

The Politics of Government Expenditures in Tanzania, 1999–2007

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Abstract: What allocation strategy do hegemonic party regimes pursue in order to increase their level of electoral support? Although the literature has established that targeting resources to marginally supportive districts is the most effective distributive strategy for competitive democracies, it has not been possible to make a clear prediction about the best strategy for hegemonic party regimes. This article seeks to address this puzzle by examining the patterns by which expenditures were distributed by the Tanzanian ruling party, Chama Cha Mapinduzi (CCM), across the country's 114 mainland districts from 1999 through 2007. Overall, this study finds that CCM targeted expenditures toward those districts that elected the party with the highest margin of victory.

Résumé: Quelle stratégie d'allocation de fonds les régimes de gouvernement hégémonique utilisent-ils en vue d'augmenter leur niveau de soutien électoral? Bien que les études sur le sujet aient montré que l'envoi des ressources disponibles vers des circonscriptions marginalement favorables était la stratégie de répartition la plus efficace pour les démocraties compétitives, il n'a pas été possible de faire une prédiction claire pour déterminer de même la meilleure stratégie de soutien des régimes de gouvernement hégémonique. Cet essai aborde les enjeux de ce puzzle en examinant les modes de répartition des ressources mis en place par le parti dirigeant tanzanien Chama Cha Mapinduzi (CCM) à travers les 114 circonscriptions du pays entre 1999 et 2007. Globalement, cette étude évalue que le CCM a concentré ses ressources sur les circonscriptions dans lesquelles le parti avait été élu avec la plus grande marge de victoire.

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What are the patterns by which hegemonic party regimes in Africa redistribute resources to constituents? Unlike the situation in well-established democracies, where the goal of an allocation strategy is to reelect the incumbent, the almost guaranteed victory of a hegemonic party regime replaces this short-term strategy with the longer-term goal of achieving a formidable election victory in order to consolidate political power. Only by winning the election with a high margin of victory can the ruling party maintain an institutional monopoly on electoral rules and project the "image of invincibility" that is necessary to prevent the emergence of opposition competition (Magaloni 2006:9).

Despite the consensus about the electoral goal of hegemonic party regimes, there is theoretical disagreement about the long-term distributive strategy that generates the greatest electoral returns and mixed empirical evidence about the actual patterns of distribution among these regimes. Several authors argue that African hegemonic party regimes target resources toward districts with the most loyal followers due to the entrenched logic of political patronage in Africa, where patrons are expected to reward clients financially in exchange for political backing and supporters would see a lack of such rewards as a sign of betrayal or incapacity (see Baldwin 2005; Miguel & Zaidi 2003). Patronage, or the exchange of favors or rewards for political support, is endemic within African politics where formal administrative, political, and economic institutions are undermined by informal networks of political exchange and appropriation of public resources for private gain (see Bratton & van de Walle 1997; van de Walle 2001). According to Calvo and Murillo (2004:743), rulers distribute patronage with the expectation that it "contributes to the stability of electoral coalitions by shaping expectations about the future distribution of public jobs over a stable network of voters." In a study of education expenditures in Ghana, for example, Miguel and Zaidi (2003) attribute patronage politics to their finding that the ruling party targeted expenditures toward the most politically supportive administrative districts.

Other authors argue that for a hegemonic party regime seeking to consolidate power, the most effective strategy is to deter the entry of opposition parties by directing resources to marginally supportive districts and withdrawing resources from districts that elect the opposition, even by a small margin. Magaloni (2006) finds support for this "entry-deterrence" strategy in the policies of the PRI in Mexico, where there is evidence that funds from the national social program, PRONSOL, are distributed according to this logic. She argues that targeting "supporters who can . . . credibly threaten to exit," is more politically productive than distributing finite expenditures among the most loyal districts, where constituents are likely to continue to support the regime regardless of the economic payoff (2006:124; see also Diaz-Cayeros, Estevéz, and Magaloni [2008]). Arulampalam et al. (2009) find similarly that the Congress Party in India distributes the largest share of resources in vulnerable states that are aligned with the central government party.¹

This article tests these competing hypotheses by examining the political logic of expenditure distribution among 114 mainland Tanzanian districts from 1999 through 2007.² Since the introduction of legal multiparty competition in 1992, the level of per capita expenditures has varied considerably across and within electoral districts, even though a single party, Chama Cha Mapinduzi (CCM), continues to monopolize power. In 2007, for example, the per capita budget allocation ranged from 9,000 to 54,000 Tanzanian shillings. I attempt to account for this variation across districts by testing the influence of the ruling party presidential vote shares in the 1995, 2000, and 2005 elections on subsequent district-level expenditure allocations. In order to explain the variation in allocation changes within districts over time, I took advantage in my study of a shift in the tax regime which, indeed, the political strategists took advantage of as well: the abolition of the local development levy in 2003–2004. Even though this tax constituted the primary revenue source for local government authorities, it was abolished in response to widespread protests that enforcement was uneven and that the taxpayers did not receive commensurate benefits in the form of improved public services (see Fjeldstad & Semjoa 2001). A 1998 revolt over the levy in the Arumeru district and the burning down of a tax office in the Kilosa district were just two of many protests that signaled widespread popular dissatisfaction (see Fjeldstad 2001; Kelsall 2000). But conveniently, the abolition of the development levy, and the subsequent block grant distributed by the government in 2005 to make up for the loss in revenue, was an exogenous source of variation that enabled the government to reduce budget shares without raising red flags about the allocation process. It gave the government, in other words, an opportunity to strategically manipulate the “replacement” of lost revenue for political purposes. But it also provided me with a convenient benchmark by which I could examine the government’s budgetary maneuverings in 2004–2005.

