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Focus:

Government revenue in Africa from Colonial Times to Present: Evidence from Former French Colonies

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Raising fiscal capacity is crucial for the economic development of African countries, and therefore a primary objective of many contemporary reforms and experimentations. Academic debates on the determinants of high fiscal capacity are informed by the history of state-building in European countries, but very little is known on the history of fiscal capacity in Africa. In two recent papers (Cogneau, Dupraz & Mesplé-Somps 2021; Cogneau, et al., 2021), we investigate the long term public revenue patterns of 18 former French colonies in Northern and Sub-Saharan Africa, from colonial times to present (1900-2018).

A new database on public revenue of former French colonies from 1900 to 2018

We built a continuous series of total public revenue and its composition from 1900 to 2018. To this aim, we extended to the post-colonial period the data that we formerly collected in French colonial archives (database available here). For the 1960 to 1980 period, we digitized and combined data from several sources, the main one being various IMF reports recently made available on the IMF Archive website, complemented with data from Zone Franc reports, BCEAO, GFS, and country specific sources. For the post-1980 period, we mostly relied on the ICTD-GRD dataset, with some corrections and additions. The final database contains all public revenues, not only those of the central government, but also those of auxiliary and regional budgets when they exist. We paid particular attention to consistency in the definition of each revenue category (tax versus non-tax, trade versus domestic). Furthermore, we tried as far as possible to document revenues from mining and oil resources for the whole period under study. All methodological choices are documented in Cogneau et al. (2021), and the final dataset will be made publicly available soon. To complement quantitative evidence, we also compiled extensive qualitative evidence on fiscal policies in the years following independence, from IMF reports and other sources.

A relatively high fiscal capacity at the end of the colonial period …

The colonial states of the French empire had substantial extractive capacity. On average, they extracted 9% of the colonies' GDP in 1925, and 16% in 1955. These figures were above the average of non-colonized countries in the same range of income per capita in the same period. This high fiscal extraction was not a French specificity, but rather a general characteristic of colonial states in the 20th century. The French adapted the fiscal structure to local economic and social conditions: in the settler colonies of North Africa, they used more modern tax systems, like the income tax; in Sub-Saharan Africa, they relied on the head tax (capitation) and (before 1945) forced labor.

… that did not collapse after independence

Decolonization entailed a dip in fiscal pressure, but this dip was only temporary. On average, the level of revenue of the 1950s was recovered between 1965 and 1970. This happened despite the dismantlement of the colonial federations, the departure of French administrators and of French settlers, and the flight of some French capital. The regressive head tax was maintained in most countries until the 1970s, though its name changed, and sometimes its collection modalities. The more modern and progressive tax systems that were gradually put in place could not yield sufficient revenue immediately.

A significant progress in revenue extraction between the 1950s and today…

Figures 1 and 2 show the evolution of total government revenue to GDP ratio for Northern and Sub-Saharan African countries respectively, from 1900 to 2018. Government revenue includes all tax and non-tax public revenue, excluding grants and loans, and social security contributions. In North Africa (Figure 1), the revenue to GDP ratio grew steadily throughout the 20th century and in the beginning of the 21st century it stood well above the levels reached at the end of the colonial period. In Sub-Saharan Africa, though the revenue to GDP ratio ballooned around 1980, contemporary levels of fiscal pressure are not significantly higher than in the 1950s, with the exception of former French Equatorial Africa. If we compare the sample average of revenue to GDP ratio in the years before the decolonization process started (1949-1955) with the most recent period (2006-2016), we find that it went from 14 percent of GDP in the first half of the 1950s to 20 percent around 2010, an average gain of 5.9 percentage points. Five countries experienced decline or stagnation (Guinea, Côte d'Ivoire, Central African Republic, Mali, Madagascar), while the thirteen others had gains spanning between 2 and 22 points of GDP.

