

von Soest, Christian; Bechle, Karsten; Korte, Nina

Working Paper

How Neopatrimonialism Affects Tax Administration: A Comparative Study of Three World Regions

GIGA Working Papers, No. 172

Provided in Cooperation with:

GIGA German Institute of Global and Area Studies

Suggested Citation: von Soest, Christian; Bechle, Karsten; Korte, Nina (2011) : How Neopatrimonialism Affects Tax Administration: A Comparative Study of Three World Regions, GIGA Working Papers, No. 172, German Institute of Global and Area Studies (GIGA), Hamburg

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GIGA Research Programme:
Legitimacy and Efficiency of Political Systems

How Neopatrimonialism Affects Tax Administration: A Comparative Study of Three World Regions

Christian von Soest, Karsten Bechle and Nina Korte

No 172

July 2011

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GIGA research unit responsible for this issue:

GIGA Research Programme 1: “Legitimacy and Efficiency of Political Systems”

Editor of the GIGA Working Papers series: Bert Hoffmann

<workingpapers@giga-hamburg.de>

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English copy editor: Meenakhsi Preisser

Editorial assistant and production: Silvia Bücke

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GIGA German Institute of Global and Area Studies
Leibniz-Institut für Globale und Regionale Studien
Neuer Jungfernstieg 21
20354 Hamburg
Germany
E-mail: <info@giga-hamburg.de>
Website: <www.giga-hamburg.de>

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Abstract

Neopatrimonialism is a concept that has predominately been applied to describe governance in sub-Saharan Africa. Recently, though, it has also been used to describe states from other world regions. However, scholars have rarely attempted to systematically compare neopatrimonial rule in different regional settings. This paper aims to narrow this gap by examining the effect of neopatrimonialism on the tax administration as a core state function in six countries from three different world regions: Argentina, Venezuela, Indonesia, the Philippines, Kenya and Zambia. We conclude that neopatrimonialism is a valuable concept for comparative area studies with the potential to foster dialogue on the “state in operation” across the regional divide. However, several indicators are more valid for some world regions than for others. We find that there is no systematic relationship between neopatrimonial trajectories and the strength of tax administration. Individual actor decisions influence the outcomes of neopatrimonialism substantially.

Keywords: neopatrimonialism, governance, institutions, Argentina, Venezuela, Indonesia, Philippines, Kenya, Zambia

Dr. Christian von Soest

is a political scientist and senior research fellow at the GIGA Institute of African Affairs.

Contact: <soest@giga-hamburg.de>

Website: <<http://staff.en.giga-hamburg.de/soest>>

Karsten Bechle, M.A.

is a political scientist and research fellow at the GIGA Institute of Latin American Studies.

Contact: <bechle@giga-hamburg.de>

Website: <<http://staff.en.giga-hamburg.de/bechle>>

Nina Korte, M.A.

is a political scientist and research fellow at the GIGA Institute of Asian Studies.

Contact: <korte@giga-hamburg.de>

Website: <<http://staff.en.giga-hamburg.de/korte>>

How Neopatrimonialism Affects Tax Administration: A Comparative Study of Three World Regions¹

Christian von Soest, Karsten Bechle and Nina Korte

Article Outline

- 1 Introduction
- 2 The current use of neopatrimonialism
- 3 Neopatrimonialism: The comparative picture
- 4 Assessing the capability to raise revenue
- 5 Neopatrimonial strategies and the tax administration
- 6 Conclusion

1 Introduction

Social scientists and area specialists have long debated the nature of “the” state in various world regions. Many of them find that specific features distinguish states in Latin America, Eastern Europe, Southeast Asia and sub-Saharan Africa from their counterparts in Western Europe or North America. In particular, the separation between state and society, the public and the private arena, is said to be limited in non-OECD regions (Migdal 1988).

The concept of neopatrimonialism has often been used to describe these systems of rule. The basic proposition of this post-Weberian approach is that formal state bureaucracies are infused with the particularistic politics of the rulers (Bratton/van de Walle 1997; Brinkerhoff/Goldsmith 2002). The separation between the public and the private realm, which is the basis of the “modern” state concept, is abrogated.

1 This article presents results of the research project “Persistence and change of neopatrimonialism in various non-OECD regions”, which is based at the GIGA German Institute of Global and Area Studies in Hamburg, Germany, and is funded by the German Research Foundation (DFG). The authors gratefully acknowledge valuable comments by participants of the workshop “Neopatrimonialism in various world regions”, held on 23 August 2010 in Hamburg.

With its universal claim, the neopatrimonialism concept principally permits comparative analysis – also across different regions – and might, in turn, contribute to comparative area studies (Basedau/Köllner 2007). Unfortunately, scholars have hardly used the concept for systematic cross-regional analysis. Attempting to narrow this gap, we endeavour to let the concept “travel” from sub-Saharan Africa to Southeast Asia and Latin America. This shall serve to link region-specific bodies of research and to test the concept’s universal value.

Empirically, this article compares neopatrimonial politics and their effects on the tax administration in Argentina, Venezuela, Indonesia, the Philippines, Kenya and Zambia. It is common to utilise taxation for assessing state-society relations (Lieberman 2003; Cheibub 1998). Institutions responsible for generating state income often serve as focal points of political “interference” (Rose-Ackerman 2004: 28; Anderson et al. 2003: 10). Accordingly, it can be assumed that neopatrimonial dynamics can be found at tax administrations in particular, with the main hypothesis being that a high degree of neopatrimonialism limits both the capability to raise revenue and the prospects for administrative reform.²

This paper endeavours to contribute to the literature on neopatrimonialism and tax collection as a core state function by means of a small-N research design, comparing six countries from a total of three world regions: Argentina and Venezuela, Indonesia and the Philippines, and Kenya and Zambia.³ As colonialism with its “imported” statehood (Badie 2000 [1992]) is the central factor explaining the initial fusion of different logics of rule, all cases analysed are former colonies. Within each region, the two cases have similar GDP per capita and inequality levels. However, our approach does not qualify as a “most different systems” design with the experimental rigour envisaged by Przeworski and Teune (1970: 31-46). Cross-regional differences are substantial. Therefore, the explanatory power and the general applicability of the results are restricted. Yet, as the case studies follow the same analytical grid, they allow for comparison, which in turn should stimulate further research.

Our analysis presents two main findings: (1) Despite substantive limitations, neopatrimonialism can enrich cross-regional analysis of state politics. In order to be fruitful for comparative analysis, systematic operationalisation is necessary. (2) The effects of neopatrimonialism on tax administration are highly contingent. Even in those country cases that have experienced a rise in neopatrimonial politics, tax administration has been effectively executed, whereas in others tax administration has remained comparatively ineffective.

The article starts by presenting current research using the concept of neopatrimonialism. It then introduces indicators to comparatively analyse neopatrimonialism and the capability

2 This study deals only with the collection of central state taxes, as the administration of local taxes often operates under conditions distinct from the central level. The analysis also does not include the collection of non-tax revenue, such as fees or service charges by other authorities or ministries.