Contrary to the predictions of Magaloni’s entry-deterrence strategy (in the case of Mexico), I found that the Tanzanian government targets a disproportionate amount of expenditures to the most loyal districts. But although this pattern of distribution supports the patronage hypothesis to some degree, I argue that this theory does not adequately explain the Tanzanian government’s behavior. Rather, CCM’s goal is not only to win outright, but also to maximize electoral returns, and it does so by decreasing expenditures and punishing slight defection, even in loyal areas. I contend that among most African hegemonic party regimes a punishment strategy is more effective than an entry-deterrence strategy because limited competition from opposition parties creates uncertainty among the voters about the likely results of opposition rule. And in Tanzania in particular, a low level of economic development compounds the effectiveness of the punishment strategy because poor constituents rely exclusively on government resources for their livelihood.

Literature Review

Most theories of distributive politics that examine the political use of resources across electoral districts account only for the strategies of incumbents in well-established democracies where there are competitive opposition parties and committed partisan preferences (see Bickers & Stein 1994, 1996; Levitt & Snyder 1995). The presence of these two factors in multiparty democracies and lack thereof in hegemonic party regimes create a distinction in the fundamental goals of the respective regimes' distributive strategies. Specifically, the allocation strategy of multiparty regimes generates incentives to persuade voters in marginal districts to reelect the incumbent, while the allocation strategy of hegemonic party regimes pursues the longer term goal of regime survival by winning the election with the highest possible margin of victory.

Even though a multiparty incumbent, as most theories assume, is likely to pursue an allocation strategy that maximizes the party's legislative seat share and national vote share for the executive, competitive opposition parties and committed partisan ideologies mitigate the potential upper bound for electoral shares and force the incumbent to battle for votes in marginal districts. Consequently, this goal creates the clear prediction that an incumbent party will target resources toward the most vulnerable districts to create an incentive for voters to reelect the incumbent (see Levitt & Snyder 1995). Cox (2006) argues that when a party wants to maximize its legislative seats among single-member districts, it is logical to target swing districts where the marginal electoral payoff is the highest and where a small difference in votes can determine if the party wins or loses a seat. Although the literature disputes whether self-interested legislators prefer to target loyal or marginal supporters *within* their district (see Cox & McCubbins 1986; Dixit & Londregan 1996; Lindbeck & Weibull 1987), the evidence suggests that incumbent parties prefer to maximize the party's overall seat share by focusing resources on pivotal districts.

In contrast, hegemonic party incumbents are almost guaranteed an electoral victory due to the lack of viable opposition parties and committed opposition preferences. This fundamental difference between multiparty and hegemonic party regimes alters the latter's short-term goal of winning the immediate election to a longer term survival strategy that entails winning with the highest possible margin of victory. Although the degree over a majority to which the party controls the legislature or the margin by which the president wins an election is *important* for parties in well-established democracies, large vote margins for the executive and for the maintenance of a legislative supermajority are *crucial* for the long-term survival of a hegemonic party regime. This is true for three reasons. First, a supermajority allows the ruling party to continue to manipulate electoral laws. For example, the Tanzanian ruling party amended the constitution after the 1995 election to restrict public funding to opposition parties after numerous

parties took advantage of this resource during the first multiparty election. Second, control of the legislature gives the ruling party monopoly access to abundant government resources and an important source of economic patronage. Finally, winning the election with a formidable victory is critical to maintaining an “image of invincibility.” This serves to prevent the emergence of an opposition by deterring factional splits and sending a signal to voters that the ruling party is the only viable electoral option.

Although the aforementioned argument about a hegemonic party regime’s electoral goals predicts that an incumbent party will pursue an allocation strategy that enables the party to win with a formidable victory, it is still unclear which districts the party should target to generate the highest rate of electoral returns. The limited studies conducted among such regimes conclude that districts that elect the opposition, even by a small margin, are punished with lower levels or even a withdrawal of resources. However, in the case of districts that do support the ruling regime, these studies are inconclusive as to whether it is more politically productive to target resources toward the districts that are overwhelmingly supportive or toward those that are marginally supportive.

Consistent with the logic of patronage, one would predict that African governments target patronage toward the most supportive districts as a reward for political loyalty. But although patronage politics is an important component of hegemonic party regime survival, it does not fully explain the ruling party’s distribution strategy across numerous electoral districts. Because the goal of the ruling party is to win an election with a large margin of victory, it is important for the party to follow a distributive strategy that creates an incentive for non-core districts to vote for the party in subsequent elections. Targeting the most loyal districts as a reward for loyalty may be one function of the distributive strategy, but it does not serve to mobilize additional support for the party. Additionally, since patron–client relationships are reciprocal, these exchanges are beneficial only if the patron can adequately observe whether the client provides political support in return for reward. For this reason, most patronage literature assumes that the favors (i.e., jobs or benefits) are apportioned selectively to individuals, with the tacit understanding that they are also reversible, rather than in the form of resources that are distributed publicly (see Robinson & Verdier 2002). This literature also implies that these favors are concentrated among strong social networks, such as ethnic groups, or political elites whose potential opposition constitutes the greatest threat to the ruling party (see van de Walle 2001).

