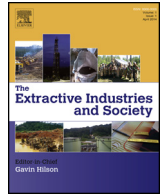




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Original article

Tax bargains in unlikely places: The politics of Zambian mining taxes

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ABSTRACT

In developed nations, issues of taxation rank high on the agendas of political parties. In Africa's new democracies taxation does not figure as a central campaign issue. Lack of attention to issues of taxation reflects the limited emphasis on policy issues in election campaigns generally, and the fact that only a limited part of the population is covered by the tax net. Many African countries rely on revenues from unearned incomes such as natural resources, further weakening the fiscal contract between government and its citizens. The case of Zambia tests these general perspectives. The issue of taxation – and in particular mining taxes- has featured centrally in election campaigns since 2001 and the main political parties display distinct variances in their approach to taxing the extractive industries. Election campaigns have also influenced the tax policies of the incoming governments. Contrary to common perceptions on party politics in Sub Sahara Africa, the paper argues that in a political setting of competitive elections and where several different sources of information are present, election campaigns may reflect issue based politics. Challenging mainstream fiscal contract theory, the political battle over mining taxes in Zambia suggests that “unearned taxes” may induce tax bargains between the government and its citizens.

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“The common man will feel the positive impact of tax reform directly . . . the common person on the street will feel the tax relief in a loaf of bread. It will be felt in the cost of milk, vegetables and other essentials”

Michael Sata, PF presidential candidate, speaking about taxation policies, 12th of September 2011.¹

1. Introduction

Issues of redistribution are often considered to be at the forefront of policy discussions and political differences in democracies. According to the fiscal contract literature, taxation lies at the heart of the relationship between government and its citizens, and governments seeking to expand its revenue are likely to be met by demands from citizens for increased responsiveness in exchange for tax-payments (Timmons, 2005; Tilly, 2009; Prichard 2015). Since democracy implies majority rule, there is reason to believe that the majority will seek some sort of economic

redistribution if it is relatively less well-off than the minority (Przeworski, 1991).² It may therefore be expected that issues of taxation will figure centrally in electoral campaigns, particularly in new democracies where economic wealth is unequally distributed. However, this has not been the case in many new democracies in Sub-Saharan Africa. During the 1990s, numerous countries on the African continent saw the end of one-party rule and the return of multi-party politics and at least minimally competitive elections. But, the return of competitive electoral politics has not been followed by political discussions and political mobilization on the issue of tax policies (Lieberman, 2002; Bräutigam et al., 2008; Von Soest et al., 2011). The assumed connection between taxation, responsiveness and accountability is widely accepted in theory, yet few empirical studies have researched the connection in contemporary developing contexts (Prichard, 2015: 6). Lack of attention to issues of taxation is explained by the lack of issue-based politics and political cleavages in African politics (Erdmann, 2007; Carothers, 2006); the lack of participatory or even genuine democracy (Lynch and Crawford, 2011); and the fact that the tax-base is narrow and many countries are primarily relying on

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¹ <http://www.zambianwatchdog.com/2011/09/12/sata-explains-his-lower-tax-idea/>

² This basic assumption holds despite the fact that most democracies today are capitalist democracies in the sense that many economic decisions are not taken under the control of the people but parties that hold political power. This moderates the degree of the actual redistribution.

non-earned sources of income, such as rents from natural resources (Ross, 2001, 2004; Knack and Brautigam, 2004).

Yet as the quote by Zambia's former President Michael Sata³ illustrates and the following analysis will show, election campaigns in Zambia over the past ten years do not conform to the general perspective of African political campaigns being devoid of issues and revenue debates in particular. Since 1991, Zambia has held five general elections and two presidential "by-elections".⁴ Zambia belongs to a select group of African multi-party systems that have experienced two peaceful electoral turnovers, qualifying as a consolidated democracy under result-oriented, minimalist definitions of democracy (Przeworski, 1991; Huntington, 1991: 267). Since the 2001 elections, taxation issues have figured centrally in Zambian election campaigns, moreover the election campaigns have influenced tax policies in Zambia. Challenging the fiscal contract theory holding that only taxes "felt" and paid by citizens may generate a tax bargain, in Zambia mining taxes have become the focal point for claims for responsiveness from the Zambian voters. Based in a qualitative analysis of the media coverage of election campaigns, supplemented with the study of party manifestos, primary source material and interviews, the paper shows that the issue of taxation has featured in every election campaign since 2001, but in particular since the 2006 elections. Taxation issues were originally addressed by the opposition party the Patriotic Front (PF). After the 2006 elections the incumbent party (until 2011), Movement for Multiparty Democracy (MMD), also paid increased attention to issues of taxation and altered its mining tax policies in response to the campaign demands. The paper concludes that tax-bargains between governments, opposition parties and its citizens can take place around a "non-earned tax" in a political setting of relative competitive elections and where several different sources of information are present.

