newest insights, approaches and toolboxes for reform and capacity development are, however, additions only. The PDIA recognizes that it does not add significant new elements to what has been advocated rather incessantly over the last fifteen years. It is therefore appropriate to ask whether these renewed claims on donors to change their practices or even their fundamental philosophies are likely to have a greater impact than previous such claims, or whether there are some capability traps at other levels and places in the international aid system that impede the application of such politically informed, context-sensitive, locally led incremental approaches?

It's the political economy, stupid!

In 2004, Ole Therkildsen and I argued that 'donors must stand back from the actual (capacity development) process. They cannot force it, impose it, buy it or insist on it – but they can support it' (Boesen and Therkildsen 2004).

The reason why this continues to be so difficult for donors is, unsurprisingly, to be found in the political economy and context of donors and of the donor–recipient relationship. The political imperatives and incentives driving donor behaviour are based on a fundamental premise and mental model: external aid interventions, particularly money, can have a significant impact at the societal level relatively quickly. It is politically, and mentally, extremely difficult for donors (and their political masters, including taxpayers) to accept that context, domestic drivers and endogenous politics may matter more than aid, reducing donors to less significant – sometimes largely insignificant – players when it comes to reform and capacity development (Boesen 2009).

The asymmetrical nature of the donor–recipient relationship adds to the difficulties. Despite attempts to introduce a narrative of (purportedly equal) partnerships and the formal emphasis on the ownership of the developing partners, donors are the owners of their resources and tend to be as or more concerned about the 'proper' use of their funds than about the development results they may contribute to. The intergovernmental nature of state-to-state cooperation adds strong incentives on both sides to evade sensitive topics that can easily touch on sovereignty issues or be perceived as donors 'meddling in politics'. The fundamental assumption on both sides that development aid is desirable can in effect result in an implicit agreement not to rock the boat. Quite notably, development assistance is rarely or ever suspended or abandoned because it is deemed not to be reasonably effective – instead withdrawal is used as a sort of penalty on states that donors perceive to be behaving badly. In McCulloch's words, there are 'no sanctions for the quiet failure' of development interventions (McCulloch 2014).

Hout (2012), building on the relatively limited literature on the political economy of donors, argues in the same vein that donor staff form part of an 'epistemic community' that is motivated by the common endeavour to reduce or eradicate poverty and to empower the poorest parts of the population in developing countries. Hout finds that, although staff are concerned about the political contexts in which they work, they usually feel that they should not themselves be concerned with politics in their partner countries. Secondly, he also argues that, because results are difficult to measure and attribute to donors, given the complexity of development processes, the incentives for staff are built on whether they 'move money' and reach disbursement targets. It could be added that risk aversion – spending money according to targets without accompanying public scandals linked to corruption or accusations of 'meddling in politics' – is another fundamental incentive.

In a broader perspective, the political economy in donor countries leads to a 'development discourse' which is driven by purportedly noble intentions and associated global targets such as the Millennium Development Goals or grand claims to 'Make poverty history'. This epistemic community – or narrative – meets messy, highly contested spaces of power and influence in what are still in most cases recently emerged states where social contracts are weak and elite capture likely to be frequent, and where the basic narrative, thinly disguised, is chiefly about the preservation of power and the distribution of rents and perks. The isomorphic mimicry when these two narratives meet is, in unfair generalization, the pretence of a joint agenda of development with associated reforms and capacity development, a pretence that donors can and will adjust to the swinging rhythms of local politics and that their resources – money and 'best practice' expertise – are both welcome and effective as drivers of change.

Or, in the mainstream parlance that informed the Aid Effectiveness movement embodied in the Paris and Accra declarations (High Level Forum 2005, 2008), recipients committed themselves to lead and own comprehensive reforms, while donors agreed to play second fiddle and foot the bill. Both committed themselves, effectively, to things they could not deliver. Though the language of donors and recipients was replaced by the newspeak of 'partnerships' and 'genuine partnerships', the reality remained that of a doubly asymmetrical relationship. First, political realities in developing countries continued to be the basic driver of events that did not match the idealistic notions and discourse of development as a democratic and well-governed process 'on the road to Denmark'. Secondly, political realities in donor countries maintained the importance of the 'power of the purse', keeping strings attached that eventually sought to decide which tune the Southern partners should play.

There are, of course, exceptions to this bleak picture, as underlined by Booth and Unsworth, who refer to seven specific examples of aid agency interventions which successfully worked with the grain of local politics, and learned and adapted along the way with strong local leadership (Booth and Unsworth 2014). When dominant elite and donor interests coalesce and when the local leadership is strong, development, including capacity development, is surely happening. South Korea, Taiwan and an increasing number of Asian countries have witnessed such successes.

Moreover, the capacity of central banks all over the world, with a few sad exceptions, to manage monetary policy prudently, also results from the support of, for example, the IMF. There is at times, in areas and in countries a genuine push for reforms that at the same time address development challenges and respond to elite interests, and where donors can and do play a supportive role by making relevant knowledge and concessional funds available. But there is little reason to believe that the political economy realities in both the donor and recipient countries will make this more than the lucky exceptions.

Does this, then, imply falling into the 'cynical trap' that Ole Therkildsen and I warned so strongly against ten years ago? Yes, in some ways – the classic state-to-state aid that aims to build institutions to deliver countrywide public services in e.g. education, health and internal safety may indeed have come to the end of the road. But the world is changing, opening up new avenues for the continued relevance of a results-oriented approach to capacity development that balances naivety and cynicism.

Beyond aid: developing capacities to address shared challenges

The third Aid Effectiveness high-level forum held in Busan in 2011 heralded the decreasing importance and relevance of traditional aid, and effectively the end of the agenda of harmonized and aligned donor approaches which, through joint budget and capacity development support, seek to reform sectors and institutions, shaping them in accordance with the tenets of good governance and democracy derived from Western liberal democracies.

The impressive growth of African economies especially and the availability of finance and support that has fewer political strings and more trade strings attached – and the limited success of the Paris and Accra Agendas – explain this development.

But this beginning of the end of a period where developing countries were assumed to have the problems while the industrialised countries had the solutions is also the dawn of a new day for international collaboration, this time about shared global or regional challenges such as climate change, migration, environmental issues and global financial systems, to mention just a few. The growth-fixated notion of development that was born in the aftermath of the Second World War and the de-colonisation period is simply losing meaning as growth has led to global warming and other externality costs that threaten fundamental eco-system balances on the planet. The focus on financial investments (capital, infrastructure) as the primary vehicle for development is shifting towards recognizing that the social, environmental and economic components of sustainable development demands much more sophisticated institutional and governance frameworks. This adds to the relevance of the CD agenda, but it also raises the bar for what 'good enough institutions' have to deliver.

This, however, is only one of the major shifts that may again put the focus on capacity development in international collaboration. The other shift is the decreasing power of the system of nation states, which grew out of the last century, to address collective action challenges effectively. The Rio+ 20 conference held in 2012 is a case in point: governments were unable to agree on anything but vague commitments. On the other hand, major cities, private companies concerned with longer term survival and pension funds thinking fifty years ahead were keenly aware of the very concrete challenges they face, and they were both willing and able to put resources behind their drive for change.

The focus on public–private Partnerships, 'triple-helix' partnerships (research, public- and private-sector actors) and new configuration of citizen–state relationships also points to perspectives that look decisively beyond the traditional focus on the public sector as the dominant development actor. The Joint Statement from five research programmes (Booth and Therkildsen 2012) found that there will sometimes be scope for intelligent external facilitation of changes which allow multiple actors within sectors to pursue shared interests.

Combine this with the third characteristic new feature: the global challenges of today are typically complex, and they will not be addressed by single-discipline approaches, magic bullets or quick fixes of any kind.

These three elements – shared problems, multiple stakeholders and the relevance of multiple disciplines of science and knowledge – set the scene for the joint development of *collaborative capacities,* that is, the capacities to work across institutional, stakeholder and disciplinary boundaries.[2]

The national level bureaucracy is obviously still an important player here, but it is to be expected that other administrative levels – not least mega-cities, where political incentives can be shaped very concretely by citizen's frustrated expectations and where deficiencies in services or regulation can lead to upheavals of all sorts – will play an increasingly stronger role. In some regions this role may prove stronger than that of the weak states in which they are located.

Compared to traditional CD efforts, which were very much aimed at building a traditional Weberian nation-wide public sector, a push to strengthen collaborative capacities would first and foremost build on shared interests, often articulated in networks of the willing, rather than under the authority of a single power. Brokering such multi-stakeholder and multi-disciplinary networks and leveraging their power demand a different set of capacities than those of traditional public administration – including but not limited to co-creation and co-production approaches that draw on citizens´ involvement in a manner that goes well beyond what most traditional participatory development approaches offer.[3] Conflict resolution capabilities and attention to the network's wellbeing, combined with a strong drive for concrete results, are other likely parameters of successful collaborative endeavours.

This may, of course, sound like another fad – and a rather naïve one, at that – for what capacity development could focus on in the future as traditional government-to-government development assistance loses its relevance and weight. There are two main reasons to believe it may have a more promising future than the classic CD approaches where donors attempt, often very much hands-on, to address the problems of others.First, it is already happening. The Danish-instigated Global Green Growth Forum initiative (not to be confused with the Global Green Growth Initiative that Denmark also supports) is an example of such an approach that seeks to create a platform or network for driving green growth. It is run by industry, governments and global think-tanks, with a small secretariat in the Danish Ministry of Foreign Affairs.

Anecdotal evidence indicates that thousands of other such initiatives abound, local, regional and global. They are driven by ad-hoc structures, private companies, urban authorities, sector ministries or national authorities, and in general they are not emerging from the development business, nor are they being driven by development agencies.

Secondly, these initiatives are driven by shared interests. This may be the final defining difference regarding the future scene for collaborative capacity development: it will be driven by those with a stake in the issue, rather than by agencies with a mandate to assist others in solving their problems. This would in principle align incentives and facilitate a more symmetrical relationship and discourse: that we develop our capacities together, for the benefit of ourselves, and because we have a joint reason for doing so.

It is sometimes argued that poverty reduction – the altruistic, overarching and utterly abstract goal that has been and continues to be the mission of most Western aid

agencies – is in the self-interest of the donor countries, and that this produces the requisite alignment of interests between donors and recipients. This is, of course, nonsense: the poverty reduction agenda includes such a variety of issues that some are totally marginal to, for example, Denmark´s interests, while other parts may be essential. And poverty reduction, if it is a political priority, is not the only political priority, neither in donor countries nor in developing countries.

The purely altruistic mandate of aid agencies is currently being modified in many donor countries. The nexus with specific trade, (anti)migration and security interests is again coming to the fore. These are areas where negotiations, compromises, relative successes and the acceptance of failure are part of the standard business repertoire, in clear contrast to how aid agencies continue to invest in ever more rigid results-management approaches which are, by and large, totally deaf to the significance of disagreements, conflicts and continued bargaining and negotiating processes as essential and continuous ingredients of progress.

Collaborative capacity development does not provide a picture of a harmonious, collaborative world working peacefully together to solve global challenges. On the contrary, alliances and networks will collaborate to fight for their interests, and they will have their share of internal disputes and politics. But, unlike what happened in the development aid business, this can be openly acknowledged and dealt with in a setting where there is no reason to separate politics and development as two different discourses and views of the world. But that also may imply that the historic aid agencies, with their altruistic ethos, anti-political business processes and limitations as state-driven bureaucracies, may have severe limitations as brokers and facilitators of this more sophisticated capacity development of the future.

Perhaps the cautious optimism about cross-boundary, multi-stakeholder, collaborative coalitions for change is a naïve interpretation of current trends. However, this pays homage to what Ole Therkildsen and I tried to convey ten years ago: that there is a space between naivety and cynicism where politics and development do not have to fall apart. It is not the space of development cooperation we hoped for, but it could turn out to be a much more interesting and rewarding space to work in for the future. There may not be much space here for the traditional state aid agencies, but then, already in 2004 we argued that donors must stand back from the actual (capacity development) process. That seems a more promising approach than continuing to appeal to donors to be something they are not.

Notes

1 The list of evaluations and studies observing the limited effects of support to capacity and governance development is long. While noting the lack of positive evidence, many studies argue that it is simply difficult to know whether efforts have worked or not. Given that these comprehensive efforts at evaluation are so mute regarding broader positive stories, the argument that it may work but we just don´t know is hardly convincing. For major studies of the effectiveness of capacity development, see Berg 1993; Lopes and Theisohn 2003; Levy and Kpundeh 2004; World Bank 2005; World Bank 2008; Christoplos, Hedquist and Engstrand 2014.

2 UNDP has embarked on redefining its approach to capacity development in this direction; see http://www.worldwewant2015.org/CollaborativeCapacities

3 See http://nsworld.org/ for a presentation of a new synthesis of public administration in this broader sense.

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REFLECTIONS ON MALAWIAN CIVIL SERVICE REFORM

JAN KEES VAN DONGE

Ole Therkildsen's writings are closely related to social practice, but he is careful not to impose political opinions on his readers. He is above all a servant to the political process, and he has produced political analyses that bring out the implications of policies that have been adhered to, such as civil-service reform, rather than advocating policies from the outset. His work is reminiscent of the high standards that Harold Lasswell set for political science: if political scientists usurp the authority to make decisions, then democracy is in danger. Political scientists should limit themselves to clarifying the political process and the policy issues involved (Ascher and Hirschfeld-Ascher 2004). Yet, there is a clear concern in Ole Therkildsen's writings about the need for an effective state. This becomes evident, for example, when he is writing on the fragmented policy arena in Tanzania (Therkildsen 2000) or in his impressive overview of public-sector reform efforts for UNCTAD (Therkildsen 2008). This concern is particularly significant, albeit implicit, in the paper he wrote on the long-term involvement of aid embedded in structural conditionality in the recurrent expenditure of African governments (Therkildsen 2010). The latter paper raises the question of whether African governments may be too poor to provide the minimal government services required on their own, especially in the health and education sectors. This is closely related to issues in civil-service reform as this impinges on the right-sizing of government. It can also be seen as a question of political opinion. Whether the state or the market should provide services is a matter of political debate all over the world. It touches on the further question of power structures in society and is therefore a major subject for political analysis.

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However, unlike, for example, Kjær (2004), Therkildsen avoids an explicit political analysis. In his state of the art paper for UNCTAD (Therkildsen 2008), he gives a clear priority to following a technical pragmatic approach. Politics comes last and is intractable:

> More specifically, this report showed three things about the role of the state in developing productive capacities. One is that this role requires the strengthening of basic bureaucratic capacities through, for example, pay reforms, human resources management reforms and results oriented capacity development efforts. The second is that *specific* capacities are also needed, and that creating 'islands of excellence' in key organizations may sometimes be strategically relevant. Finally, domestic political power to define and implement reforms is crucial but there are no general recipes for how such powers can be strengthened. (Therkildsen 2008: 46–47)

Therkildsen's paper is pessimistic and notes widespread failure in attempts to reform the public sector. This is common in the recent literature, and the role of politics in this failure is variously interpreted. For example, Richard Crook wrote another impressive overview of public-sector reform in which he dismisses political explanations such as a 'lack of political will' or the 'inherent problems of neo patrimonialism' (Crook 2010). The challenge is, he suggests, to revive the morale of those who actually carry out the roles of service provision:

> After nearly 30 years, what results have these successive generations of public service reform achieved? Unfortunately, the general consensus to be found in both consultants' reports and in the academic literature is that their achievements have been extremely limited, even negative in some instances. My proposal is that governments and donors abandon overambitious, best-practice-based general PSR programmes and focus instead on the talent and commitment which already exists in Africa among hard-pressed middle and front-line service managers. They need to be encouraged by being provided with the resources, the staff and the pay which they need. (Crook 2010: 499)

Willy McCourt, on the contrary, gives a prime place to politics in his overview of public-sector reform: 'a growing body of literature [is] concerned with how governance and political factors may determine not only whether services are delivered, but also where, to whom, and how well' (McCourt 2012: 132).

> Empirical research on the politics of reform has demonstrated that reform leaders' ability to alter the political equilibrium of interests and institutions that sustains an existing policy depends on their ability to mobilise their constituencies (Grindle 2006). This is complicated by the fact that international agencies have often been important determinants of the balance of power between national elites and of the programmes they, at least nominally, follow. (Batley, McCourt and Mcloughlin 2012: 136)

This chapter also argues that more political analysis is needed to understand what happens to public-sector reform. That should add to understanding through building capacities, which is essential in Therkildsen's thinking and which is close to Crook's analysis as well. Yet, the kind of political analysis proposed, for example, in the volume edited by Batley et al. (2012) remains imbued by social and political engineering. This paper argues that questions on the ineffectiveness of states should be asked outside a quasi-technical framework. It advocates a methodological shift towards a form of analysis that does not necessarily result in recommendations for action, but does provide a general intellectual context through which to interpret what has been happening in civil-service reform.

In what follows, and drawing on reflections on Malawi's experience with civil-service reform, I shall argue that three kinds of analysis are needed. First, greater historical awareness is required. In Malawi, the civil service was quite efficient for several decades, and it was also small, contrary to general beliefs on the development of African states after independence. This has been overlooked in civil-service reform, and the question is what caused this efficiency to be lost. Secondly, the neo-liberal ideology behind much thinking on the state in Africa needs to be more critically analysed in respect of its internal consistency. Analysis of the major policy document setting out civil-service reform in Malawi shows that the ideology underlying this reform was fraught with assumptions that bear no relation to reality. A critical analysis of the ideological content in some civil-service reform needs a much more detached view of the assumptions that have been made regarding the nature of markets and motivation. Thirdly, there is need for more reflective sociological analysis. When it comes to civil-service reform, such analysis has remained stuck in stereo-

typical thinking about patrimonial systems and patron–client relations, as well as in more pedestrian thinking about issues of leadership and political will. The issue of civil-service reform has become prominent again after relative inactivity in the past decade. The reason for this is 'cashgate': a massive case of theft by public servant. This revealed important insights into the power structure surrounding the civil service which necessarily leads to a confrontation with civil service reform. Finally, there is a call to study this destructive behaviour in order to see what moves people to behave like this.

The civil service from Malawian independence to democratisation in 1994/95: a relevant historical narrative

Very soon after democratisation in 1994, a seminal piece of policy advice was given to the Malawi government by the Harvard Institute of International Development (Rotberg et al. 1994). The advice was in line with the general analysis of Africa's problems since the publication of the so-called Berg Report (World Bank 1981). Since independence, the economy was said to have been choked by a parasitical, overgrown government that was overregulating the economy. These ideas were reflected in a report on the pay and conditions of the civil service under the chairmanship of a High Court judge, Leonard Chatsika, which argued for a better paid but much smaller civil service (Chatsika Report 1995).

At first sight, the growth of the Malawian civil service seems spectacular when looked at in absolute numbers: 'From a modest staff strength of just over 10,000 at independence in 1964 it had increased to over 40,000 by 1985 and to about 110,000 ten years later' (Adamolekun and Mvula 1999: 281). The Economic Reports of the Malawian Government mention that in 1985 the civil service comprised 46,379 established posts, including the teaching profession, police and defence forces. By 1991 this had grown to 66,248. The civil service census counted 112,975 civil servants in 1995. The following year the figure had grown again to 127,293 (GOM 1986: 67; 1992: 71; 1996: 83; 1998: 75), since when government publications have ceased issuing any figures for the size of the civil service.

This growth becomes less spectacular when it is expressed as a percentage of the general population. Table 1 shows the proportion of total government employees from 1971 to 1991 as a percentage of the total population, a formula that indicates very slow growth indeed.

Table 1. Relative size of the Malawian civil service

Year	Civil service as % of total population	Civil service as % of paid employment
1971	1.1	31
1977	1.2	22
1982	1.1	24
1987	1.4	22
1991	1.3	22

Source: National Statistical Office, Malawi, Monthly Statistical Bulletins

This trend continued even towards the end of the 1990s (1998) when the ratio rose to 1.5, despite a growth in absolute numbers and a small growth in relative numbers. Malawi had, even by African standards, a small civil service. These percentages also show that government employment in Malawi did not grow disproportionately in comparison to private-sector employment either (Table 1).

Malawi is much more typically a Sub-Saharan economy when we shift our attention from human resources to finance. In 1996, the central government wage bill in Sub-Saharan Africa overall was estimated at 5.8 per cent of GDP (Goldsmith 1999), the same as in Malawi during 1995, when the Chatsika Report was written. Central government expenditure as a percentage of GDP in 1995 was also similar to that in the rest of Sub-Saharan Africa, being 27.9 per cent in Malawi and 25.8 per cent for Sub-Saharan Africa as a whole (Goldsmith 2000). This illustrates Malawi's small resource base: a similar proportion of GDP pays for a much smaller civil service in Malawi than elsewhere in Africa. The poorer a country is, the more expensive its civil service becomes. Yet, a comparison of government expenditure as a percentage of GDP over time does not show a parasitic increase: the share of government in Malawi's GDP hovers all the time at around 25 per cent (Table 2). Indeed, the myth of the overblown state in Africa generally has been convincingly dismantled by Schiavo Campo (1998).

Table 2: Government's share of Malawi's GDP at factor cost

Year	Percentage	Year	Percentage
1985	25.7	1991	22.5
1986	30.3	1992	27.9
1987	26.8	1993	24.5
1988	24.4	1994	32.2
1989	23.6	1995	27.9
1990	23.5		

Source: Financial and Economic Reviews of Reserve Bank of Malawi (1995, 1996)

The type of civil service and its relation to society in the years before democratisation in 1995 therefore deserve to be studied outside the stereotypical view of the African state since independence. This needs qualitative historical research especially, because this small state was considered to be very efficient. There is much debate about the repressive nature of the Banda period, but there is remarkably broad agreement on the efficiency of the civil service in those years. For example, Joseph Hanlon, an observer with little sympathy for the Banda regime, nonetheless wrote:

> However, Banda has built an honest and efficient civil service. Hiring and promotion are rigidly meritocratic through difficult written examinations, and Banda is ruthless with any civil servant abusing his or her position for gain or influence. (Hanlon 1988: 236)

Dr Goodall Gondwe is a more recent voice on this subject. He is one of Malawi's most distinguished economists and was a highly respected Minister of Finance from 2004 to 2009, a post he returned to in 2014:

> Speaking to a very attentive parliament, Gondwe said that it was disheartening that the Malawi civil service has crumbled down to a headless train, when it was rated as Africa's best in the 1970s. But today when we have the highly qualified civil service whereby four out of five civil servants is a professional, it is disheartening that it is not performing. (*Malawi Voice Reporter* 2013)

Peter Mutharika won the recent Malawian general elections and put civil-service reform back on the agenda with a reference to its past efficiency:

> President Prof Peter Mutharika has given the newly appointed Civil Services and Public Services Reform Committee 90–180 days to report on progress made in the revamping of the Civil and Public Services. 'At one time Malawi's civil service was the best in Africa but that glory is no longer there,' said Mutharika. (Magombo 2014)

Scholarly attention has also been paid to the Malawian civil service and its role in development. For example, Durevall and Erlandsson (2005) distinguish a period of decline in the Malawian civil service preceding democratisation. I agree that Malawi's development strategy then reached its limits, but in my experience that did not lead to a decline in the efficiency of the civil service. For example, the state marketing agency, ADMARC, continued to buy efficiently and to pay cash on delivery to farmers. That was highly unusual in Africa. We need studies reporting on the Malawian civil service from the inside to get a grip on those historical realities, which are also absent from explanations cast strongly in terms of European and American social science, such as patrimonialism and the developmental state (Anders 2009; Cammack and Kelsall 2010). It would be more enlightening to hear a story from within. For example, Cammack and Kelsall (2010: 13) refer to an interview Cammack and Osman with a former Secretary to the President and Cabinet (SPC) (conducted 19 January 2010, in Blantyre, Malawi). The former secretary talked highly about the quality of the civil service in the period before democratisation, but there must be more information to be had from such interviews: how did the civil service actually function, and what was the nature of the changes that led to its later deterioration?

The need for better political theory: confronting neo-liberal ideology with empirical realities

Civil-service reform was introduced in Malawi in 1995 in a very neat policy document, the Chatsika Report (1995). It was instituted against the background of a demand for more pay by the civil service. However, its remit was much broader: to advise on a systematic policy with respect to civil-service remuneration and therefore the role of the civil service in society.

Competition was the central principle adopted by the Commission, with the supply and demand of scarce skills being a primary concern. High rates of pay for some

professionals – doctors, lawyers, engineers, architects, quantity surveyors, accountants, auditors and traffic controllers – were therefore deemed necessary to stem the drain to private and parastatal sectors, or to other countries (Chatsika Report 1995: 8, 23, 41). There were also major discrepancies in pay between these sectors in the senior managerial ranks. The salary of the top civil servant, the Secretary to the President and Cabinet, was only one tenth that of the highest paid manager in the parastatal sector. Nor did top civil servants enjoy fringe benefits such as free housing, a company car and payment by their employer of water, electricity and telephone bills and city rates, which their colleagues in other sectors enjoyed (Chatsika Report 1995: 10, 11, 12).

Salary differentials providing incentives for competitive performance were also being eroded within the civil service, with salaries over time becoming more and more compressed. It followed that 'Little attention has been paid to the need to use salary differentials as a positive tool to motivate officers to work hard' (Chatsika Report 1995: 6). The competitive context made this an even more pressing issue: 'Unlike in the parastatal and private sectors, salaries between grades are too close in the government' (Chatsika Report 1995: 8).

This seemingly neat reasoning assumes a very simplistic view of motivation and of the working of markets. The Chatsika Report sees great problems in relation to motivation: 'Many people in the civil service report late for duties, knock off early, stand idle, do other tasks' (Chatsika Report 1995: 9). However, it assumed a simple linear relationship between reducing the size of the civil service, increasing remuneration and improving performance. This is at odds with the considerable literature on organisation theory. Studies of organisational behaviour have argued forcefully that, when a certain number of basic needs are satisfied, there are factors other than money which stimulate people to perform well (Herzberg 1966; Likert 1961; Maslow 1970). The possibility that the motivation to work in the public sector may differ from the motivation to work in the private sector is not entertained either. Therkildsen and Tidemand (2007; 47-56) found in a wide-ranging survey among Tanzanian and Ugandan civil servants also that the motivation of civil servants is much more complicated than a simple linear relation to remuneration would suggest. Motivation in the private sector may also be more problematic than the report assumed. The private sector in Malawi indeed pays high salaries for scarce skills – for example, financial controllers – but this does not deter such employees from spending considerable time on their own private concerns. The problem of accepting organisational discipline may occur more widely than in the public sector alone.

The Chatsika Report assumed a homogeneous labour market and therefore a perfect mobility of skills. However, a look at differentials between different branches of industry, including within the private sector, suggests that Malawian labour markets are segmented. One stark comparison of inequality: the lowest average monthly earnings in 1995 were found to be in agriculture, forestry and fishing (MK 67.87), while the highest monthly earnings were obtained in financing, insurance and business services (MK 1,160.40) (GOM, various dates). Not only may markets be segmented, but it is also questionable whether one should stick to competitive rates on other grounds. The comparison with private enterprise makes the international market in skills the reference point: this is a highly competitive labour market to which few Malawians would gain entry. Comparison with rates of civil-service pay in other poor countries would have resulted in different judgements. For example, in comparison with the remuneration of high-level civil servants in a number of poor countries studied by Hirschmann (1999: 297) – Cambodia, Mongolia, Tanzania and Mozambique – the Malawian civil service is well paid.

This neat reasoning also makes assumptions with respect to the differences between higher and lower levels of staff. Reducing the size of the service is a major theme throughout the report: 'Government should maintain a small, but efficient civil service' (Chatsika Report 1995: 9). This reduction should, however, take place first among the junior staff. The civil service was most bloated among the huge numbers of lower employees. They are considered superfluous, and this entails the judgement that they are not working. The subtext here puts a low value on the people on the frontline as compared to those in functions removed from it. Senior ranks could view themselves as included by nature in the performance-driven, small, and efficient civil service. By contrast, there is no competitive reasoning with respect to the lower staff: they are supposed to be freely available at almost any price. According to the Chatsika report, however, their remuneration needs to be raised as well.

At this point the Commission suspended considerations of competitiveness and switched to considering different motivations for high performance. 'The current levels of salaries – especially for the lowest grades – are not adequate when the cost of living is concerned' (Chatsika Report 1995: 8). If people in the lowest ranks could not subsist reasonably on their salaries, then they could not be expected to be motivated to work. This could be funded out of savings made through right-sizing. It was therefore proposed that the salaries of the lowest grades should be doubled. 'The commission is convinced that once the civil service is trimmed to the right size, government can afford to pay the cost of living related salaries to the lowest paid' (Chatsika Report 1995: 43). However, according to the report, the wage bill for the lower level employees – where most of the cutting was supposed to be done – does

not add up to more than 10% of the total expenditure on wages and salaries. The policy's bias towards the higher echelons led, as can be expected, to elite capture (Durevall and Erlandsson 2005). However, when we consider output, the lower ranks seem to be crucial. Crook and Ayee (2006) demonstrated in a Ghanaian case study that effective public-sector reform is dependent upon the lower and middle echelons in the organisation:

> In much of the discussion on moving to an 'enabling' state, the necessity for public organisational change, particularly in the capacity of basic or front-line officials to adapt to regulatory and more client-responsive roles, has been relatively neglected. (Crook and Ayee 2006: 20)

One logical question is avoided in the Chatsika Report: what should the government do? It is reasonable to ask how many people are needed to carry out particular tasks. The report recommends a study to rationalize the Malawi government in order to realize savings. However, there are wider questions, such as whether the government should provide education and health as part of basic needs in society, or whether it should be proactive in creating infrastructure to attract investment.

Given the unrealistic foundations of the exercise, civil-service reform was bound to fail in Malawi. These assumptions were fairly common elsewhere. More thought is needed regarding motivation, the nature of labour markets, the actual output of government workers and the actual tasks of government. What is needed is a revival of approaches stemming from social and political theory that is grounded in a philosophical approach.

The need for more sociological analysis surrounding civil-service reform

Some of the reflections above date from 1995, a long time ago, and have become common since then. For example, Durevall and Erlandsson (2005) ask why the attempts at civil-service reform have not produced results. They mention the history of a once efficient civil service and the fact that Malawi had actually a small civil service that could not easily be reduced. Performance contracts for senior civil servants are the only element of reform that has been carried out. However, these innovations amount to nothing more than granting these officials a huge pay rise, as performance appraisals were not carried out. They therefore conclude, rightly, that civil-service reform in Malawi is an example of elite capture. This cancerous situation is a logical outcome of the elite bias analysed above. Given this bias, it is not

surprising that this elite capture led to labour unrest, culminating in a massive civil service strike in 2013. The strike ended in February of that year with a 61 per cent pay rise for the lowest paid and a 5 per cent pay rise for the highest paid (Nyassatimes 2013), a reflection of the protest against the growing inequality inherent in the policy.

Civil-service reform has thus been embedded in political struggles and has been hijacked by a power elite. The extent and nature of this elite have become visible in the cashgate scandal. This became apparent in a bizarre sequence of events that to date is still not clear. Central to these was the shooting of the budget director, Paul Mphwiyo. This was the occasion for, or occasioned by, a police enquiry that revealed huge stacks of cash that had been kept out of the banking system and were found under pillows or in car boots. The government commissioned an enquiry by the accountancy firm, Baker Tilly, which was paid for by the British Department for International Development. The enquiry concluded that the equivalent of US$ 30 million had been siphoned off from the government, partly through outright theft, and partly through paying for contracts that had simply not been carried out.