But in a hegemonic state such as Tanzania, where there is both limited political competition and a reliance on the centrally arranged redistribution of resources, there is strong indication that a punishment regime—that is, the withdrawal of resources from a marginally supportive district—generates the highest rate of electoral returns. In Tanzania the difference in poverty levels between middle- and low-income hegemonic states can be significant; 89

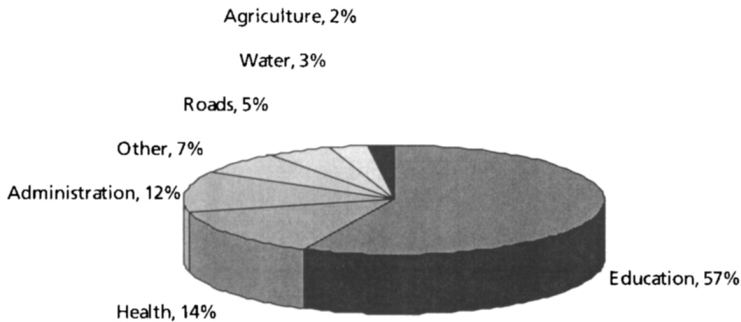
percent of the population lives on less than \$1.25 a day (compared, e.g., to 5 percent of the Mexican population) (World Bank Development Indicators).³ The heavy reliance of the citizenry on government subsidies is compounded by the lack of a viable opposition party and/or uncertainty on the part of the electorate about opposition performance. The various parties do not present clear distinctions in terms of their political or social ideology, and voters are unfamiliar with different political platforms. Therefore, even with the evidence of declining economic conditions, the ruling party can benefit from what Magaloni (2006:58) calls “asymmetries of retrospective information”; since it has ruled for more than four decades, voters have no information about the types of policies the opposition would pursue or how these policies would perform.

In final analysis, the results of this study both confirmed and challenged the existing hypotheses about how hegemonic party regimes target expenditures. The statistical analysis of expenditure distributions across electoral districts revealed that, in line with the patronage hypothesis, the Tanzanian government disproportionately targets higher levels of per capita expenditures and greater increases in budget rates toward the most supportive districts. However, contrary to the entry-deterrence hypothesis, it also found that rather than supporting those districts that voted marginally for the ruling party, these districts were punished with a lower budget rate after the abolition of taxes in 2003–2004. This finding lends support to the hypothesis that allocation decisions were based on punishment rather than a reflexive “always support the supporters” calculation.⁴

In order to establish the context in which these models of expenditure were examined in Tanzania, the next section outlines the procedures by which Tanzanian budgets are determined and expenditures are allocated. This section also highlights how the lack of transparency in the budget process fosters a fiscal environment in which expenditures are subject to government manipulation.

Budget, Expenditures, and Revenue in Tanzania

The Tanzanian budget process is controlled within the highly centralized administrative structure of the Office of the President. Under the supervision of the president, the Ministry of Finance prepares and finalizes the budget before it is submitted to the National Assembly for rubber stamp approval (see Lawson & Rakner 2005). The central government transfers allocations to 114 Local Government Authorities (LGAs) through six sectoral block grants based on five national policy priorities (education, health, water, agriculture, and roads) as well as local administration. LGAs also receive a smaller allocation for capital and development projects, although this constitutes less than 1 percent of the overall budget. Figure 1 details the average composition of LGA expenditures during 2004–2005. Education is the primary expenditure, accounting for more than 57 percent of total expenses.

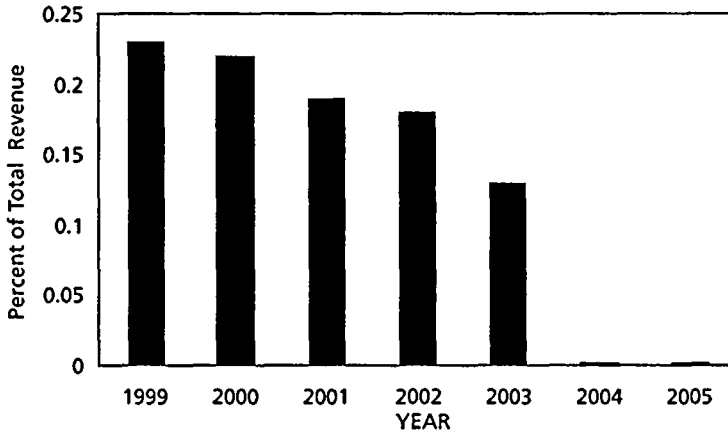
Figure 1. Shares of Local Government Authority Expenditures, 2004–2005

Source: Local Government Fiduciary Assessment, 2006

Although Local Government Authorities are charged with service provision, these entities have historically had little autonomy over budget decisions. Before 1999 the central government determined local level budgets without consideration for the district's specific needs. The Local Government Reform Program of 1999 addressed this concern by devolving budget decision-making to LGAs (LGFA 2006). Under this reform program the revised budget-making process requires the Ministry of Finance to generate budget guidelines based on "National Minimum Standards" and LGAs are charged with assembling a budget based on "sectoral standards and norms that assure . . . a minimum level of service delivery" (Mponguliana 2007). However, the Office of the President retains coordination and oversight authority over the budget, and in practice the Ministry of Finance only loosely incorporates the districts' requests into the final budget calculations.