… yet very much driven by mineral resources revenue

The picture is substantially different, however, if we consider total revenue excluding the mineral resource revenue that came to represent an important source of fiscal income after independence. Within our sample, Algeria and Gabon since the late 1950s, Congo since the 1970s, Cameroon since 1977, and Chad since 2003 are oil producers; Côte d'Ivoire also, although to a lesser extent and only significantly since the 2000s. Other countries have non-oil mineral resources that also yield high revenue: bauxite in Guinea, iron and copper in Mauritania, uranium in Niger, diamonds in Central African Republic, gold in Burkina Faso, Mali and Madagascar, phosphates in Togo and Morocco. From 1949-1955 to 2000-2016, the non-mineral revenue ratio to GDP stagnated, from 14.0 to 13.8 percent on average. Thus, the long-term gain in average fiscal extraction is explained entirely by mineral resource revenue. This statement however hides substantial heterogeneity among countries. In particular, some countries still achieved some progress in non-resource revenue: Morocco gained 15 percentage points; Niger, Burkina Faso, Togo gained 4 to 5 percentage points.

Figure 1 : Total revenue 1900-2018 in North Africa

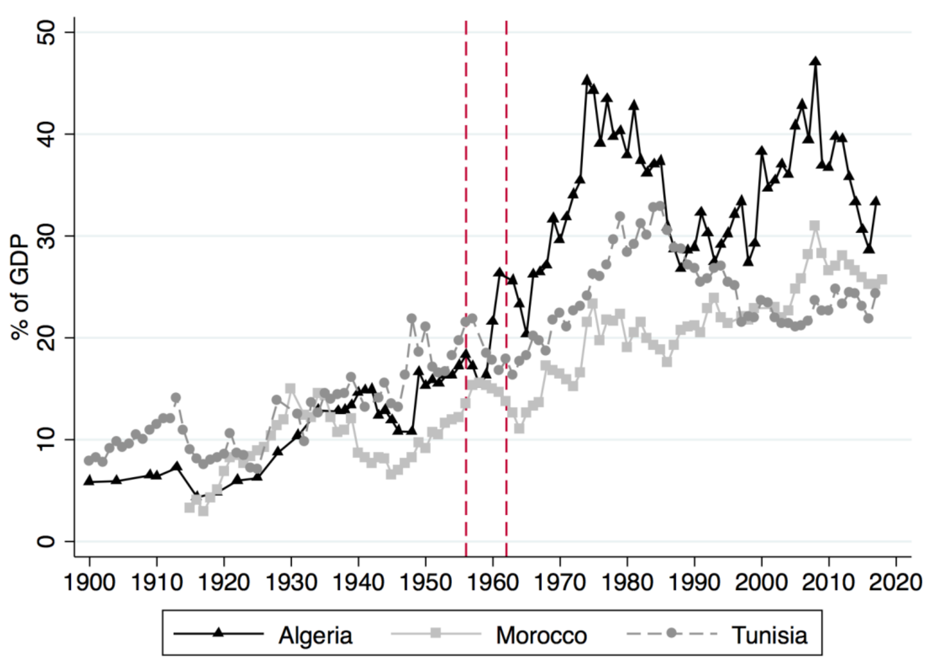
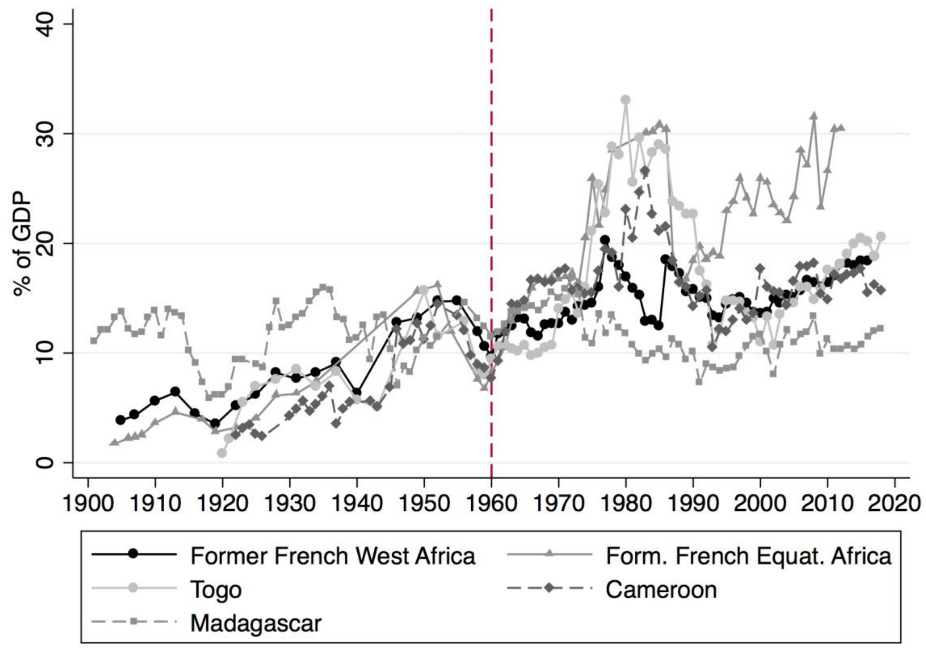