Baker Tilly's enquiry revealed networks in which the civil service played a central role. A small group of people signed most of the cheques that were issued without any consideration:

> David Kandoje was the Accountant General, Auzius Kazambo Mwale was a Director in the Accountant Generals Department, Roosenelt Ndovi was a Principal Accountant and Agness Kapokosa was an Accountant. (Baker Tilly 2014: 40)

The report also uncovered a complicated web of relations between civil servants, politicians and bogus companies. For example:

> Mkhuzo Bandula James Chirwa was a Senior Quantity Surveyor with the Ministry of Lands, Housing and Urban Development in Lilongwe and also the proprietor of Zozama Civil Engineering Contractors. Zozama Civil Engineering Contractors received MK 131,224,494 from the GoM but did not provide any goods, services or works in return. Steven Mwenitete, the owner of Sky Civil Engineering states he received cheques from the Ministry of Local Development and Rural Development via 'Mr Chirwa', he then met Yohani Kaweche, the owner of Mundikhumbengi

> Building Contractors in Mzuzu where he witnessed receipt of over MK 7m cash and four cheques for between MK 7m to MK 8m each noted as 'pay cash' to be taken back to Bandula Chirwa. The name Bandula Chirwa is a similar name to Mkhuzo Bandula James Chirwa.
>
> Mundikhumbengi Building Contractors' bank statements show four cheques totalling MK 28,500,000 were cashed between 13 and 24 September 2013 with all proceeds withdrawn by Yohani Kaweche. Steven Mwenitete states the cash was then handed over to Hussein Chaphazika, a Receiving Officer at the Accountant Generals Department. (Baker Tilly 2014: 68)

Cashgate is important from the perspective of civil-service reform because it arose as part of a project to improve the functioning of the civil service. With donor support, there was an important and sensible attempt to introduce a computerised financial information system. If that functioned properly, it would make non-authorised payments visible. This attempt gave rise to massive resistance and obstruction. The attempt at reform in fact gave rise to more stealing from the government: the people at the centre of the scam were the people who knew best how to obstruct the system.

This raises questions about how the people engaged in these practices think. These social practices have to be understood and not merely portrayed as aberrations. This raises questions about the life-worlds – the social interpretations of the world – that underlie such behaviour. It is in the first place social behaviour, and that requires a shared set of ideas (Berger and Luckmann 1966). Throughout Africa we find court cases and commissions of enquiry into such affairs: these should be studied in order to gain insight into the environments within which civil-service reform founders. Such studies can provide us with a broader sociological and political analysis that produces greater understanding of the failure of technical advice.

Conclusion

Civil-service reform had been on the backburner in Malawi in the past decade, but that has now changed. After his inauguration Peter Mutharika, the recently elected president of Malawi, immediately used the language of civil-service reform. More than that is required, however. Problems of theft impact on the effectiveness of the state, but these are problems of politics, power and control. The cashgate scandal illustrates in the first place that the question is not whether there are controls, but whether they are effective. Tackling this requires power politics: the president will have to mobilise a group of people who are willing to police the civil service if stealing is to be contained. That is difficult, as it is dangerous to come too close to stolen money. It requires building a narrative that brings trust back into government. The kind of research suggested above may be helpful in doing this, but it cannot replace the skills of politics.

Stressing the practice of politics in this way may lead readers to believe that the technicalities of civil service reform are futile. That would be wrong. The reflections above do not belittle these efforts. Above all other considerations, appreciation of the need for an effective state is the major theme of Therkildsen's work. The quest for more historical studies implies that an effective state is possible. The quest for more sophisticated thinking about motivation, labour markets and the state implies searching for a positive role for the latter. More sociological analysis from below will make it possible to define the problem better. It can create an awareness in which the basic bureaucratic capacities which are of such concern in Therkildsen's work acquire meaning. There continues to be a great need for people to work on this theme despite the difficult circumstances.

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FOR ANY SEASON? NEOPATRIMONIALISM'S INABILITY TO EXPLAIN PUBLIC MANAGEMENT IN AFRICA

LARS ENGBERG-PEDERSEN

Neopatrimonialism has been the dominant approach to the understanding of public management[1] in Africa the last three decades. Taking his point of departure in Max Weber's ideal types of authority, Christopher Clapham described neopatrimonialism as 'a form of organisation in which relationships of a broadly patrimonial type pervade a political and administrative system which is formally constructed on rational-legal lines' (1985: 48). Patrimonial relationships exist between particular persons for social, political or economic reasons – they are not rule-regulated relations between office-holders and citizens – and, according to the neopatrimonial view, they produce a form of public management in Africa that is used for private purposes, not for the public good.

Based on a two-year posting to the Home Office in Burkina Faso, this article reflects upon public management in the Ministry and on its relations with donors in the context of decentralisation reform. It builds on Ole Therkildsen's analyses of public administration in East Africa, his attempt to explain its development and his discussion of neopatrimonialism as the foundation for understanding it (Therkildsen 2000, 2014). New Public Management and neopatrimonialism have been criticised for their attempts to create an understanding of public management for all seasons (Hood 1991; Therkildsen 2005). This paper goes on to argue that neopatrimonialism does not offer much explanation of any season in the Burkinabè public administration.

There are three fundamental problems with neopatrimonialism. First, it has been used to explain 'African exceptionalism' in that it conveys the message that neopatrimonialism exists primarily in Africa and is ingrained in African institutions and culture (Chabal and Daloz 1999; Bratton and Walle 1994). As such, neopatrimonialism

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is seen as a major factor explaining why the continent has failed to create developmental states and why progress there has been stalled for so many years. This way of viewing 'the African other' has always provoked Ole Therkildsen, and together with others he has criticised it (Therkildsen 2005; Mkandawire 2001, 2013).

Secondly, neopatrimonialism is used to provide a description and an explanation of public administration all over Africa, at all levels and across all sectors. In other words, it is an account of African public management for all seasons. This makes it difficult to explain performance differences in public management and 'pockets' of effective agencies (Leonard 2008). Moreover, it is associated with the problem, clearly identified by Ole Therkildsen (2005, 2014), that neopatrimonialism is often assumed rather than observed partly because neopatrimonial ideas are difficult to translate into concrete propositions. For instance, both increases and decreases in public-sector salaries can be explained with reference to neopatrimonial arguments about rewarding civil servants or lowering taxation respectively (2005: 39-40).

Thirdly, neopatrimonialism is presented as being in contradiction to a rational-legal, effective bureaucratic culture. Public administration in Africa is conceptually understood as situated within a dichotomy or on a continuum between these two extremes, and there is no room for any alternative factors that might explain the performance of public administration. Ole Therkildsen highlights many such factors, including 'important motivations of political and bureaucratic elites such as nationalism, professional integrity, gaining a political following through service provision, public demand for accountability, etc. [and] key structural features of poor African countries, for example the deep fiscal stress facing public organisations; distortionary tax systems; dependence on a few primary commodities on volatile and distorted export markets; donor influence; etc.' (2005: 49). Yet, one may obtain the impression from his writings that he accepts the binary approach to public management when he writes: 'Elements of patrimonial and legal-rational bureaucratic domination coexist [and] the two forms of practices penetrate – and may reinforce – each other under certain circumstances' (2014: 124-125).

To me, the conceptualisation of public management in Africa as a dichotomy or continuum between rational-legal and patrimonial practices is deeply unsatisfactory, not so much because of its Eurocentric normative perspective, but more importantly because it creates a conceptual straitjacket for the understanding of public management in Africa in which alternative explanations are eliminated. In this view, observed action can only be categorised as indicating either rational-legal or patrimonial practices. Instead, this article is inspired by the 'institutional logics' variant of organisational institutionalism, in which different, central and potentially contradictory societal institutions shape the repertoire of practices and the meanings that actors attach to their actions (Friedland and Alford 1991; Thornton, Ocasio, and Lounsbury 2012). This allows for a more open interpretation of the observations of Burkinabè public management than a neopatrimonial approach would accept.

The aim of this article is to outline the multitude of different factors that influence public management in the Burkinabè Home Office without pretending to establish any coherent explanatory framework. Such factors include financial scarcity, an organisational culture working against the delegation and dissemination of information, the political concerns of the ruling party, turf wars among ministries, capacity constraints, the personalities of central decision-makers, external shocks, etc. Neopatrimonialism may address some of these factors, but always in a perspective that emphasizes the search for private gains from public management. Moreover, the article reflects on the inability of donors to understand public management and decentralisation in Burkina Faso. This inability may be explained largely by the technocratic approach to development that donors adopt, and it has significant bearings on the scope for donor support to civil-sector reform.

Decentralisation and its context in Burkina Faso

The political history of Burkina Faso since Independence in 1960 oscillates between top-down approaches and social dialogue. In its first twenty years as an independent state, the country experienced civilian and military governments succeeding each other, generally without much bloodshed. However, the 1980s saw a number of military coups, including a bloody one in 1987 in which the charismatic leader, Thomas Sankara, and twelve collaborators were killed and Blaise Compaoré seized power. Although Compaoré subsequently won democratic presidential elections in 1991, 1998, 2005 and 2010, his power has continually been inhibited by the unsolved assassination of Thomas Sankara. In October 2014, Compaoré was finally ousted in a popular uprising.

Like most other African countries that were affected by the democratic wave of the early 1990s, Burkina Faso began considering how to extend democracy to local communities through a process of decentralisation. A National Commission on Decentralisation was established in 1993, and in 1995 local elections were organised in 33 urban municipalities. The Commission reflected thoroughly on the process of decentralisation to rural areas and considered at one point facilitating the bottom-up creation of Local Development Communities by rural dwellers (Engberg-Pedersen 2003: 24-26). When the Commission finally tabled its proposals for a set of laws in 1998, however, this idea was abandoned, and decentralisation was, moreover, only

envisaged to include the main village in each of the three hundred departments, and not any other villages or rural areas. Originally, it had also been suggested that party politics should be excluded from the Local Development Communities, meaning that the presidential party could not control these entities, but this was not reflected in the final proposal. In other words, top-down approaches had defeated the attempt to create social dialogue.

In 1998 another significant event took place when the journalist Norbert Zongo and three companions were killed on a deserted road. In his weekly, Zongo had for several years investigated and ruthlessly criticised a number of dubious affairs associated with the president. Zongo's killing created a public outcry, and a protest movement calling itself 'Enough is enough' (*Trop c'est trop*) emerged. For several years, this incident came to determine Burkinabè politics, with the protest movement organising rallies, strikes and an 'independent' investigation, while the regime established an official commission, arrested opposition leaders, reorganised the security forces, created an Assembly of Wise Persons, formed a government of national unity and instituted a Day of Pardon – all in an attempt to manage the national crisis (Hagberg 2002).

Notably since then, a decisive issue in Burkinabè politics has been whether Blaise Compaoré could stay in power. According to the 1991 Constitution, a president may occupy office for two consecutive terms of seven years. However, the term of office was changed to five years in 2000, and the Constitutional Council, the majority of which is appointed by the president (Loada 2010), decided in 2005 that the change enabled Compaoré to run for two more terms, of which the second was due to come to an end in 2015. In December 2013, Compaoré announced a possible constitutional change permitting him to run for president again. This was received with the largest protest demonstration in the country for years, and leading members left the presidential party. One reason why Compaoré wanted to continue his regime may be that otherwise he faced an uncertain future of court cases. His regime, more than 25 years old, had clearly skewed the balance between centralism and dialogue too much in favour of the former, and the struggle against impunity has taken substantial root in Burkinabè society.

In the context of the electoral boycott by the opposition parties, the second round of local elections was organised in 49 urban centres in September 2000. Compared to the neighbouring countries of Niger and Mali, Burkina Faso was moving slowly forward, hesitating to take the decisive step in terms of decentralising power to the countryside. While there may be understandable reasons for this, given especially the poor economic situation of the country, politically it seems that conditions were

not conducive for substantial democratic reform in the early 2000s. The regime was not interested in rocking the boat. Both national and local elections were decisive moments of struggle, and the presidential party did its upmost to eliminate any opposition (Loada and Otayek 1995). So, as long as the presidential party's leadership was uncertain about whether it was able to control the countryside, municipalities in the rural areas were not going to be established.

Manoeuvring in Burkinabè public management

I started working as a technical adviser in the Home Office (*Ministère de l'Administration Territoriale et de la Décentralisation*) in March 2004. The post was financed by Danish official aid, which had supported the decentralisation process since 1993. Deploying an advisor was, however, a new initiative, probably reflecting a certain impatience with the process in the Danish Ministry of Foreign Affairs, as well as an inability to understand what was going on. From the Burkinabè point of view, I was accepted in order to accommodate the wishes of a donor and then placed next to the French adviser who, however, differed from me on three points: he represented the former colonial power, he managed economic resources, and he mastered French eloquently. As such, I constituted less of a threat and was probably viewed as a curiosity who had to be entertained for reasons of politeness. I, on the other hand, had the ambition to engage in the work of the ministry, supporting the decentralisation process as best I could and trying to view the cooperation with donors from the Burkinabè side. This significant mismatch of expectations took its time to become reasonably straightened out, and yet, even when I left the ministry in May 2006, the different expectations had not managed to result in a fruitful symbiosis.

The Home Office is a peculiar ministry in that the administrative leaders of regions, provinces and departments refer to it. These civil servants constitute the backbone of public administration and state power in Burkina Faso, playing a significant role in maintaining law and order, solving social disputes, overseeing development activities and coordinating public management within their geographical jurisdictions. As they are appointed at cabinet meetings presided over by the president, they are also the representatives and main actors of the president locally. They are decisive pieces in what I have described as the social fabric of rulers and ruled in rural Burkina Faso (Engberg-Pedersen 2003: 15ff). Delegating the implementation of decentralisation to this ministry reflects the ambiguous approach to the subject in the early 2000s. Historically, the Home Office has been preoccupied with security and with controlling the national territory. Thus, putting the ministry in charge of a reform that was likely to undermine its power amounted to letting the fox guard the henhouse. On the other hand, without having this ministry on board, the process of

decentralisation was hardly going to succeed. Still, it is difficult to view the decision as anything but a strong political signal that the creation of local government bodies should proceed with caution.

However, the Permanent Secretary (PS) was an enthusiastic man who clearly wanted to take decentralisation forward. Possibly because he had participated in my appointment, I had fairly easy access to him, but he did not have any clear idea about what he wanted from me. My job description did little to identify the work I was to do, and subsequently I began to supply the PS with notes on different aspects of the decentralisation process. I also started cultivating a close relationship with the planning and study department in the ministry, assuming that it had a central role to play in concretising the decentralisation policy.

Institutionally, the implementation of the decentralisation process was not organised in any simple manner. The National Commission on Decentralisation, which had been relatively well funded by donors in the 1990s – funding that had dried up – was still in existence and was expected to play an active part in shaping decentralisation. The Commission was first attached to the Prime Minister's Office, but it was later transferred to the Home Office. Within the Commission, two departments were responsible for local government investments and capacity development respectively, and they had been the primary implementing units in establishing the urban municipalities in the 1990s. Thus, practical experience with decentralisation was located in a weakened institution, while formal responsibility was assigned to an institution with an ambiguous relationship to the process.

One reason why the Commission was not abolished entirely was undoubtedly its support among donors, who were suspicious of how the Home Office might take charge of decentralisation. Although the donors themselves had argued for a more institutionally integrated management of the implementation process – given that the Commission had finalised its primary task of reflecting upon and conceiving Burkinabè decentralisation – the mid-1990s dynamism of the Commission saved it from closure. An indication that the Commission was not being kept alive to preserve jobs for neopatrimonial reasons is the fact that all its leading members left it when its significance started to decline. In view of its history and institutional position, however, the Commission was superior to the planning and study department in the Home Office, and this weakened the administration's ability to take charge of the process. The combined effects of Burkinabè politics, including a challenged president, and donor pressure had produced a situation of institutional confusion which contributed to the slow implementation process.

Above I have talked about departments, as this term appears to be the most correct one, given the organisational chart of the ministry. However, the planning and study department consisted of a newly arrived director, a secretary and later a graduate from the university. They were squeezed into two offices measuring 15 m2 each, including archives, and their ability to print depended on donor funding. Like quite a number of Burkinabè intellectuals, the director was eager to change his country and wanted to contribute to implementing the decentralisation process. However, to his annoyance his office was often occupied by visitors trying to promote this or that cause. Likewise, the two implementing departments of the Commission were no longer staffed by more than a few individuals. A Canadian adviser was still attached to one of them, but he seemed to have been forgotten, as he did not do much work any longer. The working hours of the directors and the capable staff in the Home Office always included Saturdays and often evenings. This had become such an ingrained practice that I was once asked what I did on Saturdays, as I was not in the office.

Partly due to capacity constraints and the institutionally confused organisation of the implementation, managing the process was concentrated in the PS's office and was completely dependent on his initiatives. He had gathered a small team of young people together to write a draft bill to get the rural areas included in the decentralisation. However, everything had to go through him, and he was extremely bogged down with work. The queue of visitors, including donor missions, practically never disappeared. Although my office was located just across the corridor from his, it could take days to find a calm moment when I could get to talk to him. A number of these visitors undoubtedly came to promote private interests, and some may have succeeded, but the primary interests of the PS and the Director of Planning were closely associated with furthering the process of decentralisation. Despite the difficult conditions, by the end of 2004 the ministry managed to draft a new bill to replace the one from 1998 which had stopped short of extending the decentralisation to the rural areas. The bill was adopted by the cabinet and the parliament, allowing for rural municipalities alongside the urban ones and creating local governments at the regional level as well. It also specified the responsibilities that were to be transferred to the various local governments. The bill was a major step forward, though it did not stipulate the resources with which local governments should carry out their tasks. One and a half years later, in May 2006, a second bill determined this issue.

A major challenge was to get the different line ministries, notably the ministries of health and education, to accept that local governments should have authority in their fields. The line ministries were worried that ignorant and illiterate peasants should influence the services they provide, and they saw the decentralisation process as a loss of control. However, both for obvious democratic reasons and to put

some content into the new local governments in the context of the extreme scarcity of economic resources, transferring existing activities from the state to the municipalities and the regional governments was inevitable. The PS adopted a strategy of facilitation to get the line ministries on board. He managed to get all the Permanent Secretaries of these ministries, including the one in the Ministry of Finance, into the same room outside the capital, and then he virtually disappeared, leaving it to the others to come up with a result in the seminar. The PS of the Ministry of Finance took control, and the strategy succeeded in the sense that the line ministries agreed to establish a division of labour with the local governments. My PS later informed me that, had it not been for the relatively flexible Danish support, there would have been no funds for organising the seminar, which he believed to be a turning point in the implementation of the new law. Undoubtedly, per diems were paid to all the participants, but the budget of the meeting would hardly have financed one single participant for a two-day course by the Danish union for lawyers and economists.

The scarcity of financial resources available for implementing the decentralisation process came out clearly when the Home Office organised an information campaign ahead of the local elections in 2006. Given the high level of illiteracy in the countryside and the novelty of decentralised policy-making, there was an obvious need to inform rural dwellers about the responsibilities and functioning of local government bodies. One would think that a meeting in many, if not most, of the 7-8000 villages in the country would be necessary to reach most voters. However, funds did not permit more than a two-day meeting in each of the three hundred departments, which have on average between 15,000 and 30,000 inhabitants each. At these meetings, a maximum of a couple of hundred notables and community leaders took part and were then expected to disseminate the information in the villages outside the departmental capital – an expectation which, to put it mildly, was rather optimistic. Community-based organisations and other associations also participated in the campaign, but they did so unevenly across the country, meaning that some departments were left with just one official meeting.

The dialogue with the group of donors that were interested in decentralisation constituted another challenge. One problem was that the donors could not agree on much, and each ran their own programmes. Even sharing information about their respective activities was difficult. Some supported specific regions, others had no faith in the Home Office and wanted to go through the National Association of Local Government, and yet others tried to support the national implementation process as the Burkinabè government had organised it. In the last group there were also diverse views, for instance, on how to organise financial support for the investments by local government bodies. However, these donors agreed that they wanted an implementation plan before they would commit themselves to anything, and since this plan kept waiting to materialise, many of them expressed deep frustration with the Home Office. Interestingly, the donors seemed to have had no understanding of the difficulties and the step-by-step nature of the process. Their frustration reflected a view of decentralisation as a technical exercise, not a political one fraught with different interests and power struggles, nor did they realise the capacity constraints that were hampering the process. Expecting one document with detailed descriptions of financeable activities implementing all aspects of decentralisation did not match the reality in which different actors had to be persuaded, marginalised, reassured, capacitated etc. before the next step in the process could be outlined. Due to the extreme shortage of financial resources in the Home Office, flexible donor funding enabling it to act was highly appreciated by the PS. Few donors realised this. Instead, they sat on their hands waiting for a grand master-plan to be produced. Unfortunately this incompatibility between donor expectations and political realities often characterises large civil-service reforms in poor countries.

Given the institutional confusion, the capacity constraints and the political nature of the decentralisation process, it was no wonder that the PS centralised management of the planning and implementation process in his office. This was, however, a constraining factor in itself. Capable persons outside his office were not used optimally, despite their own strong wish to participate in the work, and it was very difficult to obtain information about decisions and next steps in the process. When confronted with the lack of information dissemination and delegation as a major weakness of the organisational practices of the ministry, the PS told me that there were persons in the ministry whom he could not criticise due to their political connections. This supports the neopatrimonial view that merits and administrative hierarchies are less important than nepotism and socio-political relations in determining how public administration in African countries works. Although the PS undoubtedly felt this to be a problem, it is only part of the explanation. Highly significant too was the historical practice of Burkinabè leaders in centralizing decision-making. The PS made no attempt to use capable members of staff without political connections, and the lack of dissemination of information was closely linked with the use of silence as a means to manage difficult processes. President Compaoré was also silent at a number of key moments in the prolonged social crisis after Zongo's killing (Hagberg 2002). Though sharing information is a way of exercising power, and being silent a way of limiting the potential actions of one's opponents, the limited dissemination of information by the PS appeared to be more an organisational practice than a deliberate attempt to inhibit opponents. Despite being annoyed at being kept in ignorance, most staff appeared to be used to the lack of information and delegation, and they did not raise it as an issue.

Conclusion

Neopatrimonialism argues that African public administration primarily serves private interests. Accordingly, a civil-service reform like the decentralisation process in Burkina Faso should be in line with the private interests of key actors. The slow implementation of the reform in the early 2000s could be said to have served President Compaoré and his interest in staying in power by avoiding unpredictable change in Burkinabè politics. This interest was private and in opposition to the public good of increasing local democratisation in the country. Yet, from 2004 to 2006 substantial results were achieved, including the creation of a legal framework for setting up municipalities in the countryside, transferring functions and authority to local governments and providing them with (albeit limited) resources; an agreement with line ministries about the division of labour with local government bodies; a document detailing the implementation of the legal framework; and the first nationwide local elections. It is difficult to see these results as serving the private interests of anyone, including the president. Many things can be criticised (the distinction between urban and rural municipalities, the inadequate human and financial resources made available to local governments, the retention of the state representative in the territory of the local governments, etc.), but the results must also be acknowledged to have been impressive, given the political and capacity constraints under which they were produced.

My experience of working in the Burkinabè public administration is that it is affected by a wide range of issues. Most obvious are the scarce financial and human resources, national politics and the institutional set-up of the administration. However, certain ingrained practices, notably the centralisation of information and decision-making regarding issues of both major and minor importance, have a significant bearing on the effectiveness of public management, and these practices can be traced to the pre-colonial practices of leaders in this Mossi-dominated country (Engberg-Pedersen 2003: 15-34). In trying to understand public administration in African counties, it appears to be as important to uncover such norms and practices as individuals' neopatrimonial or rational-legal motivations. Or, in Ole Therkildsen's words (2014: 139): 'To claim that African states are neopatrimonial, as many analysts do, may often tell us little about how politics and administration actually work there.'

Note

1 'Public management' and 'public administration' are used interchangeably in this article.

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TAXATION

WHEN THE TERRAIN DOES NOT FIT THE MAP: LOCAL GOVERNMENT TAXATION IN AFRICA

ODD-HELGE FJELDSTAD

The growth of Africa's population has outpaced local authority capacity for service delivery in terms of management, infrastructure and financing. Municipal authorities, many of which were originally instituted as colonial administrative institutions, have not been restructured to cope with the fast-growing population. A growing number of residents live in informal settlements characterized by deficient basic services such as housing, clean water, electricity, sanitation, refuse collection, roads and transport. Generally, local government authorities are financially weak and rely on financial transfers and assistance from the central government. Progress on local government reform has been slow in most African countries, despite the declared government commitment to decentralisation (Therkildsen 2001: 14). Government position papers are often vague on substantive issues, especially fiscal decentralisation (ibid.). This situation threatens local autonomy and makes local authorities vulnerable to changes in central government finances and expenditure policies (Bird 2010).

A combination of reduced aid flows, problems in tax collection and possible political resistance to substantial transfers to local authorities are likely to reduce central government transfers in many poor countries in the coming years. The aim of this chapter is to examine political and administrative constraints and opportunities facing local government's 'own' revenue mobilisation in poor African countries, with a focus on urban settings in Anglophone countries. It discusses various local revenue instruments and how they affect economic efficiency, income distribution and accountability. The paper argues that prescriptions deriving from the theory of fiscal decentralisation and normative advice impose huge constraints on the choice of revenue instruments for local governments. A general conclusion that emerges is

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that local authorities' own revenues are a necessary, but not a sufficient condition for fiscal decentralisation.

The map: tax division principles

Fiscal federalism principles rooted in economic theory remain the policy cornerstone for the division of revenue sources between central and lower levels of government (Oates 1972). Although they have been repackaged from time to time, these principles are generally well defined and accepted (Smoke 2013). They relate to the respective responsibilities of central and lower tiers of government in macroeconomic stabilisation, income redistribution and resource allocation. The principles are intended to ensure that each level of government should have clear functions and bear the responsibility for financing them at the margin.

The stabilisation objective of the fiscal system calls for central control over revenue instruments that may substantially influence central budget deficits or inflation. Thus, taxes on international transactions (customs duties) and a considerable share of income and general sales taxes (such as VAT) should be assigned to central government. If there are wide disparities in income and wealth across regions, as there are in many African countries, then local taxing powers may exacerbate these differences. Hence, the distributive function of government is an argument for centralised, progressive corporate income and wealth taxes. Since the central government can borrow money to make up for shortfalls, it can handle the more unstable revenue sources, such as customs duties and income taxes. Local government, by contrast, requires relatively stable sources of revenue. Thus, sub-national governments should tax revenue bases with low mobility between jurisdictions. For this reason, property tax is often considered the 'ideal' local tax. Moreover, if properly designed, user charges on trading services such as electricity, water, sanitation and solid waste collection may be attractive local revenue instruments. The same applies to benefit taxes such as road and port tolls, as well as to various licences, which may also have regulatory functions.

The general principles and theoretical discussions of revenue division are useful reference points. However, in practice country-specific factors play a crucial role when optimal ways of dividing revenue responsibilities between central and lower tiers of government are considered. The case for centralisation is usually built around macroeconomic considerations and equalisation, while the case for local government having taxation powers rests on considerations of efficiency and increased accountability. The 'optimal' way to do things, however, depends on how the

government weighs these considerations. Furthermore, the capacity to administer revenue instruments is always an important constraint to the allocation of 'taxation powers' to lower levels of government in developing countries. Last but not least, local revenue sources must be politically acceptable. As a rule of thumb, less visible revenue instruments tend to be more acceptable to taxpayers.

These principles of tax division usually favour central over subnational taxation. Although the literature generally emphasises that each level of government should be allocated taxes that are as closely related as possible to the benefits derived from spending them, it often also notes that, 'if fiscal decentralization is to be a reality, subnational governments must control their own sources of revenue' (Martinez-Vazquez et al. 2006: 21). However, as Bird argues (2010: 5), it is not easy to satisfy both of these conditions: 'the standard model of tax assignment in a multi-tier governmental structure essentially assigns no productive taxes to subnational governments'. Local governments are in reality left with little but property tax, business licenses, user charges and market fees, in addition to a wide range of low productive revenue instruments. Further, they are often administratively and politically difficult to tap.

The terrain: features of local government tax systems

Many local tax systems in Africa are characterised by high levels of arbitrariness, coercion and corruption (Fjeldstad and Therkildsen 2008; Fjeldstad et al. 2014). Further, a widely found feature is the huge number of revenue instruments used by local authorities. Local governments seem to raise whatever taxes, fees and charges they are capable of raising, often without worrying excessively about the economic distortions and distribution effects that these instruments may create.

A complicated and non-transparent local government revenue system is costly to administer and facilitates corruption and mismanagement. Moreover, many local taxes have a distorting effect on resource allocation decisions, and thus an inhibiting effect on the start-up of new enterprises and the achievement of economic growth. These effects occur when effective rates vary greatly between different traded goods, or when licence fees are set too high for small-scale enterprises that are entering the market to survive. In a study of small and medium-sized enterprises in Zambia, Misch et al. (2011) found that the effective tax burden varies substantially between firms. Enterprises face a range of different taxes, fees and licenses, and the types of taxes that firms are subject to differ, not only between sectors, but also between firms within the same sector. Even among marketers in the same munici-

pality, types of fees and levies differ substantially.

In addition, the levels and types of local revenue instruments can themselves result in the tax burden falling more on the poor than on the relatively better off in local communities. A recent study from Uganda shows that small, informal non-farm enterprises pay local taxes in a regressive way (Pimhidzai and Fox 2011). While the majority of the micro-enterprises in the Ugandan sample were poor enough to be exempted from the national business taxes (i.e. the small business tax and VAT), they ended up paying a large share of their profits to local authorities, with the poorest paying the highest share of profits. This is mainly due to the design of the local revenue system and the way revenues are collected. Thus, a top-down drive to collect more tax revenue from this sector through formalisation could be counterproductive, as it would increase the vulnerability of this segment of informal enterprises.

Consultations and cooperation between the central government revenue administration and local government authorities are generally limited. In Ghana, for example, national tax officials report that local tax officials sometimes urge citizens to pay local taxes *instead* of national taxes (Prichard 2010). Meanwhile, local officials complain that the national government has monopolised virtually all revenue-productive tax bases and offers little, if any, administrative support. This lack of coordination has allowed the emergence of a high degree of arbitrariness and abuse in local tax systems, while little attention is paid to economic efficiency. Due to a lack of capacity and poor co-ordination between central and local government, local revenue systems have often developed without much interference from the centre. Deficient co-ordination has led to duplications of taxes and inconsistencies between the taxes imposed by local authorities (e.g., high taxes on export crops) and the national government's policy to encourage export production (Fjeldstad et al. 2014).

A study of the tax systems of Mozambique, Tanzania and Zambia found that local taxation is still a major constraint on the commercialisation of smallholder agriculture and the formalisation of small and micro-enterprises (Fjeldstad and Heggstad 2011). Multiple taxes (including fees and charges) make it difficult to enter new businesses and markets. Levies are perceived as exorbitant and are often charged up front, irrespective of the size and type of business. This contributes to undermining the legitimacy of the local tax system, encourages tax evasion and delays the formalisation of micro- and small-scale enterprises. Furthermore, it undermines compliance-enhancing initiatives such as community outreach and taxpayer education.

Despite the many comprehensive central government tax reforms that have been introduced in the last two decades, local government revenue systems in Sub-Saharan Africa have remained largely unchanged until recently, though with some exceptions. For instance, in 2003/04 Tanzania conducted a comprehensive reform of its local revenue system (Fjeldstad et al. 2010), the main elements of which were: (a) the abolition of unsatisfactory local revenue instruments, which were costly to collect both administrative and politically (including the head tax); and (b) improvements to remaining revenue bases by simplifying rate structures and collection procedures. The Tanzanian reform demonstrates that radical changes to the local revenue system are possible. However, the longer-term impacts of this reform on local government revenues have been reduced fiscal autonomy and increased dependency on central government transfers. Uganda abolished the related graduated personal tax in 2005 in response to its growing unpopularity and politicisation, with a similar impact on local revenues (Fjeldstad and Therkildsen 2008).

