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Fiscal states in sub-Saharan Africa: conceptualization and empirical trends

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Abstract: This paper contributes to the debate on domestic revenue mobilization and state-building in the Global South by asking whether there are fiscal states in sub-Saharan Africa. To answer this question, we review the diverse understandings of the fiscal state across relevant literatures and explore which preconditions are necessary for the emergence of fiscal states. We define the fiscal state by a balanced relationship between taxation and borrowing as dominant revenue sources, and we distinguish it conceptually from the tax, debt, and rentier states. We analyse and show that the average sub-Saharan African country cannot be categorized as a fiscal state, and that this is to a large extent explained by the absence of economic preconditions. This finding is important because when African states are regarded as fiscal states, assumptions are made about their economic structures; yet, to the extent that these are absent, fiscal policy reforms are unlikely to carry long-term positive effects.

Key words: fiscal states, sub-Saharan Africa, taxation, borrowing, debt state, rentier state

JEL classification: H20, N17, O2, Y10

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1 Introduction

The term 'fiscal state' used to be a prerogative of industrialized nation states with a specific narrative aimed at explaining why Europe spearheaded state formation. Within the past two decades, this has changed. Mentions of the fiscal state in scholarly work have increased manifold across disciplines, and the term is now applied in works on state-building globally, including in the Global South (e.g., Albers et al. 2020; Moore 2004; Waris 2018). This turn in the literature has occurred in parallel with the emergence of an increased focus in the international development community on how low-income countries can tax more and better. Programmes to support taxation are typically formulated based on an implicit assumption that the prerequisites for building or advancing fiscal states exist in low-income countries. This paper sets out to interrogate these assumptions empirically and to clarify the defining features of a fiscal state and its prerequisites.

The body of literature on fiscal states within the field of economic history is substantial (e.g., Bonney 1999; Dincecco 2011; Johnson and Koyama 2014; O'Brien 2011; Yun-Casalilla 2012), but despite prolific application of the term and continuous discussion of 'the fiscal state in Africa' (Albers et al. 2020; Frankema and Booth 2019; Moore 2021; Waris 2018) there is little focus on (re)assessing and (re)defining the concept as it has entered new realms. Few scholars have directly examined whether states in low-income countries have developed from tax states (provided that they qualified as such—that is, are able to extract and collect taxes from citizens) to fiscal states. It has not been explicitly discussed what such a development would look like in contemporary lower-income developing countries, what the defining attributes of a fiscal state are, and, equally important, what the preconditions of its emergence are. This is problematic for academics who see an intrinsic value in concepts that are properly delimited theoretically and empirically.

It is also problematic because when African states are regarded as fiscal states, assumptions are made about their economic structures when fiscal policy recommendations are given. In the absence of certain economic preconditions, however, these states cannot be deemed fiscal states, and, regardless of any 'political will' to tax more, effective tax policy implementation and fruitful yields are very unlikely. This might help to explain why significant efforts to reform the tax system, such as the implementation of VAT and administrative reforms, have not substantially increased tax revenue in many African countries (Fjeldstad 2014; Fossat and Bua 2013; Jeppesen 2021; Moore 2021; Moore and Fjeldstad 2008). Determining whether African states are fiscal states or have the prerequisites to become fiscal states thus has significant policy implications.

To identify fiscal states empirically, it will be necessary to define the concept of fiscal state in an empirically relevant and analytically applicable fashion. This entails a proper distinction between the defining attributes of fiscal states and the preconditions necessary for explaining their emergence and consequences, and between the fiscal state and other types of states such as the tax state and the rentier state.

This paper asks whether contemporary sub-Saharan African (SSA) countries can be categorized as fiscal states, and whether the preconditions necessary for the emergence of fiscal states exist. We approach this question by (1) reviewing the fiscal state literature to explore how the term fiscal state is understood and applied, in order to (2) arrive at and promote an analytically relevant and applicable definition of fiscal state as *a state whose public revenue base is dominated by tax revenue and loans, and where the relationship between taxation and external and domestic borrowing is balanced and thereby sustainable and characterized by interdependence.* (3) We rely mostly on quantitative data on public revenue for SSA to take a first step towards assessing and discussing whether SSA states can be deemed fiscal states and/or have the prerequisites to become fiscal states in the near future.

2 Reviewing the meaning of the fiscal state concept

Taxation is intimately linked with state-building. Fiscal sociology has produced many historical analytical narratives that describe the concurrent political and economic processes that led to the emergence of the fiscal state (Bonney 1999; He 2013; O'Brien 2011; O'Brien and Hunt 2007; Yun-Casalilla 2012). Schumpeter's (1918 [1954]) seminal work 'The Crisis of the Tax State' marked the advent of the fiscal sociology literature. In this essay, Schumpeter associates the 'tax state' with the transition from a domain state, where the main source of income was the king's own domain, to a situation where inhabitants in the kingdom provided the majority of funds. Hence, a tax state relies primarily on the mobilization of revenue through taxes. Later, as rulers expanded domestic revenue mobilization, they were able to use future tax payments as security in large-scale borrowing. Combined, governments' capacity to borrow, their power to tax, and the interaction between taxation and loan constraints became central to the powers of the modern state (Bonney 1999). Taxation and borrowing created a nexus that sowed the seeds of today's complex and developed state economies that many would call fiscal states (Moore 2004).

Since its early employment in historical research to explain 'why Europe' in the state-building literature, the fiscal state concept has travelled across time and space to other contexts and development levels. On this journey, the concept has grown unclear and diluted. Today, the term often encompasses countries with various political regimes, social institutions, and modes of production, even though the fiscal state concept inherits defining attributes that could, or perhaps should, exclude some of those. This risky journey towards conceptual stretching is to be expected when a concept is applied across disciplines from economic history to political economy, and is not necessarily problematic (Sartori 1970). Nevertheless, the lack of a common understanding, or alternatively clear definitions to facilitate comparative thoughts, inhibits interdisciplinary exchange as well as accumulation of knowledge about the dynamics of contemporary fiscal states and, not least, theorization about their causes and effects (Gerring 1999). If we have not clearly defined the fiscal state, how can we recognize it when we see it, or be certain we are able to separate its preconditions from its defining attributes and the defining attributes from its ascribed effects?

To separate core defining attributes from features that stretch the fiscal state concept, we explore how understandings of the fiscal state differ across fields and empirical contexts in a systematic literature review. We use the main academic databases, Web of Science and Scopus, employing a search strategy in which we combine keyword and reference searches. Specifically, we searched for sources that mention 'fiscal state*' *and* cite Schumpeter (1918), Moore (2004), Herbst (2000), Besley and Persson (2009), Bonney (2009), North and Weingast (1989), or Dincecco (2011). These constitute key references in the historic fiscal state literature and in contemporary, specifically African state-building literatures. To stay clear of broader non-fiscal state-building perspectives, we excluded references to Levi (1988), who focuses primarily on political economy and actors, and Tilly (1992). The contractarian perspectives of fiscal states are assumed to be captured by references to Moore (2004). Second, we conducted a literature search combining the above references with the keywords 'tax state*', 'rentier state*', and 'fiscal capacity' to create a basis for delimiting the fiscal state from other types of states.

To illustrate, the search in Scopus on 'fiscal state*' produced 1,258[1] search results, which were reduced to 190 sources after our reference searches. However, most of these do not engage the fiscal state concept analytically, but refer more or less in passing to 'the rise of the fiscal state' literature, including references such as Bonney (1999), O'Brien (2011), Yun-Casalilla (2012), He

[1] Per 31 March 2021 when searching in 'all fields'.