3 Field research conducted between February and June 2009 included data collection, qualitative interviews and focus group discussions in all six countries. Number of interviews: Argentina: 50, Venezuela: 52, Indonesia: 66, Philippines: 54, Kenya: 47, Zambia: 49. In order to improve comparability, common indicators, questionnaires and topic guides were used.

of the tax administration. The paper assesses the effects of neopatrimonialism on the collection of revenue in the six case studies. On the basis of the analysis, the concluding section assesses neopatrimonialism's empirical value, presents comparative results on letting this concept "travel" to different world regions and reflects on the empirical results.

2 The Current Use of Neopatrimonialism

2.1 Basic Conceptual Issues

Zolberg (1969) and Eisenstadt (1973) were the first to apply the concept of patrimonialism to contemporary societies, further specifying it with the prefix "modern" or "neo". While Latin America specialists have largely ignored neopatrimonialism (Bechle 2010), scholars working on different regions such as Southeast Asia, South Asia, the Middle East and Eastern Europe have put the concept to use. In particular, the neopatrimonialism concept has served to frame the crisis of "the African postcolonial state's administrative and bureaucratic capacities" (Bach 2011: 280-281).

The term denotes the simultaneous operation of two Weberian ideal types of domination: patrimonial rule (a subtype of traditional rule) and rational-legal rule (Weber 1980 [1922]: 133-134, 136). The "neo" in neopatrimonialism stands for the formal institutions and rational-legal rule of the state, which coexist with patrimonial relations. Patrimonialism connotes that a patron bestows gifts from public and private resources on followers to secure their loyalty. Clients, in turn, obtain material benefits and protection.⁴ Patrons are typically office-holders who use public funds or their power to build a personal following. Social practice as a result is fundamentally different compared to the impersonal formal rules which are supposed to guide official action.

Taking into account the existence of laid-down rules and administrative procedures, it is inappropriate to downplay the rational-legal aspect of neopatrimonial rule as Chabal and Daloz (1999: 17) do when they maintain that "in most African countries, the state is no more than a decor, a pseudo-Western facade masking the realities of deeply personalized relations". Moreover, it is important to keep in mind that every polity exhibits patrimonial features. The systemic character of neopatrimonialism is a matter of degree and not of principle. This paper endeavours to use neopatrimonialism as an analytical framework and not, as is commonly the case in research on Africa, to normatively equate it with "predatory and anti-developmental forms of power" (Bach 2011: 282).

Numerous recent publications have criticised the loose application of the concept (e.g. Therkildsen 2005; de Grassi 2008; Pitcher et al. 2009). Denunciations of the "catch-all" or *deus*

4 This resembles Lemarchand and Legg's (1972: 151-152) classic definition of political clientelism, which they understand as "a more or less personalized, affective, and reciprocal relationship between actors, or sets of actors, commanding unequal resources and involving mutually beneficial transactions that have political ramifications beyond the immediate sphere of dyadic relationships."

ex machina use of the concept are common (Theobald 1982 on patrimonialism; Erdmann/Engel 2007). Critics claim that scholars invoke the concept to describe contrasting phenomena while glossing over substantial differences.

Only some works use neopatrimonialism as an analytical concept for systematic comparison (Budd 2004; Hensell 2009). It is exactly this empirical application that could provide new insights into the way authority is exercised in different polities, also across different regions. In response, this article seeks to apply indicators which permit cross-country, cross-regional and inter-temporal comparisons of neopatrimonial rule.

2.2 Neopatrimonialism and Public Administration

It is useful to distinguish analytically between the political and the administrative arena of governance, taking into account the two spheres' different rationalities. To a large degree, politics in a state is routinised through its administrative staff. That is to say, authority predominantly is bureaucracy. Neopatrimonialism on the administrative level can principally be analysed as deviations from Weber's ideal type of bureaucracy.⁵ His conceptualisation involves a clear separation between the private and the public sphere and focuses on the expertise of the civil servants (Weber 1980 [1922]: 125-126). This ideal type also holds valid for the tax administration.

It can be hypothesised that neopatrimonialism leads to political interference in tax administration, which in conjunction with other factors reduces state revenue. Two prime forms of undue influence from the political sphere are possible: first, the placement of unqualified tax officers, who fill patronage positions; second, neopatrimonial interference with the tax administration's day-to-day business – for instance in order to prevent audits at businesses that enjoy political protection or to harass opponents of the dominating political elite.

3 Neopatrimonialism: The Comparative Picture

Using neopatrimonialism as a concept for systematic comparison of different countries and regions requires precise conceptualisation and operationalisation. We use a variation of Bratton and van de Walle's conception (1997: 63-68), which focuses on the three dimensions:

- (1) (informal) concentration of power,
- (2) systematic clientelism and
- (3) corruption.

We argue that an analysis of these dimensions allows us to estimate the degree of neopatrimonialism in a state and its development over time. The operationalisation of the three di-

5 Every real state differs from the ideal type laid out by Weber. Deviation is thus a matter of degree and not of principle. See for instance Clapham's article "Degrees of Statehood" (1998).

mensions largely draws upon von Soest (2009: 56-58). “Concentration of power” analyses the extent to which the president dominates the political setting. To assess the degree of domination, we calculate a power concentration index (PCI) by assessing the average tenure of the president in relation to that of key ministers, for two periods in each country case.

Apart from Venezuela, the first period under review presents an authoritarian regime type, while the second period presents a democratic or hybrid regime type following a transition. We assume that a significantly longer tenure of the president in relation to the ministers correlates with a high informal concentration of power in the president. Researchers use the concept of “systematic clientelism” to analyse the distribution of government positions in exchange for personal loyalty and support. Here, we examine the development of cabinet size and – briefly – public administration growth. Our assumption is that an unwarranted enlargement of the cabinet and/or of the public administration correlates with a high degree of clientelism. “Corruption” is the use of public office for private gain. We use the World Bank’s Worldwide Governance Index (WGI) indicator “control of corruption” (Kaufmann et al. 2009).

3.1 Concentration of Power

Table 1 demonstrates that the informal concentration of power in the president markedly differs between the cases analysed. Period 1 constitutes the period with the most pronounced differences in the PCI, with Argentina displaying a particularly low PCI value and Zambia a particularly high one. Following transition, informal power concentration declined significantly in Indonesia and Zambia. In the other cases, we observe some increase. Here, Venezuela is the most prominent case, displaying a major rise in power concentration from period one to two.