Nevertheless, surveys in both Tanzania and Uganda indicate that citizens have a general appreciation of the necessity of taxation to support local service provision, but choose non-compliance due to a lack of confidence in local government (Bahiigwa et al. 2004; Fjeldstad and Semboja 2001). Studies from Tanzania, however, suggest that peoples' views on local taxation may change over time, with implications for policy design. Based on survey data from 2003 and 2006, Fjeldstad et al. (2009) found that people were much more positive towards the tax system in 2006 compared to three years earlier. This, the authors' argue, was partly due to improvements in service delivery, particularly education, health and law and order, and partly to reforms which led to less oppressive revenue collection. There was also an increasing demand by citizens for more information on revenues collected and how they are spent.

Redrawing the map to better reflect the terrain: improving local revenue instruments

As noted above, local government's own revenue systems across Africa are often characterised by a huge number of revenue instruments. However, the main sources of 'own revenues' are usually property rates in urban councils, business licenses, market fees and various user charges, often in the form of surcharges for services provided by or on behalf of the local government authority.[1] The experiences of a number of African countries show that these revenue instruments have serious shortfalls. For instance, property taxes can be very costly to administer (McCluskey and Franzsen 2005), and the enforcement of user fees has resulted in widespread resistance to pay from the poorer segments of the urban population in some countries (Fjeldstad 2004). Complex business licensing systems have proved to be major impediments for the start-up and expansion of micro- and small enterprises in

particular (Pimhidzai and Fox 2011). However, these sources have the potential to generate substantial and reliable revenues for urban municipalities. This will require more attention to be paid to implementation strategies, with a focus on what can be done given the context-specific political and administrative constraints involved.

Property taxes

These are taxes on ownership, occupation or the legal transfer of buildings and land. The most common are annual charges payable by the owners of urban residential and commercial buildings. Textbooks on revenue division between various levels of government generally argue that few fiscally significant taxes are more appropriate to local administration than property tax. This is due to the fact that real property is visible, immobile and a clear indicator of one form of wealth. In principle, property tax is difficult to avoid and, if well administered, it can represent a non-distortional and highly efficient fiscal tool. Yet, property tax revenue accounts for less than 0.5% of GDP in many African countries (Franzsen 2007).

A number of constraints may explain why property tax is not more heavily exploited as a local revenue source in Africa: (a) with the exceptions of Botswana, Namibia and South Africa, property markets are not well developed; (b) property registers and valuation rolls are often outdated or not in place; (c) administrative capacity and equipment are often limited; and (d) the tax base is usually reduced because of extensive legal exemptions. However, the reasons are probably more political than administrative. First, the difficulties and costs of administering the property tax are exaggerated by tax advisors, whose reference points are the administration of income and consumption taxes. Secondly, in many countries the property tax has powerful political enemies. The tax strikes people with wealth accumulations quite directly, and the levy itself is visible. People with considerable property wealth usually have considerable political power and can use that power to thwart taxes that aim directly at their holdings. Low utilization of property and land taxation reflects the success of the resistance of the rich and powerful to measures which harm their interests. The result is that taxes are paid on a base that often bears little resemblance to the true level of property values. Despite growth in the physical size or value of property, the property tax base is commonly inelastic because old valuations are not updated and new properties not identified. Consequently, there is a need to reassess the basis of the property tax in urban councils and to implement a simpler and more coherent approach to the valuation provision, which takes into consideration administrative capacity and political constraints.

Although property tax has many attractions as a local revenue base, many African countries face major challenges if this tax is to provide a reliable and adequate

source of revenue for municipalities. Yet, the recent experience of Lagos, Nigeria, shows that improved property tax collection and regulation can be achieved through high-level political commitment to reform, organisational reforms within key implementing agencies and public outreach efforts (de Gramont 2014). Further, visible links between tax payment and public expenditure were established to build trust around taxation and encourage public engagement. Although Lagos's experience is context-specific, the case provides important insights into opportunities to improve the property tax regime. Generally, a pragmatic policy approach is required, which may imply the centralisation of certain issues, such as the management of property titles, valuation assessments, etc.

Business licences

The standard mechanisms for mobilising local government revenues from businesses have used forms of licencing. Although the original intent was regulatory, this aspect of the licencing system has been largely abandoned. Local business licencing has become simply a revenue source in most places. In many countries, however, the system has been quite unsatisfactory and has imposed huge costs on business. In addition, poor policy design and weak administration mean that licence coverage, assessment, collection and enforcement rates are low, leading to poor revenue generation (Arajou-Bonjean and Chambas 2003).

Local business taxes are generally levied in one of two ways (Devas and Kelly 2001): (a) either as a fixed amount, which usually varies by type, size, or location of the business; or (b) as a percentage of turnover or profits. However, assessing turnover or profitability is difficult in relation to both small businesses, which often do not maintain proper records, and to large businesses with multiple premises across various jurisdictions. Thus, local business taxes often use proxies for turnover or profitability, such as the size of premises, type of business, number of employees, installed electric power, etc.

Several African countries have reformed or are in the process of reforming their local business licencing systems to make them simpler, more transparent and more effective (USAID 2005). The main objectives of these reforms have been (i) to enable local authorities to collect significantly more revenues, and (ii) to reduce the compliance burden on businesses. In both Kenya and Uganda, the time required to obtain business permits has been substantially reduced due to the introduction of one-stop kiosks. This has cut the compliance costs of the enterprises, though not necessarily the total costs, since the tariffs have been raised. In general, however, collection performance remains a problem, and there is a need for improved financial management. Still, the early evidence is positive. The one-stop system seems to

enable local authorities to enhance revenues. At the same time, compliance costs on businesses are lowered, and the opportunities for rent-seeking and corruption reduced.

User fees: linking payment and service delivery

There are strong arguments in the literature that better links between tax payments and public expenditure are essential to building effective and accountable states (Moore 1998; Levi 1988). Taxes, however, are not the best mechanism for matching the demand with the supply of public services. Better links can be achieved through cost-recovery charging systems, which tie the amount paid directly to the amount consumed (Therkildsen 2001: 30). By providing a more direct link between citizens' contributions and service delivery, such mechanisms may become effective means to recover the costs of service provision, as well as to promote efficiency in the consumption of the service. Hence, most observers argue that user fees should play a prominent role in local government finance (Bahl et al. 2003).

In theory, the main economic rationale for user charges is to encourage the efficient use of resources within the public sector, not to produce revenue. In practice, user charges for 'trading services', including water, electricity, sewage and solid waste removal, are major sources of revenue in many municipalities. For instance, in Namibia and South Africa service charges for water and electricity supply are important (Bahl and Smoke 2003). This revenue is generated by a surcharge added to the cost of the utilities that the local authorities typically buy from the utility companies, or, if the authority itself produces the utility, add to the cost of producing it. The tax component of the user fee is therefore hidden from ratepayers, and the 'true level' of local government taxation is not transparent to citizens. The accountability capability of the local revenue system can therefore be questioned.

There are a number of obvious constraints on user charges and other means of cost recovery. These arise from equity considerations (i.e. ability to pay), collection and billing methods, the quality of the services provided, and persistent resistance to pay. The experience of South Africa suggests that problems of non-payment must be attacked on several fronts, including improved service delivery, better administration and payment schemes, and community involvement (Fjeldstad 2004). Co-operation between local government officials, councillors and community leaders in setting common goals might be a crucial trust-enhancing device.

Concluding remarks

There is a growing recognition that implementation strategies have received too limited attention in fiscal decentralisation. There has been too much attention to what should be done, and less focus on what can be done given the political, institutional, economic and financial constraints (Smoke 2013; Therkildsen 2000). The basic premise in much of the literature is that reform of the public sector is intrinsically desirable, and resistance to change therefore based on dubious motives of self-interest among state elites (Therkildsen 2001: 40). However, as argued by Therkildsen, resistance to reforms cannot be explained only in terms of entrenched self-interest among those organisations, politicians and officials who stand to lose from such changes, as is often done in the literature. According to Therkildsen, resistance is not surprising since many opponents are simply not convinced of the appropriateness of ongoing reforms (ibid.).

In most African countries, creating a more effective, transparent and accountable tax system is part of the process of building a state able to promote growth, poverty reduction and social inclusion and to reduce aid-dependency more efficiently. Fiscal decentralisation offers opportunities in this process. Yet, despite major reforms of the central government tax system during the last two decades, local government tax systems remains largely neglected in many African countries. Generally, local revenue bases are distorting, costly to administer and exacerbate inequity. Limited co-ordination with respect to taxation is observed between various levels of government. In some countries, this has led to double taxation and inconsistencies between local taxation and national development policies, such as job creation and private-sector development (Pimhidzai and Fox 2011).

An effective decentralisation framework must be based on clear rules. These rules apply to both tax legislation and tax administration. One of the main challenges is to build a coherent domestic revenue system which takes into account both local and central taxation. Fundamental issues to be addressed in the context of sub-national fiscal reforms are to redesign the current revenue structure and to strengthen financial management. Tax legislation must be kept as simple as possible, as there is a risk of overburdening local governments and thereby make them ineffective and inefficient. The reforms of the business licencing systems in some East African countries show that such measures may contribute to enhancing taxpayers' compliance and improving the accountability of public officials.

Better links between tax payments and public expenditure are essential to building effective and accountable states. Tax earmarking could therefore be a mechanism to strengthen tax–expenditure linkages and to increase taxpayer compliance. Much of the public finance literature and many fiscal experts advise against earmarking,

since it may reduce fiscal flexibility in the long term and also be abused for political purposes. Nevertheless, there may be a particularly strong case for using tax earmarking in developing countries. Importantly, in the face of political instability, earmarking can stabilise funding for priority needs. Further, from a governance perspective tax earmarking may be a useful strategy for building trust, achieving important revenue and spending objectives, improving monitoring and increasing public engagement. Recent experiences from Lagos, Nigeria, provide, as discussed above, evidence of the particular risks and benefits of tax earmarking.

While the current potential for most rural councils to raise substantial revenues of their own is limited, the potential for revenue enhancement in urban councils is better. In particular, there is a potential to increase the revenues from property taxation. However, more realism is required when it comes to the implementation of a well-functioning property tax system. There is also room to increase the revenues from other types of taxes and non-tax revenue sources. In this regard, taxes on the consumption of utilities, fees and levies can have a high revenue potential for some local governments.

In most local government authorities in Anglophone Africa, local sources are generally not sufficient to develop and supply adequate services for these fast-growing populations. The reality is that local government authorities in most countries will continue to be dependent on fiscal transfers from the central government for a long time. Only a few large urban governments located in rich areas are able to finance a substantial share of their total expenditure with their own revenue sources. Transfer systems based on revenue-sharing between the central and sub-national levels of government and grants from the central level should therefore be considered important components of fiscal decentralisation programmes. Sharing revenues with the central government may be a way to cover the imbalance between local authorities' own revenues and their expenditure responsibilities. However, in order to be effective, this type of transfer must be disconnected from discretionary decisions that create uncertainties for local governments regarding the amounts being transferred and/or the timing of the transfers.

Note

1 Other revenue sources also exist at sub-national levels, including foreign aid, self-help projects, constituency development funds and social action funds. In some countries municipalities are given the right to borrow to finance investments in local capital infrastructure.

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TAX AND THE GOVERNANCE DIVIDEND

MICK MOORE[1]

It is close to two decades since I became infatuated with taxation. The relationship was premature and, on my part, distinctly adolescent. We barely knew one another. But this did not stop me from falling in love. I produced several publications arguing that more taxation was the way to improve the quality of governance, especially in those low-income countries whose governments were heavily dependent on aid or on the revenues from natural resource extraction.[2] I argued that case vociferously, in part because most staff of aid and development agencies seemed sceptical, and much more interested in how the governments of poor countries spent money than in how they raised it. I thought I could detect a whiff of self-interest in this position: the proposition that large volumes of aid might cause or exacerbate governance problems threatened to damage both the political case for aid and the morale of aid agency staff.

Two decades later, positions have changed. Within aid and development agencies, attitudes have been substantially reversed: tax now has a host of admirers. Claims that the greater dependence of governments on taxation will result in more accountability or democracy are now commonplace. Collecting public revenues is now presented not simply as a regrettable necessity – the least bad way of raising the money that governments need – but as a potential means of actively eliciting a governance dividend, that is, a more inclusive and accountable government.[3] Conversely, my own infatuation with tax has matured into a more critical affection. I still believe that there are potential governance dividends from the greater reliance of governments on taxation, but my expectations have become somewhat muted. I now envisage the governance dividends to be smaller and less reliable than I had previously hoped, and to emerge only in the relatively longer term.

Why have I revised my views? It is not principally because the evidence has changed. In respect of contemporary low-income countries, the evidence was never abundant. Like other people making similar arguments about tax and governance, I relied

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largely on a combination of deductive reasoning and evidence from history, mainly from Europe, and especially from Britain in the seventeenth and eighteenth centuries. To the extent that, in recent years, propositions about the positive impact of taxes on governance have been tested for their applicability to contemporary low-income countries, the evidence seems broadly supportive.[4] There is also an accumulating weight of empirical evidence behind the mirror image argument: that the fiscal dependence of governments on revenues from oil, gas and mining damages governance (Bulte, Damania and Deacon 2005; Collier and Hoeffler 2005; Gervasoni 2010; Jensen and Wantchekon 2004; Neumayer 2004; Ross 2008; Torvik 2009; Tsui 2011; Vicente 2010; Weyland 2009; Williams 2011). My faith in the 'governance dividend' argument has abated not because of the accumulation of contrary evidence, but mainly because I have become aware that its conceptual and theoretical bases are not sufficiently broad or robust. The possible political outcomes of interactions between governments and citizens over revenue collection are more diverse and open-ended than I used to believe.

'Governance Dividend' Theories

There is no space here to explore in any detail the range of arguments deployed by the 'governance dividend' theorists.[5] The core causal propositions are, however, relatively clear. In a manuscript that unfortunately was never published, James Mahon neatly called them *revenues for regimes* arguments:

- If states are dependent for their incomes on broad general taxation – rather than on direct control of land, manufacturing industry or natural resource extraction – then they will both be generally motivated to help promote the prosperity of their citizen-taxpayers and, more specifically, potentially willing to cut political deals with those citizens to stabilise or increase the tax take.
- Given that the experience of being taxed is also likely to mobilise citizen-taxpayers, there is a potential for institutionalised state–citizen political bargaining that essentially involves more citizen compliance in meeting legitimate tax demands in exchange for more influence, through more inclusive and accountable governance institutions, in the determination of those tax bills and in the use of public revenues.[6]

It is unlikely that any 'governance dividend' theorists conceived their arguments as anything other than probabilistic and dependent for their validity on context and a range of other variables. In particular, there seems to be a consensus that national fiscal institutions should be coherent and unified if they are to become the locus of the kinds of political bargains sketched out above (Brautigam 2008; Dincecco 2011; Gallo 2008; Herb 2003; Levi 1999; Moore 2008a; Timmons 2005). But what other variables might affect the validity of the 'governance dividend' propositions? There is no space here to do a thorough review. I deal only with two complications to the core causal model that I believe are important and under-appreciated:

- More inclusive and accountable political institutions are not the only big political offer that governments can make to their taxpayer-citizens to induce tax compliance. Governments may also – or alternatively – offer targeted public spending, especially spending tailored to the interests of specific groups (Section 3).
- Governments have considerable scope to tax even more selectively and opaquely than is implied in the formal provisions of the tax code by giving ad hoc exemptions to individual taxpayers or narrowly defined groups of them. Far from being revenue maximizers, contemporary governments use this exemption power lavishly, especially in relation to investors (Section 4).

The common threads here are that, relative to the implicit assumptions of 'governance dividend' theories, contemporary governments (a) have more latitude to shape the bargaining agenda around revenues, and (b) they may use this to divide citizen-taxpayers into distinct or even competing political groups. In the concluding Section 5, I suggest that 'governance dividend' theorists have underestimated the degree to which governments are able to take initiatives to shape fiscal politics in part because they have been over-influenced by arguments that were more valid when governments' fiscal activities were smaller and different than today.

From Tax Bargaining to Fiscal Bargaining

'Governance dividend' theories are founded on the notion that, especially at moments of perceived systemic political threat, governments might offer more inclusive and accountable governance institutions in return for greater tax compliance. The suggestion that they might in addition or instead offer particular patterns of public spending received a considerable boost with the publication in 2005 of Jeffrey Timmons' article on 'The Fiscal Contract' (Timmons 2005). Timmons suggests the following basic model of state–society political interactions around fiscal policy:

- Governments tax but also make large recurrent distributional expenditures.
- Governments are likely to motivate compliance on the part of those citizen-taxpayers on whom they are most dependent through compensating policies that most directly address taxpayers' interests.
- Citizen-taxpayers are potentially divisible into distinct interest groups.
- Strategically rational governments, which will normally seek both fiscal comfort

and popular support, will act as 'discriminating monopolists', that is, they will segment the population of citizen-taxpayers, offer different compensating policies to different groups, and be more responsive to those groups that provide more of the total tax revenue.

From these broad theoretical propositions, Timmons derives some hypotheses for empirical testing: governments which rely relatively heavily on taxes paid by poor people (regressive taxation) will tend to motivate these relatively impoverished taxpayers through social spending; and governments that rely more heavily on taxing the rich (progressive taxation) will motivate them by providing relatively high levels of protection for property rights. Timmons finds support for these hypotheses through cross-country statistical analysis. His statistical tests are in fact quite blunt. He used a series of incomplete data sets covering between 18 and 100 countries over the period 1975-1999, and had to make some bold inferences from fiscal accounts about the division of tax burdens between rich and poor taxpayers respectively. The fiscal data that he used are anyway of poor quality. Relevant figures are often not available in the case of low-income countries (Prichard et al. 2014). We cannot conclude that Timmons' hypotheses about fiscal contracting are empirically valid. His underlying theory, however, is quite plausible, and has informed recent research about changing patterns of fiscal politics in the Americas by some of the most knowledgeable contemporary specialists in the subject (Bird and Zolt 2014). It is hard to believe that the theory does not accurately capture some of the reality of contemporary fiscal politics. Offers of more inclusive and accountable governance institutions are not the only way for governments to induce tax compliance.

Revenue Non-Maximising and Tax Exemptions

Similar suggestions about the extent to which governments can (a) take political initiatives and (b) create political divisions among taxpayers emerge from the study of a topic to which Ole Therkildsen has recently made a major contribution: the politics of tax exemptions (Therkildsen 2012). I approach the topic a little obliquely here. Large-scale discretionary – and often opaque – exemptions for large (and mainly corporate) taxpayers are a modern phenomenon. But the broader phenomenon – special deals for 'strategic taxpayers' – is widespread. I begin therefore with a few contemporary examples:

- In produce markets in northern Ghana, the daily fees that are supposed to be levied on all sellers by market managers are sometimes not actually collected from the larger traders, who may end up paying lower fees each month than small traders (Prichard and Van den Boogaard 2014).

- At various sub-national levels in China, government agencies have long been levying relatively unregulated quasi-taxes ('fees') that are formally represented as service payments (education charges, security charges, etc.) but actually reflect mainly the extractive capacity of the organisations that collect them in relation to local businesses and residents. Research by Eun Choi showed first that larger firms generally paid lower fees relative to business turnover than did small firms. It also revealed that, while politically well-connected business owners generally paid higher fees than did the less well connected, they were more than compensated by receiving in exchange preferential access to loans and other publicly provided services (Choi 2009).
- Post-Soviet Russian governments found themselves very dependent for revenue on a small number of large firms. They responded with economic and industrial policies that preferentially channelled resources to those same large firms to try to keep public revenues buoyant (Gehlbach 2008).

Each of these observations exemplifies a general proposition about organisational behaviour that became encoded in what is known as resource dependence theory: organisations are more responsive to the agencies that control their critical external resources (Pfeffer and Salancik 1978). In the context of public revenue, this translates into the proposition that governments will tend to be more responsive to 'strategic taxpayers', that is, to large taxpayers that have the greatest capacity to trouble the tax collector by not paying in a timely and reliable way. To encourage strategic taxpayers to pay reliably, tax collectors will tend to find ways of motivating them, whether through reducing their tax bills below the 'normal' level or offering some other kind of inducement. To put it another way, divisive tax bargaining – doing deals with individuals and small groups – may to some extent be normal for governments and tax collectors. Contemporary tax exemptions may be regarded as divisive deals at scale.

Tax exemptions are a familiar topic for fiscal historians. For example, the inability of the French state to curb tax exemptions in the eighteenth century – and indeed the continual granting of them in exchange for up-front cash – has been a powerful theme in explanations for the weakness of that state and the outbreak of the French Revolution (Fukuyama 2012: Chapter 23). But such exemptions are very different in character from those that interest us here: exemptions for capitalist investors, foreign or local, justified in terms of the need to provide incentives for capitalists to invest in a particular jurisdiction, and not in an adjacent country. These exemptions are characteristic of globalised capitalism and have become more widespread in

low-income countries in recent decades (Keen and Mansour 2009: 18-20). Surprisingly, they have barely featured in the contemporary political science literature on tax and governance.

We do not know the actual incidence of tax exemptions for investors in low-income countries. Technical difficulties in defining and measuring exemptions are a small part of the explanation. A bigger part lies in the secrecy surrounding them. Exemptions are typically granted by politicians more than by public servants, and often in diverse, arbitrary and non-transparent ways. The literature on the subject is enormous. Economists and tax specialists are near-united in condemning the frequency of tax exemptions and the ways in which they are granted. The OECD recently assembled data relating to six countries in Africa that suggested that tax exemptions on average amounted to 33% of taxes actually collected (OECD 2013). Other snippets of information indicate that this figure is probably typical.

Why do virtually all governments of low-income countries routinely give away a large fraction of their potential tax revenues through exemptions? We know that globalisation and competition among countries for investment is one of the motive forces. Strongly encouraged by potential investors and their advisers, many governments fear that, if they do not compete with their neighbours to attract investment by granting tax exemptions, their economies will suffer badly. But if that were most of the story, governments would adopt more coherent and formal procedures for granting exemptions, be more transparent about their decisions, and pay more attention to the possibility that they could generate more investment by not granting exemptions and instead spending the additional tax revenue on solving the kinds of problems about which potential investors are often very concerned, notably poor quality public infrastructure. There are motives other than competition for investment behind the high frequency of tax exemptions. As we understand in particular from Ole Therkildsen's recent work on Tanzania, tax exemptions are a major source of political funding for individual politicians, factions and political parties (Therkildsen 2012). They are also a significant instrument of rule for governments that lack democratic legitimacy and/or strong and consistent support from stable political parties, organised interest groups or loyal public service cadres. The grant of tax exemptions, as well as the threat of withdrawing them, is a way to keep some powerful economic interests on side, or at least to deter them from active opposition. It is also, as Alexis de Tocqueville recognised in the mid-nineteenth century, a standard technique used by rulers to induce political divisions among their citizens: '…. of all the ways to make distinctions between people and classes, inequality of taxation is the most pernicious and most apt to add isolation to inequality.'[7] My colleague

Hubert Schmitz reports from field research in Vietnam that the granting of tax exemptions to large businesses is seen by small businesses as a significant obstacle to the creation of effective business associations that can interact and bargain with government. The interests of the larger businesses in seeking tax exemptions drive them into individualistic political strategies. Even if sectoral business associations are formed, they are politically weak because the big companies are not active members. Rather they pursueindividualistic strategies in relation to government institutions (personal communication, 1 August 2012).

There are then three motives for contemporary governments to grant tax exemptions: the perceived threat of an investment famine if the exemptions offered by competitor governments are not matched; the side-payments that may be provided to powerful individuals and groups by grateful investors; and the creation or exacerbation of political divisions among citizens, taxpayers, business associations or any other category in a position to potentially challenge state elites. We do not know the relative weight of these motives, but one important consequence is likely to be the (partial) political demobilisation of the taxpayer interest. This is especially likely in contemporary low-income countries because a relatively small number of large companies tends to provide a high proportion of all actual revenues.[8] These are the strategic taxpayers who are likely to exchange favours with government, including tax exemptions, in return for some mixture of making political contributions and paying their residual tax bills on time.

Tax exemptions are typically the outcome of interactions between individual companies and powerful individual political executives or small groups of them. On neither side do formal representative institutions – business associations or elected legislatures – play much of a role. The politics of exemptions are typically fragmented, individualistic and secretive. They are the very opposite of the kind of encompassing, public political exchanges between states and large categories of citizen-taxpayers that are conjured up in the governance dividend literature.

Concluding Comments

I explained at the outset that I believe 'governance dividend' theory to be substantially valid today. The purpose of this paper is not to justify my continuing faith, but to explore its limits. Let us assume that the reservations I have expressed here are also valid. Why have so many of us been over-eager to endorse and promote the rather simplistic version of the theory?

First, it is hard to marshal the statistical and other evidence needed to test 'governance dividend' theories through contemporary social scientific methods. The evidence and methods are improving, but only slowly. We have therefore relied in part on historical argument and deduction.

Secondly, we have not fully appreciated the differences in the character and context of fiscal activities and fiscal politics in consolidated states of the contemporary world and those of, broadly, the seventeenth, eighteenth or nineteenth centuries. In the earlier period, fiscal politics were more likely to take the relatively simple form that underlies 'governance dividend' theories. In particular:

- The public fiscal domain was generally considerably smaller. Except during occasional periods of intense warfare, governments raised only a few percentage points of GDP in revenue, as opposed to the figures of 15-35% that are the norm today.
- As a proportion of the total population, actual taxpayers – i.e. people who actively handed over money to tax collectors – were relatively few.
- Raising taxes from a much less monetised and more agrarian economy where far fewer economic transactions were authoritatively recorded was a more challenging and conflict-ridden business (Moore 2014).
- Taxes were raised predominantly for military purposes, and, especially at the level of central state institutions, mechanisms and personnel for spending public money on anything other than central administration and the military were rare.

Through mechanisms too numerous to explore in detail here, this combination of circumstances was, given other supportive factors,[9] conducive to 'governance dividend' outcomes. In particular, small numbers of taxpayers could more easily engage in collective action, and, when governments felt the urgent need for additional revenue, this was typically during actual or potential military emergencies, when governance concessions to taxpayers might have seemed an acceptable price to pay for urgently needed revenues. Conversely, governments were not well placed to engage in the more complex kinds of fiscal politics, outlined in Sections 3 and 4 above, that make the core governance dividend theory appear a little over-simplified in the contemporary world. Governments did not have large routine programmes of public spending over which they could bargain with groups of taxpayers. Their grip on their main revenue sources was not so secure that they could risk giving selective exemptions to large taxpayers on a large scale.

Thirdly, the core narrative underlying 'governance dividend' theory has become strongly naturalised within the political cultures of Great Britain and the United States over several centuries. What were originally political claims – that paying taxes generates an intrinsic right to political representation – have become accepted as if they were causal propositions, that is, that taxpaying generates more representative government and vice versa. It is not simply that historians tell us that attempts by British governments to raise taxes without granting adequate political representation to taxpayers sparked the English Civil War in the 1640s and American Independence in the 1770s. It is also that successive generations of British and American public figures have subsequently talked and acted as if the link between taxpaying and representative government (or democracy) were tight and binding (Daunton 2001). The apparent lessons of history seem all the more persuasive when articulated repeatedly by historical actors themselves, in addition to the academics who interpret their actions.

Finally, the 'governance dividend' story is appealingly simple. It is therefore memorable, and attractive to those who are trying to shape public policy (Roe 1991).

In sum, the 'governance dividend' theory does have historical validity and a strong analytical base, but we need to exercise care in translating it into contemporary contexts without qualification.

Notes

1 For very useful comments on an earlier draft of this paper, I am very grateful to Richard Bird, Anne Mette Kjaer, James Mahon, Wilson Prichard and an anonymous referee. Due to space constraints, I am unable to respond adequately to many of their suggestions.

2 The earliest and most strident versions of this argument are to be found in Moore (1998 2004). For successively more nuanced arguments, see Moore (Moore 2008a, 2008b, forthcoming). Ole Therkildsen was the first colleague to alert me to the prevalence of exploitative and coercive taxation in some areas of the world. He referred me to the research of Odd-Helge Fjeldstad on the subject (Fjeldstad 2001, Fjeldstad & Therkildsen 2008), which led in turn to a very rewarding research partnership with the latter.

3 Most OECD governments have been suffering from fiscal stress since 2009. Individually, they are ramping up their tax collection efforts. Collectively, they have made considerable progress in agreeing to changes that will decrease the scope for large transnational corporations to avoid most of their tax obligations. In this environment, any positive perspective on the potential benefits of taxation is likely to receive a sympathetic hearing. The institutions associated with large-scale bilateral development aid currently are receptive to the same arguments for a different reason. It is becoming increasingly clear that the era of large bilateral aid transfers is drawing to a close. An appealing narrative has been constructed around taxation: if donors could now help expand revenue-raising capacity in low-income countries, they can look forward to a satisfactory exit from the aid relationship; not only will former aid recipients be able to raise their own revenues, but the process of doing so is likely to stimulate better governance (e.g. OECD 2008, 2010).

4 I have recently reviewed that evidence elsewhere (Moore forthcoming), a review that was completed about a year ago. It does not take into account very recent research, notably that undertaken or stimulated by my colleague Wilson Prichard and based on a new and more reliable date series of national revenue statistics (Prichard, Cobham & Goodall 2014). This new research broadly supports the notion of a positive causal sequence running from tax dependence to improved governance (Prichard, Salardi, & Segal 2014). Note, however, that the weight of research evidence is now running strongly against the propositions that high levels of foreign aid lead recipient governments to reduce their tax efforts (Clist 2014, Morrissey, Prichard & Torrance 2014) and that this might therefore damage governance through lower tax dependence.

5 For a wider range of references to literature in this tradition, and for a summary of the foundational 'fiscal sociology' ideas of Rudolf Goldscheid and Joseph Schumpeter, see Moore (forthcoming). The most influential recent social science contribution was that made by the late Charles Tilly (1992).

6 There are, however, a number of significant questions about how, in statistical testing of 'governance dividend' theories, we might operationally define and measure such concepts as the degree of government dependence on broad general taxation and the size of the tax burden on citizens (Moore 2008b, forthcoming, Ross 2004).

7 From *The Old Regime and the French Revolution* (1856), cited by Fukuyama (2012: 351).

8 There are two broad reasons for this. One lies in industrial structure: the relative economic dominance of large firms, many of them with foreign or state ownership. The other lies in the fact that, because the informality of employment relations means that governments obtain little revenue from personal income taxes, they depend relatively heavily on corporate profits taxes (IMF 2011).

9 These other factors include centralised and unified fiscal systems, the prior existence of some kind of representative political institutions, and large amounts of mobile mercantile capital that might easily re-locate (Tilly 1992).

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POLITICS AND AGRICULTURE

THE POLITICAL ECONOMY OF CHINESE COMMERCIAL AGRICULTURE INVESTMENT IN AFRICA

DEBORAH BRAUTIGAM

Chinese economic involvement in Africa has rapidly increased in recent times. Despite the popular supposition that a change of these dimensions will have a political impact, there has been little research on this topic. The Chinese government has always stressed that it practices a foreign policy of non-intervention in the internal affairs of other countries. At the same time, the extensive flows of capital from Beijing into developing countries can easily serve political interests in their host countries, even if unintended. Chinese firms operating on the ground will probably produce tax revenues, earn foreign exchange and otherwise contribute financial resources that help maintain incumbent politicians and may even become the planks of a political survival strategy. At the same time, it is also feasible that Chinese companies might transfer some of the developmental state–business relations they enjoy in China, if only through their expectations of their host governments.