(2013), and Torres Sánchez (2007). For the review of fiscal state understandings, we rely only on sources that apply the concept in a manner in which attributes can be discerned. Our literature review builds on these references combined with the corresponding group from Web of Science.

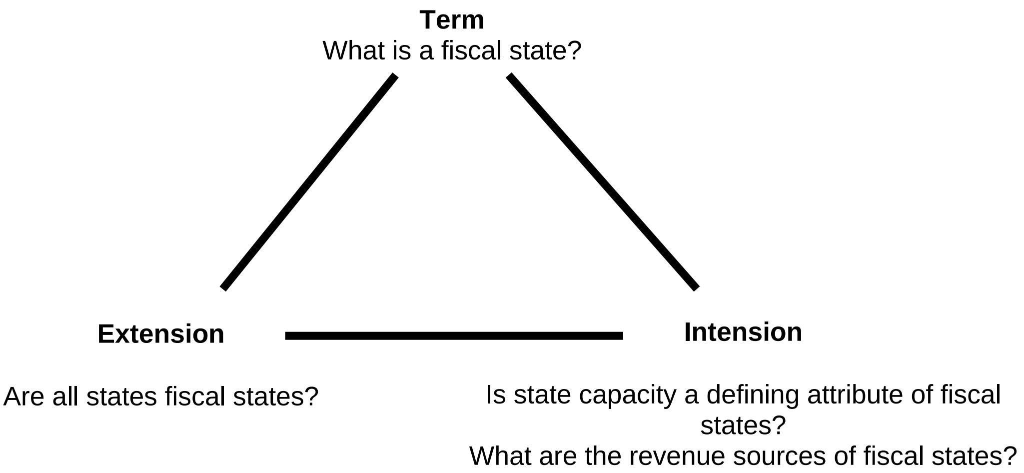
Before we dive into the diverse understandings exhibited in the literature, it is important to underline that the fiscal state concept is not the only concept applied in research on fiscality in historic and contemporary state-building. The analytical concept of 'fiscal constitution' was defined by Brennan and Buchanan (1980) as 'a prevailing type of fiscal system in a specific country at a given moment in history' (in Bonney 1999: 5) and later by Levi (1988: 49) as 'a polity's rules and procedures for extracting and collecting revenue'. Fiscal constitution is comparable to 'fiscal regime' (Monson and Scheidel 2015: 7) as well as 'fiscal systems', most prominently used by Bonney (1999), but also by Schumpeter (1918 [1954]). All these terms allow us to study premodern fiscality—that is, before actual states could be observed—and conduct analyses that cut across time and space, because the state institutions are not included in concept definitions. In the Bonney–Ormrod model (1995) there are four types of fiscal systems, encapsulating stages of European state development. Among these four, the fiscal state is the fourth. As we are interested in the core defining attributes of exactly the fiscal state and in examining the empirical presence of the fiscal state in Africa, we do not discuss these more inclusive analytical concepts or the dominant fiscal systems of the premodern era.

Few references define the fiscal state explicitly. Among those that do, the defining attributes overlap as well as exhibit fundamental differences. In the following, we review the diverse understandings and applications of the fiscal state concept. This allows us to settle on a simple and concise definition of the fiscal state which is both relevant and useful for understanding dynamics within and differences between states and whether SSA countries can be deemed fiscal states.

3 Diverse understandings of the fiscal state

At their core, most definitions of the fiscal state apply Schumpeter's simple understanding of the tax state as reliance mainly on income from taxes and add the element of borrowing. Beyond this common ground, understandings of the concept vary in terms of intension (i.e. a concept's defining attributes) and extension (i.e. the empirical cases to which a concept applies) (Gerring 1999; Sartori 1970). Figure 1 presents key questions that capture differences in fiscal state understandings.

Figure 1: Review of conceptual extension and intension of the fiscal state



Source: authors' construction based on Ogden and Richards' triangle (1923).

3.1 Are all states fiscal states?

There is implicit disagreement in the literature concerning whether all contemporary states can be categorized as fiscal states. One group of scholars either argue explicitly or implicitly assume that all states are fiscal states (Buchanan and Musgrave 2001; Jensen 2011; Musgrave 1996). Differences between states are taken as expressions of, for example, variations (Musgrave 1996) or advancements (Jensen 2011) of fiscal states. Hence, per implication, all states in SSA would be considered fiscal states.

Yun-Casalilla (2012: 1), for example, reserves the term 'fiscal state' for 'nations and democratic states as they emerged over the nineteenth century' and, moreover, distinguishes the fiscal state from the rentier state by whether they penetrate society to earn income (p. 5). Over time, many scholars have analysed the rentier state as a distinctive state type (e.g., Beblawi and Luciani 1987; Moore 2004; Ross 2016; Sachs and Warner 2000). Interestingly, the literature review showed limited overlap between references to fiscal states and to rentier states, which implies that the two literatures are siloed. While the conceptual relations between fiscal and rentier states thus receives little attention, the fact that the concept of rentier states exists theoretically and is highly empirically relevant suggests that not all states are fiscal states. Consequently, SSA states cannot be assumed to be fiscal states.

This disagreement is intimately linked to the defining attributes ascribed to the 'fiscal state', and we will now identify the sometimes explicit but often implied variation in defining attributes.

3.2 Is capacity a defining attribute of fiscal states?

One question regarding the conceptual intension of fiscal states is whether capacity (administrative, state, or fiscal) is explicitly included as a defining attribute of fiscal states. Many see state capacity as a core attribute of the fiscal state: Boucoyannis (2015: 304) argues that state capacity allowed for the imposition of (quasi-voluntary) taxation, and Dincecco and Katz (2014) describe state capacity as, and measure it by, states' ability to extract taxation. Cardoso and Lains (2010: 5) associate the rise of the fiscal state with 'an increase in the ability of centralized states to manage the administrative apparatus for raising taxes, as well as with the ability of the sophisticated financial institutions to manage public debt'. Yet, many other sources do not mention state capacity explicitly as they discuss fiscal states (Musgrave 1996; Omeje 2016; Sandbakken 2006; Zhang 2017).

Tightly linked to state capacity is fiscal capacity, which warrants its own discussion, even if potentially adding another layer to the complexity. Fiscal capacity and fiscal states are sometimes used in conjunction and interchangeably, but, broadly speaking, only few papers mention both fiscal state and fiscal capacity. For example, the recent paper by Albers et al. (2020) is titled 'The fiscal state in Africa', but it only mentions and defines fiscal *capacity*, not the fiscal state. The literature on fiscal capacity yields three times as many hits in Web of Science and one and a half times as many hits in Scopus. One likely reason for this difference is that while fiscal state and fiscal capacity might share core denotations, the latter is more easily approached and measured, as reflected in the dominance of quantitative studies in the literature (e.g., Cárdenas 2010; D'Arcy and Nistotskaya 2018; Dincecco and Prado 2012; Jensen 2011). However, fiscal capacity and fiscal states carry different meanings and attributes and are not interchangeable. Therefore, confusing the two concepts can be problematic.