Table 1: Concentration of Power

	<i>Period I</i>	<i>Average Tenure President</i>	<i>Average Tenure Ministers</i>	<i>PCI</i>	<i>Period II</i>	<i>Average Tenure President</i>	<i>Average Tenure Ministers</i>	<i>PCI</i>
Argentina	29.03.1976-09.12.1983	1.4	1.8	0.8	10.12.1983-01.05.2011	3.5	1.6	2.3
Indonesia	11.10.1967-01.05.1998	32.0	5.7	5.6	22.05.1998-21.10.2009	2.8	2.5	1.1
Kenya	12.12.1963- 29.12.1992	14.6	3.7	3.9	30.12.1992-01.05.2011	9.2	2.6	3.5
Philippines	30.12.1965-24.02.1986	20.0	7.8	2.6	25.02.1986-30.06.2010	6	2.1	2.8
Venezuela	13.02.1959-01.02.1999	4.5	2.1	2.2	02.02.1999-01.05.2011	12.3	1.7	7.4
Zambia	24.10.1964-31.10.1991	28.0	2.4	11.9	01.11.1991-01.05.2011	6.7	2.3	2.9

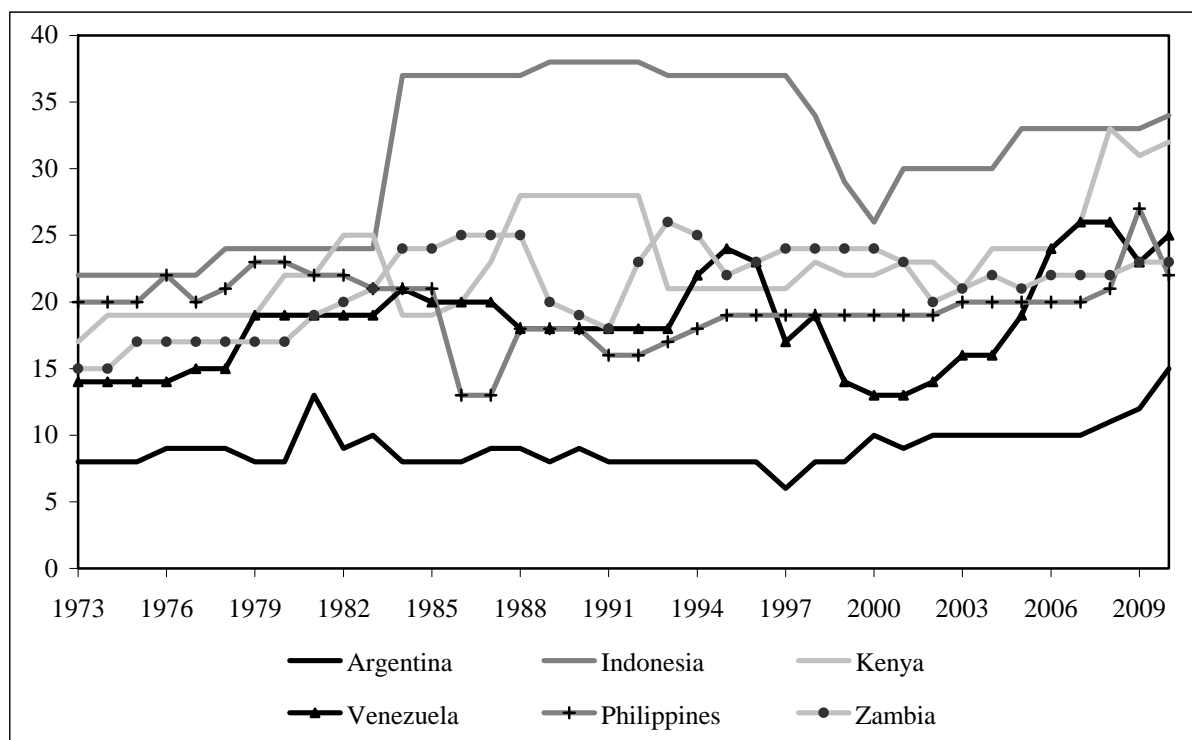
Note: The PCI is equal to the average tenure of the president divided by the average tenure of ministers. For systematic comparison, two periods were defined for each country case. Period definitions are based upon distinct regime types; breaks indicate a change thereof. Present cabinets were included only if 50 per cent or more of the constitutionally defined presidential term had passed by the time of calculation, i.e. 1 May 2011. The average tenure of ministers was calculated based on the average tenure of the following key ministers: defence, education, economy, foreign affairs, health, interior, justice and labour.

Sources: Authors’ calculation based on The Statesman’s Yearbook (1963-2011), Africa South of the Sahara (Routledge 2011), Rulers.org (2011) and various national sources.

3.2 Systematic Clientelism

Cabinets on average comprise between 15 and 25 cabinet ministers. Here, the outlier cases are Indonesia, above average since the last decade of the authoritarian regime, and Argentina, below average for the entire period under observation. In the last few years, the cases of Kenya and Venezuela are particularly interesting, as they experienced a very pronounced enlargement in cabinet size (see Figure 1).

Figure 1: Development of Cabinet Size



Sources: The Statesman's Yearbook (2011); Bappenas (2009); Rulers.org (2011); Africa South of the Sahara (Routledge 2011); Banks (2010).

With regard to the provision of personal favours, in some cases growth of public administration can be a more meaningful indicator and hence should be included in the analysis. Particularly remarkable is the high and increasing share of public officials in Venezuela, which today account for more than eight per cent of the population. In the other country cases, public employment is below three per cent of the population. Out of all the countries, Argentina's government has most strongly reduced the size of public administration (1.5 per cent), though since the 2000s it has been on a slight rise again.⁶

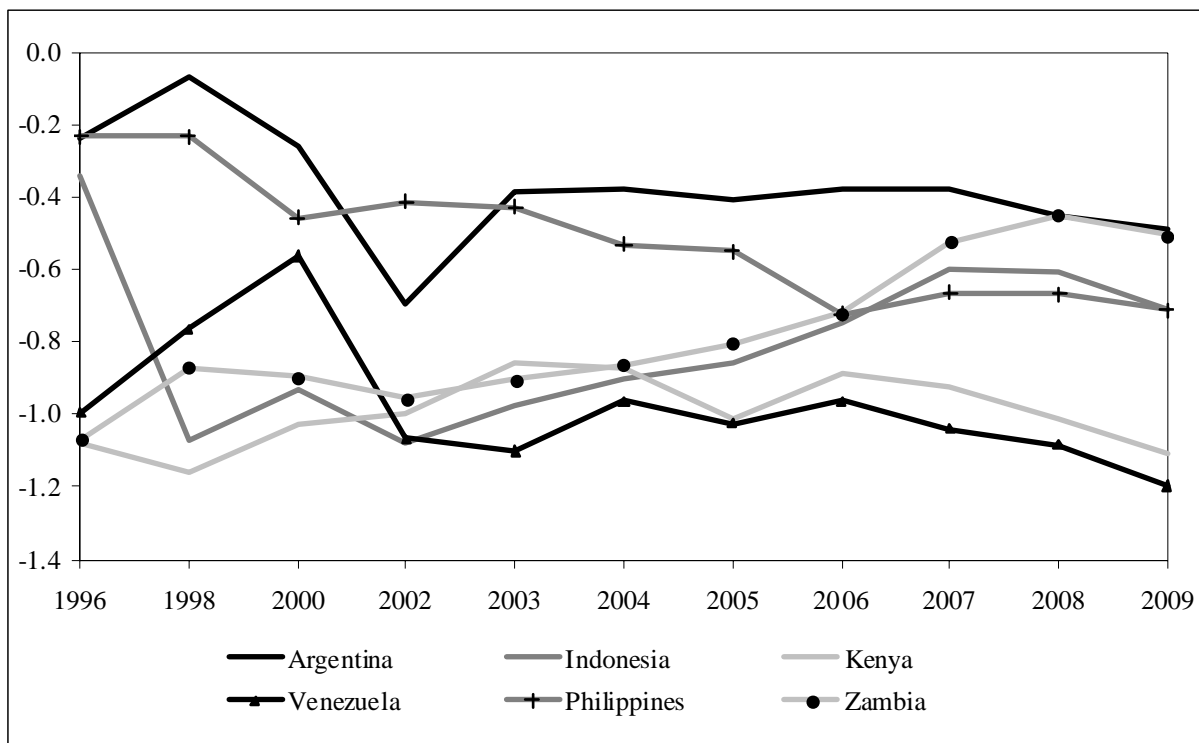
3.3 Corruption

All six cases display a low control of corruption, with scores on the WGI indicator "control of corruption" being negative (see Figure 2). Nevertheless, differences are observable. While at