Very little is known with certainty about Chinese investment, let alone its political impact. This paper focuses on the agricultural sector. It draws on Ole Therkildsen's work to provide a framework for such an analysis, while suggesting some ways in which it might be applied by researchers when more data becomes available. The framework focuses attention on the extent to which Chinese strategies may have political motives (gain good will from the host government; providing support for friendly ruling elites in their efforts to win elections or maintain coalitions), or economic motives (profits, revenue generation, debt repayments). It also suggests that researchers explore the relationship between the ruling elite and Chinese agribusiness firms, seeking to learn the extent to which ruling elites might depend on Chinese enterprises for political funds, state revenues, employment and foreign

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exchange earnings, all of which might be used to build coalitions and maintain elites in power. Finally, it looks at the degree to which ruling elites provide unusual economic support to enterprises by supplying physical infrastructure, assisting with supplies of finance, land, labor or other scarce inputs, or helping companies overcome collective action problems. If the presence of Chinese firms and their expectations changes how the state engages with capital, this is also a political impact. Through the framework, we can begin to look more systematically at direct and indirect political impacts.

Chinese Foreign Investment and African Politics

Assumptions about the external political impact of China's economic rise abound. For example, in a short editorial piece, Moisés Naím (2007) called China a 'rogue donor' offering 'to underwrite a world that is more corrupt, chaotic and authoritarian.' A Norwegian study pointed out that 'China's non-interference policy means supporting the current regime no matter what, and this is easily interpreted as alignment ... by exploiting commercial interest in a given country, their mere presence will inevitably pull China into national politics' (Huse and Muyakwa 2008). Gonzalez-Vicente argued that Chinese non-interference not only empowers state elites, but fosters the re-emergence of the developmental state and strengthens bilateralism over multilateralism, something which should be seen as 'depoliticized (but not apolitical) intervention' (Gonzalez-Vicente 2015). On the other hand, a study conducted for the OECD found that governance indicators had not deteriorated in Africa despite the new prominence of Chinese economic involvement (Saidi and Wolf 2011).

This kind of political impact remains rather abstract, however. In thinking more systematically about the kinds of political impact that Chinese investors could have, this paper draws inspiration from a range of literature. In his classic 1983 study, *Markets and States in Tropical Africa*, Robert Bates pointed to the potential for large agricultural projects in Africa to serve as a way for political elites to channel patronage resources to supporters or clients. Bates argued that governments often favour large, capital-intensive projects, protect them from foreign competition, provide favorable tax treatment and allow them to access land and water at below market costs. Large projects with many employees also have a political rationale, allowing for the patronage appointment of personnel. These large farms would be protected from external competition, provided with subsidized inputs and given very favorable tax treatment. At the same time, Bates emphasized that governments generally had high tax rates for the output of commercial farms, especially those producing for world markets.

Bates was not optimistic about the opportunities for development that might still be possible in a politically manipulated effort to bring in large-scale commercial agriculture. For this we need to turn to research on collaborative business–state relations that has its roots in close study of the East Asian developmental state. This approach acknowledges the existence of ruling coalitions who seek to maintain their political survival, but it also investigates how this can sometimes lead to state interventions with better outcomes in agricultural development and other sectors. The Elites, Production, and Poverty (EPP) research program coordinated by the Danish Institute of International Studies between 2008 and 2011 used this framework to investigate the particular patterns of economic intervention in productive sectors (Whitfield and Therkildsen 2011). Therkildsen applied this framework to understand implementation problems with a set of ambitious reforms intended to boost production in the Tanzanian rice industry (Therkildsen 2011). The analysis of Tanzania's rice policy reforms brought home the importance of the political goals of ruling elites as opposed to purely economic or production goals, or even strongly felt ideologies regarding the state's responsibility to foster agricultural modernization.

Although the goal of the EPP program is to understand how and why some states intervene in productive sectors, and how ruling elites relate to domestic capitalists, the program's basic insights can be used to explore the various political and economic roles played by external businesses as they enter a developing country as investors. As noted above, foreign firms can be important sources of tax revenues and foreign exchange, as well as technology and capacities. Investors provide employment for voters and can be pressed to contribute to election campaigns for ruling elites (Whitfield and Therkildsen 2011: 28). As foreign entities, however, they are less likely to be 'captured' by local elites, and they 'can flee when economic conditions in the country change' (2011: 26).

In the next section of this paper, we examine the experiences of large Chinese agribusiness investment in Africa. A close look at agribusiness enables us to focus on the possible political role of Chinese investment and the relations between Chinese agribusiness and state elites. Drawing on Bates (1983) and Whitfield and Therkildsen (2011), we can pose two clusters of questions:

1. **The business versus political motives of the Chinese firm:** Why did Chinese state-owned enterprises invest in agribusiness in the chosen country? Were these mainly business investments, or were they established to support the policy or political goals of the host government? Do business benefits for the investment depend on close relations between political elites and the firm in question?

2. **The costs and benefits for African political elites**: Does the enterprise receive unusual government support, financial or political? Does the investment offer unusual political or economic benefits that might translate into benefits for ruling parties? Is it in a position to provide employment or other benefits in a politically strategic area?

Chinese Agribusiness Investment: Some Case Studies

The Chinese began their involvement in agribusiness in Africa as donors. Between 1962 and the early 1990s, the Chinese aid program funded more than forty sizeable agricultural reclamation projects (over a hundred hectares) in at least eighteen countries. Some of the Chinese-aided projects became African government-supported irrigated perimeters where plots could be allocated for local political as well as developmental purposes, but these were not generally large enough to attract substantial interest at the national level. Others were established as African state-owned productive enterprises, being intended to employ large numbers of people and earn revenues.

Beginning in the mid-1980s, nearly all of the state-owned farms built under the Chinese aid program and handed over to their host states were privatized. During the 1990s, several Chinese companies with decades of experience in Africa began bidding for other state-owned farms that were being privatized under structural adjustment programs, or simply purchased farms for sale in private markets. These investments by state-owned companies have continued at a moderate pace in recent years, with companies owned by Chinese provincial entities being joined by wholly private firms. In the next section, we present the four cases of Tanzania, Zambia, Mali and Mozambique, selecting deliberately from countries with the largest Chinese agribusiness investments in rural Africa (Brautigam 2015). Some of these investments are of very long standing, while others are relatively recent.

Tanzania

During the 1960s and 1970s, Beijing had a particularly close relationship with the socialist governments of Kenneth Kaunda in Zambia and Julius Nyerere in Tanzania. It is perhaps not surprising that Tanzania was the recipient of four large state-owned farms developed by the Chinese aid program between 1965 and 1977 – Upenja and Mahonda in the semi-autonomous island of Zanzibar, and Ruvu and Mbarali on the mainland (Brautigam, 2015; Therkildsen 2011). Three of these farms were mixed-farming operations, combining maize or rice fields with poultry, dairies or beef ranches, and vegetables. Mahonda grew sugarcane and had a refinery.

There is little in the historical record about the specific political utility of the three mixed-farming operations for the Tanzanian state, although there were allegations that sugar revenues disappeared from Mahonda after the Chinese left ('A Very Sticky Situation,' 1998). In a more general sense, Chinese engagement supported the statist political and developmental strategies of these governments.

During the 1990s, most of the state farms were offered to private investors. In some locations, such as the state farm at Mbarali developed by China's aid program, conflicts erupted between the Tanzanian government, which hoped corporations would lease the farms and inject capital into them, and local smallholders, who wanted the state farms to be broken up and distributed to them. In other places, where the state farms had ceased functioning, smallholders had begun farming on the abandoned areas of the old estates, creating new conflicts over ownership and tenancy. These would make privatization contentious.

The China State Farm Agribusiness Corporation (CSFAC) used to be owned by China's Ministry of Agriculture. In the 1990s it was separated from the Ministry, as Beijing restructured away from institutions needed to direct a planned economy and towards those required for managing a market economy. With a new mandate to earn revenues, CSFAC made four scouting expeditions to Tanzania between 1996 and 1998, but decided against investing in any of the old aid projects (Han 2003). The only sizeable Chinese investment in agribusiness in Tanzania during this period (and since) was the long-term lease of Rudewa and Kisangata, two privatized, colonial-era sisal estates, in 1999. The concession of about 6900 hectares was purchased for $1.2 million, along with a 99-year lease.

The two estates had been effectively abandoned and needed to be entirely rehabilitated. CSFAC applied successfully for a preferential-rate investment loan from China Eximbank. Tanzania also gave the sisal investors preferential policies, including a reduction in the annual land rent from 600 to 200 Tanzanian shillings (35 to 12 US cents) per hectare (this rate was also provided to other sisal investors). Over a thousand Tanzanians were employed by the farm and the sisal processing factory, although many were only employed seasonally during the harvest period. In 2013, the Tanzania government raised the annual land rent for sisal farms to 10,000 shillings ($5.79) per hectare. We will return to this example in the analysis, but we can say that, from the evidence available, this appears to be an ordinary project with commercial motives, not political – there is little evidence of Tanzanian government engagement with the project, few economic benefits and not much on the political side, apart from employment and tax revenues.

Zambia

Despite the close relations between Zambia and China, no state farms were constructed by the Chinese for the Zambian state under the Chinese aid program. Yet during the 1990s and after, Zambia became a surprisingly popular destination for Chinese agribusiness investment. The China State Farm Agribusiness Corporation purchased long-term leases on three properties, all from private owners. Its provincial subsidiary, the Jiangsu State Farm Agribusiness Corporation, also invested in commercial farms.

The oldest of these farms is the Sino-Zambia Friendship Farm. The China State Farm Agribusiness Corporation (CSFAC) and its provincial subsidiary, the Jiangsu State Farm Agribusiness Corporation (JSFAC), bought it as an existing 620-hectare farm in December 1990, and they now run it as a joint venture growing wheat, corn and soybeans. The second farm, Zhongken Farm (Jonken Farm), is the largest, having been leased in 1992 with an area of 3573 hectares and developed as a mixed farm growing maize and wheat, with a substantial poultry, pig and dairy operation. In 1999, CSFAC invested in a third farm, which they called the Zhongken Friendship Farm, leasing its 2600 hectares in the Copperbelt, Zambia's economic centre. With a large reservoir for irrigation, the farm grew dry-season wheat on its 1500 arable hectares and raised vegetables, beef cattle, chickens and tilapia. CSFAC chose the area in part with the goal of also exporting to the copper area of Lubumbashi, only 150 kilometres away in the Democratic Republic of the Congo, where fresh produce was scarce and expensive. Jiangsu province also branched out from the original joint venture, purchasing a farm of 1400 hectares and several small farms under 100 hectares in size (Yan and Sautman 2011).

Other Chinese investors have followed these two pioneering companies, although none is as large as the Zhongken Farm. However, the most significant Chinese agricultural engagement in Zambia is one that has not so far actually happened. In March 2009, the executive director of the Biofuels Association of Zambia, Tyson Chisambo, travelled to a biofuels conference in South Africa. On the sidelines of the conference, he told a Reuters reporter that 'China has approached the Zambian government to plant 2 million hectares of jatropha. We are still waiting for more details' (Zigomo 2009). Although the project appeared to come out of nowhere as a 'request' from the Chinese government, it was actually conceived by two Zambian businessmen. Ultimately, its fate would depend on two Zambian presidents.

The project was initiated by a Zambian engineer who was working in China for a private Chinese renewable energy company, Wuhan Kaidi, to help it develop its overseas operations. It was at his suggestion that Wuhan Kaidi explored investing in

Africa. He made the connection with a Zambian company, owned by Thomson Sinkala, a former professor of engineering at the University of Zambia and president of the Biofuels Association of Zambia. Sinkala and Wuhan Kaidi decided to invest together. The Chinese government was not involved, but the project became embroiled in Zambian politics when Michael Sata, the then leader of the opposition and a sharp critic of Chinese investment, told a radio audience that he opposed the project. He claimed that Chinese workers would be employed on the plantation (Joshi, 2009), although this was not the investors' intention, given the high cost of Chinese labour.

By mid-2011, the company's staff and the Zambia Development Authority had obtained signed agreements from traditional chiefs for 79,300 hectares, and Wuhan Kaidi had pledged to invest $450 million. The conversion of such large areas of customary land required presidential approval. But Zambia was facing an election, and President Banda postponed a decision. On 20th September 2011, Michael Sata won Zambia's presidential election. In office, he became more pragmatic toward Chinese investors, but he was reluctant to approve the conversion of so much land for biofuels. He decreed that the project could begin with a 2000-hectare pilot phase. The investors pulled out of the project, stating that the costs of the infrastructure and factory required a guarantee of enough land to enable a sufficiently large scale of production. The project – clearly of commercial interest, not political, for the Chinese investor – became a casualty of electoral politics, although in the previous administration the host government had afforded the investors considerable support and facilitation. The investment also proved useful politically to the opposition, but in a negative way.

Mali

During the 1960s and 1970s, the Chinese aid program built two sugar complexes in Mali, which were handed over to the host government. When Mali faced difficulties in keeping the complexes running smoothly, the Chinese were invited back to help manage them. In the 1990s, when Chinese economic relations had shifted on to a more commercial basis, the two governments agreed on a joint investment through a debt–equity swap. The two complexes were combined into a single company called Sukala. The Chinese firm that had been managing the complexes acquired 60 percent of the shares, while the Mali government retained 40 percent.

By the early 2000s, the two sugar factories had become antiquated, with high costs and low yields. Sukala's output had plateaued at about 35,000 tons of sugar per year, less than a fifth of Mali's annual consumption. Given its high costs and very low global sugar prices, the company survived because of effective protective measures imposed by the Mali government. Imports of sugar required a license. In

the 1990s, importers of refined sugar were required to purchase one bag of Sukala's relatively poor quality sugar at a high price for every bag of sugar imported duty-free from abroad. The ratio has varied over time, but it has always served as a means to support the local industry through a consumer tax rather than a direct government subsidy.

In 2004, an American company began to show an interest in setting up a much larger and more efficient sugar complex that would be competitive in regional markets. Perhaps stung by the potential competition, the managers at Sukala decided to build a new factory capable of processing 100,000 tons of sugar annually, while expanding the land under cultivation by 20,000 hectares. In order to secure the tax advantages afforded to new investments, this would be done as a new, separate joint venture company (N-Sukala), but it would retain the same 60:40 ownership shares. Most of the finance would come from Chinese preferential and commercial loans (Ouattara 2014).

The N-Sukala project was beset by challenges. A frank Chinese analysis published in the Ministry of Commerce newspaper, *Guoji Shangbao* [International Business News] (2012), commented on the 'low efficiency' of the Mali government. For example, the Chinese project team had to visit the Minister of Finance 36 times on 27 separate days before they could obtain the minister's signature as required for the Chinese loan for the new joint venture. At the same time, the project broke ground in 2010, and the company pushed hard to complete it before the 2012 elections, so that it could be a legacy for the outgoing president. The March 2012 coup stalled the Chinese project briefly as some staff returned to China, but the factory was inaugurated in November 2012 with only a few months' delay. However, two years later, the new complex was still operating below capacity because the Mali government had only contributed a portion (3570 hectares) of the promised land.

Here, the investment also has a positive commercial impact for the Chinese firm, and there is some evidence of a supportive (protective) stance by the Mali government through the sugar import licensing scheme. The political impact of the project was positive for the Mali government in its home base, but it created some tension among stakeholders in the project area when the complex began to implement the arrangements for increased land. Although the Chinese clearly expressed their expectations of state support, they do not seem to have had an impact on the Mali government's stance on supportive state–business relations.

Mozambique

According to Chinese sources, the 20,000-hectare Gaza-Hubei Friendship Farm in Mozambique is said to be the largest Chinese agricultural investment in Africa (China Development Bank 2013). The investment has its origin in a 2007 agreement between the southern Mozambican province of Gaza and China's Hubei province whereby Gaza province agreed to provide an initial 1000 hectares out of its 70,000-hectare state-owned Lower Limpopo river irrigation system. Hubei province would set up a commercial farm that would rehabilitate a former Mozambican government state farm and provide (paid) services for local farmers along the entire rice value chain. The Chinese would run a central plantation and would also provide outgrowers with land, inputs and training, purchasing their paddy rice, processing and marketing it. Working closely with the government authorities in charge of the Lower Limpopo river irrigation system, the Gaza-Hubei Friendship Farm was far more of a public–private partnership than the other projects under review in this chapter.

Hubei province set up a company, Hubei Lianfeng, to manage the project. However, after three years at the site, Hubei Lianfeng had done variety trials of various crops but little else, and had rehabilitated less than 300 hectares for irrigation. Gaza province pressed the company to expand. In 2011, officials from Hubei Lianfeng were able to interest a large private provincial commodity processing and trading company, Wanbao, to take over most of the shares in the company running the project. Wanbao arrived in Mozambique before the beginning of the 2012-2013 season. Having secured an agreement from local Mozambican authorities to allow the use of 20,000 hectares out of the government irrigation system, they quickly began scaling up the project, developing 7000 hectares in the first season. This rapid expansion led to organized protests from Xai-Xai community members, who had become accustomed, since the collapse of the state farms, to using the area to graze their cattle and to grow maize and vegetables in the flood plain.

The project's path has not been smooth. After the first season's planting had been completed, the area was inundated by a major flood, which wiped out the crop. In the second year, 2013-2014, floods again affected cultivation, but the company was able to harvest 12,000 metric tons of paddy rice, while pressing on to complete 18,000 hectares of the irrigation system renovation plan. In the third season (2014-2015), only 3000 hectares were scheduled for planting. The China Development Bank (CDB), which had provided a loan of $20 million to the investment, was considering additional funding. During our visit in November 2014, the company was waiting to learn if the CDB would disburse the remaining funds.

The central government in Maputo was keenly interested in the project, having made a commitment to boost food security in the country, in part through reducing the rice deficit. Although the agreements were signed by the two provinces, they were negotiated at the level of the president and his top cabinet members. The project allowed the Mozambican government to highlight a foreign investment 'success story' while also providing 'evidence that it is taking action to reduce food insecurity and poverty' (Ganho 2014: 18-19). Mozambican President Guebuza personally visited the project at least three times (Chichava 2014). In the first stage, participating farmers were selected by Mozambican officials, leading some to suggest that local elites in the ruling party, Frelimo, and other government officials were benefiting from access to the irrigation system's plots. The fact that the head of Frelimo at the provincial level, the governor's wife and the wife of the farmer's association president were allocated plots in the irrigation system by the government supports this view (Ganho 2013: 16).

Interestingly, Chichava noted that the Chinese company was not entirely happy with what they saw as nepotism, and it criticized the decision of the Mozambican government to select friends, family and people with political connections as farmers to be trained by the project, contending that they wished to work with real farmers (Chichava 2014: 138). At the same time, Ganho argued that the sheer scale of the Wanbao investment had helped the central government reassert control over an important agricultural resource that had been under local control, in effect allowing the centre to 'grab land' from the provincial authorities (Ganho 2014: 22).

Political Economy Analysis

While information about these four cases is still sparse, the next section applies the framework outlined above to see what preliminary answers we might obtain to the two sets of questions posed at the start of this paper: Were the Chinese investors driven to invest by commercial or political motives? What kind of costs and benefits do these investments provide to African political elites? Table 1 provides an initial overview of the framework, with a summary of the potential political impacts of these investments.

Chinese interests

In all four cases, the projects clearly seem to have been primarily of commercial interest for the Chinese investors, although some political benefits for the Chinese government were present in Mali and Mozambique. In the Mali sugar complex, which began in the 1960s as a foreign aid project with diplomatic and solidarity benefits for China, the commercial motive evolved over time. By the 1990s, however, the commercial goals were clearly dominant. When the joint venture was founded in the 1990s using a debt–equity swap, it was a practical way for the Chinese to secure repayment of Mali's unpaid debt for its construction. As noted below, import protections for the complex have enabled it to earn profits, a clear commercial benefit.

In Mali, Zambia and Mozambique, the existing farms all produce for the domestic market, while the Tanzania sisal farm sells its output in both domestic and foreign markets. The proposed jatropha project in Zambia was expecting to supply its biofuel as an input into Zambian gasoline mix, or to export it to Europe, where gasoline is mandated to contain a ten percent renewable component.

The Chinese government (central and provincial) has taken an interest in several of the projects as flagship examples of its relatively recent push to encourage outward investment by Chinese firms. Chinese policy banks provided preferential and commercial loans of some $132 million to the Mali sugar complex, at least $20 million in a China Development Bank loan to the Mozambique rice complex, and a preferential loan to the Tanzania sisal farm in 2000. In 2011, China provided an equity injection into the sisal complex from the new China Africa Agricultural Investment Corporation (CAAIC), which became a majority shareholder in the farm. Zhongken Farm, one of the existing mixed farms in Zambia, has also been purchased by CAAIC, receiving a new equity injection. The biofuel project in Zambia never got far enough to apply for funding, and there is no indication that the other farms in Zambia have received Chinese government loans.

Indirectly, the sisal farm also benefits from a Chinese zero-tariff program for Africa's least developed countries, enabling sisal exports to China to avoid a six percent tariff. Sisal exports from Kenya are not so advantaged. The Mali sugar and Mozambique rice projects do not export to China. Both sugar and rice are heavily protected in China as a food security measure and to provide benefits to Chinese farmers.

Finally, several of the projects have been criticized by civil societies in the host countries. In Tanzania the Chinese purchased an existing sisal farm, and so there have been no concerns about 'land grabbing.' However, in Mali, Mozambique and Zambia, local civil-society groups and/or opposition politicians have raised concerns about the acquisition of large tracts of land without adequate safeguards for compensating local residents and subsistence farmers. This opposition has had a negative impact on the Chinese image in Africa. At the same time, the Chinese media has emphasized China's contribution to food security in Mozambique.

Table 1: Summary of Benefits

	Mali sugar complex	Mozambique rice complex	Tanzania sisal complex	Zambia biofuel complex
Chinese interest				
Commercial	positive	expected positive	positive	expected positive
Political	mixed	mixed/positive	neutral	negative
Host government interest				
Tax revenues	yes (after holiday)	yes (after holiday)	yes (after holiday)	possible
Joint venture profits	yes	no	no	no
Foreign exchange	no	possible	yes	possible
Employment	high	low	high	expected positive
Political benefits	yes	yes/mixed	neutral	mixed
Strategic location	no	no	no	no
Host-Chinese engagement				
Political benefits from firm	positive	positive	neutral	mixed
Economic benefits	import	import	low rents (up to 2013)	under discussion

Host country interests

For the host countries, the projects have had mixed political and economic costs and benefits. Positive benefits include employment generation, profits and tax revenues, and (in Mozambique) expected political benefits for the host government's commitment to enhance local food security. As noted above, in three of these countries, the projects have also been criticized by local civil-society organizations concerned about land grabs. Even though land was technically state-owned, local people had been using these schemes: in Mali since the colonial period ended, and in Mozambique since the collapse of the state farms in the early 1990s. There is no evidence that these projects were deliberately sited in locations where the logic was more political than commercial. In fact in Mozambique the host government was very keen to have Chinese agricultural investment in a possibly more strategic region (the Zambezi valley), but the Chinese company chose to locate in a region with better infrastructure. Three of the host governments have been able to emphasize the positive role played by the Chinese investment (or proposed investment), emphasizing the local employment that will be generated (Mali, Zambia), or the contribution to the country's food security (Mozambique).

All of these investments received tax holidays for profits and imported inputs, but nothing in excess of the provisions provided to other foreign agricultural investors. Over time, the older investments have paid tax revenues to the host governments. For example, the sugar complex has reportedly provided a total of some US$42 million in profits and tax revenues to the Mali government between 1996 and 2007 (Ouattara 2014: 13). This is also a clear benefit to the host country, although it is not clear how these revenues were used.

Conclusion

China's agricultural involvement in Africa is on the rise. This development might be expected to have political as well as economic impacts for both China and the host countries. This paper has used a political economy framework to examine this impact, derived from Bates (1983) and Whitfield and Therkildsen (2011). It has applied this framework to four country cases where as yet little information is available. In these four cases, Chinese strategies seem to have commercial rather than political motives, although in Mali and in Mozambique the Chinese media have emphasized the role that Chinese firms are playing in providing revenues and/or enabling the local production of an important imported food crop (sugar and rice). In Mali, there is indirect evidence that the Chinese investment provided support for the ruling elites in the 2012 election period, support that was ineffective, as the government was overthrown by a coup before elections could take place. In another case (Zambia), a proposed Chinese project was used against the government by an opposition politician who later won office.

Indirectly, the projects could have helped provide assistance to incumbent elites to enable them to maintain their ruling coalitions through their generation of tax revenues and (in one case, Mali) profits for a government joint-venture partner. Local employment is a political benefit, although this has been offset in several cases by contentious labour relations, which can reverberate negatively on the host government, as can accusations that the companies have 'grabbed land' without adequate consultation or compensation (despite this being the host government's responsi-

bility). Finally, we saw no specific cases where the ruling elite provided unusual benefits to the Chinese company. In all four countries, for example, companies from other countries have secured larger agribusiness concessions than those afforded to the Chinese firms. Chinese companies have supplied most of their own infrastructure, building roads and electricity connections for their investments. Given the scarcity of information about Chinese agricultural investment, we stress that this paper is preliminary, and its findings should be seen as suggestive only.

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A BETTER FIT? POLICY INTERVENTIONS IN AFRICAN AGRICULTURAL SECTORS

ANNE METTE KJÆR & RENATA SERRA

> 'Development outcomes in poor countries depend fundamentally on the political incentives facing political elites and leaders'.
> (Booth and Therkildsen 2012: 1)

African ruling elites have traditionally had insufficient incentives to focus on the agricultural sector because farmers have limited organizational power (Bates 1981) and because the agricultural sector does not contribute significantly to government revenue through taxes (Therkildsen 2012). The recent institutionalization of competitive elections in most African countries may be changing incentives by inducing political elites to try and win votes from the rural areas where the largest proportion of the population still lives (Kjær and Therkildsen 2013). While the effects of elections on agricultural policies remain uncertain (Poulton 2011; Rausser and Swinnen 2011), a plausible scenario is one in which the incentives for ruling elites to implement policies that improve agricultural productivity will be stronger in those sectors where farmers or other key stakeholders are organized in an effective way.

This hypothesis, based on the incentives of ruling elites and pressures from below, constituted a common starting point for the Elites Production and Politics programme, coordinated by Ole Therkildsen, and the African Power and Politics programme, directed by David Booth.[1] As researchers representing both consortiums, we decided to explore whether, when comparing findings from the research carried out on a number of agricultural sectors, some common patterns could be found and new lessons could be learnt. In particular, we asked what particular institutional arrangements could improve governance and enhance developmental outcomes in

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productive sectors by building on the local problem-solving institutions that already exist and that have proved to be effective ('best fit'), rather than trying to import 'best practices' from elsewhere (Booth 2011). This chapter, which is one product of this analytical exercise, focuses on the role of interest groups in affecting the outcomes of agricultural sector reform implementation with a view to offering some tentative pointers to future research about the political economy of agricultural policies.

Broadly speaking, the cases of agricultural reform analysed by the two research programmes involved measures of liberalization, privatization and regulation initiatives in a context of structural adjustment across a diverse set of sectors and countries. We examine three cases of policy interventions with relatively successful outcomes (cotton in Burkina Faso, dairy in Uganda and sugar in Mozambique) and two cases with less successful outcomes (cotton in Benin and palm oil in Ghana). We explore possible explanations for these different outcomes by focusing on (i) the content and sequencing of the policy interventions, and (ii) the relationship between government and key interest groups and how these dynamics played out during implementation.

We demonstrate that, in the more successful cases, ad-hoc ingredients were introduced that adapted the standard policy recipes for agricultural sector reforms to local conditions, which often involved a greater degree of interaction between state actors and interest groups. This mix of policy interventions tended to constitute a good fit with the local context. Such initiatives were characterized by the active involvement of producer or industry organizations. In contrast, less successful cases involved more rigidly conceived and top-down policies, which were also lacking in terms of the involvement of active stakeholders.[2]

The structure of the paper is as follows. Section 2 summarizes the varying outcomes of the interventions in our five cases. Section 3 examines the possible explanatory factors in our chosen cash- and food-crop sectors in Benin, Burkina Faso, Ghana, Mozambique and Uganda, outlining the type of policy change that was implemented. Section 4 examines the nature and characteristics of the interest groups, explaining how they influenced reform processes. Section 5 discusses the findings and provides a conclusion.

Varying outcomes in African agricultural sectors

For the purposes of this analysis, a reform is considered relatively successful if there has been a sustained increase in production/exports, job creation, increased processing, improved product quality or better coordination of market operation along the value chain. The first three dimensions were captured by standard sector-level data, while for the last two qualitative indicators we relied on stakeholders' interviews and opinions: a general consensus that the quality or market coordination has improved is taken as sign of a positive change. Table 1 shows how the five cases of reform score in terms of each of the five indicators. We consider three of the cases (cotton in Burkina Faso, dairy in Uganda and sugar in Mozambique) to be relatively successful – they score well on at least three dimensions – while the two other cases (cotton in Benin and palm oil in Ghana) do not pass the test.[3]

Burkina Faso's reform was among the most successful in African cotton sectors (Tschirley et al. 2009). Not only did cotton production double, the level and quality of services provided along the value chain (input distribution, ginning ratio, quality control and cooperative debt recovery) also tangibly improved, along with the managerial performance of the main cotton company (Kaminski and Serra 2011). Moreover, more farmers started to cultivate cotton, and their incomes and welfare indicators improved as a consequence (Kaminsky, Heady and Bernard 2011).

In Uganda, interventions in the dairy sector led to improvements in several outcome indicators. Whereas in the mid-1980s Uganda depended entirely on reconstituted milk from imported milk powder, by the turn of the millennium the growth in milk production and trade was such that the country had become largely self-sufficient in fresh milk and was also slowly starting to export milk products. In addition, although there was still room for improvement along the milk value chain, the quality of the milk had increased due to the upgrading of cooling and transport infrastructures and regular checks on milk standards (Kjær et al. 2012; Kjær 2015).

Finally, in the Mozambican sugar sector, the implementation of reforms revived a sector that had been close to a total standstill in the early 1990s because of, among other things, the devastating civil war. By 2004 four main sugar estates had been rehabilitated, production had increased more than tenfold, with half being exported, and domestic sugar consumption had doubled. In addition to the increases in income for sugar producers, about 30,000 jobs had been created in the four sugar estates (Buur et al. 2011; Buur et al. 2012).

Table 1. Outcomes in the five reform cases

	Increased production/ export	More jobs/ higher farmers' incomes	Increased processing	Higher market coordina-tion	Better product quality
Benin cotton	√				
Burkina Faso cotton	√	√		√	
Ghana oil palm					
Mozam-bique sugar	√	√	√	√	
Uganda dairy	√	√	√		√

Source: authors' own calculations on the basis of field reports, official and unofficial data and documents, and field interviews with key stakeholders.

There are five dimensions of sector performance. Cells are marked '√' if the sector scored positively on that particular dimension. Production/exports increases have to be 10% or higher and be sustained for more than five years. New job creation and increased incomes have to be 10% or higher. Increased processing has to involve at least 20% of production. Market coordination is defined in terms of better market operations along the value chain: reduced time and wastage in transactions, greater efficiency of operations, thus adding to total chain value, better access to credit and other allied services, higher coordination among stakeholders. A reform is considered to be conducive to higher market coordination or better product quality if there is a consensus among the main key actors and if this has been shown repeatedly in field interviews.