The central government also maintains substantial discretionary power over allocation decisions by calculating the budget through a largely subjective and nontransparent process. Even though the budget is primarily capitation based, significant variation remains in the levels of per capita spending across LGAs. In 2007 *The Guardian* reported that the government targeted more resources toward well-developed districts that were perceived as using the allocations more efficiently. As a result, "underdeveloped (non-urban) districts ended up in a vicious cycle where they received relatively fewer resources and in turn were unable to expand their human resource base or construct additional physical infrastructure, which again in turn resulted in relatively smaller resource allocations" (Mponguliana 2007). Boex (2003) corroborated this observation in a study that highlights the variation in per capita expenditures across LGAs as well as the targeting of allocations toward wealthier districts.

Figure 2. Locally Generated Revenue as a Percentage of Total Revenue, 1999–2005



Source: Research on Poverty Alleviation (REPOA)

In response to mounting international pressure for increased budget transparency, the Tanzanian government reformed its financing framework during the 2004–2005 budget year to include formula-based recurrent block grants. These calculations were based on “objective criteria and client-focused norms” that were intended to insure a standardized and equitable division of resources (LGFA 2006). But although the Tanzanian government officially adopted a formula-based budget, it has not adhered to the formula because of a series of “hold harmless” provisions applied to LGAs that would stand to lose a significant allocation (LGRP 2007). Allers and Ishemoi (2009) confirm that many of the indicators used to calculate the formula for the recurrent block grants were not applied to the 2007–2008 budget allocation decisions.

It was during this same period that the Ministry of Finance abolished the development levy and therefore significantly reduced districts’ revenue-raising capacity. As illustrated in figure 2, the average district revenue went from constituting 22 percent of the total district budget in 1999 to less than .04 percent during the 2003–2004 budget year. This reform increased LGAs’ reliance on central government transfers to fund the entirety of the local budget. The central government compensated for this loss of revenue by instituting a General Purpose Grant to fund local administrative costs (LGFA 2006). However, the formula that is meant to determine the allocation of this grant has not yet been adopted (see Allers & Ishemoi 2009).

Figure 2 also illustrates an overall decrease in the percentage of revenue collected locally from 1999 through 2003. This downward trend could be symptomatic of two non-mutually exclusive factors. First, local government tax authorities may have had difficulty enforcing the unpopular development levy even when it was still operative. This decrease in revenue is consistent with findings by Kasara (2007) and Weinstein (2008), who propose that democratically elected African governments are reluctant to directly tax constituents due to fear of political reprisal and a lack of coercive capacity. Another possible explanation for the decrease in local revenue is the perception that the central government would supplement revenue shortfalls with additional transfers. This budget feature created little incentive for those districts that generated limited revenue to increase tax enforcement and provided a disincentive for high revenue districts to continue enforcement efforts.

This explanation of the Tanzanian budget process underscores the largely discretionary nature of the process by which expenditures are allocated and revenues are collected. Although the budget is mostly capitation based, it is likely that the ruling party uses its discretionary power to target some allocations toward those districts that are likely to respond with the highest electoral payoff. In order to contextualize the political environment under which CCM made expenditure decisions, the following section explains the results of the general Tanzanian multiparty elections in 1995, 2000, and 2005 and the key players who competed in them.

Tanzanian Multiparty Elections

The October 1995 presidential and National Assembly elections marked Tanzania's first multiparty national electoral contest in over three decades. Shortly after Tanzanian independence in 1963, President Julius Nyerere and the Tanganyika African National Union (TANU) party officially banned opposition political parties with the intent of unifying the country under a single political banner. However, a gradual trend toward political and economic liberalization culminated in 1992 when mounting domestic and international pressures persuaded the Tanzanian ruling party, Chama Cha Mapinduzi (CCM, the successor of TANU), to legalize multiparty competition (see Whitehead 2003).

Presidential elections in Tanzania are decided in a one-round plurality competition. In 1995 this feature of the electoral system worked to reduce the vote share of CCM's presidential candidate, Benjamin Mkapa, by dividing the vote among three additional opposition candidates. Despite Mkapa's relatively high margin of victory, his 62 percent vote share was considerably lower than what the CCM had anticipated, given the party's substantial incumbent organizational and monetary advantage (see Hyden 1999). Augustine Mrema, a former CCM member who represented the NCCR–

Maguezi party, emerged as the primary challenger to Mkapa by receiving almost a third of the overall vote.

Even though Mrema failed to generate a broad coalition of support, opposition parties won majorities in some regions. For example, Mrema and John Cheyo of the UDP party received well over 50 percent of the vote from their respective home regions of Kilimanjaro and Shinyanga, results that highlight the importance of regionalism as a foundation for opposition support (see Whitehead 2003). The Political Parties Act of 1992 required that each party have at least two hundred members from ten regions throughout Tanzania, including one from Zanzibar and Pemba (see Mukandala & Mushi 1997). Therefore, unlike many political parties in other African countries that are defined by ethnic associations, those in Tanzania place more weight on regional differences (see Hyden 1999; Scarritt & Mozaffar 1999). In the absence of clear ideological and policy distinctions among the political parties, or of information about which candidate would best reflect their interests, voters simply took their clues from the opposition candidates' regional affiliations.