⁶ Sources: INE (2011); INDEC (2011); López/Zeller (2006: 159).

present Argentina and Zambia perform comparatively well, Venezuela and Kenya exert very little control. Indonesia and the Philippines are in the middle; strikingly, both countries have displayed an opposite trend in the last ten years, with Indonesia showing improvement and the Philippines continuously deteriorating in this regard.

Figure 2: Control of Corruption



Note: The "control of corruption" indicator ranges from -2.5 to +2.5, with higher scores denoting lower corruption. Source: World Bank (2011).

Taking all indicators together, Argentina displays the lowest level of neopatrimonialism over the entire period of observation. Indonesia and Zambia show the most significant reduction of neopatrimonial tendencies. Kenya and the Philippines appear slightly more neopatrimonial at present, while Venezuela shows a marked increase.

4 Assessing the Capability to Raise Revenue

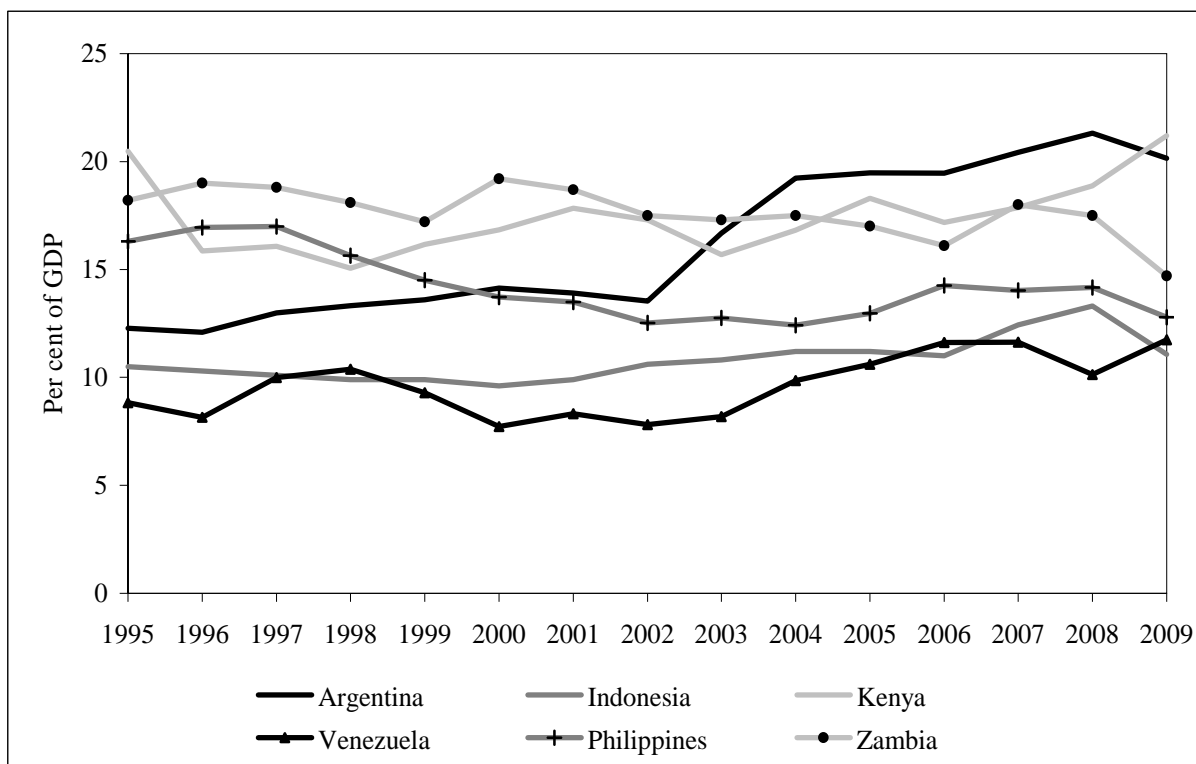
It is useful to analytically differentiate between *process* and *output* as two interrelated elements of tax administration's capability. The process deals with "how" taxes are being collected. The output refers to the extent the tax administration is able to fulfil its core task, the collection of revenue ("how much") (von Soest 2007). Two process dimensions are of particular interest from a neopatrimonial point of view: a) human resource management and b) the day-to-day operations of the tax administration. It can be expected that in neopatrimonial systems both dimensions are highly influenced by political interests, which in turn reduces

output. Both dimensions will be dealt with in the six country case studies below. The following section analyses the revenue performance of the six tax administrations.

In accordance with other researchers, tax administrators and donor agencies, we assess the total taxes collected in relation to a country's GDP: the tax-to-GDP ratio. Direct taxes are administratively and politically "difficult" to collect because they are visible and "felt" by a majority of the population (Burgess/Stern 1993: 818). Therefore, the amount of direct (income) taxes and indirect taxes – that is, value-added tax (VAT) and international trade – serve as additional indicators for this study.

As Figure 3 shows, the tax-to-GDP ratios of the six case studies currently stand between 11.1 and 20.2 per cent, significantly below the OECD average of 33.7 per cent (OECD 2010).

Figure 3: Tax Revenues (in Per Cent of GDP)



Sources: AFIP (2000-2011); SENIAT (2011); Brondolo (2008: 10, 39); Badan Pusat Statistik (2011); IMF (1995-2011); IMF (2011b); IMF (2011a).

The two top performers are Kenya and Argentina, the latter having managed to increase its tax-to-GDP ratio by 67 per cent since 2002. In contrast, Zambia's tax performance has decreased since the early 2000s. Similarly, the Philippines shows a declining trend overall, falling from 16.3 per cent in 1995 to 12.8 per cent by 2009. The weakest performers of our sample, the resource economies Indonesia and Venezuela, have increased their tax ratios since the late 1990s and by 2009 had almost caught up with the Philippines.

The analysis of direct and indirect tax ratios reveals that the African cases perform comparatively well in direct taxation, indicating that their tax administrations have focussed on this tax type in particular. In contrast, the Latin American cases derive a much larger percentage

from indirect taxation. In the Southeast Asian cases, the ratio of direct to indirect taxes is more balanced. In all cases aside from the Philippines, the percentage of income taxes collected today is higher than in 1995. Table 2 below presents the detailed break-down since 1995.