Two of our cases were associated with less successful outcomes. The first case relates to Benin's cotton sector. Despite the assiduous implementation of measures advocated by the Washington institutions, the performance of this sector was rather disappointing (Yérima and Affo 2011). After an initial increase, production declined quite consistently during 1996-2010, when yields showed an all-time low; the credit default rate among cotton cooperatives reached unsustainable levels, inducing many farmers to withdraw from cotton production, and the value chain generally was suffering from poor input distribution and excess ginning capacity (see also Serra 2012).

The second case of relative failure relates to Ghanaian palm oil production. After the Ghanaian government adopted initiatives to promote this sector, crude palm oil supply increased in the 1990s, but then stagnated in the 2000s due to problems of access to land, low productivity on farms and poor financing arrangements for growers and processors. Exports remained limited, while steadily increasing domestic demand led to growing imports of oil palm. Hence, the policy reforms adopted did not succeed in either achieving self-sufficiency or promoting oil-palm exports to a significant extent, and Ghana remained a very small player in international oil-palm production (Fold and Whitfield 2012).

The remainder of this paper explores the five cases in order to derive some more general lessons regarding what may account for success in some attempts to promote agricultural production, boost incomes and improve the functioning of the value chain, while failure results from other such attempts.

Comparing interventions across countries and sectors

In our comparative analysis we will search for common mechanisms that drive successful interventions in agricultural sectors but that are absent in the less successful cases (Geddes 2003). Table 2 summarizes in the first column the reform outcomes and highlights, in the subsequent columns, the main features of each case respectively in terms of type of intervention, and the relationship between government and interest groups.

With regard to the type of policy intervention, although the five countries had all entered into structural adjustment agreements with the IMF and the World Bank and had committed themselves to implementing liberalization and privatization reforms, the types of intervention on the ground varied in terms of content, and at times differed considerably from the original donor recommendations.

The Burkina Faso reform was quite distinctive in its eclectic approach. First, the government implemented institutional reform in the cotton sector *before* market reform in order to strengthen the governance of the sector and actors' capacities. Then it agreed to give up majority control in the parastatal company, but instead of opening shareholding to private investors, it offered 30 percent shares to the national producer association, whose leader was then very close to the president. Though liberalization in ginning occurred, the government managed to maintain control of the process: two new companies were allowed to enter the sector, but they could only control a 15 percent market share together (Kaminski and Serra 2011).

Table 2. Comparing reform outcomes and processes

	1. Outcomes	2. Type of Policy Intervention	3. Government–Interest Group dynamics
Cotton Burkina	Increased production Better market coordination	Institutional Reform prior to liberalization Privatization with state shares	Government steering with inclusion from main farmer associations
Sugar Mozambique	Increased production Sugar processing and exports, job creation	Rehabilitation of sugar estates Privatization but with state co-ownership	Government steering through a central coordinating agency and in coordination with sugar estates
Dairy Uganda	Increased production Improved milk quality Gradually more processing	Rehabilitation of milk infrastructure prior to liberalization Full Privatization Regulation	Government steering with inclusion of main interests in regulation but not in privatization
Cotton Benin	Short-lived production increase, worse market coordination, worst farmers' conditions.	Liberalization Privatization	No steering and no inclusion of interest groups
PalmOil Ghana	Failure to increase production/exports; lack of value chain development.	General liberalization and privatization. Additional initiatives stalled	No steering and no inclusion of interest groups

Sources: APP and EPP fieldwork notes, Working Papers, and articles, in particular Kaminski and Serra (2011) for Burkina; Yérima and Affo (2011) and Serra (2012) for Benin; Fold and Whitfield (2012) for Ghana; Buur et al. (2012) for Mozambique; and Kjær et al. (2012) for Uganda.

The success of Burkina's cotton-sector reforms have been widely attributed to the government's ability to combine some of the ingredients of standard economic reform – tighter regulation and the entry of new actors improved the managerial performance of the main cotton company – with exigencies dictated by domestic political and economic conditions (Kaminski and Serra 2011). The latter led to the adoption of a local monopoly model, whereby cotton companies operate each in their exclusive cotton zone (thus maintaining the advantage of the market coordination provided by a vertically integrated monopoly) rather than openly competing with one another.

In Uganda, targeted initiatives to promote the dairy sector preceded liberalization. The National Resistance Movement government initiated a rehabilitation of the dairy infrastructure (coolers, generators and roads) in south-west Uganda as early as 1987, whereas liberalization was only wholeheartedly supported after some years of negotiations among various elite factions and the international financial institutions. Privatization met more resistance and was dragged out for a long time: decided in 1993, it was only put into effect in 2006. The former state-owned Dairy Corporation was sold cheaply to a foreign investor, and the state did not acquire any shares in it. After milk production and trade had increased substantially during the 1990s, a regulatory agency, the Dairy Development Authority (DDA), was set up in 2000. The DDA's regulatory initiatives had positive effects on the way milk was traded and transported (Kjær et al. 2012; Kjær 2015).

In Mozambique, rather than introducing whole-scale privatization for the sugar sector, a hybrid model was adopted instead. The big state-owned sugar plants were privatized and sold to companies from South Africa and Mauritius, but with the state acquiring shares. Four out of six sugar plants were privatized and rehabilitated, one of them initially with the state as the majority shareholder (51 percent), and with the state acquiring some shares in all four. Also, a tariff was implemented that protected domestic sugar production. The sugar strategy also defined key state and government tasks related to foreign loan-taking, the creation and enforcement of a protected internal market, the provision of certain forms of infrastructure like electricity and rail and port upgrading (Buur et al. 2011).

The two less successful cases differ from those discussed above in terms of the type of policy involved. In the early 1990s Benin appeared to be rather favourable to economic reforms thanks to the election to the presidency of a former World Bank official who was close to the Washington consensus. In 1993, President Soglo's government embarked on liberalization reforms in the cotton sector, favouring the entry of many new players into the input distribution, seed-cotton transport and ginning sub-sectors (Yérima and Affo 2011). The privatization of the main parastatal encountered more resistance both within and outside the company. When it finally took place, the subsequent governments presided over by President Kérékou did not have the capacity to ensure transparency and enforce regulation. Dominant private investors in the country took control of the company, de facto establishing a private monopoly, which was no less prey to rent-seeking impulses than a public one would have been. Despite the implementation of several measures formerly advocated by the Washington institutions, therefore, the performance of Benin's cotton sector was disappointing (Serra 2012).

In Ghana the new Rawlings government began implementing structural adjustment programmes in the 1980s, including liberalization in the Ghanaian palm-oil sector and the privatization of state farms and government-owned oil-palm plantations

and mills (Fold and Whitfield 2012). This process accelerated in the 1990s when the government sold off many of its shares in the oil-palm estates. After a new government led by the New Patriotic Party came to power in 2001, initiatives were introduced to increase the production of smallholder farmers and create farmers-owned enterprises in which farmers had a stake in mills, but capital and management were brought in by so-called strategic investors. The initiative thus required landowners and farmers to participate by investing in oil-palm production, under the assumption that existing large and medium-size mills would participate (ibid.: 21). However, since it never really included these actors in decision-making and implementation, the initiative failed to reach its goals.

The three successful cases indicate that an eclectic approach to the adoption of reform and implementation might be important. For instance, in both Uganda and Burkina Faso targeted initiatives towards the sector, namely the rehabilitation of sugar equipment and institutional reforms in the cotton sector respectively, which were essential in paving the way for more successful liberalization and averting some of the negative consequences. Furthermore, while privatization did take place it was quite unorthodox, as in Burkina Faso and Mozambique. In the former, private firms were kept out and the state sold its shares to the national producer association; in the latter, the state bought large proportions of the shares. Though the state monopoly was broken and other actors were allowed to enter the market, the main company was allowed to retain much of its market power. These details are important in supporting the view that neo-liberal blueprints in African contexts are less feasible and less likely to generate positive results (Booth 2012).

In the two less successful cases, the policies that were actually implemented looked more like pure privatization and liberalization measures. Though measures to promote the cotton and palm-oil sectors actively were discussed and formally adopted in some cases, they were not fully implemented as they failed to involve the relevant stakeholders.

Government–interest group dynamics

What made it possible for the more successful countries to adopt reform patterns that were conducive to better performance? What was lacking in the less successful cases, and what prevented them from adopting more suitable interventions?

Research in the APP program argues that institutional relationships other than those conventionally associated with good governance and a sound business climate may be conducive to good economic performance in African contexts (Kelsall and Booth 2010). Growth in productive sectors may thus be sustained by tight business–government relationships and even effective political transfers within corrupt patron–client networks. The EPP analytical framework points to the importance of engaging with organized sector interests, on the basis of a mutual interest in developing the industry, in order for the government to carry out successful policies (Whitfield et al. 2015). We thus examined government–interest group dynamics (Table 2, column 3). In all of the three successful cases, organized interests bargained and collaborated with government agencies in the implementation of the policy initiative and, along the way, the interventions were adapted through a process of compromise, in spite of issues being at times very conflictual. This was not only a result of interest-group pressures, but also a consequence of state action. In all three cases, the government steered the reform process. However, rather than explaining this merely in terms of the centralized nature of the state in the most successful cases, we posit that an even more important element is the evolving alliances between the state and relevant social and political groups.

In Burkina Faso, it was the alliance between the urban elites and bureaucrats on the one hand and the rural elites on the other that constituted the backbone of the reform success. Such alliances, historically rooted in the exchange of political support against transfer of economic rents, and more recently cemented in the common militancy in the dominant political party, enabled the government to overcome the daunting collective action problems that otherwise jeopardize the implementation of reforms (Booth 2012). Moreover, farmer organizations in Burkina were fundamental to ensuring a broader consensus over reform. Given the tightly vertical structures of farmer organizations and their historically close relationships with cotton elites, they tended to comply with government reform plans. This in turn enhanced actors' coordination along the value chain and overall productive efficiency (Kaminski and Serra 2011).

In Uganda, the main milk production area was in the heart of the home region of leading government elites, and the dairy farmers had not only prospered because of government support, but had also become an important political support base (Kjær et al. 2012). When the government changed the legislation on cooperatives in the early 1990s, the number of dairy-cooperative unions in this area grew rapidly. However, the government's decision to sell off the state-owned dairy to a foreign investor incentivized the farmers to form an umbrella organization, which enhanced their bargaining power. The dairy traders also responded to government attempts to regulate the informal sector by organizing, while the regulatory agency, the Dairy Development Authority, succeeded in acting as a mediating agency between the government and the big dairy processor, who wanted to regulate the trade of milk,

and the farmers and traders, who wanted to avoid costly investments in transport equipment and small-scale pasteurizers.

The implementation of the sugar strategy in Mozambique was very much driven by strong elites within the ruling Frelimo Party. Initially, there was no organization of significance among industry actors. However, the National Sugar Institute refused to deal with individual estates and urged them to come together as a group to negotiate. A special pact evolved with a sharing deal between producers and the state, which by and large eliminated the possibility of creating individual rents. Gradually the unions became stronger, with upstream sugar-users and small and medium cane producers joining the associations. Importantly, the organizational features of the industry evolved as needs, demands and policy requirements produced new opportunities. For example, implementing a surcharge on imported sugar was controversial, but the national sugar industry was able to implement it in a process which involved repeated negotiations with industry actors, other government authorities and the IMF and World Bank.

The problems with the least successful reform cases can be analysed within the same framework. In the case of Benin, one problem was that President Soglo only served for one term, and his insistence upon implementing the initiatives in the cotton sector was not followed up. During the two subsequent terms of Kerekou's presidency, the government was much less strict on reform and became too sensitive to pressure from various interests, giving it a very weak steering role in the reform process (Serra 2012). The government became unable to reassure dissenting groups during the controversial debate on economic reforms. Furthermore, there was insufficient cooperation between bureaucrats and farmers – the latter were divided among themselves, with a small number of successful larger farmers concentrated in one northern area, while most other farmers cultivated very small parcels, had few resources and were poorly organized. A lack of coherence in the political arena and the collusion between centres of economic and political power made policy implementation incoherent. The interventions that were implemented served mainly the interests of one powerful economic actor who had a *de facto* private monopoly.

The Ghanaian palm-oil sector was not characterized by a high level of organization among either processors or producers, nor was there any institutionalized structure for government interactions with farmers. Hence the state did not really support the organization of industry actors in the palm-oil sector, a bifurcated sector with large estates that both produce and process, together with a group of smallholders. The association of major and minor palm-oil estates that was set up in the mid-1980s to

lobby government on matters affecting the industry gradually became defunct as privatization proceeded throughout the 1990s (Fold and Whitfield 2012: 32). In 2010, there was very little collective organizing among producers. Some oil palm is also grown by smallholders who supply about four hundred small-scale processing units that produce mainly for home consumption. These producers are also poorly organized, so industry actors did not have a significant voice in policy-making or implementation.

Concluding reflections on findings

An important purpose of comparative analysis is to identify some common causal mechanisms behind observed empirical patterns (Geddes 2003). The roles of underlying structural factors are typically not well captured by the dichotomous variables typically used in cross-country statistical analysis, such as the existence of authoritarian or democratic government, proportional or uninominal systems of representation, or low or middle income categories (Booth and Therkildsen 2012). We have proposed a methodological approach based on qualitative comparison within a small set of case studies to allow us to dig more deeply into the reform dynamics and political economic context of each country and uncover some of the relevant patterns.

This approach has allowed us to reach two tentative conclusions in this chapter. First, when comparing reform outcomes, our case studies demonstrated that interventions that adapt universal prescriptions, such as liberalization and privatization, to the local context are more likely to overcome opposition to reform and generate consensus among a wide set of actors – a point which has intuitive appeal, as well as finding increasing support in the literature (Rodrik 2008; Booth 2012). Partly this is due to the fact that, with broad sectors of the population often opposed to Washington consensus policies, overcoming resistance in emerging democracies may prove more difficult for the government than finding alternative solutions to the imperative of state withdrawal. When governments have managed to maintain some degree of control through either shares in privatized industries (Mozambique, Burkina) or a degree of regulation (Uganda), they seem to have done better service to their chosen agricultural sectors than when adopting a more laissez-faire stance that they could not subsequently implement in practice (Benin, and Ghana for palm oil).

This is not to say that government interventions are always the most desirable. Aid donors, for example, will have to consider the question of whether or not 'adapting to local conditions' mainly means serving the ruling elite's interests in ways that do

not benefit larger groups of the population. In Uganda the support of the dairy sector was part of a wider strategy aimed at building up a support base for the ruling elite while at the same time increasing the incomes of many poor farmers. In Mozambique the ruling party had an interest in creating new rents through the revival of the sugar sector. In Burkina Faso the preservation of substantial market power by the main cotton company in the context of a liberalization process was self-serving for the government, which kept an important minority share in Sofitex and years after privatization was able to re-acquire majority control, using the excuse that Sofitex required new injections of capital.

Likewise, tight state control of economic sectors may not always result in improved efficiency. For instance, Sofitex experienced a worse performance and a more difficult financial situation for few years after the state recapitalized it (Kaminski and Serra 2011). The concentration of market power in the Ugandan dairy sector means that the prices paid to milk producers have remained too low.

In spite of these drawbacks, the relatively moresuccessful cases indicate both that reforms need to be adapted to the local context and that liberalization in itself is not enough to create the intended outcomes. These ingredients were unfortunately lacking in the reform processes in our least successful cases, which either implemented interventions too quickly and without the proper sequence (Benin) or largely failed to implement the necessary policies (Ghana).

Our second concluding point is that what enabled more successful countries to implement policies that worked better in the specific context was that the state managed to control the reform process by relying on new or already existing mutual interests with other stakeholders, such as bureaucrats (Burkina Faso and Uganda) and private firms (Mozambique). Smallholders were more organized and more engaged with the relevant government agencies, although far from always agreeing with them. Such organizations would sometime emerge as a result of government initiatives. For example, liberalization implied the emergence of new traders, and farmers joined cooperatives in order to become less dependent on the middlemen. In Uganda many dairy farmers were already organized in small cooperative unions, but they subsequently created an umbrella organization in response to the government's decision to sell the state-owned dairy cooperative to a foreign investor. Thus, producer interests often changed in the process in response to various measures taken by ruling elites or government agencies, and state control took the form not so much of a mastermind directing implementation but more of engaging with sector actors, often as a matter of trial and error.

In the cases with less successful outcomes, industry actors were not well-organized and had weak influence. This lack of organization went hand in hand with a lack of government initiatives that would encourage the organization of the producers.

The three relatively successful cases appear to be exceptions in Africa. Normally, smallholder farmers tend to be weakly organized and not able to put pressure on ruling elites to make them promote policies favourable to them (Therkildsen 2011, 2012). This was convincingly demonstrated by Ole Therkildsen in his study of irrigation initiatives and tariffs in Tanzania's rice sector (Therkildsen 2014). He shows that, despite government rhetoric, the actual policy discriminated against rice producers, and that winning their votes was less important than winning the support of important powerful groups, showing that elections do not always provide incentives that favour agriculture. All in all, these issues remain fertile terrain for empirical studies and theoretical reflections. The fact that our three more successful cases point out the conditions under which interest groups may be effective in turning agricultural policies in a more favourable direction is a testimony to the importance of examining the interaction between politicians' incentives, producers' interests and the wider power dynamics. We are grateful to Ole Therkildsen for his thoughtful contributions to this field of study, which have taught us all so much.

Notes

1 APP website available at <www.institutions-africa.org>; EPP website available at <www.diis.dk/epp>

2 See also Serra (2012) and Kjaer (2012).

3 Each case is discussed at length in the papers, which are the product of the individual research projects. While the main results and findings are summarized here, the reader is referred to the original papers for a more thorough discussion of methodology and the analysis.

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POLITICS AND DEVELOPMENT

‘MUDDLING THROUGH’ BY WAY OF MODELLING: REPRESENTING COMPLEX RELATIONSHIPS

LARS BUUR

This chapter focuses on the process of ‘muddling through’ by following the process of developing an analytical and theoretical model in the Elites Production and Poverty (EPP) programme. This is done by following the process of modelling in the research programme. Modelling has always been part of Ole Therkildsens’s *modus operandi*, right from his key work *Watering White Elephants* in 1988 to his contribution to finalizing the EPP programme with the 2015 Cambridge University Press book, *The Politics of African Industrial Policy*. What relates the two works is a three-dimensional model first developed by Korten (1980) for capturing the requirements of the learning approach for project implementation. The EPP, after testing various models in an iterative process, ended up further developing Korten’s model. The EPP initially used the model to depict key analytical processes, but over time the explanatory model became what had to be explained. The complex processes depicted by the model, in other words, went from being an independent variable to being the dependent variable in the final stages of writing up. The chapter is based on models drawn up from the EPP programme and gives form to the research group’s muddling through towards finalizing the book.

> General Forms have their vitality in Particulars, and every Particular is a Man[1]

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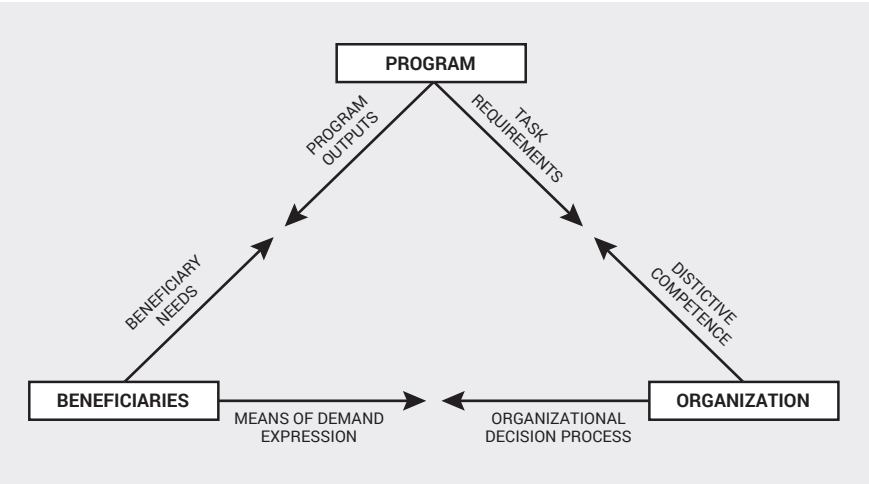
Introduction

How do development aid processes take form? Is it a straightforward process of decision-making – for example, policy elaboration, where detailed plans are made and thereafter implemented – or is it a far more haphazard process of incremental change during which many small and often unplanned incidents come together and slowly begin to take form? Reading Ole Therkildsen's 1988 *Watering White Elephants* suggests that it is a combination of the two *modi operandi*, for better or worse. One reason is that development work is an 'uncertain and complex' exercise where one cannot assume that different parties 'agree on and are committed to a set of common objectives' on which detailed planning can be based. Therkildsen suggests that 'differing and conflicting agendas are typical, and conflicts tend to occur during implementation rather than the planning stage' (Therkildsen 1988: 17). The very 'unpredictability, [and] lack of knowledge and operational information' that characterize 'real time' development work also make 'control-oriented' development planning and implementation – which is the donor way of working (and of state and bureaucratic planning and implementation more generally) – unsuited to the field. In an attempt to propose an alternative model, Therkildsen in *Watering White Elephants* presented Korten's 1980 model for a Schematic Representation of Fit Requirements in the Learning Approach. This model is presented below as Figure 1.

Figure 1: Schematic Representation of Fit Requirements in the Learning Approach



????? Therkildsen 1988

Even through Therkildsen's book and Korten's approach have been positively reviewed, the control-oriented approach continues to dominate, underpinning the 'isomorphic mimicry' that is identified as the key constraint for present development planning and implementation (Andrews et al. 2013; see also Booth, this volume). It is like a *Chronicle of a Death Foretold*[2] when development work is conceived as a few excessive and extensively planned large jumps instead of as a method of change by which many small policy changes are enacted over time to create a larger, more broadly based change. The planned work will nearly always fail even in its own terms.

'Muddling through' was part of the conceptual luggage on which Therkildsen drew in *Watering White Elephants*, in which he analyses the planning and implementation processes of the regional water master plans for Tanzania. His interest then was to understand how elaborate development planning exercises could be ignored during implementation and how already completed facilities were not maintained, undermining the costly efforts to introduce them. The understanding of muddling through that characterized these efforts was nonetheless far from the more popular usage of the term. The *Cambridge Dictionary*, for example, suggests that to muddle through means 'to manage to do something although you are not organized and do not know how to do it' while the *Merriam-Webster Dictionary* suggests that it means 'to achieve a degree of success without much planning or effort'.[3]

Therkildsen's interest in incremental changes and in understanding planning was not based on such hints at sloppiness and coincidence, or on loose ways of seeing change. Instead it was intimately related to conceptual developments introduced by Lindblom (1959; 1979) in his attempt to find a middle way between a rational actor model and bounded rationality; neither long-term, goal-driven policies and analytical rationality on the one hand, nor *laissez-faire* approaches on the other, were seen as adequate. Here 'muddling through' or 'incrementalism' (Lindblom 1979: 517) came in handy as Lindblom tried to systematize and clarify 'incremental strategies of policy analysis and policy making' (ibid.: 524) without confusing the analytical work with politics.[4] This has been an ongoing interest for Therkildsen too – the research he engaged in mattered and had implications. Here 'muddling through' did not mean 'being muddled in the search for change options. Instead, it implies taking a gradual approach to addressing particular problems' (Andrew 2013: 239). But it was not 'best practice' solutions Therkildsen was looking for, but an approach that came close to the Lévi-Straussian bricolage figure focused on addressing concrete problems by combining different elements in new constellations to bring forth new solutions based on the resources at hand (Lévi-Strauss 1966). This was fully in line with

the argument of Andrew et al. (2013: 239) that 'the imposition of … "optimal" solutions is a main reason why novelty is constrained in development'. But this does not mean that one should not try to give form to iterative processes and attempts, be it in the form of bricolage or muddling through.

Focusing on such iterative processes and the relationship that can bring such processes further towards practical solutions means also focusing on the relationship between formal and informal processes. This is at the heart of what Therkildsen has been exploring in different ways through his engagement with development planning and implementation, bureaucracy and public administration, and political leaders' support or ignorance of industrial policy. Here Therkildsen's interest in public administration and national bureaucracy is unique, and, as van Donge suggests in this volume, it is directed at understanding what drives members of a public administration in the face of the multiple constraints that often take place in the play between formal and informal practices.

The formal and informal are usually considered – and indeed often appear – to be separate entities, in part because we speak about 'sectors', which suggests the two are located in different places, much like the agricultural sector and the manufacturing sector. However, according to Hart this is a false starting point, since 'both the bureaucracy and its antithesis contain the formal/informal dialectic within themselves as well as between them' (Hart 2008: 12). The relationship between the formal and informal, or the invariant in the variable – the form that can be recognized and that expresses predictability – can most conveniently (Ole Therkildsen being a keen birdwatcher) be illustrated by the example of a birdwatcher's guide:

> It would not do to illustrate each species with a photograph of a particular bird. It might be looking the wrong way or be missing a leg.… So instead a caricature shows the distinctive beak, the wing markings and so on. (Hart 2008: 12)

But to focus on the general idea of something – the invariant form in variation – can lead one to take it as being more real than the processes and variations themselves. That it is indeed difficult to give form to and create models of ongoing iterative processes is amply illustrated by the Elites, Production and Poverty research programme (EPP) for which Ole Therkildsen acted as team-leader between 2008 and 2013. The rest of this chapter explores the processes of developing an analytical and theoretical model in the EPP programme by following the process of modelling as a concrete way of giving form to complex processes. Below I trace the ongoing

attempts to create form during the research process, alongside the changes in those forms, until they finally stabilize and the analytical work matures. This was in many ways an attempt to follow a 'learning' approach that resembles the 'muddling through' approach discussed above, even though it was neither directly intended nor planned in any way.

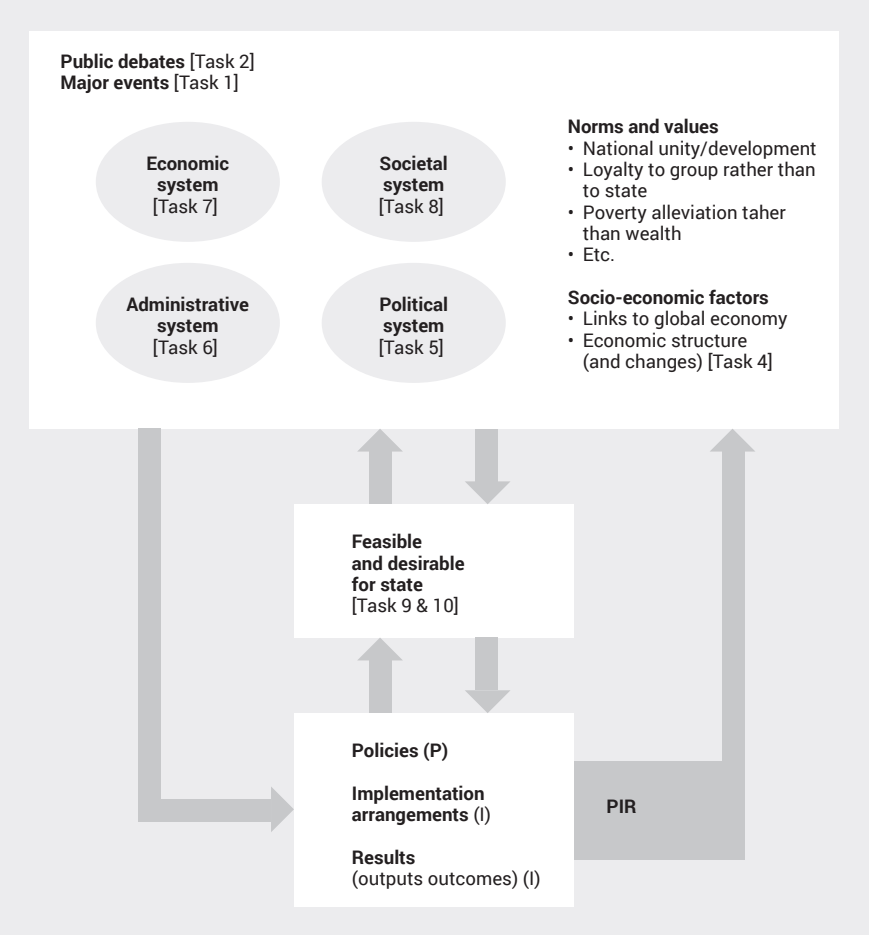
Muddling through the development of an analytical model

The main objective of the Elites, Production and Poverty programme[5] was (originally as suggested by the research proposal funded by FFU, Danida and the Danish Foreign Ministry's consultative council for development research) to contribute to the theoretical and empirical understanding of the conditions under which elite support for poverty reduction initiatives in poor countries occurs. This was done specifically through attempts at understanding how and why elite groups supported, opposed, or ignored the implementation of specific poverty reduction initiatives in the productive sectors in countries selected for Danish aid programmes – or why those groups were excluded from influencing them. This was based on the hypothesis that national and local elite perceptions of the desirability and feasibility of activities within the New Poverty Agenda (Maxwell 2003: 5) were critical to their implementation and results.

The first model: capture everything of relevance

After the first joint workshop in Kampala, Uganda, during May 2008, the very first attempt at capturing and giving form to the many different and complex processes we wanted to research entailed the development of an analytical model that also specified the different research tasks each country team should research.

Figure 2. Schematic presentation of an analytical framework developed for the first workshop in Kampala and revised during June 2008.



The analytical model tried to capture 'everything' in the 'very schematic presentation of the proposed analytical framework that provides empirical and analytical grounding for the research' (note attached to the model, 2008). The approach was 'grounded in a political economy approach' and was 'pitched at a middle level of analysis in seeking to take account of some major institutional and structural changes, as well as the 'micro-level' interactions between specified individuals, units and organizations'. The following features are noteworthy as the research problem – 'the dependent variables' – was to explain 'elite perceptions of the desirable and the feasible with respect to specific (sub)sector: a) policies; b) implementation arrangements; c) results (outputs, poverty effects, etc.)'. The analytical model assumed 'a simple "world" in which four systems interact: a political system, an administrative system, a market system and a societal system. Each of these four systems is set in a larger institutional and socio-economic context'. As an expression of the steps the research team had begun taking, they had dropped their former way of working through the lens of donor aid and its influence, since the EPP argued that:

> […] 'donors' do not constitute a separate system. In fact, in donor dependent countries, donors are often an integrated part of the political-administrative systems and their interactions should be analysed in that perspective.

This was an important first step and hence, while 'donor elites: those who carry out a political role in the countries where they work (ambassadors, embassy staff, etc.); and those that carry out more technical work' was still important, they had now become subsumed under the 'political system' (see task 5 in Figure 2) and largely disappeared from the research agenda over time, as the selected productive sectors had limited donor influence.

