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Can Donors and Nonstate Actors Undermine Citizens' Legitimizing Beliefs?

Audrey Sacks

Under what conditions is service provision by donors and nonstate actors likely to undermine or strengthen citizens' legitimizing beliefs? A new study assesses associations between donor and nonstate actor service provision and the sense of obligation that these associations produce for citizens to comply with tax authorities, the police, and courts. This note presents the study's findings, which suggest that the provision of services by donors and nonstate actors is strengthening, rather than undermining, the relationship between citizens and the state.

Increasingly, donors and nonstate actors, including nongovernmental organizations (NGOs), private entrepreneurs and companies, religious organizations and communities, are providing humanitarian aid and other public goods and services (Devarajan and Reinikka 2004; Edwards and Hulme 1996). The growth of donor and nonstate actor service provision raises a broad concern about the conditions under which the provision of services by donors and nonstate actors is likely to undermine citizens' legitimizing beliefs.

Citizens may be less likely to support the government, such as by complying with its laws and regulations, when they credit nonstate actors or donors for service provision. Service delivery by donors and nonstate actors is likely to prompt citizens to question why they should pay taxes to a government that is not providing them with anything in exchange. On the other hand, if citizens view their government as essential to leveraging and managing these external resources, the provision of goods and services by donors and nonstate actors might strengthen citizens' legitimizing beliefs and their willingness to comply with governmental laws and regulations. A new study (Sacks 2012) assesses these competing hypotheses

using multilevel analyses of Afrobarometer survey data. Findings yield support for the hypothesis that service provision by donors and nonstate actors is strengthening, rather than undermining, the relationship between citizens and the state.

A Model of Legitimizing Beliefs and the Fiscal Contract

The concept of legitimacy denotes acceptance of the right of governors to rule; its effect is an increased likelihood of quasi-voluntary compliance with governmental rules and regulations (Levi 1997). Legitimacy has two components: value-based legitimacy (a sense of obligation or willingness to obey authorities) and behavioral-based legitimacy (actual compliance with governmental regulations and laws). Theoretically, value-based legitimacy should translate into behavioral legitimacy. Empirical work shows that value-based legitimacy is a function of four antecedent conditions: procedural justice; leadership motivations; administrative competence; and government performance (Levi and Sacks 2009).

Evidence from key historical works (Levi 1988; Tilly 1990) and a range of contemporary developed and develop-

ing countries suggest that governments that rely on broad-based taxes are likely to establish a fiscal contract with citizens. The more citizens perceive that government is upholding its end of the fiscal contract with constituents with serious efforts to deliver infrastructure and services, the more likely a virtuous cycle of citizen compliance will emerge, leading to better government and greater compliance (Levi and Sacks 2009).

Is Service Provision by Donors and Nonstate Actors Likely to Undermine the Fiscal Contract?

Knowledge is beginning to accumulate on what government can do to influence the perception of the relationship between citizens and political authorities. But very little is known about what happens once nonstate actors mediate that relationship. If the fiscal contract rests on the provision of basic welfare benefits, what happens when actors other than the state provide these benefits?

In Zambia, World Vision and other international NGOs have been providing a substantial number of services for residents. From 2008 to 2009, a unique service delivery survey was conducted throughout the Southern, Eastern and Copperbelt provinces. In a ward in the Eastern Province, where World Vision is particularly active in service delivery, 49.06 percent of respondents believe that public services in their community have improved over the past year. Of these respondents, 56.52 percent credit World Vision, and only 26.09 percent credit the government for the improvement. The remaining 17.39 percent of respondents credit other NGOs. Of the remaining respondents who do not believe that services have improved, 88.0 percent blame the government and 12.0 percent blame the community. Not one respondent blamed an NGO or donor for the lack of improvement. Respondents were asked if the decision was up to them, to whom would they prefer to pay their taxes. Half of the ward's respondents said that they would prefer to pay their taxes to donors, NGOs or other nonstate actors, and the other half would prefer to pay their taxes directly to the government.

Unlike sectarian and rebel movements that tend to flourish when they are able to provide the goods that citizens are not receiving from their own government (Chen 2004; Iannaccone and Berman 2006), NGOs and donors do not have aspirations to wrest control from government and are therefore unlikely to replace the state as a source of authority. Yet, they still pose a threat to states by undermining citizens' perceptions that the state is not fulfilling its end of the fiscal contract.