While fiscal capacity is almost exclusively used in reference to states' ability to tax (e.g., Cárdenas 2010; D'Arcy and Nistotskaya 2018; Ricciuti et al. 2018), the connotations of the term fiscal capacity could simply imply having financing. In this case, it would make more sense to talk of types of fiscal capacity. Then, tax capacity would refer to the ability to tax, borrowing capacity to the ability to borrow, and rents capacity to the ability to extract rents from natural resources. This disaggregation of terms is particularly relevant since fiscal capacity is often used to refer to, and is measured by, states' ability to collect, especially *direct*, taxes (e.g., Baskaran and Bigsten 2013; Dincecco and Prado 2012; Dincecco et al. 2019; Jensen 2011).[2] While direct taxes are important, it is debatable whether they are, or can be, a central tax source in developing states (Bird and Zolt 2005), even though they are traditionally presented as a more developed form of state income (e.g. Kaldor 1963). In any case, to the extent that fiscal capacity is a blurry concept, it is not helpful for clarifying the conceptual scope of the fiscal state. Moreover, it is certainly problematic to equate fiscal states with fiscal capacity when the latter denotes mainly states' tax capacities, because this would imply neglecting the important conceptual distinction between tax and fiscal states.

3.3 What are the revenue sources of fiscal states?

A second key question concerning the conceptual intension of the fiscal state concerns revenue sources. There seems to be consensus that fiscal states are financed through taxes and borrowing, but the relative weight given to these revenue sources differs in the literature.

In addition, most scholars mainly associate the fiscal state with the ability to tax (Albers et al. 2020; Cardoso and Lains 2010; Dincecco and Prado 2012; He 2013; Yun-Casalilla et al. 2012), but few define further the characteristics of taxation. Thus, He (2013) emphasizes the centralized nature of tax collection, while O'Brien (2005: 31) implies that moving from indirect to, in that time period, easier-to-collect direct taxes made Britain the most effective fiscal state in Europe at the time.

Generally, there is little discussion of how dependent a state needs to be on taxation vis-à-vis other revenue sources for it to qualify as a fiscal state. To the extent that this remains un(der)specified, there is a real risk of the conceptual overlap between the tax state and the fiscal state.

Meanwhile, most scholars do mention that fiscal states, in addition to being able to tax, have the ability to issue paper money or to borrow (e.g., Bonney 1999; Cardoso and Lains 2010; He 2013; Moore 2004). While issuing paper money was a central part of early state-building, very few contemporary states are monetarily sovereign. There has for many years been a strong consensus against monetary policies in an effort to keep (hyper)inflation in check (not least drawn from public choice theory, such as the seminal work of Brennan and Buchanan 1980), which today is upheld by monetary unions globally, including across SSA (e.g. the West African Economic and Monetary Union).

As for borrowing, the rise of the fiscal state is often attributed to when it became able to secure long-term financial resources through mainly commercial loans (Bonney 1995). This allowed the state to achieve 'an economy of scale in mobilizing financial resources' (He 2013: 5) and gave it 'superior capacity … to raise the financial resources to cope with emergencies' (Moore 2004: 301). Such emergencies, most notably in wartime (e.g. Dincecco and Prado 2012), meant that tax revenues were insufficient and prompted rulers to borrow. Borrowing was the outcome of taxation in that states' fiscal systems provided the basis for credible commitment to lenders who gave significant loans on the basis of future tax revenues. As Bonney argues, fiscal states' powers were to be made up by 'the capacity of governments to borrow, and the interaction between the constraints on borrowing and the power to tax' (1995: 505).

Curiously, while borrowing is undisputedly a defining attribute of fiscal states, empirical research on contemporary fiscal states focuses almost entirely on tax collection and only mentions

[2] See also Ricciuti et al. (2018) for a detailed discussion of measurements of fiscal capacity.

borrowing in a side note, if at all (Albers et al. 2020; Beramendi et al. 2019; Besley 2020; Moore 2021). This observation could suggest two things: that borrowing seems to be taken for granted in today's complex global economies, and that the literature tends to (over)emphasize the role of taxation in the state economy. The lack of attention is unfortunate, because borrowing makes up a significant part of all public economies and is part and parcel of the continuous debt problems experienced by lower-income countries (Chandler 2020; Jones 2015; Reid 2018). We will return to this point later.

3.4 Do fiscal states need to spend in certain ways?

A final significant question regarding fiscal state understandings is whether fiscal states are defined solely by their sources of revenue or whether the character of the states' expenditure is also a defining attribute.

Scholars who include the expenditure side in their understanding of the fiscal state consider whether domestic revenues are used to finance a government's policy objectives or publicly negotiated common goods, including redistributive purposes (Bird and Zolt 2015; Buchanan and Musgrave 2001; Cardoso and Lains 2010; Martin et al. 2009). Musgrave (1996) distinguishes between four types of fiscal states according to the structure of states' expenditure, as he defines them based on whose needs the state accommodates and the extent to which the state redistributes and meets market flaws. The rise of fiscal states is often seen as closely connected to the emergence of democratic rule, modern state bureaucracy, and the first signs of public services beyond protection of citizens (Buchanan and Musgrave 2001; Mehrotra 2013; Yun-Casalilla 2012).

Arguably, it is difficult, if not impossible, to include both a revenue source dimension and an expenditure dimension in the definition of a fiscal state while maintaining the ambition to develop an analytically useful concept. Including the expenditure side complicates the concept and empirical identification. And, more importantly, as will be theorized below, rather than constituting a defining attribute of the fiscal state, a contractual relationship between state and individuals is part of the feedback mechanisms that reinforce and maintain the fiscal state.

If the output side of public finances is included, the conceptual intension increases, extension decreases, and, importantly, conceptual complexity (and confusion) grows. In sum, the blurriness of the fiscal state concept inhibits a proper understanding of the implications of the fiscal state and, for those who assume that all states are fiscal states, renders an interest in preconditions obsolete. However, we argue that a lack of attention to the preconditions of fiscal states' emergence, such as the presence of taxable assets in society or of a capitalist economy, leads to unreasonable expectations and unfeasible policy recommendations to contemporary lower-income developing countries. Considering such preconditions is imperative in order to understand the composition of public revenue, as well as states' ability to change this composition, and subsequently states' performance in terms of public expenditure, accountability, and/or responsiveness. To advance, we need to discern the fiscal state from other state types and create a clear distinction between the fiscal state and its preconditions, as well as consequences.

4 Definition and conceptualization of the fiscal state

To accommodate the challenges identified in the literature review, a definition of a fiscal state should enhance parsimony and clearly differentiate the concept's defining attributes from its causes and consequences (Gerring 1999). More concretely, this implies that (1) the concept should *not* include the size and composition of public expenditure, which can be explained by the nature of a fiscal state; (2) it should be clearly distinguishable from its effects, such as welfare, governance, and inequality; and (3) it should be distinguishable from its preconditions, such as the level of commercialization of the economy. While conceptual parsimony imposes limits on the depth of the concept, it increases its theoretical and field utility (Gerring 1999). In addition to parsimony and differentiation from causes and consequences, we seek familiarity and resonance (Gerring 1999) by maintaining the core defining attributes identified above.

We deem that only a definition based solely on the characteristics of state revenue can accommodate these criteria. Therefore, building on Moore's (2004) and Bonney's (1999) definitions, we define the fiscal state as *a state whose public revenue base is dominated by tax revenue and loans, and where the relationship between taxation and external and domestic borrowing is balanced and thereby sustainable and characterized by interdependence.*

Besides its specific focus solely on the revenue side, our definition is characterized not by the fact that it includes taxation and borrowing, which is indeed quite common, but rather by its specific emphasis on the *balance* between them. To some extents, all contemporary states are able to tax and borrow money; however, the level of taxation, debt burden, and their internal relations vary greatly. Therefore, we are not interested in a state's capacity to tax or borrow in itself, but argue that states' *relative* dependence and composition of revenue sources are of key interest. This has implications for the sustainability of states' public finances, where a balance of tax and borrowing is essential to the fiscal state (Bonney 1999; Hart et al. 2018). We briefly elaborate on this balance before introducing a typology of fiscal states based on our definition.