Finally, another noteworthy issue depicted in Figure 2 was the 'Societal Sub-System', which included trade unions, civil-society organizations and societal elites. This was expected to be one of the major research fields, but as we zoomed in on specific productive sectors and moved away from specifically focusing on the poverty agenda, the 'Societal Sub-system' lost its independent status in the research design, as in the sectors we came to focus on there was very little societal contestation (but often substantial political influence internal to ruling coalitions).[6]

The second analytical model: towards a focus on three dimensions

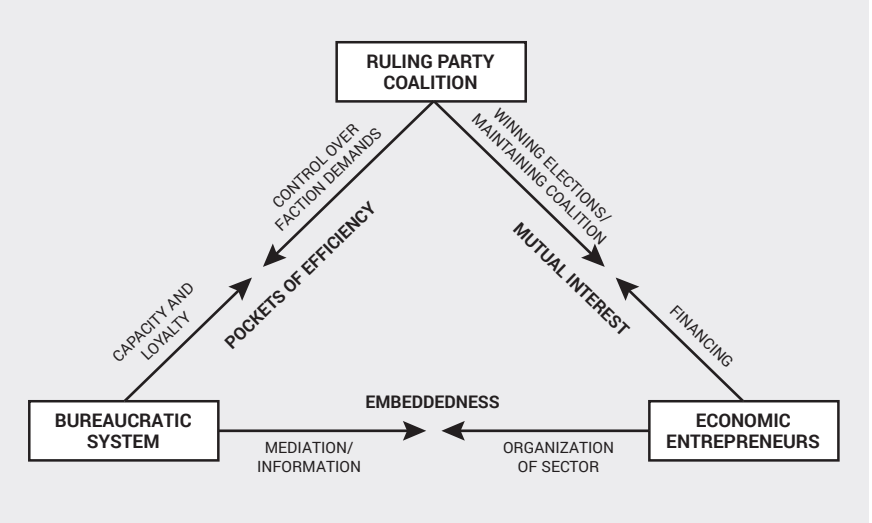
By the end of 2011, when we began putting our productive sector case studies together in a series of country synthesis papers, it had become apparent that the original analytical model from 2008 was inadequate to capture analytically the productive sector initiatives we were studying. On the one hand the focus had become narrower, but on the other hand it had also become more general, as we needed to grasp analytically the political economy of the productive sectors we were trying to understand. The research group made contact with Mushtaq Khan and began working with and identifying gaps in the political settlement approach. Engagement with the political settlement approach sharpened the focus in three distinct ways. First, it provided a framework for systematically analysing issues like critical events, formal and informal institutions (norms and values) and socio-economic factors, which we had previously struggled to grasp, placed as they were on the fringes of the original analytical model. The political settlement approach allowed the programme to systematically identify the complex causal relations between the distribution of power in society: how ruling coalitions are built and maintained within that context, and interactions between ruling elites and economic entrepreneurs. Importantly, this allowed the programme to systematically trace the relationship between ruling elites' political survival strategies and their incentives to pursue and ability to implement productive sector policies or industrial policies as the programme came to reformulate its focus.[7]

Secondly, engagement with the political settlement approach allowed the EPP programme to refocus from a more diffuse engagement with 'elites' to zoom in on 'ruling elites' and 'ruling coalitions' as central to understanding the successes and failures of specific industrial policies. In this understanding, over time the term 'ruling elites' came to refer to the group of people who wielded de facto power as a result of their position in government, where they occupied offices in which decisions were made. This qualification allowed the programme to make ruling coalitions – defined as the ruling elites as well as the groups and individuals behind the rise of particular ruling elites – a central focus.

Thirdly, based on an iterative engagement with the different case studies,[8] it became clear that the three cardinal relationships were those between the ruling elites, the bureaucracies and economic entrepreneurs or capitalist groups, and that the political settlement framework needed to be further elaborated so as to include a 'meso-level' type of theorizing which could help capture these relationships. As the research team began writing up the specific case studies and developing the synthesis reports that compared two productive case studies from each country, we struggled with how to present and organize the analysis of the three intertwined relationships between ruling elites and economic entrepreneurs; ruling elites and bureaucratic systems; and bureaucratic systems and economic entrepreneurs. Various attempts at analysing these relationships in two-by-two tables (see, for example, Buur et al. 2012) proved unsatisfactory. The attempt at this stage was to break it up in a series of paired analyses of ruling coalitions and economic entrepreneurs; ruling coalitions and bureaucracies; and bureaucracies and economic entrepreneurs. The aim was to identify what characterized the salient features of each of these relationships. The issue of how to depict complex relationships that involve more than two sets of actors – since they cannot easily be captured in a 2x2 table, as is common in political science – came to a head during a public presentation at DIIS late in 2011, expressed succinctly by Anne Pitcher in her discussion of the preliminary synthesis analysis of Mozambique. As she argued during the comments session: 'it is too complex – you cannot capture three-dimensional relationships in this way. You need to operate with fewer variables' (personal notes, Copenhagen, November 2011).

After the discussion, Ole Therkildsen said to me in passing: 'I know only one way this can be done. When can we meet?' As I was travelling back to Maputo a few days later, we decided to meet in Ole's old office at DIIS's former offices in Strandgade, and the outcome was the very first attempt at capturing what over time became the trademark of EPP and a model of what became its main theoretical contribution. Figure 3, inserted below, was originally developed by Ole Therkildsen and myself on 6 December 2011, with further elaboration taking place after my subsequent return to Mozambique. Here, for the first time, Korten's original (1980) model for learning (Figure 1 presented in the Introduction) and Therkildsen's further work on it were blended with the EPP programme. More specifically, the figure is based on Therkildsen's earlier work for requirements in the learning approach for development project implementation, or the 'learning process approach', as Ole described it on several occasions (see Therkildsen 1988: 196-199). The model attempted to capture the specific multidimensional relationships between ruling party coalitions, bureaucracies and economic entrepreneurs that emerged in our country productive sector analyses. It fitted well with what had begun to crystalize in the country synthesis papers as key relationships between the three sets of actors.

Figure 3. Key explanatory factors of success or failure



The model was then conceived as 'the key explanatory factors of success or failure' (Buur et al. 2012: 46). Figure 3 provides a 'snapshot' summary of the specific relationships between the ruling party coalition, the bureaucracy and economic entrepreneurs, but a key point in the Korten and Therkildsen figure that we came to adopt – and the broader theory behind the figure – was that it was the extent or degree of fit in the various relations that influenced and explained positive and negative outcomes. The poorer the fit between the three explanatory factors – emergence of pockets of efficiency, mutual interest and embeddedness – the worse the outcomes. The figure therefore attempted to model the hypothesis that three types of fit had to occur more or less simultaneously to secure good outcomes. The existence of pockets of bureaucratic efficiency, mutual interest and embeddedness could therefore not be taken for granted, as they needed to be constantly produced and asserted.

In the process the last of the three fits became recast as 'learning for productivity' instead of 'embeddedness'. In brief, the three explanatory factors drew attention to key aspects that needed to be in place for the successful implementation of industrial policies. The first factor suggested that, for ruling elites (or a faction) to address productivity-constraining problems in a particular productive sector, they must have the incentive to do so. They must have some kind of general *mutual interest* with the relevant group of capitalist firms or farms. What capitalists need is for problems affecting their ability to profit from investment decisions to be settled. This is true regardless of the mix of objectives to promote investment from privately owned firms, state-owned firms, public–private joint ventures, or party-owned firms.

The second factor suggested that the group of ruling elites pushing a particular industrial policy – broadly understood as any targeted government support for specific productive sectors, industries or firms – must be able to exert enough control over factional demands within the ruling coalition to implement the policy. In this way a 'pocket' is created in which state bureaucrats can work in relative autonomy from demands within the ruling coalition. On the part of the state bureaucrats in charge of the details of designing and implementing the industrial policy, these bureaucrats must be trusted by the ruling elites, but must also be knowledgeable about the targeted industry, thus creating the efficiency. When this occurs, we can say that a *pocket of efficiency* exists, which lends the impression of strong 'state capabilities'.

The last leg in the triangle is *learning for productivity*, which is conditioned by the relationships that evolve between relevant state bureaucrats and capitalists. Where capitalists pursue profits above all else, often by asking for rent from political leaders, they have to be conditioned towards increasing productivity and upgrading in order to be beneficial for industrial policies. These three analytical factors were necessary for industrial policy because they reduced investment risks, increased time horizons, assisted in controlling rent-seeking, and allowed for the enforcement of resource allocations and institutional shifts, all of which, we argued, were essential for successful implementation to take place.

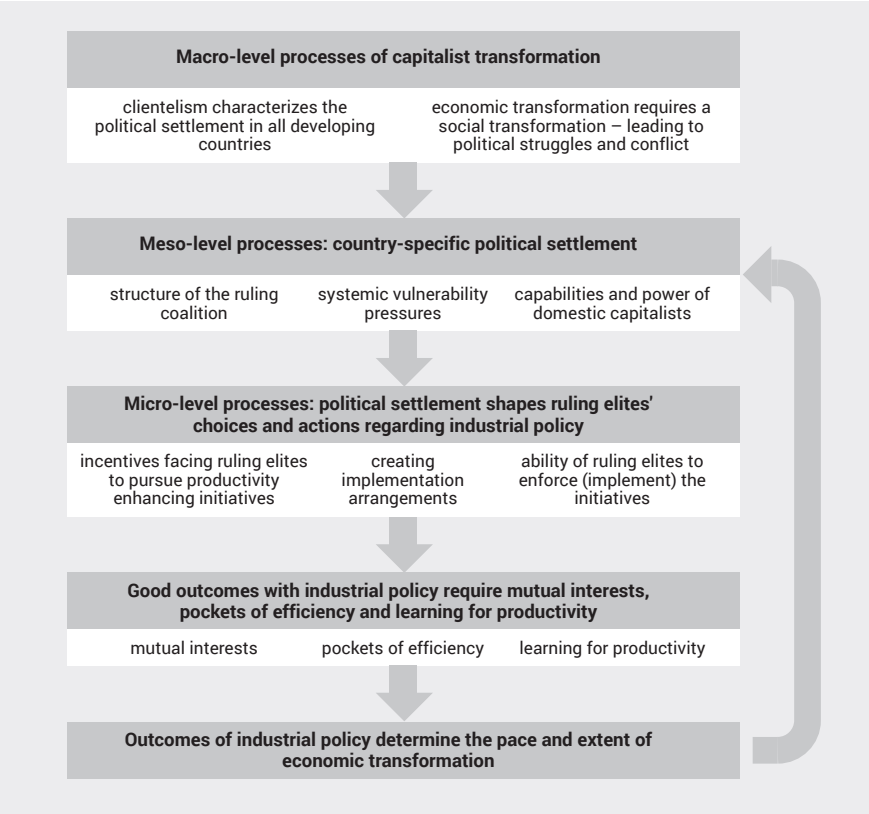
The third and fourth analytical models: specifying all relations

Over time, what had been formulated as 'the three explanatory factors' captured in the three-dimensional triangle model in Figure 3 became reformulated as the 'three conditions' that have to exist for a government both to pursue and successfully implement a specific industrial policy. As each of the legs in the triangle interacts with the others, all three conditions have to exist, and in fact they are dependent on each other. This is why successful industrial policy is difficult: most of the concrete cases explored in *The Politics of African Industrial Policy: A Comparative Perspective* (Whitfield et al. 2015) are failed attempts at implementing industrial policy. But why this was the case required that the Model of the Conditions for Successful Industrial Policy – as the triangle was renamed – became connected to the concrete political settlement analysis that the EPP team developed between 2011 and 2013. In other

words, an attempt at capturing both the political settlement approach and the triangle – connecting the macro approach represented by the political settlement framework with a micro-level approach able to understand specific productive sectors – then became a concern, as both dimensions seemed important.

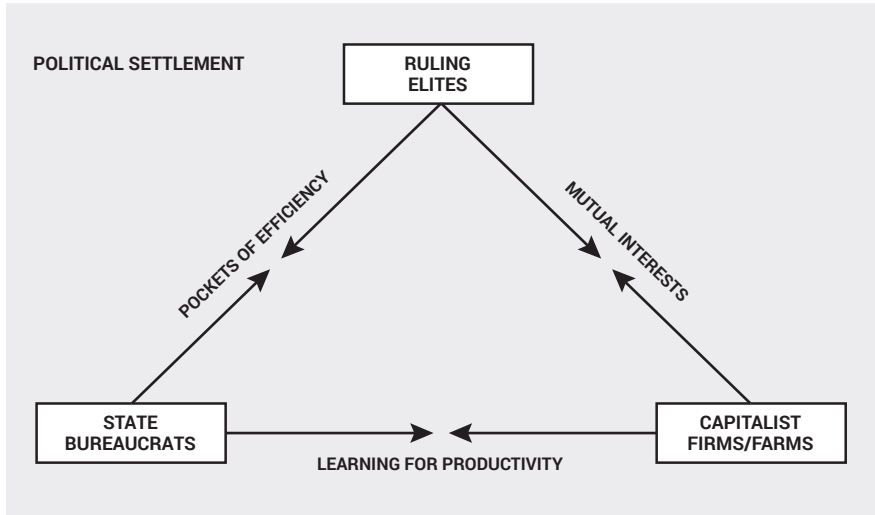
The analytical framework presented in Figure 4 below attempted exactly this. It tried to depict an understanding of both the ability and the motivation of ruling elites in supporting and implementing productivity-enhancing initiatives, including changing institutions, allocating resources, and creating credible incentives and compulsions for learning among firms or farms, as well as the degree of successful implementation and its feedback into the political settlement.

Figure 4 from 19 November 2013



At the same time that this attempt was made to capture *in toto* the various dimensions of the political settlement approach and the triangular relations between ruling elites, economic entrepreneurs and bureaucratic groups, the 'economic entrepreneurs' came to be specified as relating to capitalist farms and firms. They were thus clearly distinguished from other types of economic actor such as import/export trade groups or property developers. This was captured in Figure 5 below, which more modestly attempts to depict the conditions for successful industrial policy as the model was refined and simplified (in contrast to Figures 3 and 4), even while we still wanted it to be clear that these conditions could not be separated from the particular political settlement (distribution of power). The conditions necessary for the successful implementation of an industrial policy are illustrated in the triangle in Figure 5. The arrows represent the drivers of the different sets of actors. The triangle is couched within a shaded area that signifies the political settlement in a particular country at a particular time.[9]

Figure 5. Conditions for successful industrial policy



The EPP came to an end, and the book project summarizing the theoretical and empirical developments was submitted to Cambridge University Press in November 2013. The publisher had not asked for any big changes to the models depicting the relationship between the political settlement approach elaborated by the research group and the relationships between the three conditions for successful implementation of industrial policy before the first review came back in March 2014.

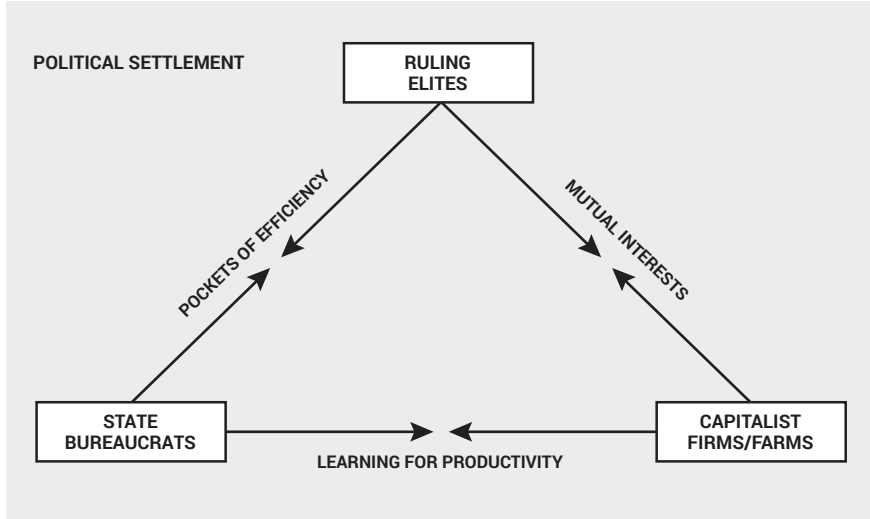
The fifth and sixth analytical models: 'Conditions of Conditions' and causal mechanisms

After the first review came in, and while we waited for the second review, we set up a process of revision. Key here was that, while the review was encouraging, it also pointed out that there were still too many variables, and the causal mechanism related to the political settlement approach was unclear. The key formulation in the review was:

> It introduces so many variables that it is hard to see how they all fit together, [and] what is most important, where the causal arrows are. There seem to be 5 variables of greater or less importance: mutual interests, pockets of efficiency, learning for productivity (what they call conditions); the characteristics of the ruling coalition and the characteristics of the domestic capitalist class. Institutions are given a passing mention also. (Anonymous reviewer A)

Over the spring and summer the manuscript was revised again, and this time the effort concentrated on correcting the relationship between the three conditions, which had apparently been confused with the variables. It was confusing because the conditions had started out being the 'three explanatory factors' before we recognized that what had to be explained was their emergence, indeed rare emergence. The trick became separating the conditions from the political settlement approach, and developing and making more visible the causal mechanisms related to political settlements. This was easier said than done until the Foucault-like formulation of 'The Conditions of the Conditions' – which arose half in jest – made it clear that we had not one theoretical engagement but two.[10] We needed to both specify and clarify the theoretical landscape (the conditions) that allowed for the formulation of the three conditions to emerge. This in itself was a stand-alone contribution, detached from the political settlement and something we had merged in earlier models. The three conditions, in other words, had now become our primary theoretical contribution, as they require a unique theory to explain their emergence. This we put together in Whitfield et al. 2015. The new model depicting this was simple, as Figure 6 illustrates.

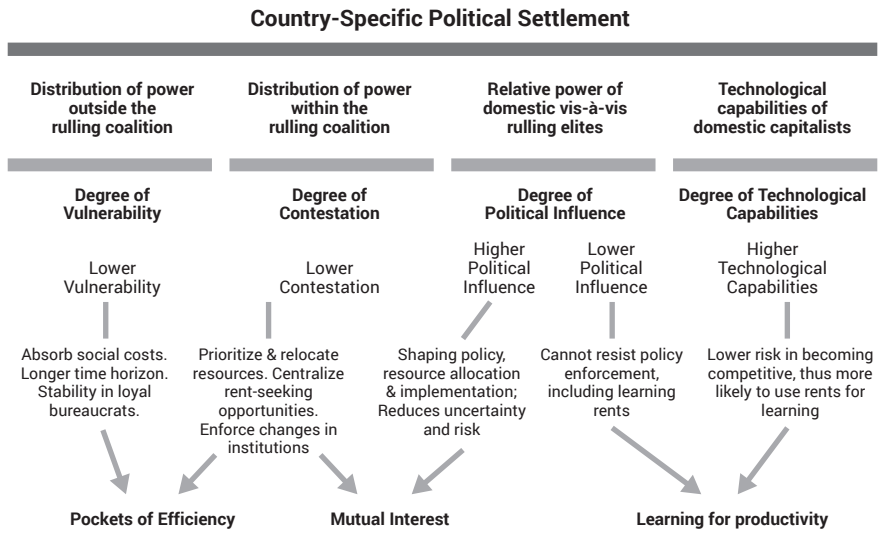
Figure 6. The three conditions for successful industrial policy



It is probably not even necessary to point out that the triangle is no longer couched within a shaded area that signifies the political settlement. The theory related to the three conditions posits that, for a government both to pursue and successfully implement an industrial policy, three conditions have to exist: mutual interests, pockets of efficiency, and learning for productivity. These conditions are necessary because they 'reduce investment risks, increase time horizons, control rent-seeking, and enforce resource allocations and institutional shifts – all of which are essential for industrial policy to succeed' (Whitfield et al. 2015).

Over the summer, we elaborated a totally new model in which the causal mechanism related to political settlement theory gained prominence, and thus the political settlement approach, which draws heavily on Khan, was given its own space. The key here was to identify the causal relations that could link the political settlement analysis to the three conditions.

Figure 7. Causal mechanisms explaining the conditions for successful industrial policy



Thus the story about muddling through by modelling in the EPP has come to its end (obviously where we ended with the model is just one end result: the model can probably still be developed further). In many ways this seems to have been the key aspect of the learning approach, even though – and this can now be said – it was never deliberately attempted. Actually what EPP constantly tried to do was to follow the controlled planning model, but as problems emerged – and indeed they constantly did – positive deviance through bricolage, to paraphrase Andrew et al. (2013: 239), became a constant driver of the process towards formulating the unique contribution of the research collective.

Conclusion

The 'map is not the territory' as Gregory Bateson pointed out a long time ago in a series of elegant and intriguing essays (Bateson 1972). Because words are forms, it is easy to take the idea for reality. A bureaucracy, a ruling elite or an idea about the 'formal' are likewise ideas – abstractions comprising collections of people, things and activities which, in our need to give form to iterative processes, we have to be careful not to mistake for the complex realities that they are attempts to give identity and meaning to.

That the EPP research collective managed to move along an iterative process might today seem miraculous, despite it not being planned, and despite the fact that there was indeed a constant attempt to 'settle' on a plan for researching, reporting and writing. But this was only possible because a very critical environment was encouraged, however painful it was at times as tensions and internal disagreements took their toll on the collective. But the reward has been big, and today we all agree – maybe because we managed to pull it off – that individually it could not have been done.

Notes

1 William Blake, quoted in Hart (2008).

2 The title of one of Gabriel Garcia Marquez's most famous books.

3 Interestingly, the dictionaries suggest that the concept first became a known usage from around 1864 – the same year Denmark lost its importance as a smaller 'world power' after Germany conquered the southern part of Denmark and the Danes became a nation by 'muddling through', or in this case, making the best of a tough situation.

4 I should mention that 'muddling through' as a concept was close to becoming really famous. It was the name of an American television sitcom aired on CBS from July 9 to September 7, 1994. Two weeks after the series ended, co-star Jennifer Aniston began her Emmy-winning role in *Friends*. This could have taken the concept to new heights, and we can only guess what would have become of it if it had taken off as the name of a global sitcom.

5 The original name of the research programme was 'Elites and the New Poverty Agenda: A Comparative Study', but this was changed to 'Elites, Production and Poverty' within the first year as we began selecting case studies related to productive sectors and moving away from the Poverty Reduction Strategy Papers (PRSPs) and the Paris Declaration on Aid Effectiveness that provided the original context of what became the EPP.

6 Another factor was that, when Neil Webster, the key proponent of a civil society focus, left the research group for a position at UNDP, Bangladesh – empirically the clearest case where a civil society focus in relation to productive sectors gave sense – disappeared from the comparative research design.

7 The point of departure for this later shift in focus was Lindsay Whitfield's engagement with the developmental state literature and revisionist critiques. This laid the ground for the move from a more diffuse engagement with poverty strategies and the position of production in such policies to a reformulation that placed it in relation to the successes and failures of specific industrial policies and economic transformations (see Whitfield 2012).

8 At this stage we openly called it an iterative process.

9 This Figure 5 appears in Whitfield and Buur (2014: 129), as well as in Buur and Whitfield (2013: 22) and Buur et al. (2013: 70).

10 Foucault-like in the sense that one cannot open a book today about governmentality or bio-power without being confronted with the famous saying 'conduct of conduct'. Intriguingly, Foucault apparently never used the phrase in writing, even though he is often referred to as having done so (see, for example, Gordon 1991: 2).

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DEMOCRATISATION, CIVIL SOCIETY ORGANISATIONS AND POLICY-MAKING IN AFRICA: TOWARDS A NEW ANALYTICAL MODEL?

RASMUS HUNDSBÆK PEDERSEN

There are diverging views on the role of civil society in policy-making in Sub-Saharan Africa. On the one hand, much of the literature on civil society emphasizes its potential role in promoting democracy and progressive policies on the continent. On the other hand, the literature on democratization emphasizes the shortcomings of democracy and the limited influence of civil-society organisations on the continent. Recently, however, based on empirical analysis, scholars have come closer to a consensus that the influence of civil-society actors may in some respects be on the increase in African countries undergoing democratization. Ole Therkildsen's recent analyses of the making of sector-specific policies and the role, however limited, of rural smallholders in it provide an important contribution in this regard. Civil-society influence is more diversified than is usually depicted.

By drawing on the sociologist Niklas Luhmann and his social systems theory, this chapter proposes a new analytical model for explaining variations in civil-society influence over policy-making. Overall, the theory emphasizes an increased complexity in contemporary societies by pointing to the existence of competing social systems. Based on this diagnosis, the chapter suggests that civil society be viewed as being made up of a multitude of organisations that originate in different social systems. Their influence depends on their ability to link up the political system of which they are a part. The inclusion and exclusion of civil society by elites makes up one variable in the model, and the degree of competitive elections makes up the other.

Based on this model, the chapter develops a typology of four categories of the influence of civil society on policy-making processes, ranging from the institutionalized and broad-based inclusion of civil-society organisations following democratic ideals

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to their complete exclusion in authoritarian regimes. However, the major contribution of the chapter lies in its incorporation of two intermediate categories of the ad hoc and eclectic inclusion of civil-society organisations into an analytical model, since these outcomes are more common in African countries. In this way, the chapter seeks to develop a new model that can help us move from a normative towards a more sociological analysis of civil-society influence over policy-making processes in Sub-Saharan Africa.

Civil Society, Democratization and Policy-Making: The Literatures

Since the end of the Cold War, there has been a surge in interest in the role of civil society in countries undergoing democratization (Keane 1988; Harbeson, Rothchild, and Chazan 1994). Then as now, the concept of civil society fits nicely with a wish among many people for an alternative to state-led and market-led development. By enhancing participation in policy-making processes, civil society is thought to bridge the gap between citizens and the state (Uhlin 2006; see also Edwards 2009). In Africa, a particular form of civil society, namely non-governmental organisations (NGOs)[1], have mushroomed, generously supported by donors (Mamdani 1996; Robinson and Friedman 2007). These organisations are seen as having become a key positive factor in the reform processes of many countries by promoting new progressive policies and by holding governments to account (Gyimah-Boadi 2004; Pinkney 2009, 2; see also Howell 2012).

Contemporary social movement theory constitutes a related, but more radical version of the literature on civil society. It originates in a focus on the 'new social movements' that grew out of the youth rebellion in the west. Like the labour movements of the past, they are seen as being related to a society's broader socio-economic changes, as well as being thought to help modernize society and realize its democratic potentials. The theory develops a more elaborate analytical framework for how to understand and analyse the emergence of social movements and their prospects for success, typically emphasizing a combination of political opportunity structures and mobilizing structures (Rucht 1994; McAdam, McCarthy, and Zald 1996; Cohen and Arato 1992b).

These bodies of literature on civil society often draw on the work on the German philosopher Jürgen Habermas and his attempt to develop a universal, rational foundation for democratic institutions. By conceptualizing civil society as non-state and non-market voluntary groups and associations which have their roots in the non-systemic, everyday 'life world' of society, he seeks to identify and promote a source for action which can influence the political system by highlighting societal problems (Habermas 1992, 443). In other words, the literature on civil society tends to see it as something inherently good and democratic that can act as a counterweight to vested interests and that deserves to be protected from the 'destructive penetration' of states' and markets' (Cohen and Arato 1992a, 25; Edwards 2009).

However, in the African context the abilities of civil society rarely match these upbeat expectations. Empirical research in the democratization study tradition has questioned the ability of NGOs to actually influence politics. On the one hand, it acknowledges that democratic transitions are most often fuelled by civil protests during political and economic crises. On the other hand, it states that the neo-patrimonial character of African political institutions soon undercuts the institutionalization of democracy. Bratton and Walle have bluntly declared that the chief executive in African regimes maintains authority 'through personal patronage, rather than through ideology or law' (Bratton and Walle 1994, 58). A term like 'electoral authoritarianism', which describes illiberal regimes that 'play the game of multiparty elections' but 'violate the liberal-democratic principles', then becomes salient (Schedler 2006, 3; see also Diamond 2002; Brancati 2013; Barkan 2000; Eisenstadt 2000).

The diagnosis that African countries are characterized by neo-patrimonial political institutions has profound implications for the analysis of policy-making processes in the literature on democratization. Neo-patrimonialism, it is claimed, undercuts participation in policy-making, not least that of civil-society actors (Bratton 1994; Van de Walle 2001, 2004). Much analytical attention is therefore paid to the concentration of power in the elites. That is, it is elite interests and elite actions that receive attention at the expense of the focus on popular participation that had been an important feature of democratization theory until then (Rakner and Van de Walle 2009a, 2009b; Hyden 2011; Uddhammar, Green, and Söderström 2011; for similar Latin American experiences, see Geddes 1995; Geddes 1999).

Elections and the New Dynamics of Policy-Making

Ole Therkildsen's contribution to the democratization literature can be situated within this triangle of elites, elections and policy-making in Africa. In line with most others, he and his co-authors see agency as lying with the political and economic elites (Kjær and Therkildsen 2012, 2013; Whitfield et al. 2015). However, and in line with a broader trend (Gyimah-Boadi 2004; Lindberg 2009; Diamond and Plattner 2010; Lynch and Crawford 2012), these authors also attach some importance to the re-

peated carrying out of elections. Whereas most other researchers focus on the impact that repetitive elections may have on democratization, Kjær and Therkildsen's contribution lies in analysing how elections may impact on the making and implementation of sector-specific policies. Even in semi-democratic – or semi-authoritarian – regimes, like Tanzania and Uganda, where Therkildsen has carried out most of his research, elites increasingly focus on the policies they believe can help them win elections. In other words, elections make elites more sensitive to voter demands.

The renewed analytical focus on the role of democratic election marks a step away from the focus on informal, neo-patrimonial practices that dominates much of the literature on Africa. In many ways, this represents a continuation of Therkildsen's previous work, in which, based on empirical research into bureaucratic practices in East Africa, he challenges the culturalist assumptions behind the diagnosis of African politics and public management as being neo-patrimonial. He concedes that informal practices may continue to play a role in Africa, but stresses that the uncritical application of the neo-patrimonial label may make us overlook variations in organizational and administrative capacity in public sectors across countries that are no less important in explaining development outcomes (Therkildsen 2005, 2010).

These insights also make possible a better understanding of policy-making in African countries undergoing democratization, including a more prominent role for formal institutions and civil society. In recent publications Therkildsen and his frequent co-author, Anne Mette Kjaer, point out that rural smallholders may influence policy-making and implementation in the agricultural sector in countries undergoing democratization if they are well organized and if political elites share their interests in achieving certain outcomes (Kjær and Therkildsen 2013). These findings mirror similar findings from urban areas, hitherto believed to be the only stronghold of civil society in Sub-Saharan Africa. There, organisations like trade unions, manufacturers' associations and student movements that represent specific socio-economic groups have acquired some degree of influence, but only where the host country government is supportive and where they are well organized (Robinson and Friedman 2007; Waal and Ibreck 2013).

However, though Therkildsen and Kjær also assign greater political importance to smallholders in rural areas, they are careful not to imply that policies are implemented and that positive outcomes in terms of economic development are achieved. Policies may merely have been passed in order for politicians to *appear* to be concerned with the needs of the population, not in order to address real grievances. In other words, the character of the links between elites and the rural poor matter and may remain ad hoc and un-institutionalised. Nevertheless, the two authors concede

that policy-making in African countries where elections are more competitive may become similar to processes in countries on other continents (Kjær and Therkildsen 2012).

Do these findings reflect an increase in the complexity of African societies, or merely an improved ability to analyse existing complexities? I shall argue that both arguments contain some truth. Therkildsen's work represents a gradual rapprochement between the bodies of literature on civil society and democratization respectively brought about through careful empirical research, mirrored by a similar move among some civil-society scholars writing on African affairs. Through in-depth empirical research into civil-society organisations' internal structures and links across local, national and international levels for their ability to influence policy-making, they have found that in Sub-Saharan Africa organisations with a strong local base are more influential than western-inspired NGOs (Crook 2012; Howell 2012; Wong 2012).

Thanks to these two emerging bodies of literature, we know the main elements that may help explain differences in the ability of civil-society organisations to influence policy-making in Sub-Saharan Africa. The character of a society's political institutions, elite interests and the organization of civil-society organizations all play a role. So does a seemingly African ingredient that caters for the persistence of informal institutions and practices in political life. We also know that processes of policy-making are likely to be more contingent than what is most often depicted in the civil-society and democratization literatures. How can we understand and analyse this complexity? In order to develop a new analytical model, I suggest drawing on the German sociologist Niklas Luhmann, who developed his theory of social systems in relation to the increasingly complex societies of the developed world.