Similarly, high levels of off-budget and project aid mean that recipient governments exercise very little direct control over donor aid. In Zambia, during 2000–2008, between 65 and 70 percent of aid consisted of project aid, and the remain-

ing 30 to 35 percent consisted of direct budget support (DiJohn 2010, 19). The President's Emergency Plan for AIDS Relief (PEPFAR), the Global Fund to Fight AIDS, Tuberculosis and Malaria, Roll Back Malaria, and the Gates Foundation channel most of their funding to Zambia off budget or as project support (Bartholomew 2009, 17). Qualitative evidence suggests that the vast majority of NGOs collaborate very little with central and local government officials (Sacks 2011).

Can Service Provision by Donors and Nonstate Actors Strengthen the Fiscal Contract?

The answer to this question may depend on several supporting conditions. Many argue that the effect of aid is contingent on the institutional environment in place (Burnside and Dollar 2004). Where accountable government institutions are in place, governments are likely to work with donors, international agencies, and nonstate providers to effectively manage and deliver aid. Services coproduced by the government and communities have many positive impacts, including lower corruption and the formation of social capital (Ostrom 1999). In these contexts, aid is likely to strengthen rather than undermine the fiscal contract.

Most citizens are likely to have poor information about the state's formal relationship with donors and nonstate actors and its management of aid and nonstate service provision. Rather, individuals are likely to evaluate the state's role in development activities based on their everyday observation of and interaction with frontline service providers (Lipsky 1980; Smith and Lipsky 1993; Tandler 1997). When citizens observe bureaucrats collaborating with NGO staff in the field, they are likely to forge a positive impression of the state's role in development and give credit to the state for helping to leverage external resources. When mechanisms to voice complaints about nonstate actors exist and when bureaucrats are able to effectively respond to complaints, citizens are also likely to credit the state for aid.

The government of Botswana, for example, has an impressive record of coordinating with donors to ensure that aid is effectively utilized to promote development, which has led to a record of sustained economic growth (van de Walle 2001, 205–6). In comparing the Haitian government's regulation of aid to the Rwandan government's, for example, Farmer (2011, 7) observes: "the way the Ministry of Health in Rwanda is run makes very effective use of a large number of partners, NGO partners and also pushes forward this strategy that is really aimed at a similar standard of care in all of the districts in Rwanda. We need that in Haiti as well."

Data, Methods, and Measures

This assessment of the relationship between external service provision and citizen compliance with government uses the

fourth round of Afrobarometer survey data, which were collected in 19 sub-Saharan African countries in 2008 from 26,513 respondents. Africa is a particularly good place to examine these issues because of the large amount of variation both within and across African countries regarding the extent to which nonstate actors, donors, and other states are active in service provision and the extent to which governments are relatively effective and fair. This assessment estimates multi-level models with random intercepts for primary sampling units (PSUs), countries, and ethnic groups.

There are three dependent variables in the assessment. Respondents were asked whether they agree with the statements:

- i. “The tax department always has the right to make people pay taxes,”
- ii. “The police always have the right to make people obey the law,” and
- iii. “The courts have the right to make decisions that people always have to abide by.”

Measures of government effectiveness, procedural fairness and administrative competence and honesty, as well as donor and nonstate service provision, are included in the models.

Results

Is the logic of the fiscal contract relevant to developing states?

The logic of the fiscal contract is largely based on the state-building experiences of Europe—but is it relevant to developing countries with very low and idiosyncratic taxation levels? Across a wide range of African countries, including Liberia, Burkina Faso and South Africa, there is robust evidence that the more competent, honest, and fair a government is in serving its populace, the more likely it is to produce a virtuous cycle of citizen compliance with its extractions, leading to better government and greater compliance. Figure 1 graphically illustrates the point estimates of the first differences of complying with the tax department. The horizontal bars in the figure indicate 95 percent confidence intervals. Procedural fairness, specifically citizens’ perceptions of the government’s treatment of their ethnic group, has the largest relative effect on tax compliance, followed by administrative competence and government performance in delivering services. There is little evidence that the presence of infrastructure in neighborhoods is linked to legitimating beliefs.

Can donor and nonstate service provision interrupt the fiscal contract?