The analysis is based on newspaper articles in the period leading up to the elections and the manifestos of the main political parties participating in the elections (2001–2016).⁵ The coverage is online newspaper debates covering from 3 to 12 months prior to the elections and three months after the elections. The final part of the analysis encountered a major problem as the online archive of *The Post* was shut down October 2016 (The newspaper was closed by the Zambia Revenue Authorities six weeks before the August 2016 elections), and as a result, the media analysis leading up to the 2016 elections is based on Daily Mail and Times of Zambia. In part due to the shut-down of *The Post*, and reflecting the increased coverage, the analysis of the debates around the 2016 elections in part relied on social media and various blog posts (in particular Zambia Watchdog and Economic Association of Zambia). However, as the social media coverage only became a significance feature of Zambian political debates after 2011, a systematic comparison of

social media over the entire time period was not possible. The analysis of online newspapers and party manifestos was complemented by qualitative interviews with members of the political elite in 2011, 2015 and 2016. MPs and senior party members from the three major parties (MMD, PF and UPND), as well as centrally placed civil servants in the Zambia Revenue Authorities (ZRA), the Ministry of Finance, and the mining companies were interviewed. The interviews provided background and factual information and are referred to in endnotes when used as direct sources of information.

The remaining parts of the paper are organized as follows. The next Section reviews the literature on taxation and accountability and the fiscal contract, followed by a brief description of the changes to the mining tax regimes since the privatization of the mines in 1995. Section four contains the analysis of the debates and policy changes with regard to mining taxes following from election campaigns 2001–2016. A final Section critically reflects on the limits to tax-bargains in a global sharing economy.

2. Taxation as bargains of accountability in multiparty settings

Why should we expect election campaigns in multiparty systems to focus on issues of social and economic redistribution? Democratic theory emphasizes that democracy should bring increasing levels of political participation, and empower more people with a say in who rules. This should in turn lead to increasing levels of vertical accountability, as the government will be accountable to a wider Section of society (Schelder, 1999: 25).

2.1. Issue-based politics in sub-Saharan africa

In empirical research on elections and economic redistribution in sub-Saharan Africa, the debate raised by scholars like Schelder is often dismissed. Research on African political parties rarely focuses on issue based politics and the scholarly literature on party platforms and party-voter linkages is still limited (Rakner and van de Walle, 2009; Le Bas, 2011). Most studies on African political parties have dismissed African electoral debates as void of political issues and ideological positions and instead depicted party competition and electoral campaigns as signals of ethnic or personalistic appeals, centered on vote-buying (Mozaffar et al., 2003). Recently, however, the scholarship on African political parties and elections has begun to reflect the need to differentiate between various African polities and analyze cross national variation on the continent. As argued by Le Bas (2011), in terms of party developments, there is real variation across African regimes, and a notable differentiation is the role of corporate actors and the historical presence of significant labor organizations. Bleck and van de Walle (2011) demonstrate that political parties tackle issues in African elections, although they find that political issues generally are discussed through valence appeals rather than by staking out ideological positions. Elischer (2011) study of party manifestos in three African countries finds that programmatic ideas do feature in African politics. Emphasizing saliency of political issues in African politics, Resnick&s (2012) study of political mobilization among the African urban poor shows that rather than vote buying and ethnic alignments, the urban poor's voting decisions are related to the strategies used by political parties to incorporate them into the political arena. While these strategies are often populist, they carry with them concrete policy proposals, often related to socio-economic redistribution. This recent literature suggests that an issue-based political debate is emerging in many countries. As taxation is a key instrument for influencing economic and social redistribution, issues of taxation could be expected to feature centrally in democratic elections in

³ Micahel Sata was the President of Zambia from 2011 until his death in October 2014.

⁴ Two Zambian presidents have died while in office, prompting presidential bi-elections within the election period; Levy Wanawasa in 2008 and Michael Sata in 2014. In August 2016, the Zambian Constitution was altered allowing for the vice-president to take reign in the event of a president dying.

⁵ Due to the low level of institutionalization of African political parties, it may be argued that party manifestos provide a limited source of information on a party's political platform. However, recent studies of African election manifestos have found that party manifestos from across the sub-Saharan region have programmatic content captured by a left-right cleavage model (Elischer, 2011: 651–657). Zambia's political history related to the strength of labor unions and civil society (Cheeseman and Hinfelaar, 2010: 62; Le Bas, 2011) suggests that party manifestos may be a source of information in terms of programmatic politics. The volatility of the political party system, and the fact that only MMD have participated in all political campaigns since 1991, limits the ability to compare political parties' programmatic platform over time.

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