Table 2: Tax Revenues by Tax Type

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Argentina															
Total	12.3	12.1	13.0	13.3	13.6	14.1	13.9	13.5	16.7	19.2	19.5	19.5	20.4	21.3	20.2
Income	2.4	2.5	2.9	3.2	3.3	3.7	3.8	2.9	3.9	5.0	5.3	5.1	5.3	5.2	4.9
VAT	7.2	7.4	7.6	7.6	7.3	7.2	6.4	5.8	6.7	7.4	7.5	7.7	8.2	8.3	8.0
Trade	0.7	0.9	1.0	1.0	0.8	0.7	0.6	2.0	3.0	3.1	3.2	3.2	3.5	4.5	3.6
Venezuela															
Total	8.8	8.1	10.0	10.4	9.3	7.7	8.3	7.8	8.2	9.9	10.6	11.6	11.6	10.1	11.7
Income	2.2	1.6	1.9	2.1	2.0	1.7	2.0	2.0	2.0	2.1	2.4	3.0	3.4	3.3	3.7
VAT	4.2	4.5	5.7	5.6	5.0	4.0	4.2	4.1	4.8	6.2	6.4	6.4	5.7	4.7	5.9
Trade	1.5	1.4	1.7	2.0	1.6	1.4	1.4	1.1	0.8	1.1	1.3	1.5	1.7	1.2	0.9
Indonesia															
Total	10.5	10.3	10.1	9.9	9.9	9.6	9.9	10.6	10.8	11.2	11.2	11.0	12.4	13.3	11.1
Income	4.6	4.9	4.9	5.5	5.3	4.2	4.3	4.6	4.7	4.9	5.1	5.0	6.0	6.6	5.7
VAT	3.5	3.2	3.2	2.6	2.7	2.8	3.0	3.3	3.5	3.5	3.4	3.5	3.9	4.2	3.4
Trade	1.5	1.3	1.2	1.3	1.4	1.8	1.6	1.9	1.9	1.8	1.7	1.5	0.5	0.7	0.3
Philippines															
Total	16.3	16.9	17.0	15.6	14.5	13.7	13.5	12.5	12.8	12.4	13.0	14.3	14.0	14.2	12.8
Income	5.8	6.3	6.8	6.9	6.2	6.0	6.2	5.7	5.7	5.7	5.9	6.3	6.4	6.5	5.7
VAT	4.6	5.1	5.5	4.8	4.7	4.2	4.0	3.8	3.8	3.6	3.5	4.7	4.5	4.1	4.2
Trade	5.1	4.8	3.9	2.9	2.9	2.8	2.7	2.4	2.5	2.5	2.6	3.3	3.2	3.5	2.9
Kenya															
Total	20.5	15.8	16.1	15.1	16.2	16.8	17.8	17.3	15.7	16.8	18.3	17.2	17.9	18.9	21.2
Income	7.9	6.3	6.2	5.7	6.1	5.6	5.5	5.7	6.2	6.0	6.9	6.6	7.2	7.9	9.2
VAT	9.2	6.7	6.9	6.7	7.3	8.2	8.6	8.9	8.9	8.4	9.2	8.6	8.4	8.5	9.4
Trade	3.2	2.7	2.7	2.7	2.7	3.0	3.7	2.6	0.5	2.4	2.1	1.8	2.1	2.2	2.3
Zambia															
Total	18.2	19.0	18.8	18.1	17.2	19.2	18.7	17.5	17.3	17.5	17.0	16.1	18.0	17.5	14.7
Income	5.8	5.6	5.8	6.3	9.5	9.1	10.1	7.6	7.9	7.9	7.6	7.5	8.4	8.5	7.7
VAT	3.6	3.5	3.6	3.3	3.3	2.3	2.1	2.1	1.9	1.7	5.0	4.6	4.9	4.0	3.8
Trade	5.4	6.1	5.6	4.7	2.4	3.4	4.1	5.1	5.2	5.6	2.0	1.9	2.0	2.5	1.7

Note: In 2005, the IMF reclassified VAT and trade taxes for Zambia. Hence, differences between the two tax types to previous years are mainly due to reclassification.

Sources: See Figure 3.

5 Neopatrimonial Strategies and the Tax Administration

5.1 Argentina

Argentine politics is characterised by high instability. Between 1930 and 1983, 12 presidents were forcefully removed from office. The last time that occurred (1976), it was the military

that seized power. At that time, a bureaucratic-authoritarian regime was established that ruled the country until the restoration of democracy in 1983.

Neopatrimonial profile. Argentina's post-transitional presidents wield a comparatively large amount of formal power (Mainwaring/Shugart 1997), which at times is exacerbated by the inability of congress and the judiciary to effectively check the executive. The governments of Carlos Menem, Néstor Kirchner and Cristina Fernández de Kirchner in particular have repeatedly sidestepped institutions of horizontal accountability (Jones 1997; Levitsky/Murillo 2008) and have made extensive use of legislative decrees. Yet, independent media and a strong civil society act as important checks to the misuse of presidential powers. As described above, the PCI for Argentina is constantly low, and cabinet size does not indicate a strong degree of clientelism on the political level. The state and state-owned enterprises used to have large numbers of employees on their payrolls. But the percentage of public officials within the whole population has continuously decreased since the mid-1970s and went up only slightly during the administration of Néstor Kirchner. Political appointments are frequent. A high turnover rate in top positions has contributed to the establishment of a "transient parallel bureaucracy" composed of outsiders who spend only as much time in the public sector as the patron who placed them there (Spiller/Tommasi 2008: 80).

Although Argentina performs best on "control of corruption" within our six-country sample, survey data show that corruption is perceived as one of the country's most pressing problems (Latinobarómetro 2008: 46-49). These perceptions have been fuelled by repeated cases of corruption that accompanied the presidencies of Menem and the Kirchners. However, given the comparatively low but persistent level of neopatrimonialism in Argentina, the tax administration should neither be expected to perform substandard work nor be subject to major changes.

Politics and tax administration. Until the end of the 1980s, tax collection was not considered an important issue in Argentina and the poor performance of the Directorate General of Taxes (DGI) had never become a matter of public contention (World Bank 1990). But after the economic crisis and hyperinflation, at the end of the 1980s reforming the DGI became a priority of the Menem administration (Rubiolo González 2000). An effective tax administration was perceived as a central pillar for the stabilisation of the economy. In 1996, the DGI was fused with the customs administration into the Federal Administration of Public Revenues (AFIP), which became a semi-autonomous entity under the umbrella of the Ministry of Economy and Finance.

Human resource management. Until the 1990s, Argentina's tax administration was not particularly merit-oriented. It suffered from high instability at the top level. Human resource policy often was guided by the principle of appointing as many loyal administrators as possible in order to ensure compliance with the new patron. It was almost impossible to fire incompetent or corrupt administrators (Eaton 2003). Since the 1990s, human resource policy has improved significantly. Entrance exams and merit-based promotion have become the

rule. Yet the link between tax and politics persists. Just a few days after current Federal Administrator Ricardo Echegaray, a confidant of the Kirchners, took office, he said that the AFIP would be a political arm of the presidency.