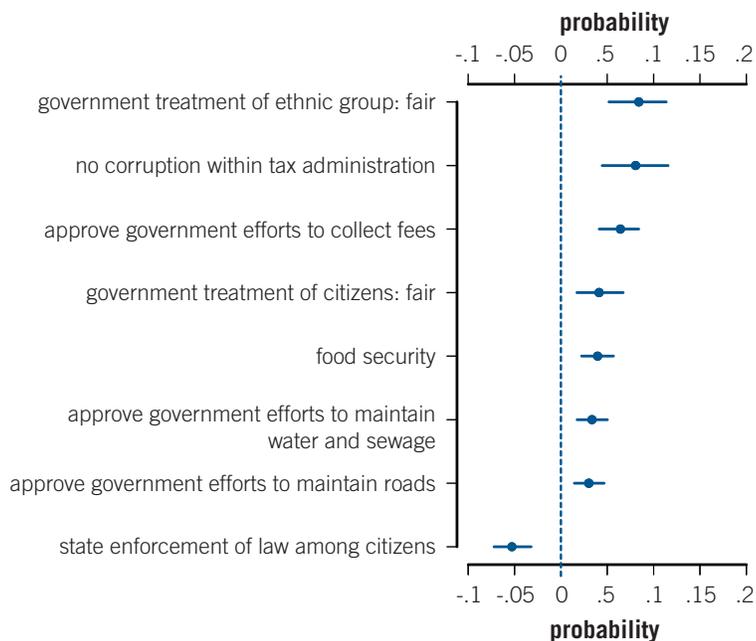
Results from multilevel logistic regressions suggest that the relationships between government effectiveness, procedural justice, and taxation compliance do not change after including measures of donor and nonstate actor service provision in the model. The

separation plot (Greenhill, Ward, and Sacks 2011)—a new, visual method for assessing the predictive power of the regression results—was also used to examine whether including measures of donor and nonstate actor service provision improves the model fit (figure 2). The separation plot in figure 2 suggests that both models perform well in assigning high probabilities to actual cases of accepting the authority of the tax department and low probability to actual cases of rejecting the authority of the tax department. The darker red bands, which represent the high probabilities of the event occurring, are wider on the upper deck of the plot (which consists of the actual events) than in the lower deck (which consists of the nonevents). The grey bands, which correspond to low probabilities of the event, are wider in the lower deck than they are in the upper deck.

The direction of the relationship between donor and nonstate actor service provision and the willingness to pay taxes are positive (figure 3). Respondents who believe that donors and nonstate actors are helping their country by delivering essential goods and services are more likely to be willing to comply with the tax department. Service provision by the United Nations, followed by China, has the largest relative effect on the acceptance of the tax department’s right to make people pay taxes. These findings imply that donor and nonstate actor service provision is having a positive spill-over effect on citizens’ perceptions of the state.

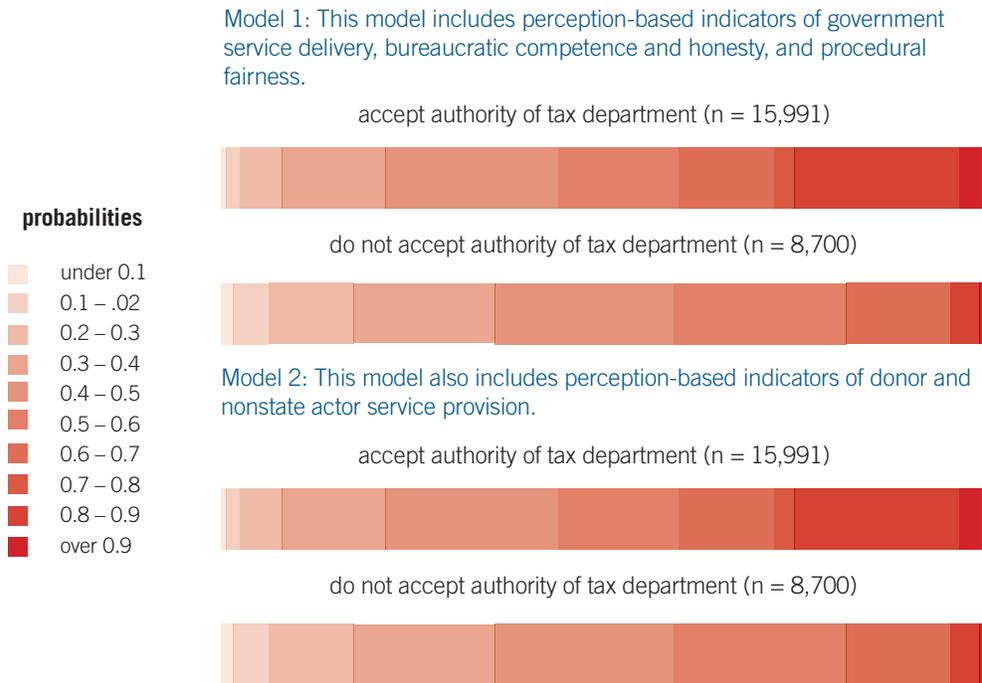
An alternative hypothesis is that the very poor, who have little experience with paying taxes, might not care from whom they receive services and goods as long as these goods and services are welfare enhancing. Interaction terms between sociodemographic indicators and perceptions of the