Figure 2 : Total revenue 1900-2018 in Sub-Saharan Africa



Note: These Figures display total revenue as share of GDP for the three North African countries (Figure 1) and for the Sub-Saharan African countries (Figure 2) in our sample, for the colonial and post-colonial periods. Total revenue includes all tax and non-tax revenue, excluding grants, loans, and social security contributions. Because revenues are defined at the regional level for French West Africa and French Equatorial Africa in the colonial period, post-colonial revenues are also aggregated by these former federations. French West Africa: Benin, Burkina Faso, Guinea, Côte d'Ivoire, Mali, Mauritania, Niger, Senegal. French Equatorial Africa: Central African Republic, Congo, Gabon, Chad. The red vertical line indicates the years of independence. Source: see Appendix of Cogneau et al., (2021).

A high contribution of trade taxes until 1980s, then a positive trend in domestic taxation…

At the end of the colonial period, trade taxes represented a substantial share of total public revenue (over 30% on average). This share remains at a high level before dropping from the mid-1980s onwards. Under structural adjustment reforms, the limitations put to export taxation and the decrease in custom duties were not compensated in the short-term by the raise of domestic taxation, resulting in short-term revenue losses. A source of optimism however lies in the positive trend in domestic taxes in the 21st century; they average 11 percent of GDP over 2000-2018, which is higher than in any other decade since independence.

… yet dependence on minerals and commodity prices remains

Public revenue has been increasingly dependent on mineral resource revenues. They represented 8 percent of total revenue on average in 1960-1973, then jumped to 20 percent for the period 1974-1985, and kept increasing to represent 26.6 percent in 1986-2018. The rise in oil prices starting in the early 2000s largely explains the high figure in the recent period. We estimate that doubling the price of exported commodities results in a revenue gain of around 4.5 points of GDP, almost equally split between tax and non-tax revenue.

The expenditure side

While state capacity is often exclusively approached from the side of taxation and fiscal capacity, it is fruitful to investigate the expenditure side. Indeed, the "productive efficiency" of the volume and sectoral allocation of public expenditure is as important as the "extractive efficiency" in terms of taxation.

During the colonial period, public expenditure was biased – as it had to serve first the interests of French settlers and capitalists – and costly – as it had to rely on expensive French civil servants and army men. In the 1950s, in the hope of preserving their imperial dominance, the French colonial power became more developmental and increased social spending, particularly in education. They gave some political rights to local populations, and conceded some wage equality claims. The self-financing doctrine was relaxed, and net grants from metropolitan France started representing a larger share of the colonies' GDP. Wage costs, however, remained high. The public sector wage premium, measured as the ratio of average public wage to GDP per working-age person, was equal to 7.3 compared to 1.3 in France. Given these high unit costs, accelerating development would have required an even bigger push in French grants.

After independence, the modern African states inherited the structures of colonial states. The aim of our ongoing research is to investigate to what extent newly independent African countries implemented different budgetary policies than those initiated during the colonial period. Some preserved high wages and elitist infrastructure. Others opted to extend public employment and decentralize at lower costs. In order to analyze these evolutions, we are now collecting new data on both the economic and functional distributions of public expenditure, and on public employment, again mainly from the IMF archives.

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