The Semi-Dependence of Civil Society Organisations

'We live in a society without a summit and without a centre', Luhmann writes (Luhmann 1987, 105), making this the analytical point of departure for his systems theory. Modern societies have given up past ambitions of being organized hierarchically (Luhmann 1997, 836). Instead, he suggests seeing society as made up of an increasing number of autonomous systems that are governed by their own logics, beyond the control of any single person or organization. Thus, the market economy, the political sphere, the legal sphere, family life and religion (to mention but a few) each make up a social system of their own. Combined, they produce heterogeneity in society to an extent that contrasts sharply with the idea of an ordered society that predominated in pre-modern times.

Luhmann's diagnosis of modern society has profound consequences for how to analyse policy-making processes. Because of its more contingent understanding of politics, it differs from the civil-society literature that sees civil society as being rather autonomous from the political system by originating in a non-systemic life-world that can help improve modern states' democratic qualities. Luhmann makes it clear that if the *raison d'être* of civil-society organisations is to influence politics, like that of protest movements, they should not be regarded as autonomous in the way that Habermas and like-minded scholars of civil society intend. Because the *raison d'être* of protest movements is to influence the political system, they rely on this system to an extent that makes it absurd to claim that they belong to a different social system (Luhmann 1987). They are, in other words, semi-autonomous within the political system, or, one could equally say, semi-dependent on it.

It is because of the widespread notion that civil society should belong to a separate 'sphere' that Luhmann dislikes the very term 'civil society'. Modern societies are too complex for that, he writes. An important reason for the proliferation of the organisations we often associate with civil society in contemporary society is because of their advocacy role ('Sprecherrollen') in the political system (Luhmann 1997, 843). However, Luhmann' main concern is with the co-existence of a plurality of relatively autonomous social systems more than with the role of implies.

To acquire a better understanding of the role of organisations in social systems we need to look elsewhere. Barbara Kuchler, based on Luhmann's work, suggests seeing organisations as intermediary mechanisms of interaction and communication within and between systems (Kuchler 2006). Organisations may originate in different social systems, for instance, associations of employers originate in the economic system and churches originate in the religious system, but they also promote their agendas in the political system through political means. Organisations should therefore be evaluated just as much on their ability to link to the political system as on their origins.

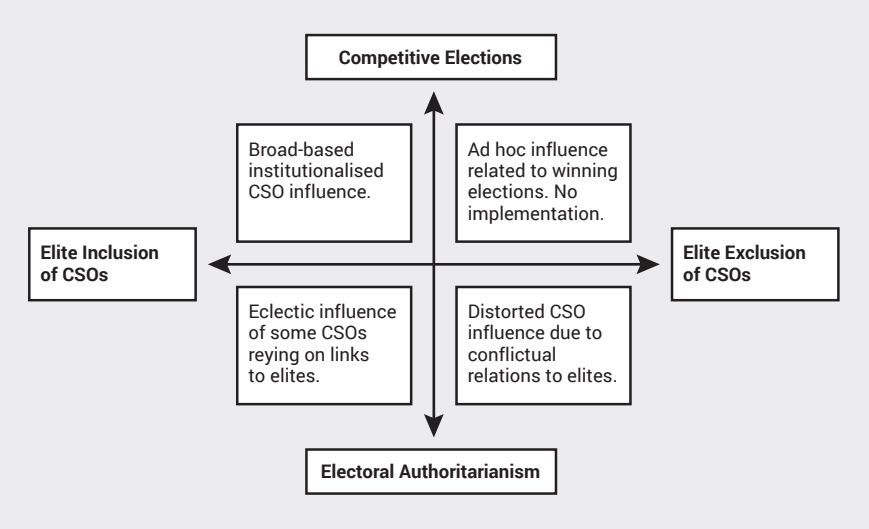
In order to analyse the links between actors and systems, in particular in developing countries, Luhmann introduces the mechanisms of inclusion and exclusion (Luhmann 2002), which are part of all social systems. This includes those of the developed world, where inclusion in the political system is characterized by universal principles (universal suffrage). In developing countries the mechanism is often undercut by personal connections that privilege the influence of some actors over others. Similarly, the idea of inclusion in the economic system through competition is constantly distorted by the particularistic privileges and monopolies that are granted to some elite actors and that exclude others. In short, the ideals of inclusion and universality that are strong in developed countries' systems are constantly undermined in developing countries by personalised networks that cut across such systems, for instance, across the economic system and the political system through corruption.

The mechanisms of inclusion and exclusion are unlikely to apply equally to all civil-society organisations. Therefore, it would be more correct to replace the concept of civil society in the singular with civil society *organisations* in the plural, that is, the multiplicity of juridically private collective actors who originate in different social systems, are characterized by some degree of autonomy and do not derive their authority directly from the state. Drawing on Anders Uhlin's work on democratization in eastern Europe, I further suggest distinguishing between 'recreational', non-political organisations like sports club, which have only an indirect influence on policy-making, and 'advocacy' organisations, which are involved in political activities representing the interests of their members (Uhlin 2009, 288). Due to this paper's focus on policy-making, the latter organisations, which are operating in the political system, are of particular interest.

Variations in Civil Society's Influence over Policy-Making in Sub-Saharan Africa

The focus on inclusion and exclusion is not entirely new in the study of African politics. There is a long tradition in the democratization literature of emphasizing the importance of participation and of exclusion from it going back to Robert Dahl's seminal work on polyarchies (Dahl 1971; see also Dahl 1989). However, this literature has tended to focus on the formal aspects of democracy and regime characteristics, labelling deviant countries as 'defective democracies', 'hybrid regimes' or countries characterised by 'electoral authoritarianism' in which political elites mimic elections in order to retain legitimacy, but fail to meet basic democratic standards (Schedler 2006; Lynch and Crawford 2012). Much attention has also been paid to the 'rights' that may ensure participation.

However, I would argues that Luhmann's social systems theory, when combined with a conceptualization of civil society as a multiplicity of organisations that may be included included in or excluded from policy-making, provides us with tools for moving from a normative to a more sociological analysis of the influence of civil society over contemporary politics in Sub-Saharan Africa. The emphasis on links instead of rights redirects the analytical attention towards the *ability* of civil-society organisations to influence policy-making. This ability is likely to differ from one organisation to another, as depicted in the model below.



The model shows the possible outcomes in terms of the inclusion or exclusion of civil-society organisations in policy-making as a function of the characteristics of electoral processes and the inclusion or exclusion of civil-society organisations by political elites. It thus retains the classic dimension of competition in the democratization literature and combines it with Luhmann's distinction between inclusion and exclusion. The two variables make up two continuums in line with Luhmann, who, in his article on inclusion and exclusion, warns us against exaggerating the contrast between developed and developing societies (Luhmann 2002). The four projected outcomes display greater variety than is most often depicted in the bodies of literature on civil society or democratization.

Broad-based, institutionalized civil society influence is more in line with policy-making in developed countries. It represents an ideal type in which civil-society organisations (CSOs) are part of policy-making processes through their participation in public debates, as well as through their involvement in policy-making committees and meetings. The model's emphasis on elites may, in fact, be misleading in this category, since civil-society inclusion would be institutionalized to an extent where CSOs are included in policy-making processes automatically, irrespective of political elites' preferences. Ideally, CSO influence would be determined by the quality of the argument more than the links between CSOs and elites. This, one could argue, is in line with Habermas' ideals, where political and economic interests are separated and consensus through inclusive dialogue play a greater role, though it should not be taken for granted that this state of affairs has been achieved without conflict and, possibly, the use of force (Habermas 1992).

In contrast, the *Distorted CSO influence due to conflictual relations to elites* represents an ideal type of policy-making that can be found more or less explicitly in much of the democratization literature on Africa, where the political and economic elites are entangled and make policies without involving civil-society organisations at all. Beside the lack of competitive elections, this may also have something to do with the character of the electoral system in a given country. If parties control the seats of parliamentarians, policy-making processes are less open to CSO influence. Systems characterized by open-list proportional representation, in contrast, result in lower intra-party unity, which, in turn, provides an incentive for candidates to solicit financial support elsewhere and, consequently, also makes candidates more open to influence from outside the political system (Mukherjee, Yadav, and Béjar 2013; see also Van de Walle 2006).

The model's real contribution lies in incorporating the two intermediate categories, namely the ad hoc and the eclectic influence, whose existence have been pointed out in recent empirical research, into a single analytical model. The distinction between ad hoc and eclectic influence is inspired by the work of Therkildsen and like-minded scholars, who have identified these grey areas in policy-making processes through careful empirical research. The *ad hoc influence related to winning elections* can be found in Kjær and Therkildsen's recent work on the relationship between competitive elections and agricultural sector policies in Sub-Saharan Africa, in which they find that policies are often formulated to win elections, only to be undermined during implementation. Only when producers were organized and had shared interests with the elites were positive economic outcomes achieved (Kjær and Therkildsen 2013). Somewhat in the same vein, empirical in findings by Rakner (Rakner 2011) and de Waal and Ibreck (Waal and Ibreck 2013) show that Sub-Saharan African civil-society organizations have sometimes played a direct role in political life by helping opposition parties win power, only to see their influence on policy-making reduced afterwards, in all likelihood because they could provide no lasting alliance that could help win elections. In other words, the ability of CSOs to establish stable links to political elites matters greatly and impacts on their inclusion in policy-making processes.

Finally, the *eclectic influence of some CSOs relying on links with elites* is marked by some degree of CSO influence, but it is more often controlled by elites, who cherry-pick some CSOs on the basis of personal, cultural or economic connections, not on universal principles of inclusion. In Africa, this may mean two things. First, Waal and Ibreck have pointed out that CSOs are not immune from the broader problems of corruption and bad governance that characterized the state they were supposed to be separate from. They may be corrupt themselves, and they may be co-opted by

the elites (Waal and Ibreck 2013, 309). Secondly, this often involves organizations based on cultural identification, that is, on religious or ethnic affiliation. Ethnicity may play a different role in politics and policy-making than is depicted in much of the Euro-centric civil-society literature by providing other sources of inclusion and exclusion than nationality (Aminzade 2013; Boone 2014). Ethnic militias have played a pivotal role in the clashes and ethnic cleansing that have taken place in several African countries around election time, giving rise to the term 'uncivil civil society' (Fatton 1995; Frederiksen 2010). The emphasis of much recent research points to the importance of including such customary institutions in politics and administration because they represent important constituencies in many African countries (IDS 2010).

Epilogue

The influence of civil-society organisations in Sub-Saharan Africa is decided through more contingent processes than is often depicted in much of the literature on civil society and democratization. Luhmann's systems theory and the conceptualization of civil society as a multiplicity of civil-society organisations that originate in different social systems and that operate within – and therefore are semi-dependent on – the political system provide the tools for moving towards a more sociological analysis of the influence of civil society. Rather than depicting civil-society organisations as deriving from a non-systemic 'life-world' that is inherently democratic, this chapter develops an analytical model that caters for the variations in the influence of civil society in countries undergoing democratization. The civil-society organisations that seek to influence politics should be seen as part of the political system, not as distinct from it. Their links to elites matter, as does the character of a country's electoral system for the ability of civil-society organisations to influence policy-making processes. The model thus also points to the inherent tensions between the normative and the real that feature in Habermas' and much other civil-society literature (Flyvbjerg 1998).

Luhmann's mechanisms of inclusion and exclusion indicate that tensions and power are important aspects of politics, though in his later writings Luhmann can be criticised for going from one extreme to another by emphasizing negative sanctions and, ultimately, violence too much in his understanding of the political system (Guzzini 2004). Whether dialogue and consensus or political tensions and sanctions prevail in our analyses should not rely on a priori theoretical assumptions, but on careful empirical analysis. Research should allow for both a transformative and a day-to-day focus on politics. In the triangle of elite interests, increasingly competitive electoral systems and civil-society organisations, politics in African politics is becoming less predictable, and sweeping generalizations about the influence of civil society is becoming increasingly difficult to sustain.

Note

1 The NGO and civil society organisation terms are often used interchangeably. I prefer to the latter because it covers a broader range of actors, i.e. also the less formal ethnic and religious groups common in Africa (see Mercer 2002)

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MOVING BEYOND NEO-PATRIMONIALISM: OLE THERKILDSEN'S CONTRIBUTION TO UNDERSTANDING POLITICS IN AFRICA

LINDSAY WHITFIELD

Despite significant economic growth across much of Sub-Saharan Africa in the 1990s and 2000s, African political systems continue to be characterized by clientelism and patronage practices, with patrons dispensing economic benefits to clients in order to stay in power. Corruption is also rampant among political leaders in African countries and is rarely prosecuted. Nepotism also shows up, as does intra-elite accommodation through top political leaders offering other political elites and important political supporters rent-seeking opportunities, both legal and illegal.

Since at least the early 1980s, many scholars of African politics have described and explained such political processes through the concept of neo-patrimonialism. They have argued that, while neo-patrimonialism is present in other developing country contexts, it is the core feature of African political systems (Bratton and van de Walle 1994). Neo-patrimonialism usually refers to a combination of rational-legal bureaucratic rule based on impersonal governance institutions with patrimonial rule seen as a pre-capitalist form of governance based on traditional legitimacy and personal loyalty between a ruler and his staff or allies. Scholars using the neo-patrimonial approach tend to argue that African states are effectively based on a form of authority that is pre-modern and that undermines the functioning of the formal institutions of modern (western) states that African countries acquired at independence. During the years of economic decline and stagnation in Africa, neo-patrimonial politics was often used to explain the poor economic performance of most African countries, as well as their failure to adopt what were seen as crucial politics of economic reform.

However, there is nothing particularly African about these political processes; they are common to all developing countries. The comparative politics literature typically refers to them as political clientelism, a form of non-programmatic political mobilization where individual benefits are conditional on the recipient returning the favour

Lindsay Whitfield is…

with a vote or other forms of political support. Furthermore, there is plenty of historical evidence to show that economic growth can flourish in the context of clientelist politics (see the review in Whitfield and Therkildsen 2011). The time is ripe for a rethinking of how to understand the political economy of development in Africa.

Ole Therkildsen has devoted a large amount of his attention and writing to this issue. He has focused not only on critiquing neo-patrimonialism and illustrating its inadequacies, but also on developing alternative analytical tools and approaches derived from public policy and comparative politics. Therkildsen's work, both on his own and with colleagues, shows that the neo-patrimonial approach is analytically inadequate for explaining the causes of clientelism, variations within clientelism and the consequences of political clientelism for public management and economic development.

The first part of this chapter reviews the weaknesses of the neo-patrimonialism analytical approach to understanding African politics, emphasizing Therkildsen's contribution to the critical literature. The second part outlines an alternative analytical approach that Therkildsen was integral in pioneering during the Elites, Production and Poverty research programme and that forms the basis of an important contribution to the literature on the political economy of development in Africa (see Whitfield et al. 2015).

The Neo-patrimonial Approach: Clientelism Driven by Patrimonial Authority

Max Weber described ideal types of domination, indicating cultural variations in the way in which compliance with authority could be constructed. Weber categorized diverse ways in which the legitimate exercise of power could be culturally framed. Patrimonialism corresponds to a traditional type of domination where the personal authority of an individual stems from his traditional status and he runs his kingdom like a household. Patrimonial rule is similar to patriarchy but on a larger scale. Patrimonial domination is exercised by a ruler with the help of an administrative staff chosen from faithful and dependent followers. Authority is vested as a personal property of the individual, rather than in impersonal institutions or in a mandate conferred and withdrawn by citizens (Pitcher et al. 2009).

The concept of neo-patrimonialism was created to describe the exercise of authority in newly independent states, which had formal institutions derived from the models of modern western countries, approximating to Weber's rational-legal type of domination. Medard (1982) argued that this was a by-product of a specific historical

situation that had resulted in a contradictory combination of bureaucratic and patrimonial norms. From its early usage, the emphasis was on personal rule based on a kind of personal power that differed from both the traditional and charismatic forms of authority in Weber's paradigm. While in modern western states patrimonial power was acknowledged to exist, it did so alongside a strong institutionalization of power and a distinction between the private and the public. In the newly independent states of Africa, it was argued that patrimonialism resulted in the privatization of the public domain, which further undermined the institutionalization of power and prevented the emergence of a modern state. Political power did not have the impersonal and abstract character of the legal-rational form of domination, but was rather personalized. Furthermore, politics became a kind of business because political resources gave access to economic resources.

In this way of thinking, political clientelism and neo-patrimonialism are distinct. The former can exist in any country, and often does, while the latter refers to something broader—political clientelism in a context of personal rule and the privatization of public affairs. Notably, Medard (1982: 185) concluded that the neo-patrimonial ideal type must not be used as an a priori theory; rather, 'for each particular political system we should ask which is the specific patrimonial formula', as well as examining variations within the category of the patrimonial state. He also suggested that there is more than neo-patrimonialism to the African state and called for further empirical investigation without either reifying neo-patrimonialism or taking the façade as reality. Unfortunately, this was not what occurred. The literature on neo-patrimonialism in Africa, as well as individual African country studies, tended to reify the concept and to argue that the African state was a neo-patrimonial state, while other parts of the literature emphasized the tradition and cultural basis of the neo-patrimonial state.

The analysis that follows focuses on how the broad and diverse literature using the neo-patrimonialism approach understands its origins and drivers. It draws on existing reviews and critiques of neo-patrimonalism undertaken by African studies scholars, including Therkildsen (2005), as well as Erdmann and Engel (2007), de-Grassi (2008), Pitcher et al. (2009) and Mkandawire (2013). The purpose is not to review the entire literature, as these scholars have already done that, but rather to highlight the arguments about what causes neo-patrimonialism in African countries. This task is somewhat complicated by the fact that authors using the neo-patrimonial approach identify different drivers, which in some ways overlap and in other ways are contradictory. But three broad causal arguments can be identified within the literature. For the sake of simplicity, and to avoid focusing on names, the scholars whose work falls into the three categories are not listed here. They can be found in the works cited above.

Drivers of Neo-Patrimonialism

The first category consists of scholars who locate the cause of neo-patrimonial political systems in Africa in social relations. However, authors differed over which social relations were relevant. Some pinpointed social relations which reflected pre-colonial traditions, others emphasized social relations shaped by the practices of colonial regimes, and yet others pointed to social relations resulting from the dominance of peasant agriculture, with its tendency to fragmentation and economies of affection. In general, these scholars tended to argue that, while colonialism disrupted traditional patterns of authority, reconstructed and reconfigured forms of patrimonialism survived. Thus, personal rule comes out of a lineage orientation, in which kinship networks and other primary reciprocities govern communities that are largely dependent on peasant agricultural production. These authors argue that the persistence of such community-centred networks explains why informal, personal forms of rule have greater salience. In this version of patrimonial origins, patrons are constantly overwhelmed by demands for public resources from clients; the state is subsumed in society and is not autonomous enough.

The second category consists of scholars who argue the reverse: that personal rule is the result of strong patrons ('Big Men') presiding over weak societies. Big Man rule is characterized by autocratic leaders who accumulate wealth and maintain order by relying on patrimonial authority from citizens and on clientelist (patron-client) exchange as a means to ensure the loyalty of political supporters and maintain cohesion among political elites. State resources are used to reward supporters for their loyalty, but also for the personal enrichment of African leaders, who are supposedly characterized by their insatiable greed. In this version, the state is too autonomous from society. The neo-patrimonial logic is primarily about holding political elites together through the distribution of resources in what are seen as multi-ethnic and poorly integrated political systems. Little of the distribution makes it way down the patron-client networks to the community level, resulting in increasing inequality. African citizens are passive, accepting subordination and not demanding accountability. These scholars promoted democratization as a means to force accountability on to Big Men political leaders, which in turn would undermine neo-patrimonial rule.

A third and related category argues that the cause of neo-patrimonalism is the imported nature of African states at independence, which disrupted pre-existing institutions and resulted in new African political leaders confronting a legitimacy deficit. These leaders responded by relying on neo-patrimonial strategies to secure the 'instrumental loyalty' of competing elites. This argument assumes that there are

groups of elites that have a more legitimate right to rule, or at the least it implies that all pre-colonial leaders had a legitimate right to rule.

The different contexts and varieties of usage to which the concept of neo-patrimonialism has been applied diminished its analytical utility. Scholars applied the label 'neo-patrimonial' to a variety of leaders and contexts—every country became neo-patrimonial. Reification occurred because the new neo-patrimonial ideal type (blending two of Weber's ideal types) was taken to be the actually existing form of governance in most if not all of Sub-Saharan Africa. Furthermore, the causal mechanisms driving clientelist politics were reduced to the 'logic of neo-patrimonialism', which referred more to theory than to empirical evidence and showed how these causal mechanisms played out in actual countries. The logic ceased to be something that was proven, but rather just asserted, and it became unclear who exactly the actors are. Rather, the emphasis is on some kind of overriding logic (Mkandawire 2013).

Some of the critical reviewers of the neo-patrimonial literature, such as Erdmann and Engel (2005) and Pitcher et al. (2009), think that the concept is useful and that it can be saved through defining and operationalizing it better. They argue that one problem in the past is that the patrimonial and legal-rational domination components of neo-patrimonialism were not given equal weight. The formal institutions of the state, its rational-legal components, have to be taken seriously. Thus, formal structures and rules exist, but in some cases informal politics invades formal institutions. Neo-patrimonalism is a type of political domination which is characterized by insecurity about the behaviour and role of state institutions and agents, and this insecurity means that the actions of state institutions are not calculable, that they cannot fulfil their aim of public welfare, and that political informality is so significant that it turns into institutionalized informality (Erdmann and Engel 2005: 105-6). But in this redefined neo-patrimonialism, what is the source of patrimonial domination? Erdmann and Engel's answer (2005) goes back (again) to traditional sources of authority in the pre-colonial period that were not displaced by colonial rule but rather strengthened under indirect rule through kings, chiefs and elders who wielded patrimonial authority. Informal relationships were maintained, and when colonial powers finally attempted to build a modern state based on rational-legal principles, there was too little time left before independence, after which the informal relationships crept into the bureaucracy from above and below. Thus, the driver of patrimonialism is still traditional forms of authority.

Pitcher et al. (2009) also try to save the concept of neo-patrimonialism by reverting to what they see as a more accurate reading of Weber, pointing out that patrimonial

domination entails mutual rights and responsibilities. Patrimonialism means that rulers and subjects understand the customs and expectations governing their relationships, which enables subordinates to hold leaders accountable in significant ways. As a result, informal institutions such as patron–client relations or personal ties can complement and even reinforce formal institutions associated with the rule of law while remaining distinct from them (Pitcher et al. 2009: 144). But this also means, they argue, that not all political realities in Africa are accurately described as patrimonial. Personal rule is not necessarily neo-patrimonial, but rather could take the form of authoritarian regimes or dictatorships if there is no mutual legitimacy. They give the example of Botswana as a country where governance is truly based on patrimonialism because the post-independence political leaders were the same as the pre-colonial ones, and they drew legitimacy from the institutions of traditional authority. This argument resembles that of Pierre Englebert (2000) on the importance of legitimacy and the fact that most African political leaders faced a legitimacy deficit exactly because they did not emerge from traditional authority institutions. However, Englebert also argues that it is the legitimacy deficit that causes leaders to rely on neo-patrimonial strategies, which Pitcher et al. would argue is a misuse of Weber. Even if we accept this reading of Botswana by Pitcher et al., then patrimonialism is not very prevalent in African countries, and thus neither is neo-patrimonialism in their definition.

Therkildsen (2005: 36) finds that, although neo-patrimonialism seems to capture some of the political and administrative reality in African countries, the concept is 'not particularly useful, and sometimes detrimental, in thinking critically and realistically about politics and public management on the sub-continent'. Therkildsen argues that the neo-patrimonialism approach often takes for granted exactly what needs to be investigated by assuming that neo-patrimonial logics are dominant in African bureaucracies and are the main explanation for observed development outcomes, rather than proving that they are. Furthermore, the approach cannot explain the wide variations in public management practices across African countries or those between organizations within countries. Lastly, it does not provide a convincing account of the factors influencing actual decision-making and implementation processes in which politicians and bureaucrats are involved. In later work, Therkildsen went a step further, seeking to develop an alternative analytical framework for understanding and explaining the drivers of what previous scholars had referred to as neo-patrimonialism, as well as teasing out the causal mechanisms through which such politics affected economic performance through the formulation and implementation of productive-sector initiatives. The next section presents the basic contours of that framework.

Developing an Alternative: the Politics of Industrial Policy Approach

Many scholars of African politics used neo-patrimonialism as a shorthand for referring to a set of political institutions that include political clientelism, presidentialism, the use of state resources to maintain legitimacy and corruption. Thus, we can simply talk about the drivers of these political institutions and their pervasiveness in developing countries without resorting analytically to Weber's concept of patrimonialism. Political clientelism and the use of state resources to maintain legitimacy are political mobilization strategies used in almost all countries, but they are a dominant strategy in countries where class cleavages are not salient. Patrons are office-holders in state institutions that use material benefits (which are often public funds, but can also be personal funds or party funds) to build political loyalty (which can be personal but cannot also be loyalty to a particular political organization such as a political party) among clients so as to stay in power. This form of political mobilization is not culturally anchored and does not hark back to some traditional notion of authority, even if political elites may dress it up in cultural terms.

As Therkildsen (2005: 49) argued, the pursuit of self-interest, which is an axiom of the neo-patrimonial paradigm, does not exist in a void, but rather has structural roots. Political power is used to bargain, establish coalitions and make compromises through negotiation. The neo-patrimonial paradigm downplayed the structural features of poor African countries such as the fiscal limitations of public organizations and dependence on a few primary commodities on volatile international markets; it ignored other motivations of bureaucratic and political elites, such as nationalism, public demand and gaining a political following through the provision of goods and services. Therkildsen began to develop these ideas further under the Elites, Production and Poverty research programme, which he coordinated and which was based at the Danish Institute for International Studies (DIIS) from 2008 to 2011. He worked closely with a team which included this author, as well as Lars Buur and Anne Mette Kjær, over the course of six years.

The first effort at creating a new framework that could be used to explain the political economy of development in African countries was published as Whitfield and Therkildsen (2011). In this DIIS working paper, we began to combine our critique of the use of neo-patrimonialism in African studies with a reading of comparative politics and the comparative political economy literature. We started to build a new framework for understanding when and why ruling elites support the development of productive sectors through different types of industrial policy, which we argued was the driver of economic development. This early framework was built on three

propositions: political survival is the key motivation for ruling elites; ruling elites choose policies and implementation arrangements as part of their strategies for maintaining ruling coalitions and winning elections, and these choices affect certain features of the sectors that ruling political elites choose to support, the exact policies they choose, and how capable they are of implementing them; and good economic outcomes depend on close relations between the ruling elites and the relevant productive entrepreneurs based on mutual interests and the ability of ruling elites to creates of bureaucratic capabilities to implement the policies.

This theoretical approach combines structural factors with individual choices, teasing out the causal mechanisms that link institutions, policy choice and policy outcomes. Ruling elites use policy access and state resources as a way to retain power and political stability, but there are large variations in the ways in which they choose to do so. Scholars focus on how ruling elite preferences emerge and on the institutions that shape those preferences. Therefore, they look at the nature of the political coalition that supports ruling elites, the vulnerabilities they face and the resources to which they have access. The unit of analysis is ruling elites and the ruling coalitions that keep them in power.

In sum, the capacities of the state to design and implement policies are derived from the ruling elites that govern the state and the ruling coalition that keeps them in power. What matters are how coalitional pressures shape the political costs of certain policies and the ability to implement them, given the resistance or support from factions and individuals within the ruling coalition, as well as outside it. If we want to understand what drives governments to pursue industrial policy and what determines the state's capacity to implement industrial policy, we have to start backwards: how are ruling coalitions formed, and what characteristics of ruling coalitions are important in determining the capacity of ruling elites to pursue and implement industrial policies?

Over the next two years, Therkildsen developed these ideas further, within the team, and they crystallized into the Politics of Industrial Policy Framework, which forms the heart of his co-authored book *The Politics of African Industrial Policy: A Comparative Perspective* (Whitfield et al. 2015). This framework was inspired by Khan's political settlements theory, which emphasizes how the distribution of power in society shapes the specific form of clientelist politics that are present in a developing country, and in turn, how variations in the organization of patron–client networks affect the ability of ruling elites to change the institutions that govern the distribution of economic benefits in society. In short, patron–client networks serve two general purposes. On the one hand, political elites use such networks to mobilize and organize coalitions that allow them to obtain and maintain power as well as political stability (avoiding conflict and violence). On the other hand, such networks are central for primitive accumulation to take place. It is not possible to transfer assets to emerging capitalists in a transparent and formally regulated way, and thus primitive accumulation is always associated with corruption or influence through patron–client networks. Thus, several interacting processes explain why clientelism exists in all developing countries: primitive accumulation in the context of capitalist transformation, and the imperatives of political stabilization and maintaining political power with the limited economic resources available. These interacting political and economics processes play out differently across developing countries, which explains the different forms of clientelism observed across developing countries. And they play out differently because the distribution of power is different in each country, thus shaping the outcomes of these interacting processes of political stabilization and primitive accumulation.

The distribution of power in a given society can only be described in historical narratives of how different groups and factions were organized to manage societies in the aftermath of the collapse of the pre-capitalists states that began during the formal colonial period or earlier (Khan 2010). The organizational power and social legitimacy of the elites that came to power can be traced back to colonial strategies of constructing administrative and political classes to manage empire and to political struggles during decolonization. Independence movements usually consisted of loose alliances of groups based on ethnic, regional and educational identities. In places where elections were held prior to independence to determine who would govern, mass franchises and the need to hold the broad range of interests together in a political coalition meant that political leaders with popular appeal and the skills required to manipulate party machines were successful. The outcomes of these early power struggles created path dependencies that shaped several decades after independence. Post-independence political struggles also had lasting legacies for contemporary political settlements in African countries.

Formal and informal political systems interact to shape the actual distribution of power in any given society. For example, if a constitution confers more power on the executive than on the legislative branch of government through the extensive formal powers granted to the presidency, then one might conclude that power is centralized around the presidency. However, if holding power is extremely dispersed among ruling political elites, then the president will have to use political appointments to accommodate important elites, reward loyal supporters and punish disloyal supporters. Furthermore, the president will have limited ability to push through a policy agenda if other ruling political elites with significant holding power are not on board.

Khan's political settlement approach (2010) helps to tackle the issues that have plagued African studies in that there have not been any satisfactory answers to them. The first is explaining variations in clientelist politics across African countries. The second is explaining why clientelism in African countries has been much more detrimental to economic performance than in other developing countries. Variations in clientelism can be explained in terms of two dimensions: (1) the relative power among political elites and their factions within the ruling coalition, as well as those political elites and factions that have been excluded from the ruling coalition; and (2) the relative power of domestic capitalists vis-à-vis ruling elites.

Building on Khan's political settlements theory, the Politics of Industrial Policy framework posits that the distribution of power among political factions who have been excluded from the ruling coalition determines the *degree of vulnerability* of the ruling elites. The stronger the political factions outside the ruling coalition, the more vulnerable ruling elites are to being unseated from government, either through losing the next election or, in non-democratic political systems, to being overthrown by the military (or factions of the military) in alliance with the excluded political factions. The distribution of power among political factions within the ruling coalition determines the *degree of contestation* which ruling elites face. Power within the ruling coalition includes two aspects: power among ruling elites, and power between higher levels of ruling elites and lower levels of the ruling coalition (organized in different forms of patron–client networks). The more fragmented power is among elites, as well as between the higher and lower levels of the ruling coalition, the greater the degree of contestation. Both the degree of vulnerability and the degree of contestation shape whether pockets of efficiency emerge.