Day-to-day operations. Up until the 1990s, experts and the general public rated Argentina's tax administration a corrupt, highly inefficient and oversized organisation. Citizens lacked incentives to pay taxes because the probability that tax evasion would be detected and punished was very low (Bergman 2003: 602). As shown above, the tax-to-GDP ratio has more than doubled since the early 1990s, partly as a result of an increasing professionalism among tax administrators. Standard operating procedures were established and are followed. Tax administrators interviewed did not report any interference from superiors or politicians. Nevertheless, media reports suggest that the tax administration has sometimes been used for political means. These findings are consistent with the assumption that neopatrimonialism exerts some influence on the tax administration, although on a minor scale, but they cannot explain the significantly improved output of the AFIP in recent years.

5.2 Venezuela

Democracy in Venezuela was established as early as 1958. For several decades, the country stood out for its stability, unique in Latin America. The consensual political system was greased by high oil revenues. However, oil wealth also increased inefficiency and corruption. The dramatic plunge in oil prices in the 1980s fostered economic decline and eventually led to a crisis of the political system. The election of Hugo Chávez in 1999 marked the endpoint of Venezuela's elite democracy and induced an ongoing authoritarian regression.

Neopatrimonial profile. The consensual logic underlying Venezuela's elite democracy largely precluded strong neopatrimonial power concentration. This has changed since the election of Hugo Chávez. The new constitution of 1999 significantly expanded the formal powers of the president. Since 2009, his time in office is no longer limited by constitutional restraints. The increase in formal powers is further exacerbated by the virtual absence of institutional checks and balances. Chávez used his majority in the National Assembly to fill institutions of horizontal accountability with followers. Frequently, he appoints or removes government officials via his TV programme *Alô presidente*. Rising informal power concentration is also mirrored in the substantive increase of the PCI since Chávez took office.

The development of Venezuela's cabinet size similarly underscores the neopatrimonial logic of his system. After a brief initial reduction, the number of ministers has constantly grown. The establishment of special programmes (*misiones*) created new clientelist linkages (Penfold-Becerra 2007) and left the country with a huge parallel bureaucracy in the education and health sectors. The number of public servants increased by 68.6 per cent between 2003 and 2009.

According to the WGI, Venezuela is one of the most corrupt countries in the world. Although President Chávez has addressed the problem several times, respondents complain

that members of his family, his ministers and other high officials have become extremely rich and now form a new “Bolivarian bourgeoisie” notorious for its conspicuous consumption.

Given the dramatic rise in neopatrimonialism, particularly with regard to the concentration of power in the president, we assume Venezuela’s tax administration performance to have deteriorated considerably in the second period.

Politics and tax administration. Because of Venezuela’s oil wealth, until the 1980s collecting taxes had not been very important. Then, in 1991 an agreement with the Inter-American Development Bank was signed to reform Venezuela’s tax system. In August 1994, the Integrated National Service of Customs and Tax Administration (SENIAT) was founded as a semi-autonomous agency under the guidance of the Ministry of Finance.

Human resource management. The SENIAT created its own human resources system, which regulates recruitments, salaries and promotions. The only political appointment being made is that of the post of superintendent and recruitment of staff has followed established procedures. Qualification and performance are central pillars of human resource policy but have suffered major setbacks in recent years. Political appointments and the number of non-professionals, often coming from the military, have increased considerably since the late 1990s. Career opportunities increasingly seem to depend on political affiliation – that is, support of President Chávez. Employees are increasingly being hired on a temporary basis only. Thus, entrance exams are averted and political control over tax administrators is enhanced. Since 2000, the president, no longer the minister of finance, has been given the power to appoint and dismiss the superintendent.

Day-to-day operations. Despite increasing politicisation, the SENIAT remains one of Venezuela’s most professional bodies. Even most interviewed critics of the current government emphasised the orderly procedures within tax administration. The SENIAT is widely regarded as an island of competence within Venezuela’s public administration. Respondents from within the tax administration generally ruled out political interventions or interventions by superiors in the day-to-day work of tax administrators. Increasingly good performance is mirrored in the rising amount of taxes collected. Contrary to our expectation, a marked increase in neopatrimonialism has not led to a deterioration of the tax administration.

5.3 Indonesia

Contemporary Indonesia can be distinguished into two distinct periods: the authoritarian New Order regime under President Soeharto (1967-1998) and the democratic Reformasi era since 1998. As shown in the comparative analysis above, neopatrimonialism was very prevalent during the New Order regime. Following democratisation, neopatrimonialism persists, yet seems to have experienced a slight decline overall.

Neopatrimonial profile. The PCI demonstrates that the highly concentrated power in the hands of the president subsided following democratisation. Constitutional amendments paved the way for substantial political fragmentation and strengthened legislatures. The dis-

tribution of personal favours in exchange for personal loyalty constituted a central strategy during the New Order (Crouch 1979). Among other effects, this caused ministerial cabinets to become bloated, and public service oversized and ill-equipped. The Reformasi era has not rid itself of clientelism, yet on a national level, competence and merit are gaining importance for appointments and promotions. Corruption is deeply embedded in Indonesia's political, economic and administrative structures, affecting all levels of society.

While the pattern of corruption during Soeharto's reign was largely centralised (he, himself, being the principal patron), within the last decade, partly as a result of the executive's strong anti-corruption stance and partly as a result of decentralisation, corruption has been shifting from the national to the local level. Patrons have proliferated and the absolute amount of corruption remains high. On the basis of Indonesia's neopatrimonial development, we assume that the tax administration was impeded by neopatrimonialism during the New Order regime and has been able to improve its performance thereafter.

Politics and tax administration. Indonesia's primary revenue-raising agency is the Directorate General of Taxes (DGT), under the jurisdiction of the Department of Finance. As described in section 4, the DGT's tax performance has been deficient. Recently, the significant decline of oil reserves raised the importance of domestic revenues for achieving fiscal consolidation (Korte 2011). Thus, since 2001 the DGT, with donor support, has been one of the Indonesian government's main targets for public administration reform (Brondolo 2008; Pandiangan 2008).

Human resource management. Similarly to other government offices, the DGT suffers from a legacy of non-transparent recruitment and promotions. Staff qualifications and competence do not reflect the DGT's needs. Lawyers, auditors and IT personnel are lacking, while there is an excess of low-level administrators. This constrains the DGT's ability to carry out key management and operational functions. As a result, according to current Director-General Fuad Rahmany, DGT staff can at present only cover 40 per cent of the tax potential (Tempo 2011). Direct influence of both the executive and members of the legislature on the placement of individual personnel has decreased, as the DGT was strengthened by reform-oriented leaders – that is, the president, the finance minister and the director-general – and hence more reform-oriented senior staff. More emphasis is now placed on merit and performance, and tax officers' salaries were increased. Staff placed at strategic positions, such as the "large taxpayers office", are regarded as comparatively more high-profile than their colleagues at offices where the tax potential is not significant. Change at the top, with only four directors-general since 2001, has been rare and largely for well-founded reasons.