4.1 The balance of taxation and borrowing

There are many reasons why a state would take loans. Historically, as well as today, borrowing is a means to stabilize an economy—for example, in the short term during crises when tax revenue momentarily drops or to support long-term growth-enhancing policies (African Development Bank Group 2021; Dincecco and Prado 2012; Moore 2004; Smith 2021: 99–101). However, debt can also have negative effects on fiscal sustainability, for example by increasing fiscal stress in times of crisis. Most recently this occurred during the COVID-19 pandemic (African Development Bank Group 2021; Smith 2021: 101–02). Because of the importance of external conditions for debt sustainability, the size of a country's debt is not necessarily very informative. What matters for a state's fiscal sustainability are the conditions surrounding its debt, including, for example, the maturity of the loan, the interest rate, and the currency in which the loan is taken, which all influence the county's ability to service and repay debt obligations (Smith 2021: 91).

Having sustainable debt levels is closely tied to government revenue. The more revenue the government can collect, the better the means for servicing its debt, which in turn is likely to affect the cost of borrowing. The deep-rooted variations in debt sustainability between countries at different levels of economic development are reflected in the fact that two different debt sustainability frameworks exist for, respectively, (1) emerging and advanced economies, and (2) low-income countries, including a few middle-income countries (IMF 2013, 2018; Smith 2021: 96–97).

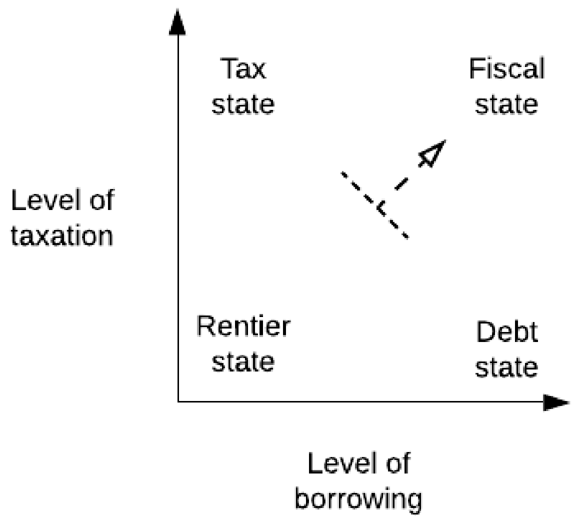
In sum, as defining features of the fiscal state, we emphasize that states need to mobilize a *balanced* (i.e. sustainable and interdependent) composition of taxation and borrowing, and that taxes and domestic loans need to be the *dominant* sources of state revenue.

Some argue that monetary policy, such as printing money, could be used to sustain a stable economy (He 2013). However, many states, especially developing countries, are not monetarily sovereign; their currencies are not in demand, they are indebted in foreign currencies, they are part of monetary unions, and they face global pressure not to conduct monetary policy (Gevorkyan and Kvangraven 2016; Smith 2021; Sylla 2020). Furthermore, using monetary policy to handle debt repayments is difficult today. Inflating debt away is only possible if it is owed in domestic currency, which is not the case for many countries (Smith 2021: 92). Monetary policy is thus not a sufficient tool if debt is external. In addition, while debt in domestic currency can be inflated away, it will potentially create negative externalities, such as making it difficult and more expensive to borrow in the future and reducing the standard of living. Therefore, it may not necessarily be a sound choice if applied excessively, as demonstrated in Zimbabwe (Smith 2021: 94, 108). Therefore, we do not include monetary policy in our definition.

4.2 Typology of ideal state types

According to our definition, not all states are fiscal states. This is consistent with the existence of other state types, such as the rentier state. In terms of the dominance of and balance between revenue sources, a rentier state exhibits a different *raison d'être* than fiscal states. Hence, we argue that the fiscal and, for example, rentier states are distinct (ideal) state types rather than variations within a group. In this vein, we have developed a fiscal state typology to demarcate the fiscal state from other ideal state types. The typology is presented in Figure 2, and we choose a graph rather than a table for illustration to emphasize the room for state transitions as well as the grey zones between the ideal types.

Figure 2: Distinguishing between ideal state types defined by their revenue side



Note: the dotted lines are included as figurative indications. The line without an arrow exemplifies when taxes and borrowing become dominant. The line with an arrow exemplifies when a balance is achieved between taxes and borrowing.

Source: authors' construction.

As defined above, (1) *fiscal states'* revenue base is dominated by taxes and loans with a balance and interdependence between taxation and domestic and external borrowing. Thus, fiscal states exhibit relatively complex state financing. This differs from (2) *tax states* that have a relatively simple public economy primarily financed through taxes, and from (3) *debt states* that might have some tax collection but predominantly rely on state revenue from borrowing which, in contrast to early states' borrowing, is not necessarily linked to expected future tax revenue. Lastly, (4) *rentier states* neither tax nor borrow much but attain their main financing from aid or natural resource extraction. A last group of states could be termed *non-fiscal* in the sense that they have very limited state resources, such as fragile states experiencing long-term conflict. In Figure 2 these states would be placed with the rentier state, but with a fundamentally different political economy and much less room for transitioning towards becoming a fiscal state.

As these state types are ideal types, real-world states typically lie in the grey zones between them. Exactly for this reason, we stress the importance of identifying the dominant revenue source(s) when determining empirically whether a state can be deemed a fiscal state. Consequently, if a state's finances are dominated solely by either tax revenue, aid or natural resources, or debt, the state does not classify as a fiscal state.

Though we define the ideal types along a revenue source dimension, we theorize that states can evolve and move between these ideal types as a result of changes in the composition of revenue sources—that is, the balance and dominance of revenue(s), as well as in expenditure demands. Changes in state expenditure can influence revenue composition through several feedback mechanisms; for example, as public investments in a sector contribute to sector growth and, in turn, more sectoral taxation; or, as indicated in fiscal contract theories (e.g. Levi 1988), more spending might increase quasi-voluntary compliance and, in this way, ease and increase tax collection. Hence, while the input side of revenue and output side of spending are theoretically and empirically distinct, the output side manifesting the level of responsiveness and *quid pro quo* can help improve, sustain, or undermine the input side (Moore 2004, 2018; O'Brien and Hunt 2007; Prichard 2015).

While states can potentially move, for example, towards becoming fiscal states, they tend to be caught in the status quo, as their main sources of revenue are likely to be self-reinforcing. For the *rentier state*, reliance on rents has been shown to imply little investment in the broader economy, which serves to underpin and perhaps exacerbate reliance on rents, with little incentive to change the composition of revenue. Similarly, *debt states* tend to be caught in a trap of accumulating debt, as one loan leads to another to pay off earlier ones. Meanwhile, it becomes continuously difficult to meet recurring expenditure and the spending demands that caused the loans in the first place. This can potentially lead to debt overhang. Nevertheless, these equilibria can be destabilized, for example, by drops in commodity prices, changes in global liquidity, credit ratings, or significant increases in borrowing costs and loan conditionalities (e.g., Gevorkyan and Kvangraven 2016). This will weaken the fiscal position of rulers and make them look for other sources of revenue. On the expenditure side, new demands, whether raised by societal actors, international donors, or lenders, could prompt changes. As we discuss later, incentives to change the revenue composition can be insufficient under conditions that effectively limit states' space for action and inhibit, for example, expansions of the tax base or better loan conditionalities.