The margin of victory for CCM in the 2000 and 2005 presidential elections was considerably higher than its margin in the first multiparty election in 1995. The strength of the opposition parties was weakened by a combination of CCM's elimination of government-funded campaign subsidies and infighting within opposition political parties (TEMCO 2000). Most notably, Augustine Mrema defected from the NCCR–Maguezi Party to the TLP party due a disagreement with party leadership. What I set out to examine was how the electoral results for the CCM presidential candidates in the 1995, 2000, and 2005 elections influenced the distribution of subsequent expenditures: that is, whether CCM targeted expenditures toward those districts from which the party received a high level of electoral support (in order to signal that districts with lower levels of support would receive commensurately fewer resources—the punishment hypothesis) or whether it targeted expenditures toward marginally supportive districts (in order to gain the loyalty of pivotal voters and prevent the entry of opposition parties—the entry-deterrence hypothesis). Either strategy would also entail decreasing funds from opposition districts to send a signal that there is an economic cost associated with opposition support.

Data and Methods

Due to the cross-sectional and time-series nature of the data, there is variation in expenditures across districts as well as variation within districts over time. The first component of this data analysis analyzes the variation across electoral districts using large-N statistical estimation techniques. However, this aggregate approach is only able to account for the relationship between vote shares and expenditures; it does not illustrate changes in budget allocations within districts over time as a result of changing vote shares. The

second part of this section addresses this shortcoming by analyzing the raw data and looking at the patterns of revenue replacement to further demonstrate how CCM manipulated expenditures as a political tool. An examination of this data over time also helps adjudicate between the patronage and punishment hypotheses.

Measuring District-Level per Capita Expenditures: Dependent Variable Measures

One of the primary limitations of studying the effect of past elections on future expenditures is that financial allocations are expected to influence voters' decisions about the candidates. This limitation is particularly salient in Tanzania, where the ruling party has been in power since independence and has had ample opportunity to influence single-party elections by means of the budget. As in multiparty elections, these contests have given CCM an opportunity to evaluate differences in the level of national support for the party. Therefore, it is difficult to parse the effect of the 1995 vote shares on subsequent expenditures because these shares are endogenous to past allocation decisions.

The standard fix for this problem, which is referred to as “simultaneity bias,” is to introduce an instrumental variable that can explain expenditure outcomes without the influence of previous expenditures. Unfortunately, due to the inertia that is endemic to budget decisions, it is difficult to pinpoint a single instrumental variable that can mitigate the independence of the observations. For this reason, in order to capture trends in the data, I use two models with three different measures of the dependent variable: per capita expenditures, the change in per capita expenditures, and change in expenditures.⁵ Table 1 outlines the summary statistics and sources for each variable measure.

Model 1: Per Capita Budget Expenditures

I tested the hypothesis that the Tanzanian ruling party uses budget allocations to punish less loyal districts in several steps. First, I began with a model that tests the level of per capita expenditures allocated to opposition and marginal districts. These tests should show whether or not CCM targeted resources toward districts that were won by a lower or higher margin. In order to adjudicate whether the resources were targeted at the high or low end of the margin, I also examined the influence of opposition support on per capita expenditures. According to Magaloni's entry-deterrence hypothesis—that hegemonic parties prefer to target districts won by a lower margin—there would be a negative relationship between marginal vote share and per capita expenditures. However, since budget expenditures are subject to inertia, it is difficult to distinguish between the effect of the election results on expenditures and the residual effect of long-term allocations toward regional strongholds. In an attempt to address this endogeneity

Table 1. Variables and Summary Statistics

Variable	Mean	Median	Min	Max	Obs	Source
Per capita expenditure (log)	3.94	3.95	3.01	4.9	948	A
Change in per capita expenditure	0.2	0.16	-0.56	1.27	948	A
Change in expenditure (log)	0.07	0.06	-0.56	0.62	948	A
Revenue (% of total district budget)	0.11	0.08	0	0.64	948	A
Population (log)	5.37	5.4	4.61	6.04	948	A
Vote for Opposition Candidate (%)	0.2	0.18	0.01	0.93	948	B
CCM Margin of Victory (%)	0.52	0.56	-0.86	0.97	948	B
"No" Votes, 1985 (%)	0.04	0.04	0.02	0.07	948	B
Rural or Urban	0.2	0	0	1	948	C
Below Poverty (%)	0.2	0.17	0.04	0.38	948	C
Kilimanjaro dummy	0.05	0	0	1	948	

A: REPOA, Tanzania Governance Noticeboard Database

B: Tanzania National Electoral Commission Web site; TEMCO (1997, 2000)

C: 2000–2001 Tanzania Household Budget Survey

problem, I included a measure that controls for regions that strongly supported the president in prior elections. This variable measured the percentage by which the region voted "No" for the ruling party president in the 1985 election (i.e., before the introduction of multipartyism). The expectation was that those districts that had a higher percentage of "No" votes in the past would have received lower levels of expenditures. By controlling for past opposition, I mitigated the endogeneity problem.