Day-to-day operations. The DGT's tax base is small, as most Indonesians do not register as taxpayers. This includes many of Indonesia's well-off. By 2009, approximately 60 per cent of the legislators elected to the House of Parliament did not have a tax registration number at the beginning of their term (Aris et al. 2009). In addition, amongst registered taxpayers, "tax leakages" remain high as a result of both tax evasion and tax collusion between taxpayers and tax collectors. Politicians' rhetoric is inconsistent with their actions. While stressing the

importance of tax collections, investigations into tax evasion allegations implicating businesses of politicians, those linked to politicians and to the police regularly have not been followed up thoroughly (Parlina 2011; von Luebke 2010: 81-85). The DGT's internal controlling systems are weak. Tax courts have increasingly become a focal point for collusion. Public trust into the accountability of tax administrators is low and has been even further undermined by recent major scandals, which saw the conviction of several tax administrators. For the Indonesian case, as expected, we can conclude that neopatrimonialism and tax administration performance developed in the opposite direction: neopatrimonialism declined while tax administration performance improved.

5.4 The Philippines

The contemporary Philippines can be distinguished into the authoritarian period under President Marcos (1965-1986) and the democratic period since 1986. Neopatrimonial rule has featured during both periods, yet the degree of neopatrimonialism tends to depend more on individual presidents' governing styles than on regime type.

Neopatrimonial profile. Power concentration in the Philippines can be divided into three different (but closely interrelated) strands: the absolute concentration of power in the hands of a small, powerful oligarchic elite; an already extensive formal concentration of power in the president; and the degree to which different presidents were able to push these boundaries. In the post-Marcos era, President Arroyo (2001-2010) has most strongly reverted to neopatrimonial strategies and managed to overpower formal checks and balances such as congress and the judiciary (Hutchcroft 2008). Patronage distribution by positions and public funds was a prominent strategy of hers to win the support of officials and to keep control of them. The distribution of spoils has gone far beyond cabinet positions. Presidential advisers, consultants, assistants and administrative staff in various department and agencies have been hired in excess of the numbers stipulated by the Administrative Code (Lorenzo 2008). The more Arroyo's legitimacy was challenged, the more she resorted to obtaining people's loyalty by providing favours.

Current President Aquino has pledged to restore the damage done by his predecessor. As established by the interviews conducted and the WGI indicator presented above, corruption – a widely regarded standard operating procedure – has increased in recent years. On the basis of the Philippines' neopatrimonial profile, we expect that the tax administration has been a focal point of political influence and riddled by administrative problems impeding its performance.

Politics and tax administration. Subordinate to the Department of Finance, the Bureau of Internal Revenue (BIR) is the Philippines' primary revenue-raising agency. The BIR's performance and reputation have fluctuated over time; however, both have been rather unfavourable overall (cf. Table 2). Tax administration reforms have been half-heartedly introduced over the last decade, and they are widely perceived to not have taken root yet. As a fiscal crisis is

looming and the Philippines cannot resort to natural resource revenues, President Aquino has pledged to increase the efficiency of BIR tax collections. With the appointment of a reform-oriented commissioner, since 2010 reforms have again been more vigorously pursued.

Human resource management. The BIR is inadequately staffed: those who are performing core functions such as collections and assessment do not even constitute 40 per cent of the entire workforce. While entrance examinations, both in written and oral form, do exist at a national level, even tax administrators attested that this has not been practised sincerely. Having an MBA – not referring to the postgraduate title “Master of Business Administration”, but rather standing for *May Backer Ako*, meaning “I am backed by someone” (for example, a politician) – or having financial means could affect the extension of a job offer. Promotion and shifting around of high- and middle-level staff to new positions have been based upon regular processes, the “market mechanism” (that means you have to pay for promotion), political appointments and political veto. Change at the top has been frequent and in some cases unreasonable. Since 2001, the BIR has seen seven commissioners. For the daily operation, this frequent change is meaningful, as what remains constant are only the laws, the regulations and the processes.

Day-to-day operations. The BIR is perceived as one of the Philippines’ most corrupt agencies. Complex and conflicting tax legislation, low pay and inadequate penalties allow corruption to prosper. Citizens refuse to pay taxes as they do not see that their payments are used for good purposes. Overall taxes payable are often a matter of negotiation, the process and amounts due are unpredictable. There is no agreement on whether the main problem lies with tax administrators at the management level or with tax administrators at the lower and middle levels, nor is there agreement on whether the system is pyramidal or dispersed. The degree of political interference on the operational level is unknown, yet there have been reports that, while not interfering for their own purposes, politicians have done so on behalf of their friends and relatives. There have also been claims that politicians have tried to use the tax administration as a tool for political prosecution. For the case of the Philippines, we can conclude that neopatrimonialism indeed has impeded the operations of the tax administration.

5.5 Kenya

In 1969, Kenya became a de facto one-party state; in 1992, multiparty elections were reintroduced. Long-serving President Daniel arap Moi managed to win the election and was replaced by Mwai Kibaki of the opposition only in 2002 (Throup/Hornsby 1998). However, following the transition, neopatrimonial strategies have endured. The new constitution of 2010 limits the president’s powers.

Neopatrimonial profile. Patron-client relationships have played a dominant role in resource allocation, particularly in respect to state land. The coming to power of Mwai Kibaki in 2002 was accompanied by widespread expectations that his government would bring fundamental changes in governance, including a “zero tolerance” policy on corruption (Steeves 2006).

However, Kenya still features among the most corrupt countries in the world and is also near the bottom of this sample, performing better than only Venezuela. Despite successive initiatives, there is still clear evidence of systematic misuse of public resources (Wrong 2009; Githongo 2008). Cabinet ministers are changed on a regular basis – even more frequently than under autocratic rule.

The ministerial cabinet has always been a major means for providing personal favours. Since the formation of the Grand Coalition government in December 2007, 35 ministers (as counted by *Africa South of the Sahara*, see above) sit at the cabinet table. Including assistant ministers, Kenya's government consists of more than 90 ministers. The apparent lack of progress in reducing clientelism and corruption has caused widespread disillusionment among ordinary Kenyans. Based on these general developments, the clear expectation is that Kenya's tax administration is negatively affected.

Politics and tax administration. An initial tax modernisation programme was started in 1986, followed in 1987 by the Budget Rationalisation Programme. The fundamental aims of these reforms were to expand direct taxation and to increase state revenue. However, these initiatives remained largely unsuccessful.

Only after he won the 1992 multiparty elections did President Moi and his government install new institutions. He ostensibly did this to demonstrate his willingness to reform, as well as to strengthen administrative capability and to improve relations with the donor community. As part of this reform drive, the semi-autonomous Kenya Revenue Authority (KRA) became operational in 1995, taking over the functions of the former state-integrated tax administration. By running on business principles, the KRA is designed to be less vulnerable to political interventions.

Human resource management. In contrast to other semi-autonomous revenue agencies in Africa, the KRA has received high grades for the professionalism of its tax officers, particularly since the election of President Kibaki in 2002. The KRA increased salaries significantly and reduced the total number of staff by over 30 per cent compared to its predecessor tax departments (Taliercio 2004). The KRA managers autonomously recruit, promote and dismiss tax officers. This merit-based system has played an important role in improving staff professionalism. KRA leadership has also been very stable. The current Commissioner General Waweru came to office in March 2003.