The least stable of the four is the *tax state.* As taxation increases, so does demand for expenditure, and an established infrastructure for taxation provides a basis for beneficial borrowing, which likely sets off a movement towards becoming a fiscal state. This is why it seems to have status as a historical rather than a contemporary phenomenon (He 2013). However, as discussed below, the progress is conditioned by access to the lending market and based on the state's ability to make credible commitments to loan providers due to an expanded and diversified economy. In addition, serious economic crises or conflicts could undermine taxation, either diminishing state finances altogether or necessitating loan taking, which could push it towards status as a non-fiscal or debt state.

The *fiscal state* ideal type is more stable due to its reliance on a *balance* of and *interaction* between taxes and loans. The balance allows it to acquire loans on good terms based on its assurance in tax revenue, and tax revenue remains relatively stable because favourable loans help ensure a stable economy even in times of crisis. The balance and interrelation thus imply that the state's public finances are more sustainable and stable, and for this reason fiscal states are likely to be conducive to long-term economic development. As the revenue side reinforces a positive nexus, only few situations, such as unsustainably high expenditures, can lead them off track.

In sum, we argue that a fiscal state is defined and identified by its input side: an interrelated and balanced composition of taxes and loans that dominate public revenue. In practice, data on taxation (excluding natural resources revenue) and loans are the main indicators to use, but actually assessing the balance will require a qualitative assessment. However, to understand changes in states' revenue balance and dominance it is imperative to take into consideration both conditions of revenue acquisition and factors on the expenditure side, as these can improve, sustain, or undermine the revenue input. To understand why some states fail to transition to a fiscal state, even when a crisis provides the right incentives, we need to look to the preconditions for fiscal state emergence and specifically the economic structures that facilitate or impede taxation.

5 Preconditions for a fiscal state

Our literature review pointed to preconditions necessary for the emergence of a fiscal state, such as diversification of the economy, fiscal capacity, accountability, and centralization of state power. However, many of these conditions are arguably more effects or defining features of a fiscal state.

As mentioned, fiscal capacity and fiscal states are, for example, often used in conjunction and interchangeably. However, since fiscal capacity (often understood as taxation) can serve as an indicator of the defining attributes of the fiscal state (i.e. the balance between and dominance of taxation and borrowing as revenue sources) we do not include it as a precondition. Accountability is sometimes included as a feature of the modern fiscal state (Frankema and Booth 2019; He 2013) and sometimes as a possible outcome of the fiscal system (Moore 2004, 2018; Prichard 2015). Based on our definition, accountability is not a precondition but rather a potential outcome of the fiscal state that can create a positive feedback effect that will help to sustain it. Centralization of state power has been determined as an important precondition for the rise of the fiscal state (e.g., Besley and Persson 2009; Cárdenas 2010; Cardoso and Lains 2010; O'Brien and Hunt 2007; but see also Tilly 1992). Centralization of state power occurred in parallel with, and was often driven by, inter-state warfare and economic development. As O'Brien and Hunt (2007: 155) observe about European states:

> historians have also observed that the rise of the fiscal state was accompanied by an accelerated development of an industrial market economy in Britain. Indeed, the two outcomes were intimately connected, but the growth in the powers of monarchs and their governments to appropriate revenue is not a simple function of an expanding fiscal base linked to national income. On the contrary, in several important respects, that connection can be perceived to run the other way – from central power to economic growth.

While inter-state warfare was a significant dynamic in the history of the emergence of the European fiscal state, it obviously plays less of a role in state formation processes in contemporary Africa. The process of state centralization happened de jure through a recognition of formal sovereignty rather than through a de facto process of centralization (Herbst 2000; Jackson 1990). Economic development, on the other hand, whether driven by state developmentalism, foreign direct investment, or aid, remains an important precondition for a fiscal state to emerge.

Indeed, economic development, or rather aspects and components of economic development, featured as a recurring precondition in the literature we reviewed. For example, Bird and Zolt

(2015) note that the emergence of a middle class (based on a structurally transformed economy) was important for the emergence of fiscal states in Latin American. In Britain, accelerated development of an industrial market economy was highlighted in an analysis of its evolution into a fiscal state (O'Brien and Hunt 2007). Frankema and Booth (2019: 24) emphasize the importance of a diversified economy, which enables states to not only rely on excise duties on natural resource exports such as tobacco or petroleum products. He (2013: 5) observes that 'the emergence of a modern fiscal state is dependent on the level of commercial development in the economy', for which reason 'the modern fiscal state is unlikely to appear in an agrarian economy that has neither interregional financial networks to transfer money nor a tax base to trap indirect taxes'.

In many ways, the reviewed literature speaks to a debate about agricultural transformation and structural conditions for state-building in Africa, which, in David Booth's (2020: 5) words, have been largely forgotten. A key contributor to this debate, Goran Hyden (1983), pointed in 'No shortcuts to progress' to the 'uncaptured' nature of the African peasantry, which meant that the state had no 'structural or functional roots' in society. Due to the 'peasant mode of production' with practically no landlord–tenant relations, little state presence, and, most importantly, hardly any capitalism, there was no taxable surplus, and the state was therefore like a 'balloon in mid-air'. This lack of agricultural transformation is accompanied by blurred boundaries between the public and private economies and a lack of state presence in the large informal sectors. Booth (2020: 27) argues: 'We need to be reminded that the lack of real rural transformation in Africa is important, not just for economic reasons to do with jobs and the youth bulge. It is also a problem from the point of view of the chances of consolidating effective, liberal and democratic states.'

Bearing in mind our definition of the fiscal states, we concur that the key necessary, though probably not sufficient, preconditions for fiscal state emergence is the existence of a diversified economy with a taxable base and formalized economy. This first step in examining preconditions is then to identify the extent of economic transformation in a state. During the 2000s, development economists began to focus more on economic transformation rather than merely economic growth (Lin 2012). It was argued that structural transformations of the mode of production were key to sustainably raising incomes and maintaining growth rates (Whitfield et al. 2015: 38). Economic transformation refers to multiple dynamics involving moving the economy away from being based on primary products exploited by unskilled labour, towards an economy built on more knowledge-based assets exploited by skilled labour (Tsakok 2011; Whitfield et al. 2015: 4). Economic transformation, as it happened in Europe, the United States, and Japan, involved a set of interrelated processes consisting of agricultural change, export diversification, building technological capabilities among firms and farms, industrial deepening, and industrial upgrading (Whitfield et al. 2015). All would contribute to increasing productive assets and creating a taxable surplus.

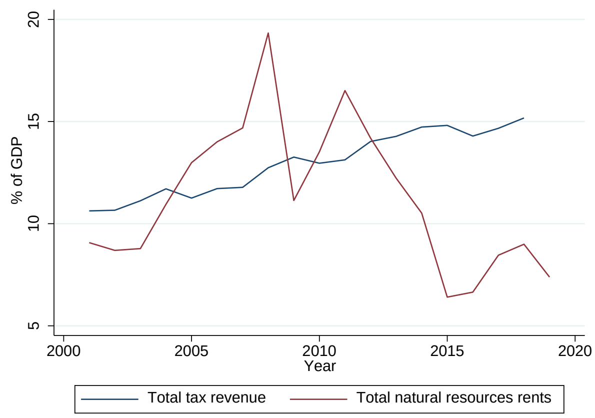
Measuring economic transformation is not straightforward. Data on labour, skills, productivity, etc. are necessary, yet adequate data often do not exist. Noman and Stiglitz (2012) have argued that it is highly doubtful that reasonably reliable estimates on total factor productivity can be made in large parts of Africa. To get a better picture of economic transformation processes, as argued by Whitfield et al. (2015: 63), 'we need to look at specific indicators of trends in agricultural productivity, manufacturing activities, export diversification, and the nature of foreign direct investments'. These quantitative indicators must be paired with specific context-based knowledge to account for data insufficiencies. For this reason, we rely on both grounds to examine whether the necessary preconditions are present. In the following sections, we first look for indicators to help establish whether the average SSA country can be categorized as a fiscal state, and subsequently we take a first step to examine the preconditions.