The per capita budget expenditures measure includes two categories of expenditures: development and recurrent expenditures. Recurrent expenditures constitute 99 percent of the total expenditures and encompass expenses such as salaries that recur on an annual basis. Development expenditures are used to fund capital investments and are not a consistent source of annual funding. Unfortunately, expenditure data that are disaggregated by sectors such as education or health are not available for most fiscal years. It is not possible, therefore, to examine whether the government directs more resources toward different sectors according to the regional demand for these services.

In order to measure the vote margin, I calculated the difference between the vote share for the 1995 and 2000 CCM presidential candidate Benjamin Mkapa and the 2005 candidate Jakaya Kikwete with the opposition candidate with the next highest vote share. Since the presidential election is decided in a single-round plurality contest with multiple candidates, I used the marginal difference between the winner and runner-up rather than the difference between CCM's vote share and a majority threshold of 50 percent. Due to data limitations I was unable to test this hypothesis using CCM vote shares for the National Assembly and District Council elections.⁶

However, governing power is concentrated in the Office of the President, with the National Assembly serving primarily as a rubber stamp for presidential budgetary decisions. If CCM distributes higher levels of expenditures to core constituencies, then one would expect to see a positive relationship between CCM vote share and per capita expenditures.

The district's overall level of development may also be an important consideration in the Tanzanian government's budget calculation, although it is not clear whether resources are targeted toward districts with low, medium, or high levels of development. Although Boex (2003) reported that the Tanzanian government directed allocations toward better developed districts that could use the resources most efficiently, previous studies have reached divergent conclusions about the relationship between the level of development and expenditures. For example, in his study of the politics of the funds distributed through the Peruvian social program FONCODES, Schady (2000) found that impoverished districts received a higher proportion of the expenditures. In another paper on an equivalent Mexican social fund, Diaz-Cayeros, Estevéz, and Magaloni (2006) determined that there was a curvilinear relationship between the level of development and the Mexican government's distribution of expenditures, with those constituencies in the middle range of poverty receiving the greatest share of social relief funds.

I used two measures of regional financial indicators from the 2000–2001 Tanzanian Household Budget Survey to test whether or not the regional economic well-being influences the level of per capita expenditures. Although these measures are not disaggregated by district, they do include separate figures for urban and rural districts within the region. I examined both the percentage of the population below the poverty line and the average per capita income. If financial need is a component of CCM's budget consideration, then there should be a positive relationship between percentage below the poverty line and per capita expenditures and a negative relationship with per capita income.

It is widely acknowledged among Africanist scholars that politicians tend to direct more resources toward urban areas because of the ability of urban constituents to mobilize against the ruling party (Bates 1981). In order to control for this possibility, I used a dummy variable to indicate whether a district is rural or urban.

The size of the population is also an important determinant of the level of per capita expenditures. Due to economies of scale and fixed costs associated with the delivery of public services, districts with larger populations require less expenditure per capita. I used a measure of the log of the district population for the particular year in which the per capita expenditures were distributed. I anticipated that an increase in the log of the population would be associated with a decrease in the level of per capita expenditures.

The amount of local revenue generated by a district may also influence the government's decision about the total budget allocated to a particu-

lar district, since the government bases budget decisions on the revenue collected during the previous budget cycle. Therefore, as a district's local revenue increases, the level of per capita expenditures received from the central government should decrease.

Finally, I included dummy variables to indicate the year of and before the election to test whether most allocations are targeted prior to elections, since several studies demonstrate that incumbent parties allocate a majority of the expenditures just before the election in order to influence voting choices. Since elections took place in 2000 and 2005, I expected to see a positive relationship between dummy variables for these years and the year before the election.

Model 2: Changes in Budget Allocations

Since the per capita expenditure measure is subject to endogeneity problems, I also used a model that measures the influence of vote shares on the *change* in per capita expenditures and overall expenditures. I examined both the per capita and absolute change in expenditures in order to account for variations based on per capita allocations.⁷ Analyzing the budget year to year controls for the influence of past expenditure decisions by measuring a *proportional* change in budget allocations after 1995 rather than overall allocations. Additionally, because the budget is subject to inertia and there are very few differences in the overall expenditures across districts over time, a measurement of the budget change can more readily detect small variations influenced by political factors. This measure was calculated by taking the percentage difference between the previous and current year budget allocation, that is, the difference between the 1999 and 2000 budgets. If the ruling party prefers to target marginally supportive districts, there will be a positive relationship between marginal districts and budget increase, indicating that these districts receive a greater rate of budget increases than the most loyal districts.

The absolute level of budget expenditures received by a district is another factor that can have either a positive or negative influence on the change in budget allocations. If the government targets greater increases in budget changes to those districts with lower per capita or absolute expenditures, then we would expect to see a negative relationship between expenditures and changes in the budget in an effort to minimize the variation in allocations. However, if the government is biased toward targeting resources toward those districts that already have higher budgets, then there should be a positive relationship between the two variables and the government may be predisposed toward targeting richer districts because of the assumption that these districts have a greater capacity to use the allocations more efficiently. Additionally, if richer districts are shown to have higher levels of government expenditures, then the government may choose to systematically favor those districts with higher levels of budget support.

Finally, the initial size of the district's population could also influence the change in per capita allocations. Similar to the control included in the previous model, economies of scale could serve to reduce the change in budget expenditures. Alternatively, larger populations could receive greater increases in budget changes because of biases toward larger, more developed districts.