Figure 1. Probability of Citizens Complying with Tax Department



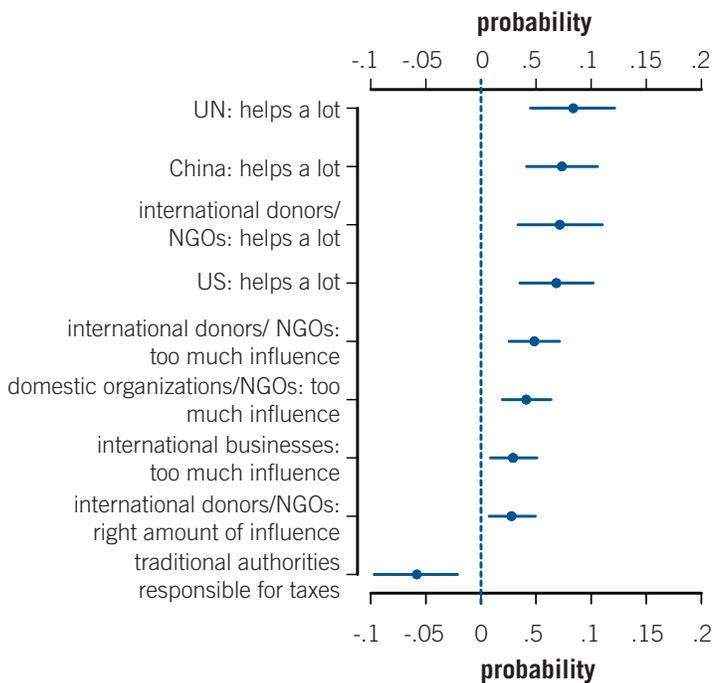
Source: Author's illustration.

Figure 2. Citizens' Acceptance of Tax Department Authority



Source: Author's illustration.

Figure 3. Effect of Donor and Nonstate Actor Service Provision on Complying with Tax Department



Source: Author's illustration.

helpfulness of donors and nonstate actors for the country are not statistically significant.

The analysis shows that citizens who believe that donors and nonstate actors exert too much influence or just the right

amount of influence, compared to those who believe donors and nonstate actors exert too little influence over the government, are more likely to be willing to comply with their government. One interpretation of this result is that citizens may positively view the influence donors and nonstate actors exert over their government. Another interpretation is that citizens who believe that donors and nonstate actors exert “too much influence” may want to strengthen the state. By complying with government rules, citizens might be trying to bolster state capacity to independently provide public goods.

Donor and nonstate service provision and respect for police and courts

The analysis demonstrates that perceptions of government performance, administrative competence and honesty, and procedural justice are positively associated with individuals' willingness to obey the police and courts. The impact of these variables on the willingness to obey the police and courts is smaller than the impact of these measures on the willingness to comply with the tax department. Citizens who believe that donors and nonstate actors exert too much influence, rather than too little influence, are more likely to be willing to obey the courts and police. No relationship was found between individuals' perceptions of the helpfulness of donors and nonstate actors and their willingness to obey the courts and police. Respondents who believe that traditional authorities or their

communities, rather than the state, are responsible for providing law and order are less likely to be willing to obey the police.

Concluding Remarks

This note offers preliminary answers as to whether donors and nonstate actors are undermining or strengthening citizens' legitimating beliefs. The absence of subnational indicators on donor and nonstate actor service provision, as well as behavioral and longitudinal data on compliance, limits the conclusions that can be drawn from this study. Little is known about how citizens' reported willingness to comply with taxes, police, and the courts corresponds to their actual compliance behavior. There is also very little known about how changes in service delivery over time affect citizens' legitimating beliefs. And finally, this analysis was also unable to measure the quality of governments' management of foreign aid and nonstate actor resources.

About the Author

Audrey Sacks is an extended term consultant in the *World Bank Institute's Governance Practice* currently focusing on political economy, procurement reform, and anticorruption.

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