6 Are there fiscal states in sub-Saharan Africa?

Following our conceptualization of the fiscal state and the discussion of relevant preconditions, we look broadly at regional aggregates and their development over the last two decades to examine whether it is reasonable to deem SSA countries to be fiscal states. We compare the average assessments with country illustrations.

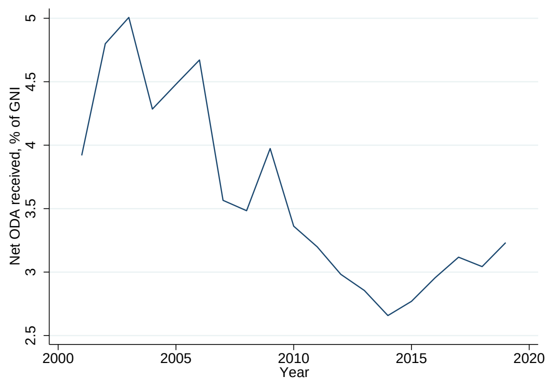
To assess whether the average SSA country is a fiscal state, we need to examine whether taxation and borrowing are the dominant sources of revenue, and whether there is a sustainable interdependent balance between them. We do so by comparing the region's relative dependence on tax revenue, borrowing, aid, and natural resource rents. Based on Figures 3 and 4, we see several significant developments in SSA states' revenue sources.

Figure 3: Total tax revenue and natural resource rents (percentage of gross domestic product), SSA average.



Source: authors' construction based on data from the Government Revenue Dataset (ICTD/UNU-WIDER 2020) for the tax revenue excluding natural resource rents, and from the World Development Indicators (World Bank 2021a) for natural resource rents.

Figure 4: Net overseas development assistance received (percentage of gross national income), SSA average



Source: authors' construction based on data from the World Development Indicators (World Bank 2021a).

As shown in Figure 3, total tax as a percentage of GDP has increased by 4 percentage points from 11 per cent to 15 per cent in SSA, thus marking an increased reliance on taxes. This increase is made up by improvements across the board in SSA, by countries considerably below and above average (e.g. Uganda and South Africa, respectively). While the tax revenue in the region has increased, it is still relatively low—below the world average (ICTD/UNU-WIDER 2020) and lower than other regional averages when excluding high-income countries (see Table 1).

While tax revenue in SSA has seen a continuous increase, natural resource rents have fluctuated. This indicates that SSA on average has become less reliant on natural resources and more on taxation since 2012. However, the SSA average does not capture the large variations between countries with no or few natural resources (such as Rwanda), those where resource extraction is in the pipeline or the pipelines are on their way (such as Uganda and Tanzania), and those that have relied on natural resource rents for decades (such as Zambia, Nigeria, and Angola).

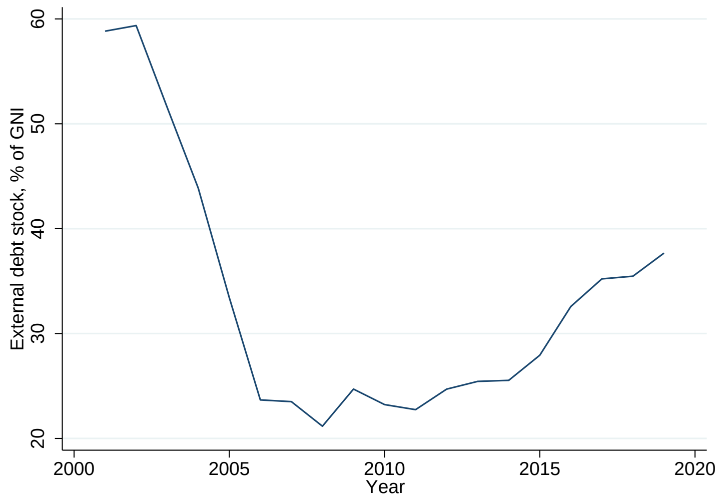
Figure 4 shows that SSA has also experienced a decrease in overseas development assistance (ODA) received relative to GDP, yet ODA has been relatively low throughout the last 20 years. However, for some countries, the decrease has been more significant; for example, in Uganda, ODA to GNI (gross national income) dropped from approximately 14 per cent to 6 per cent (World Bank 2021a).

The relative levels of tax revenue, ODA, and natural resource rents indicate that SSA states increasingly depend on taxation. Even some resource-rich countries, such as Zambia, are moving towards a more even dependence on tax revenue and natural resource rents. Today, Zambia's tax revenue per GDP lies around 13–15 per cent, and natural resource rents are around 20 per cent of GDP. Looking only at these sources of revenue, the SSA average state as well as several examples indicate that taxation is becoming an increasingly important revenue source.

Yet, what really matters for assessing whether African states are fiscal states is the balance between taxation and domestic and external borrowing. This allows us to gauge whether there is an interdependent, positive-sum relationship between these two revenue sources.

Measured as a proportion of GDP, African countries are not as indebted as their European counterparts (61.4 per cent of GDP compared to 64.9 per cent); however, their ability to service the debt is challenged because of their dependence on volatile commodity prices and the limited taxable base (Chandler 2020). Figure 5 shows that external borrowing plays a significant and increasingly dominant role in SSA. Since 2011, the average external debt stock to GNI has increased from 22.7 per cent to 37 per cent in 2019. This is notable as several countries, such as Uganda, Zambia, and Senegal, received substantial debt relief around 2005 (shown by the large drop in Figure 5). Meanwhile, their debts have since grown, and since 2015 at an increasingly higher rate. The most recent trend clearly demonstrates that debt tends to accumulate over time.

Figure 5: External debt stock (percentage of GNI), SSA average



Source: authors' construction based on data from the International Debt Statistics (World Bank 2021b).

Importantly, there are considerable variations between SSA countries' external debt stocks. The lowest levels are found in Botswana, Nigeria, and DR Congo, with around 10 per cent debt to GNI. Twelve countries exceed 50 per cent, including South Africa with approximately 55 per cent in 2019. Zambia and Mozambique 'topped' the list with respective external debt stocks of 119.3 per cent and 135.7 per cent to GNI (World Bank 2021b). Regardless, almost all SSA countries[3] have seen their external debts grow over the last decade. One key issue is the consequent strain on foreign exchange reserves, which has a negative impact on the private sector's ability to engage in international trade because of the negative effects on their purchasing power. Furthermore, borrowing in foreign currencies is subject to global volatility, which is beyond the control of countries in SSA (Eichengreen et al. 2003; African Development Bank Group 2021). Specifically, when experiencing a depreciation of their domestic currency, SSA countries see their debt in external currency increase and their ability to service the debt decrease independently of their economic performance. Volatility can lead to increasing borrowing costs and thus higher debt services, which affect countries' room to invest and, in turn, their economic growth (Gevorkyan and Kvangraven 2016; Smith 2021). External currency must be earned to accommodate the potential strain debt in external currency, and as export is one of the possibilities it is relevant to consider external debt to export (Smith 2021), included in Table 1.