Results: Estimates of Political Effects

Model 1: The Influence of Vote Share on per Capita Expenditures

The data used to test my hypotheses included annual observations (1998–2007) for 114 Tanzanian districts, which created a panel of 948 district-year observations. Due to the continuous nature of per capita expenditures, I analyzed the data using Ordinary Least Squares (OLS) regression corrected for year fixed effects. This model tests the aggregate influence of the 1995, 2000, and 2005 elections on the subsequent expenditure decisions made by the government.

The results from the regression analysis in table 2 indicate that CCM allocated higher levels of per capita budget expenditures to those districts that the ruling party had won with a large margin of victory.

The opposition model confirms that CCM allocated lower levels of per capita budget expenditures to districts that voted with a higher degree for the opposition party. For the marginal model, a 1 percent increase in vote share is associated with an increase of 1.51 TZ shillings per capita. If the average district population is 270,000, then this would equal a budget increase of 408,000 additional TZ shillings. For every one point increase in opposition vote share, the ruling party decreases expenditures by 2.04 TZ shillings per capita, or an average district level decrease of 550,000 TZ shillings.⁸

A higher percent of “No” votes in the 1985 presidential election also predicts lower levels of per capita expenditures. This finding confirms that the level of per capita expenditures distributed after the 1995 election was not independent of previous expenditure decisions and voting patterns. Although this variable captures some of the influence of past expenditures, it cannot account completely for all endogeneity between the dependent and independent variables. The next two data sections attempt to address this shortcoming by examining the changes in budget expenditures across and within districts after the 1995 election.

The final model does not include the measure of economic development (percent of population below the poverty line in 2001) because this variable is significantly and positively correlated with the percent of “No” votes for the CCM presidential candidate in 1985 and creates instability in the model. This correlation demonstrates that there is a strong link between the level of past support for the ruling party and future overall economic well-being.

Table 2. Log of Per Capita Expenditure Estimates, Post-1995 Presidential Election

Independent Variables	Opposition Model	Marginal Model
% Vote for Opposition Presidential Candidate	-0.31*** 0.05	
CCM Margin of victory (from next most winning opposition candidate)		0.18*** 0.02
Revenue (% of total district budget)	-1.59*** 0.05	-1.57*** 0.05
Population (log)	-0.33*** 0.02	-0.32*** 0.02
Rural (0) or Urban (1) District	0.15*** 0.01	0.15*** 0.01
Kilimanjaro Dummy	0.16*** 0.03	0.17*** 0.03
Percentage "No" votes (1985)	-0.014** 0.004	-0.011** 0.004
Intercept	5.97*** 0.11	5.74*** .12
N	948	948
Adjusted R ²	66.5	66.8

*p < .05, **p < .01, ***p < .001.

This model also does not include a measure for the year of and before an election because of the high standard error and negative sign of the coefficient. The unusual finding that expenditures declined before an election can be attributed to the fact that taxes were abolished the year before the 2005 election, which greatly decreased the overall budget per capita. Although it would seem counterintuitive to reduce the availability of funds during an important electoral cycle, the abolition of taxes, as mentioned earlier, was a popular measure that offset the decline in expenditures.

As anticipated, an increase in the size of the population is associated with a decrease in per capita expenditures due to economies of scale. An increase in revenue as a percentage of total expenditures also decreases the amount of expenditures the government distributes to a district. Whether the district is located in a rural or urban area is also statistically significant.

Finally, I included a dummy for those districts in the Kilimanjaro region after identifying these districts as outliers when plotting the relationship between opposition vote shares and budget per capita. Unlike other obser-

vations, these districts had both high per capita budget expenditures and low levels of vote shares for the president. A closer examination of the history of the region revealed that prior to the 1995 elections and introduction of multipartism, the Kilimanjaro region was a CCM stronghold with few dissenters against the ruling party (see Othman 1990). However, the strongest opposition contender for president in the 1995 election, Augustine Mrema, emerged from the Kilimanjaro region after splitting from the CCM party. Because of Mrema's regional affiliation, he received overwhelming support from almost all districts in Kilimanjaro. Even though the average vote share for CCM's presidential candidate was only 31 percent, these districts had much higher-than-average per capita expenditures. This notable exception provides further evidence that budget allocations were a result of political manipulation favoring those districts that were historical strongholds of the ruling party. Additionally, as will be shown in the examination of raw data, that the Kilimanjaro region was punished with larger decreases in budget changes as a result of the region's defection.

Model 2: The Influence of Vote Shares on the Change in per Capita Expenditures

Next, I tested whether the level of support for the opposition candidate influenced the rate of changes in the budget from year to year. Unlike the per capita expenditure measure, this variable is less dependent on previous expenditures. Table 3 indicates the anticipated result—that districts that voted for the ruling party with a greater margin received larger increases in the rates of budget expenditures each year. More specifically, a 1 percent increase in vote share for the presidential party led to a 1.12 percent increase in change in TZ shillings per capita. The table also shows that as the vote share for the opposition increased, the rate of change for the budget decreased by 1.29 percent. The absolute change in the overall budget produced a similar result at a smaller magnitude.

The table also shows that as the budget increased, the change in budget rate also increased, indicating that those districts that already had a higher budget per capita continued to receive greater increases in the budget rate. This finding illustrates that rate of change in allocations across districts is not the same and is biased toward those districts that already have high budget expenditures and high levels of support for the ruling party. The population coefficient is positive, indicating that some portion of the budget formula was adjusted to account for districts with larger populations.