Day-to-day operations. Principally, the KRA is given legal protection from political interference to carry out its routine functions. Its day-to-day operations are guided by an independent board of directors which also comprises representatives from the private sector. Field research showed that taxpayers overall are treated equally. Yet, respondents indicated that some powerful politicians and their businesses are not audited to the same degree as other citizens and companies. However, evidence is inconclusive.

Corruption in the tax administration has been reduced but has not vanished. Those offices which are not yet computerised and which have direct interaction with taxpayers remain

plagued by high corruption levels. The audit section has also recurrently experienced corruption cases; one officer said that they “are sitting on a gold mine”. Nevertheless, corruption is not institutionalised, and the KRA is seen as one of the most professional agencies in the country. Overall, the KRA operates quite effectively despite being situated in a neopatrimonial environment. The Kenyan case therefore does not confirm initial expectations.

5.6 Zambia

Zambia’s first President Kaunda served for 27 years. In 1991, opposition candidate Frederick Chiluba ousted Kaunda in reintroduced multiparty elections. The elections put a formal end to the one-party state, which the Kaunda government had promulgated in December 1972. Overall, neopatrimonial practices seem to have receded since the transition in 1991.

Neopatrimonial profile. The informal concentration of power endured during Zambia’s Second Republic (1972-1991) and the subsequent, multiparty Third Republic. As indicated by Table 1, ministers are still being changed every two and a half years on average. However, the average presidential tenure has reduced significantly. The current constitution bars people from serving more than two terms as president. An attempt to remove this provision to allow President Chiluba to run for a third term was unsuccessful. As in other African countries, the expansion of the ministerial cabinet has served as the prime means for providing clientelist favours by the president. Yet, the size of cabinet has generally remained constant in recent years and is smaller than it was under President Chiluba. Zambia’s “control of corruption” scores in the WGI have been low but have improved in recent years, in particular due to President Mwanawasa’s high-profile anti-corruption drive. This implies that Zambia’s tax administration is likely to have also improved in performance over the years.

Politics and tax administration. A prominent part of the reform package was the strengthening of the tax administration. In April 1994, the government outsourced the collection of revenue from the ministry of finance and launched the Zambia Revenue Authority (ZRA). The IMF had made the strengthening of revenue collection a precondition for the provision of new loans (Hill 2004: 141). The ZRA acted as a forceful symbol of the government’s commitment to improve Zambia’s highly deficient public administration. By and large, the government has supported the ZRA’s autonomous status, particularly since President Chiluba ended his second term in 2001.

Human resource management. The ZRA pursues its own recruitment policy. Recruits for the well-paid positions at the authority are hired on the basis of interviews and aptitude tests.⁷ In addition, a minimum qualification requirement was introduced to avert attempts to fill positions through patronage.

⁷ The ZRA salary for certain positions is approximately eight times higher than for similar posts in the public sector (von Soest 2009: 116).

The authority's professionalism was supported by expatriate managers financed by the British Department for International Development (DFID). Foreign leadership was thought to be less responsive to local corruption networks and to interventions from political actors (Gray/Chapman 2001: 40). Zambian managers have largely upheld the agency's autonomous position, only the commissioner general is a political appointee. Since 2002, when a Zambian took over the post of commissioner general, three highly qualified individuals have filled this post.

Day-to-day operations. Similar to other revenue authorities, the ZRA's main organisational principle is its managerial autonomy. For day-to-day operations, donor support has initially been important. Since 1991, the IMF has provided technical assistance; the British government supported Zambia's tax administration from 1992 until 2005. This close collaboration has largely served to avert political intervention with the revenue authority's operations particularly after President Chiluba's departure. Today, tax officers from management and also from the middle ranks regard ZRA as a largely autonomous and efficient organisation. Public opinion surveys also indicate that Zambians count the revenue agency among the most capable public organisations. The reduced neopatrimonial profile of the country therefore has been mirrored in the autonomy of the ZRA. However, despite improvements in the tax-to-GDP ratio, Zambia's tax gap – the difference between tax potential and taxes actually collected – remains large.

6 Conclusion

The empirical analysis has demonstrated that neopatrimonialism's prospects for cross-regional comparison are limited and promising at the same time. To start with, neopatrimonialism encompasses many empirical manifestations, constraining the concept's explanatory power. The specific expression might vary from country to country (inter-country difference), between state organisations in one country (intra-country difference) and between several points in time (inter-temporal difference).

Despite these significant challenges, it is possible to operationalise the concept by rendering its basic premise into specific indicators. In this way, it facilitates cross-regional analysis of political dynamics in different states, often characterised by floating boundaries between the public and the private realm. However, several indicators are more valid for some world regions than for others. The size of the ministerial cabinet is arguably a good approximation for clientelism in sub-Saharan Africa, whereas in Latin America the cabinet has not functioned as a major means for the president to provide favours. Also, it remains questionable whether corruption perception indices such as the WGI "control of corruption" used in this article allow us to precisely establish whether there is actually "more" corruption in Venezuela than in Kenya or the Philippines.

Taking these caveats into account, neopatrimonialism has the potential to link “regional” bodies of research. If normative undertones are avoided, neopatrimonialism can contribute to the further development of comparative area studies.

Empirically, the comparative indicators as well as the country cases reveal fundamentally different neopatrimonial trajectories in the six countries analysed. Principally, informal power concentration reduces after political transitions, most notably in Indonesia and Zambia. Venezuelan President Chávez’ rule, on the other hand, has led to significantly increased informal power concentration, clientelism and corruption levels. For the entire period of analysis, Argentina displayed the lowest level of neopatrimonialism. Kenya and the Philippines appear slightly more neopatrimonial at present, but in the future this might be reduced: In Kenya, this might occur as a result of the country’s new constitution, which will limit presidential powers, and in the Philippines, new President Aquino’s introduction of measures to reverse neopatrimonial strategies employed by his predecessor might help reduce these structures.

There is no systematic relationship between the development of neopatrimonialism and the capability to raise revenue. The examples of the SENIAT, the KRA and the ZRA confirm that merit-based and comparatively autonomous public agencies can operate even in neopatrimonial systems. It is striking that in all six countries, tax administration has grown in importance. This also includes those countries with significant natural resource incomes: Venezuela, Indonesia and Zambia. Decreasing incomes from oil in Indonesia and highly volatile copper revenues in Zambia have stimulated a stronger focus on the taxation of citizens and companies. Declining oil rents initially also motivated Venezuela to improve taxation. But even when soaring oil prices brought new windfall profits at the beginning of the twenty-first century, the Chávez administration – for which our indicators show a strong recurrence to neopatrimonial strategies of rule – has kept the tax administration effective.

The case studies point generally to the extraordinary relevance of actor variables in shaping neopatrimonial strategies and more specifically to the relationship of political actors to the tax administration. Presidents Chávez and Chiluba, for example, have reverted to neopatrimonial strategies, but have treated tax administration differently: Chávez and Chiluba seem to have supported, respectively, the SENIAT’s and the ZRA’s autonomy overall, albeit with notable exceptions. This result strongly supports the emerging consensus in most recent literature that neopatrimonialism “does not predetermine outcomes” (Bach 2011: 290). The importance of actor variables in influencing the development of neopatrimonialism and its effects warrants further detailed analysis.

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