Table 1: Comparison of debt and tax across regions, 2012–18

	2012		2015		2018		2020
	External debt stock to exports (%)	Total tax revenue (% of GDP)	External debt stock to exports (%)	Total tax revenue (% of GDP)	External debt stock to exports (%)	Total tax revenue (% of GDP)	External debt stock to exports (%)
Sub-Saharan Africa	80.3	13.38	125.7	13.84	142.4	14.24	205.1
East Asia and Pacific	56.5	13.5	60.0	14.94	71.4	16.83	85.1
South Asia	98.7	11.53	119.2	13.86	110.2	13.91	137.0
Middle East and North Africa	48.5	13.59	81.9	15.52	97.3	16.53	183.6
Latin America and Caribbean	119.3	16.35	167.7	17.17	157.0	17.81	186.4
Europe and Central Asia	117.5	20.08	147.9	20.38	121.9	20.06	155.8

Note: all regional averages exclude high-income countries. For tax revenue data the number of countries included varies from 102 in 2012, to 95 in 2015, and to 69 in 2018, while we exclude 2020, which has too few countries to create reliable averages.

Source: authors' construction based on debt data from the International Debt Statistics (World Bank 2021b), and tax revenue data, excluding natural resource rents, from the Government Revenue Dataset (ICTD/UNU-WIDER 2020).

Table 1 shows that external debts to export in SSA have also increased, indicating that the debt has grown more difficult for SSA countries to service. In SSA, only Botswana enjoys a relatively low debt to export ratio, which has stayed around 25–35 per cent between 2012 and 2018, and it stands out as the only country whose debt has not increased immensely between 2018 and 2020 (World Bank 2021b). At the other end of the scale as of 2018 are Ethiopia (362 per cent), Mozambique (299 per cent), Rwanda (275 per cent), and Kenya (267 per cent), which are extremely high ratios, placing strain on their foreign exchange reserves.

In all, large external borrowing in Africa does not appear to be balanced or interrelated with tax revenue. Though domestic borrowing should be a part of the balance too, systematic data on

[3] Except the following six countries: Sao Principe, Guinea, Côte d'Ivoire, DR Congo, Burundi, and Botswana.

domestic borrowing are unfortunately difficult to find. Reports do indicate that it has been increasing during the last decade in some African states (Adeniran et al. 2018; Bua et al. 2014; Onyekwena and Ekeruche 2019); however, domestic borrowing mostly consists of short-term loans. Even in cases where short-term loans are employed in good and prosperous long-term investments, they do not give the immediate returns needed to pay off such loans. Consequently, new loans need to be taken to pay off older ones and this risk spiralling (Mutize 2019; Onyekwena and Ekeruche 2019).

Increased borrowing and high debt levels are not necessarily problematic, but can become so as higher debt tends to imply increasing interest payments, especially for SSA countries which continue to suffer poor credit ratings (Mutize 2019). Since 2012, SSA countries have on average tripled their interest payments, measured as a percentage of interest payments to revenue, from 3.3 per cent to 9 per cent in 2018 (World Bank 2021a). Assessing SSA countries' debt sustainability hinges on much more than debt stock, interest payments, credit ratings, and tax revenues (Smith 2021: 91). Indeed, the IMF's debt sustainability analyses are based on a number of institutional, political, and economic indicators, and the rising demand for public expenditure is adding another pressure point on African states (Chandler 2020; Hakura 2020). The most recent debt sustainability analysis from 2020 shows that five African countries are in debt distress, 15 are at high risk, and 14 at moderate risk of landing in an unsustainable situation (IMF 2021a). It is not the focus of this paper to discuss debt sustainability per se, but the data presented here contribute to an assessment of whether the balance between borrowing and tax revenue is sustainable, and the two sources of revenue are positively interlinked.

Comparing the average SSA country with other regions, Table 1 shows that between 2012 and 2020, the average external debt of SSA has increased more than that of other regions. While the average debt in Latin America and the Caribbean was higher between 2012 and 2018, SSA surpassed these countries between 2018 and 2020. Leading up to 2018, the debt to export ratios also increased East Asia and Pacific and the Middle East and North Africa (MENA), but fell in the other regions. However, both East Asia and Pacific and MENA saw some increases in tax revenue as a percentage of GDP, while taxation, as discussed in detail earlier, remained relatively stable in SSA. This very simplistic comparison suggests that although SSA is not the only highly indebted region, there appears to be less of a balance between tax revenue and borrowing than elsewhere.

Here we turn to an assessment of whether the average SSA country can be categorized as a fiscal state. Ultimately, the above shows that taxation and borrowing do indeed make up the dominant sources of public revenue in many SSA countries. This demonstrates one of the two defining attributes of a fiscal state. However, the substantial share of short-term and external debt coupled with limited expansions in taxation imply that the balance is not sustainable.

Consequently, we argue that the vast majority of SSA countries are *not* fiscal states. Of course, there are positive outliers. South Africa is the high performer of the region, with both relatively high tax to GDP (37.7 per cent in 2018) and external debt stock to GNI (55 per cent in 2019) and, hence, appears as a fiscal state in line with its economic performance.

Above, we emphasized that Ethiopia, Rwanda, Kenya, and Mozambique had extremely high debt to export ratios in 2018. The three former countries have within the last 10 years experienced a shorter or longer period of economic growth (World Bank 2021a), and tax revenue to GDP in these countries is also relatively high within the region (ICTD/UNU-WIDER 2020). Their relative high levels of debt could be seen as suggestive of a potential positive link between economic growth, expectations of future tax revenue, and access to debt. However, among these cases, Rwanda is the only one where this could hold true.[4] For Kenya and Ethiopia, analyses rather suggest a move towards becoming debt states. Smith (2021: 26) describes how Kenya has consistently used new debts to pay of old ones. In Ethiopia, the debt, largely made up of loans from China, has gone into long-term investments, but recently they have struggled to generate sufficient foreign exchange, and in early 2021 they decided to seek debt restructuring (Smith 2021: 65). For Mozambique, the debt has been built largely on prospective natural resource revenue and suggests a so-called 'pre-source curse' (Frynas and Buur 2020) rather than a positive-sum link between (future) tax revenue and borrowing.

Hence, the majority of SSA countries do tend towards rentier states, non-fiscal states, or debt states. Another example is Zambia, with its continuous high dependence on revenues from copper production and increasingly unsustainable debt. This was showcased by the fact that Zambia defaulted on its Eurobond loans in 2020 (Eder and Elbahrawy 2020). Zambia used to resemble a rentier state but is increasingly moving towards status as a debt state. Nevertheless, it is not possible to empirically draw a clear line between the state (ideal) types to categorize countries accordingly.

Lastly, the case of Tanzania also demonstrates this difficulty. Tanzania enjoys significantly lower tax to GDP (11.84 per cent in 2017) than South Africa (ICTD/UNU-WIDER 2020); however, this is paired with a lower external debt stock (31.8 per cent to GDP in 2019) (World Bank 2021b). Natural resource rents and ODA are both low, implying that taxes and loans are the dominant revenue sources, and they appear relatively balanced. Indeed, the IMF assesses Tanzania's risk of debt distress as low. Tanzania is neither a rentier state nor a pure tax state, and the country does not seem to fall into the debt state category. Observers would probably question whether Tanzania is a fiscal state today, but following our definition of the fiscal state, our analysis suggests that the country could be on the right path. The pressing question then becomes whether Tanzania is able to follow the path in the right direction, whether it stands still, or whether it takes a detour. For the majority of SSA countries this is not the case, and, as we show in the following section, this can largely be explained by the absence of the necessary economic preconditions.