The relative power of domestic capitalists vis-à-vis ruling elites shapes whether and what kind of mutual interests emerge. Mutual interests are largely about whether ruling elites have an interest in working with domestic capitalists because capitalists almost always have an interest in working with ruling elites. Capitalists are driven to make a profit, whether it is increasing profits in existing activities or moving into new activities where profits can be made, so they want the government to take actions that secure their profitability. Whether ruling elites have an interest in working with (a group of) domestic capitalists depends on the *degree of political influence* of domestic capitalists. The sources of capitalists' power include their relative importance to the economy, in terms of providing incomes for a significant percentage of the population; their relative importance as a source government revenue and/or foreign exchange; and their relative importance in providing political funds for the ruling coalition. However, the degree of political influence of domestic capitalists is a double-edged sword from the perspective of successful industrial policy. Domestic capitalists need to have significant influence among ruling elites in terms of shaping policy direction, resource allocation and implementation; but domestic capitalists cannot have too much power such that they can resist policy enforcement, including using rents to invest in learning, thus making it difficult for learning and therefore increases in productivity to occur.

In addition to the degree of political influence, the *level of the technological capabilities* of domestic capitalists shapes what they are willing and able to do with rents. How much effort capitalists put into learning in order to become competitive in a new activity depends on their existing technological capabilities, which affects their assessment of the risks involved in achieving profitability. Domestic capitalists with higher capabilities are more likely to use rents to invest in learning because they are closer to having the capabilities necessary to becoming profitable in new productive sectors or to upgrade in existing ones.

The Politics of Industrial Policy framework recognizes and can explain diversity in the experiences of African countries; it also embraces a politics in Africa rather than an African politics approach. This allows us to place clientelist politics in African countries in a comparative perspective and to see similarities in countries across continents, rather than essentializing Africa as an entity and looking for unique features within African countries that set them apart from other developing country regions. For example, this approach can show how Ghana and Thailand share a similar form of political clientelism but differ in the strengths of their domestic capitalists, or how Ethiopia's version of political clientelism and party-owned enterprises is similar to that practiced in Taiwan in the 1960s. Such a comparison across countries is based on a set of parameters in political settlements theory that focuses on the distribution of power in society and how it affects the ways in which political coalitions are put together, the political mobilization strategies of political elites, the relative power of coalition members within the political coalition, the degree of fragmentation (or cohesion) among political elites, the relative power of domestic capitalists—and the implications of all of this for the ways in patron–client networks are organized, rents are created, allocated and used, and social and industrial policies are designed and implemented.

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THE TANZANIAN SOCIALIST EXPERIMENT: SERIOUS OPTION OR ROMANTIC DREAM? [1]

BRIAN VAN ARKADIE

For about seventeen years (from 1967 to around 1984/85) Tanzania made an effort to develop a socialist economic model. The economic model was socialist in the sense that there was:

- A clearly stated aspiration by the leadership to create a socialist economy, with a high degree of public ownership and state control;
- An emphasis on the mass provision of services, including an ambition for universal basic education and health provision; and
- Public policies aimed to achieve a fairly equal distribution of income.

One feature of the period was the extraordinary degree to which Nyerere's experiment attracted international attention and support. A lively group of academics and professionals were attracted to work in Tanzania, and there was considerable commitment from donors. The Nordic countries in particular were attracted to a social democratic experiment which seemed to hold out the prospect of applying social democratic ideals in a Third World setting.

The radical agenda was pursued with decisiveness and energy in its initial implementation – not merely the lip service to socialist ideals exhibited in commitments to 'African socialism' in many other African countries. The shift to public ownership was thoroughgoing, and the efforts to restrain the growth of inequalities in income and property comprehensive. The government and party 'Leadership Code' sought to prevent the use of political and administrative positions from becoming a platform for property acquisition. And in the Second Five Year Plan (1969-74) the government committed itself to an agenda of mass social service provision, a precursor of the Basic Needs strategy later promoted in the donor community.

Brian van Arkadie is…

However, despite continuing broad-based political support, by the late 1970s the system had entered an extended period of economic crisis, which later led to the substantial abandonment of the experiment with the implementation of economic liberalization from 1985. Despite the progressive dismantling of socialist institutions, the ruling party remained in power, weathering the transition to a multi-party system in politics and a capitalist economic regime. The dismantling of this economic and social model might raise questions about the depth of commitment to it (e.g. how far the Arusha model was the artefact of the party leader, President Julius Nyerere, rather than the party at large).

Reasons to revisit

The eventual failure and dismantling of the strategy raises issues not only for the history of Tanzania itself, but also for the international community which rallied around in support.

Since the shift in the policy regime, there has been too little discussion of the experience of the socialist period. It is almost as though it is seen as simply a ghastly mistake, best forgotten. This sort of amnesia seems to be part of a more general tendency not to analyse the experience of socialism in a number of countries – the hegemony of capitalism following the collapse of the Soviet Union seems to underpin conventional wisdom that socialism was a dead end not worthy of further consideration. And yet at least two of the recent success stories of economic growth, the People's Republic of China and socialist Vietnam, have developed from a socialist base, retaining at least a formal commitment to socialism, along with the apparatus of a Leninist state. And even more important, in the Arusha Declaration a number of challenges were posed regarding the need for self-reliant and egalitarian development in a very poor country that remain relevant today. And the limited success of the donor commitment to poverty alleviation programs encouraging redistributive policies in the capitalist economies which have emerged from 'structural adjustment' suggests the need to explore more radical options.

Whether there will be any renewal of socialist experimentation in Africa is unclear, but the degree of tensions arising from unequal patterns of growth make it possible that socialism may reclaim its place on the political agenda. Therefore, in addition to the value of assessing a particular period of Tanzanian history, it is worth exploring what light that experience throws on the economic options available for the pursuit of a socialist path in a poor African economy.

Options and choices

The issue posed by the Tanzanian experience is 'what are the economic options for poor, peripheral economies where the political conditions are such as to allow for radical choices'.

This issue can be explored by asking two questions:

- Were there economic policies consistent with the socialist commitment which could have generated a significantly better economic performance and could have made it more possible to withstand the economic shocks of 1973/4 and 1979/81?
- Faced with the deep economic crisis of 1981/2, was there a response which could have salvaged more of the socialist characteristics of the Arusha system?

The bureaucratic model

Post-Arusha options were in practice limited by the weak post-colonial endowment in ways which were not fully appreciated by the Tanzanian leadership at the time.

Tanganyika had come to independence with an extremely weak economic endowment. With very little industry, the economy was heavily dependent on imports from overseas and from neighbouring countries. Exports to pay for imports were predominantly unprocessed agricultural products, about half produced by smallholder farmers, the other half produced on plantations and mixed farms owned by the minority communities. Urbanization was very modest, and the mass of the rural population largely fed themselves and lived in self-built huts. Weak development of the productive system was matched by limited human resource endowment. Tanganyika came to independence with a cadre of university graduates that was tiny even by comparison with most British African colonies. There was a low level of literacy and a very modest number of high school graduates.

Perhaps most important, there was the very limited number of Africans with business experience and skills. Although a number of producer cooperatives had worked well for decades, throughout much of the country even small shops were owned by members of the Asian minority community.

The degree to which medium and large-scale economic activities were in the hands of foreigners and minority communities undoubtedly explained both part of the impetus for the Arusha Declaration and its popularity – it was the means of taking the

economy under African control. However, by the same token there was little African experience in running business, and even in the government bureaucracy most public servants had only recently taken up their posts.

The lack of a high degree of social differentiation meant that there was no class basis for opposition to radical reforms among the African population. The shift to the left in the Arusha Declaration received support from the broad mass of the population as it represented economic decolonization, which might be seen as a logical corollary of political independence.

Given the extremely limited African managerial cadre, the means chosen for managing the emerging socialist economy were arguably quite flawed. There was too little debate about what model of socialism to adopt to manage the state-owned system. Most of the intellectuals who wished to contribute to such a discussion were foreigners at the newly created university and at Kivukoni College, the party training school. In some ways, Arusha happened in a sort of ideological vacuum, which was to be filled by Mwalimu Nyerere's own writings and reflections.

President Nyerere was a complex figure, a utopian idealist, a skilled politician and to some degree a pragmatist in the implementation of his high ideals. He articulated idealistic models for Tanzanian socialism: it was to be self-reliant, egalitarian, participatory and democratic. However, in translating ideals into practice he had to use the means available to him, which took the form of a weak state and bureaucracy.

The large gap which often emerged between Mwalimu's rhetoric and designs for social engineering and implementation on the ground was therefore not surprising (this was particularly the case in relation to the plans for Ujamaa villages).

The model adopted in practice was one that might be described as quasi-central planning. There were large areas of state monopoly, control over prices, the state allocation of scarce resources and controls over salaries and prices, but the system fell far short of a command economy, and the five year plans continued to have a strongly indicative rather than command element in their design, only drifting into tighter command structures in response to crises (in particular the shortage of foreign exchange).

The basic management mechanism adopted was bureaucratic monopoly. This model had a number of antecedents, some even colonial. For example, the development of the monopoly state control over agricultural exports had been developed through the colonial marketing boards, which had been used to manage the surpluses generated in commodity booms, bolstering sterling through the accumulation of sterling balances.

The other clear antecedent was the nationalized industry model of post-war Labour Britain. The parastatal organizations created to manage the state economy essentially reproduced the design of the UK nationalized industries, managed by state-appointed boards working under direction of, but at arm's length from, government ministries.

In agriculture, although the single-channel marketing system was initially based on peasant-owned cooperatives, it became more bureaucratic when the cooperatives were abolished and the crop trading system was managed through the monopoly crop authorities.

Such larger-scale economic activities as existed or were developed after Arusha were managed by state monopolies organised nationally on an industry-by-industry basis (e.g. the Textile Corporation, the Tourist Corporation, the State Mining Corporation).

The effect of the policies implemented was that the key actors in the economy were to be the bureaucrats. Although it was never an explicit intention, the result was 'all power to the bureaucrats'. This was despite suspicions by Nyerere that the bureaucracy was a potentially conservative force.

There was an inherent contradiction in the bureaucratic model of social change. The very lack of a substantial educated elite which might have opposed the shift to the left also placed strict limits on the bureaucratic capacity of the state management system. Given the inherent limitations of the Tanzanian bureaucracy, the choice of a predominantly bureaucratic approach to socialist management was unfortunate on both economic and political grounds.

The weak bureaucracy was not subject to either strong incentives or sanctions. Large financial incentives were inconsistent with the commitment to an egalitarian incomes policy, and tough non-financial sanctions inconsistent with the rather mild style that characterized Tanzanian politics and administration.

Bureaucracy can, of course, be quite effective in running large routine operations; indeed, many large private commercial organizations in capitalist economies are essentially administered along bureaucratic lines. However, that requires effective management structures and well-trained personnel. In the Tanzanian case, the ex-

tension of bureaucratic control was very rapid, and the pool of experience to draw upon very limited.

The training of competent bureaucrats and, in the modern parlance, the creation of effective institutions of governance are lengthy and time-consuming processes (much of Ole Therkildsen's work has focussed on the requirements for more effective governance, particularly at the local government level). It is quite understandable that Tanzanian socialism could not wait on the completion of such a process before launching its ambitious initiatives. Nevertheless it is evident that design of development initiatives should have been more responsive to the realities of administrative constraints.

Single channel monopolistic trading

Given the predominantly rural nature of Tanzanian society in the 1960s, rural development had to be at the centre of economic development and feature in the model for socialist change. However, it was particularly in relation to the rural sector that the system failed.

Agricultural marketing in a smallholder economy involves coordinating the activities of a very large numbers of producers, each producing small amounts of produce. Agriculture is risky, both on the production and marketing sides. The attempt to manage this system through a single-channel (i.e. monopolistic) marketing system, with management at the various levels not subject to the discipline of competition, stiff sanctions from above or democratic control from below, was a recipe for disaster.

Nyerere many times made the commitment that the industrial development of Tanzania would not be on the backs of the peasants – indeed, it was intended that public marketing would provide the peasants with secure markets and avoid exploitation by the private middleman. A number of measures were introduced to support the more vulnerable producers (e.g. uniform national pricing of inputs and produce to help those in remote areas) and to reduce the fiscal burden on the rural population (e.g. the abolition of the head tax in 1965). And yet the result was the reverse of the intention – the peasants were exploited – not to generate a surplus for development, but to pour resources into a black-hole of ineffective marketing. It was not so much that those running the system were dishonest or corrupt (although there were no doubt examples of that), but rather that the sheer inefficiency of the system became a burden on the peasants, and by reducing the incentives to expand agricultural production, it acted as a drag on the economy.

My own judgement is that this was the biggest weakness of the system. Was there an alternative consistent with the socialist aspiration? There may have been, involving both judgements about the extent of public ownership needed to pursue a socialist model and the rules by which the state marketing system operated.

It would have been preferable to have left a mixed system at the primary level, with the local shopkeeper competing with farmer cooperatives and the possibility of state marketing bodies providing alternative outlets. It was surely a mistake to make socialism identical with monopoly and bureaucracy and to leave the small farmer with no alternative to an inefficient state marketing system.

The local trader, supplying consumer goods and agricultural inputs and standing ready to purchase produce, was no threat to the socialist system, and although subject to the usual opprobrium of the middleman in most agricultural societies, provided an efficient option. Moreover, any exploitative potential based on a local monopoly could have been checked by the option of the community-based cooperative.

And at the higher levels of production and distribution, the assumption that state ownership should necessarily be associated with state monopoly was unfortunate. The lack of a 'hard budget' constraint as a discipline on public enterprise may arise from a general unwillingness to allow public enterprises to collapse, but this must be much more the case when such a collapse would involve the whole of a particular industry.

In general, while the Lange-Lerner model of market socialism may be utopian when presented as an ideal system, there is no reason why publicly owned bodies should not compete with each other. The market is too effective an economic tool to be left to capitalism. True, market transactions are typically a source of economic inequality, but they need not be a source of massive private accumulation.

In observing the Vietnamese system of state enterprise over the past two and a half decades, one strength has been the willingness to allow publicly owned businesses to compete with rival firms, whether owned by one state agency or another or by the military. For example, in a rice-seed marketing campaign in Vietnam, the effectiveness of the system was boosted by provincial seed companies competing with each other. Similarly, military-owned firms competed with government-owned companies in a number of activities. Competition between state enterprises acts as a spur to performance, provides options to customers and limits the accretion of bureaucratic power.

In Tanzania, the agricultural marketing fiasco was worsened by the abolition of the cooperatives in the early 1970s. Voluntary farmer's cooperatives had an impressive record in some parts of Tanganyika (e.g. around Mount Kilimanjaro and Lake Victoria) during the colonial period, despite the initial opposition of the colonial authorities in the 1920s. They were particularly effective in handling commodities with a long shelf-life, notably cotton and coffee. However, the expansion in the coverage and allocation of monopoly power to cooperatives in primary marketing both undermined the voluntary tradition of the cooperatives and extended their geographical coverage to areas which did not yet have the preconditions for their effective operation. As a result, as early as 1967 a presidential commission was set up to address the weaknesses of the system. Nevertheless, within the cooperative tradition there was at least the possibility of democratic control from below.

The abolition of the agricultural cooperatives in 1973 responded to both the failures of a system weakened by the government policy of universal single-channel marketing and the potential challenge the cooperatives presented to the ruling party as an alternative focus of organisation and local political power.

The Ujamaa fiasco

The other failure in socialist approaches to rural development was the Ujamaa village programme. This failure was of great symbolic importance, because the commitment to the Ujamaa village was the centrepiece of Tanzanian development.

The vision that Nyerere sketched out, of a village organised on voluntary cooperative principles, based on cooperative production and providing a focus for the provision of services, had a great attraction, even among observers not particularly in favour of socialist models of development.

The actual experience of Ujamaa has been analysed in various studies. In particular, the degree to which the initial bottom-up voluntary model of village socialism was transformed into an exercise in top-down bureaucratic coercion has been well documented.

There are many aspects of the Ujamaa experience which could be analysed. Here, two features are selected for comment. The first relates to the limited understanding of the intended Ujamaa model, based on personal experience of the launch of the commitment to Ujamaa in the Second Five Year Plan. The draft plan was taken to the Economic Committee of the Cabinet towards the end of 1968. It was formulated under the premise that, following the hectic pace of change in the eighteen months following the Arusha Declaration, government would not push for further

big changes in the rural sector. The draft included a fairly conventional crop-based program, which hoped to continue the lively pace of growth in exports crops achieved in the First Five Year Plan. When the draft was presented to the Economic Committee of the Cabinet, the President commented that, although the agricultural strategy was technically sound, surely the Ujamaa village program should be pushed during the period of the Second Plan. This view was received with acclamation by the members of the Cabinet, with little discussion of what was implied. I was instructed to re-write the plan to focus the agricultural part on implementing the Ujamaa village program.

To do this, I initiated a round of consultation with the relevant government ministries, the Party secretariat and academics from the University and Kivukoni College (the party training school). What became evident was how few Tanzanians had a clear view of what might be intended, including those who had enthusiastically supported the commitment in the Cabinet.

Some of the foreign intellectuals had their own views of the possibilities for rural socialism. The adviser to the Land Settlement ministry, Anthony Ellman, had clear ideas based on practical knowledge, as he had started out his African career managing the Upper Kitete settlement during the First Five Year Plan. Also, the party advisor, Millinga, had a clear view based on his own success in leading the Ruvuma Development Association.

However, the broad-based understanding and commitment to a coherent strategy to implement a rural social revolution along lines never attempted before in Tanzania or elsewhere was not there. In light of that, I proposed a gradual, experimental approach, under which the move towards Ujamaa would be attempted throughout the country, but at a speed and through an approach that was adapted to local conditions.

In the event, during the implementation of the Plan the leadership became impatient with the pace of extension of Ujamaa and implemented a crash program of villagization, which had unfortunate consequences.

Lack of faith in smallholders

The second reflection on Ujamaa relates to the ideological context for its formulation. In Nyerere's own writing Ujamaa was presented in the context of on the one hand an idealized vision of a pre-colonial cooperative rural economy and on the other hand of a distinct distaste of the market. Another strand of opinion, persisting in the thinking of Tanzanian leaders and technocrats to the present day, was scepti-

cism about the potential of small-scale family farming. This view had motivated an earlier exercise in rural social engineering, namely the Village Settlement program of the First Five Year Plan, endorsed in the first World Bank report on Tanganyika as the so-called 'Transformation Approach.' Earlier scepticism about the potential and knowledge of small families must also have influenced the colonial administration in the strategy adopted to implement the groundnuts scheme, the most expensive failure of African colonial development. This fed into a view that small farmers should be directed to undertake activities that they could not be relied on to undertake under their own volition.

The actual experience of agricultural development in Tanzania tells a quite different story. Smallholder family farms have been a source of agricultural growth and innovation over the decades, often despite the lack of effective public support and misguided public interventions. Further, there is nothing incompatible between smallholder farming and reasonably egalitarian development; the few intellectuals who offered warnings about the dangers of '*kulaks*' emerging seemed to be debating another continent in another era.

The failure of the industrialization policy

Industrial policy was another area in which the model of bureaucratic monopoly signally failed. The lack of a cadre with the necessary skills meant that Tanzania was not only dependent on foreign help in deciding its pattern of industrial investment; even more importantly, when the investments were made, the managerial capacity and the technical skills required were not there to operate the new factories. Facilities were put in place to train technicians and cadre were sent overseas for training, but obviously such programs would take many years to bear fruit. (In Vietnam even before the initial victory of 1954, Ho Chi Minh had been far-sighted enough to send many students for technical training to China. I remember Vu Tat Boi telling me that as a youngster not out of his teens he had led a group of around a hundred youths to walk to China to receive training in around 1948. And the Vietnamese were quite astute in accessing training facilities available in the CMEA countries, sending many for training in East Germany for example.)

It was accepted that there should be a thought-through industrial policy. The Second Five Year Plan (1969-74) committed the government to the development of an industrial strategy to replace the ad hoc approach to industrial investment which had characterized industrial efforts so far. The emphasis on the importance of an explicit industrial policy as an alternative to simply following the market remains one of the key building blocks of an alternative approach to development policy. But what should an industrial strategy look like in a rural peripheral economy?

The debate over industrial policy concentrated on questions relating to what industries should be developed, whether they should be export-orientated or import-substituting, whether basic industrial capacity or light industry should be emphasised etc. The strategy eventually adopted was the so-called 'Basic Industry' strategy, which aimed to create an industrial base rapidly in Tanzania.

In this debate the implications of the lack of human skills with which to engage in effective manufacturing were given too little consideration. A prerequisite for successful industrialization was the development of a national cadre with the technical know-how to guide project selection, supervise implementation and eventually to manage and maintain the plants. Such a cadre did not exist.

The result was that in practice industrialisation took the form of a series of turnkey projects typically funded by foreign loans, many of which never achieved full operation. However, they were one of the sources of the rapid accumulation of external debt in the 1970s. Moreover, projects were spread around the country, located more on political grounds, and often without the proper provision of infrastructural requirements.

In retrospect, it is evident that a much slower approach to industrialisation, with a more extended period during which the emphasis was on training a technical cadre and providing them with relevant experience overseas and on the development of necessary infrastructure, ahead of the decision to invest, would have been appropriate. Modest-sized projects using relatively simple technology would have had more chance of success, as was evidenced by the initial success of two projects sponsored by PRC (textiles and agricultural implements).

Another area where other choices would have been possible was in utilizing the skills of the Asian minority community. Nyerere had always been a strong opponent of any sort of racism, and in the early years following independence there was a significant degree of integration of the Asian minority into the social and political life of the country, with members of the Asian community attending East African universities and taking part in national service and public service. Many were successful businessmen, with financial management and accounting skills, and others were engineers and skilled technicians.

A number of the Asian community played an active role in the ruling party and were elected to the Bunge. Amir Jamal became Minister of Finance in 1965; he was a close confidant of the President and held a number of key posts during a long political career. Following the Arusha Declaration, Asian bank staff had made a key con-

tribution to the initial success of bank nationalization, and middle-level employees took over managerial posts when the European management was withdrawn.

While obviously many in the Asian community found their economic options squeezed, particularly by the development of state trading, many continued to invest, for example, showing an interest in moving into those parts of the manufacturing sector which had been designated as appropriate areas for private investment.

However, the nationalisation of urban property in the early 1970s particularly affected this community. This happened around the same time that General Amin's expulsion of the Asians from Uganda demonstrated the vulnerability of the East African Asian minorities. Following the urban property nationalisation, increasing numbers of Asian families departed, seeing little economic future for themselves.

In retrospect, it is unclear that the nationalization of urban property served any useful purpose. The Registrar of Buildings which took over the responsibility for managing the property was an ineffective landlord. Little or no financial benefit was reaped by the state, and the condition of urban property deteriorated – and most importantly it acted as a negative signal and disincentive to the Asian community.

Sometimes Jamal would argue that more use could have been made of the Asian community, but as an Asian himself his motives could readily be misinterpreted, so he said that in a quiet voice. It is unclear whether it would have been possible to have struck a deal with the Asian communities which would have ensured a greater contribution of their business, professional and technical skills through the 1970s. Those who stayed soldiered on, some showing great tenacity, but many left, mainly to the UK and Canada.

Aid dependence

The Arusha Declaration was about socialism and self-reliance. The emphasis on self-reliance responded to the experience of the First Five Year Plan, when projected levels of aid had not materialised. At that time, Tanzania was not only funding the recurrent budget from its own revenues, but also financing more than three quarters of the development budget. The self-reliance slogan might have been seen as making a virtue out of necessity.

In practice, however, the ambitious investment programs adopted in the Second and Third Five Year Plans could only be implemented with the support of external finance, including large infrastructural projects, such as the Tanzania–Zambia road and railway projects, the national road program, airport development and hydro

power. Substantial aid was also channelled into rural development projects, including a number of substantial agricultural projects and regional integrated development programs. And then there was the Basic Industrialization strategy, which involved external finance of the ambitious program.

One paradox of the Tanzanian commitment to self-reliance as a key slogan for its Arusha strategy is that it proved very attractive to donors, with aid flows building up rapidly. Unfortunately in practice the performance of aid programmes demonstrated the merits of the verbal commitment to self-reliance – aid flowed generously, but did not deliver the desired results.

Part of the explanation of the poor returns from the large aid flows of the 1970s lies in the poor macroeconomic environment that characterized the Tanzanian economy from 1973 onwards. However, aid contributed to the macroeconomic problems. Aid at that time largely took the form of the funding of projects in the development budget, with the presumption that at least part of the local costs and the recurrent costs of operating the projects would be financed locally. In fact, the generous flow of funding for the capital budget was not matched by the local resources needed to complete projects and meant inadequate resources, both financial and human, to operate and maintain the capacity created (Ole Therkildsen's exemplary study, Wattering White Elephants, documented the failure of the large multi-donor programme to expand rural water supplies.)

Moreover, evaluations of projects from the 1970s indicate widespread weaknesses in project design. Some of the more egregious failures are well known, such as the infamous World Bank-funded Morogoro Shoe Factory and the second Cashew-nut Processing project. But even projects which were not such extreme flops failed to deliver what was expected, such as the Swedish Mufindi paper mill and the Swedish-funded Small-scale Industry project.

Some years ago, writing a comment for the World Bank, I concluded that if aid flows had been half the level actually achieved in the 1970s, almost certainly Tanzanian national income would have been significantly higher. That is, not only did much aid fail, but overall it probably had a negative impact.

Of course, part of the responsibility for this must rest with the Tanzanian government for not looking gift horses in the mouth and for allowing aid flows to rise to levels for which government could not supply the local resources necessary to sustain operations. However, given the degree to which aid agencies (and the World Bank in particular) asserted their superior economic knowledge on repeated occa-

sions, a higher level of performance could have been expected than that documented (e.g. in the many negative evaluations of the Operational Evaluation Department of the World Bank). Donors signally failed to assess the macroeconomic implications of the aid flows they supplied. By the end of the 1970s an unrealistically large development budget was being loaded with aid-funded projects which could not be completed and merely contributed to the emerging macroeconomic crisis.

Incentives and sanctions: carrots and sticks

A fundamental dilemma facing any socialist development strategy is how to combine the pursuit of egalitarian objectives with the operation of an effective incentive system.

The Tanzanian strategy following the Arusha Declaration initially attempted to apply a stringent Leadership Code to prevent the use of political or bureaucratic position from becoming a basis for capital accumulation and the emergence of a capitalist class among the political and bureaucratic elite. However, there was no intention to unduly squeeze the existing differentials in earned income, which in the public service still reflected the differentials inherited from the colonial salary structure. At the top, a salary of £3,000 in 1967 provided for a comfortable middle-class existence.

Would those differentials have been sufficient to provide adequate incentives? Nowadays the case for large differentials tends to be based on the need to compete in international markets for talent, although the outlandish growth of incomes at the top and the growth of differentials which have opened up the gap in income levels in most capitalist countries say much about the increasing power and arrogance of the managerial elite. The experience of a number of successful economies in the 1950s to 1970s, before the emergence of the modern capitalist model, suggests that extreme inequality is not an economic necessity.

However, in the 1970s, the political need to raise the minimum wage, plus the erosion of the real value of those salaries which were not increased in line with inflation, led to a squeeze of salary differentials and a fall in average real incomes of middle-level and senior public servants sufficient to justify the civil servants' joke current in the early 1980s that 'The government pretends to pay us, and we pretend to work'.

An option could have been an effort to maintain performance through tough sanctions (the 'stick' to supplement the inadequate 'carrot'). However, the fairly benign character of the Nyerere regime resulted in a lack of tough sanctions and punishments, even where failures to perform and blatant dishonesty were exposed.

One approach to the incentive dilemma adopted in Soviet planned economies was the provision of special benefits through the *nomenklatura* system, where high party and government officials had privileged access to various services, such as health, education and leisure facilities. This was not an explicit feature of the Tanzanian system, although in effect privileges in such areas as access to international health care were enjoyed at the top of the system.

When the economic crisis gathered steam in the late 1970s, goods disappearing from the market and foreign exchange becoming unavailable, privileged access to scarce commodities and to foreign currencies became a key source of real income to those in positions of power and influence. When I returned to Tanzania in 1981, a senior official suggested to me that technical know-how had been displaced by technical know-who!

In the early post-Arusha years, a partially centrally managed system had been in place, but a comprehensive system for the central allocation of goods and rationing still had not. This worked well enough for some years during which controlled prices were not too much out of line with market clearing prices, but as economic difficulties developed and government was unwilling to allow prices to adjust (particularly the exchange rate) scarcities arose, so that by the early 1980s there was a virtual goods famine in official markets, and parallel markets flourished. The gap between official prices and market prices provided ample rent-accrual opportunities to those in positions to acquire goods at official prices.

One outcome of the squeeze on real incomes and the goods scarcity of the late 1970s was the widespread increase in corruption. It is, of course, not possible to document the spread of corruption. In the late 1960s, while there were rumours of corruption associated with figures high up in the system, in day to day life there was little experience of corrupt practices. By the end of the 1970s corrupt practices had become a common experience of daily life. Partly this is to be explained by the erosion of real incomes and the resulting need to find ways to defend family living standards (corruption does not seem so reprehensible when it is the only means of feeding the family and when the system was no longer delivering its side of the implicit social contact). However, what began as need was later fuelled by greed – corruption, once established, did not wither away later when real incomes improved.

It can be speculated whether the spread of corruption could have been avoided if a more satisfactory incentive system had been maintained, but the pressures of crisis management in the 1970s took their toll.

Two observations from this experience are that:

- With a weak bureaucracy, there is a limit to which the efficient and fair allocation of goods can be achieved through official controls, in which case the use of the market and the acceptance of market clearing prices is probably a preferred option, and
- Even if a fairly equal pattern of earned incomes is put in place, all systems have inequalities of power which can readily be translated into access to rents and privileges, which could only be prevented by very tight discipline and which in turn would require tough sanctions.

Conclusions

This essay has been a rather personal narrative. It concludes by suggesting that lessons to be learnt from the Tanzanian experiment in democratic socialist development include:

- In an economy based on smallholder farming, the use of market mechanisms and incentives is a necessity – coercion is neither desirable nor possible;
- More trust should have been placed in the potential of smallholder farmers;
- Collectively owned (cooperative or state) enterprises should not be monopolistic;
- The burden of development tasks should be geared to a realistic assessment of the capability of human resources;
- Excessive dependence on donor finance should be avoided; and
- Even in the context of a fairly egalitarian income structure, real salary levels need to be maintained at levels which sustain morale.

Much of this could be summarized in terms of the need to make use of the market and to understand the logic of market processes. The underlying contradiction, of course, is that a commitment to socialism often carries with it distrust of the market and an exaggerated belief in the efficacy of political exhortation as an alternative.

A policy regime reflecting the above principles could have been compatible with a much more egalitarian development path than that exhibited by the post-economic reform economy. Whether it could have succeeded is, of course, a matter of speculation. Nevertheless, the merits of the Nyerere vision remain attractive, and those who supported it have no need for either apology or embarrassment.

Notes

1 **Personal note:** This essay has no pretensions to being a scholarly piece, but rather includes my personal reflections. I first visited Tanzania when I was at Makerere in 1963. I organised a UK mission (the Ross Mission) to advise on implementing the First Five Year Plan in 1965, and returned to a post as economic adviser in the Planning Commission in 1967-70, editing the Second Five Year Plan under the direction of Cleopa Musya, then planning Principal Secretary, later Minister of Finance and Prime Minister.

I returned to Tanzania in 1981-82 to lead the technical team that drafted a structural adjustment programme intended to bridge the gap that had developed between the government of Tanzania and the Bretton Woods institutions. Subsequently I was active offering economic commentary and advice in Tanzania, particularly in the period 1987-1991, when I was a professor at the University of Dar es Salaam. Thus this essay could be sub-titled 'confessions of a Tanzaphiliac economist' and as such something of a *mea culpa*.

From 1991 I was less active in Dar, as I became heavily involved in policy work in Vietnam. This contribution has therefore been influenced by comparative observations of Vietnam and Tanzania.