7 Are the economic preconditions for a fiscal state present?

In Section 5 we identified a number of economic preconditions necessary for contemporary fiscal state emergence. As we now look for indicators of whether these are present in SSA today, we find that many SSA countries have still not experienced substantial economic transformation. This supports our observation and explains why the average SSA country cannot be characterized as a fiscal state.

The key economic preconditions of fiscal state emergence relate to elements of economic transformation. However, assessing economic transformation is not straightforward, as it is usually associated with a shift in the composition of GDP, such that agriculture takes up a smaller share relative to industry and services. This change has taken place in many SSA countries. On average, the share of agriculture in GDP has declined to about 17 per cent (World Bank 2021a) in most countries in SSA (Table 2).

[4] Although the 2020–21 COVID-19 pandemic has caused Rwanda to receive debt relief (IMF 2021b).

Table 2: GDP composition, percentage share by sector of origin, 2017

	Agriculture	Industry	Services
Senegal	16.9	24.3	58.8
Uganda	28.2	21.1	50.7
Zambia	7.5	35.3	57

Source: authors' construction, based on *The World Factbook* (CIA 2021).

Yet, a decrease in the relative importance of agriculture in the composition of GDP does not necessarily signify that a structural transformation has occurred. Structural transformation, including the formation of a taxable base, requires a similar increase in productivity in the agricultural sector; without this, one cannot assume that the composition of the labour force is changing towards higher-productivity occupations (Badiane 2011). Hence, we need to look at the sectoral composition of employment as well. The proportion of labour employed in agriculture in SSA in 2020 was 53 per cent (World Bank 2021a), which is substantially higher than in other developing regions. Other data sources reach the same conclusion. Based on a new database on economic transformation (GGDC/UNU-WIDER Economic Transformation Database), Kruse et al. (2021) show these trends. They observe that employment in agriculture has declined in recent years, and that employment in manufacturing rose slightly in the 2010s. When we look at selected countries (see Table 3), 77.5 per cent of the labour force in Senegal is still employed in agriculture, suggesting that low-productivity agriculture remains dominant.

Table 3: Labour force by occupation, percentage share

	Agriculture	Industry	Services
Senegal, 2007	77.5	22.5*	22.5*
Uganda, 2013	71.0	7.0	22.0
Zambia, 2017	54.8	9.9	35.3

Note: * aggregate for industry and services.

Source: authors' construction, based on *The World Factbook* (CIA 2021).

Compared to other regions, productivity in agriculture measured as kilograms of yields per hectare remains low, and seems to have declined between 2012 and 2016, as Table 4 indicates.

Table 4: Average cereal yields for selected regions (kg/ha)

	2012	2016
Sub-Saharan Africa	1,414.6	1,366.9
South Asia	3,060.9	3,127.5
Latin America	3,972.6	4,180.7
Europe and Central Europe	3,278.6	3,810.7
East Asia	5,180.7	5,380.0

Source: authors' construction, based on data from the World Development Indicators (World Bank 2021a).

Data are often inadequate and point in different directions, however. Deudibe et al. (2020) show that the ILO tends to overestimate the extent of structural transformation compared to nationally representative household surveys. Based on both of these sources, Deudibe et al. (2020) argue that structural transformation occurred at a very slow rate, with a very small reduction in the share of employment in agriculture of only 0.88 per cent between the early 2000s and the 2010s.

To further examine the extent to which the economy is in transformation and a taxable base under development, one could look to other indicators. For example, a 2014 ACET report compares SSA countries with eight earlier transformers (e.g., Malaysia, Chile, and South Korea) over a 40-year period and finds that SSA countries perform significantly worse on a number of indicators (ACET

2014), including diversity in production and exports. According to the report, productivity in manufacturing has declined, whereas productivity in agriculture has increased in SSA since 1970 (from 1,000 kg to about 1,500 kg per hectare), but again much less than in the early transformers (from 2,000 kg to about 4,500 kg per hectare).

Finally, some scholars have explored the so-called genuine savings rate to determine whether SSA countries are on a sustainable development path. A country's provision for the future is measured by its gross national saving, which represents the total amount of produced output that is not consumed. However, gross national saving says little about sustainable development, since assets depreciate over time (World Bank 2006: 35). Genuine savings adjust net saving for the accumulation of other assets—human capital, the environment, and natural resources—that underpin development. Although particularly resource dependence varies significantly, the average for SSA has hovered around a zero savings rate, in stark contrast to, for example, East Asia (World Bank 2006: 42). This lack of savings highlights the lack of a taxable surplus in the economy as well as the limited potential for domestic borrowing, with the implication that the preconditions for the emergence of fiscal states have not been present.

In sum, substantial economic transformation in SSA is still very limited and slow. The slow increase in the share of industry and services and the decreasing share of agriculture in the composition of GDP are not accompanied by diversity in production or increased productivity in manufacturing. Furthermore, productivity in the agricultural sector has not increased that much, and it is still the largest employer. This implies that informal sectors remain large, and that there is virtually no surplus that can be taxed. Ultimately, these economic structures limit serious economic room for expanding taxation and, hence, for a balanced and interdependent relationship between taxation and borrowing.

8 Conclusion

While the different strands of the fiscal state literature come from the same Schumpeterian roots, there is a tendency not to interlink historical and contemporary branches. Of course, there are also huge disparities in the international and political conditions of state-building now and then. However, due to the lack of grounding and perhaps aversion towards drawing on historical state-building analysis, fiscal state-building today tends to be seen only as a political adventure with a disregard for the significance and necessity of economic changes for the emergence of fiscal states.

In this paper we revisit the fiscal state concept with the objective of assessing whether there are fiscal states in Africa. Reviewing the diverse understandings of the fiscal state across literatures, we arrive at a definition that is both in line with the core defining attributes identified in the literatures, and analytically relevant and applicable to contemporary Africa: *a state whose public revenue base is dominated by tax revenue and loans, and where the relationship between taxation and external and domestic borrowing is balanced and thereby sustainable and characterized by interdependence*. Specifically, we emphasize the importance of borrowing, which has received insufficient theoretical and empirical attention in the literature. Second, our definition highlights the balance between taxation and borrowing, which we argue to be central to deciding whether a state is really a fiscal state or rather tends towards a rentier or debt state.

Our analysis showed that, despite evident variation between countries, the average SSA country cannot be categorized as a fiscal state, which to a large extent can be explained by the absence of economic preconditions. Taxing more first and foremost requires a taxable surplus, and this requires economic transformation and diversification. Conjoining research on fiscal states from across time and space, we thus find that the economic preconditions that led to the rise of fiscal states across Europe are to some extent still absent in African countries. This finding is instrumental for understanding why agendas to increase domestic revenue mobilization cannot easily be achieved.

Following the onset of the COVID-19 pandemic, debt levels have risen even more due to economic stagnation, both locally and globally, and the IMF has announced debt relief for a number of countries, including Burkina Faso, Malawi, Mozambique, and Rwanda (IMF 2021b). However, this is unlikely to create a shift in the revenue balance in the recipient countries that would lead them on the path towards fiscal state emergence. First, the recipient countries are the poorest and most vulnerable of highly indebted countries. Second, the 2005/06 substantial debt relief was given to a number of highly indebted poor countries, only for their debts to take off again in the subsequent years and grow increasingly within the last five years (Merotto et al. 2015). This follows the expectation of a debt trap that cannot be broken by debt relief unless the borrowing is complemented with an expansion of tax revenue, which then depends not on policy reforms and institutional capacity, but on enabling economic structures.

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