Examination of the Raw Data

As the previous section points out, the ruling party targeted budget allocations toward those districts with the highest vote margins. However, a statistical examination of the data cannot detect the patterns of allocation

Table 3. Change in Expenditure Estimates, 1999–2007

Dependent Variables	Change, per capita allocation		Change, total allocation	
	Opposition	Marginal	Opposition	Marginal
% Vote for Opposition Presidential Candidate	-0.11*		-0.04*	
	0.05		0.02	
CCM Margin of Victory (from next most winning candidate)	0.05*		0.02*	
	0.03		0.01	
Budget per capita (log)	0.30***	0.30***		
	0.03	0.03		
Population (log)	0.14***	0.14***	0.08***	0.08***
	0.03	0.03	0.01	0.01
Budget total (log)			0.14***	0.14***
			0.01	0.01
Intercept	-1.72***	-1.78***	-0.81***	-0.82***
	0.22	-0.21	0.09	0.09
N	948	948	948	948
Adjusted R ²	14	14	15	15

* $p < .05$, ** $p < .01$, *** $p < .001$.

within districts over time. In order to win an election by an overwhelming margin, the ruling party must both increase vote shares among marginally supportive districts *and* maintain high levels of vote shares among party strongholds. Only an examination of the raw data can detect the patterns by which the ruling party responded to supportive districts that decreased vote shares for CCM and nonsupportive districts that did not substantially increase vote shares. Supportive districts were defined as those with a vote share above 60 percent for the ruling party, a threshold that defines a supermajority below which a hegemonic party regime's monopoly over power would be threatened (see Magaloni 2006). This analysis also allows for an adjudication between the punishment and patronage hypotheses by determining whether highly supportive districts that decreased vote shares for the ruling party, even by a small percent, were punished with decreased expenditures.

In order to examine the variation of expenditures over time, I examined the changes in budget shares within each district following the repeal of the development levy. In particular, I looked at the budget changes in the year that the tax was abolished and the year when the revenue was replaced. In order to normalize the change in expenditure shares across districts, I

calculated the average budget change for a particular year as well as the difference between each data point and the mean value. If a resulting value was close to zero, then there was no variation between that value and the mean. A value that was large and positive would indicate a greater budget change than the mean. A value that was large and negative would indicate the reverse.

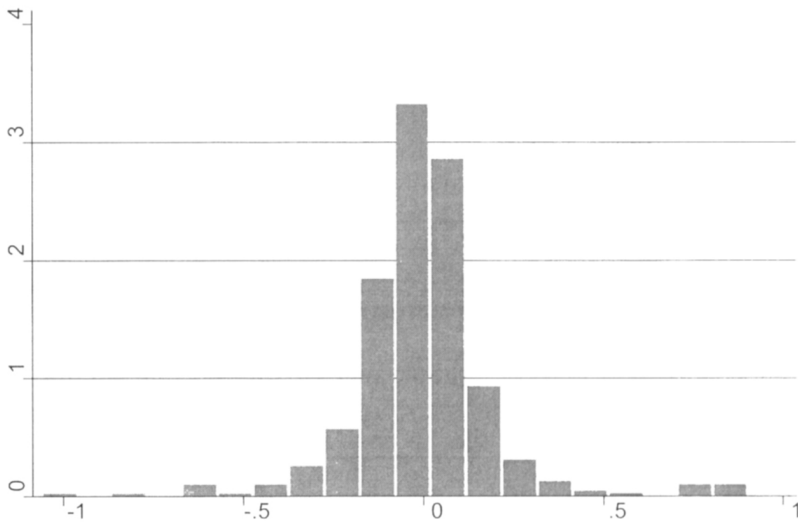
A cursory analysis of the difference in budget changes from the mean reveals that although most districts had stable levels of expenditure distribution, as indicated by similar patterns of budget changes over time, several districts experienced high fluctuations in budget rates. Figure 3 illustrates that the distribution of budget changes (deviation from the mean) is clustered around zero but with several observations lying outside the first standard deviation of 0.17. The pattern of this distribution demonstrates that although budgetary inertia is the norm, it may not characterize all allocations.

There are several observable implications in the data that test the competing hypothesis that the ruling party followed a punishment or an entry-deterrence allocation strategy. First, both the entry-deterrence and punishment hypothesis predict that historical strongholds, such as the Kilimanjaro region, that reduced support for the ruling party would be punished by a lower rate of revenue replacement. Second, the punishment strategy predicts that districts that have either opposition or marginally supportive vote shares in 1995, but do not improve these vote shares over 60 percent, would be punished with lower rates. By contrast, an entry-deterrence strategy suggests that districts that support the opposition but improve vote shares to over 50 percent should receive an increased rate of revenue replacement. Finally, districts that have high initial support for the ruling party but slightly reduced vote shares after 1995 should be punished with lower rates of revenue replacement under the punishment strategy but targeted with higher rates of replacement in the entry-deterrence approach.

Since the government abolished the development levy between 2003 and 2004 and replaced the lost revenue with a block grant during the 2004–2005 cycle, I analyzed the net gain or loss in the change of budget allocation between these two cycles to determine whether or not a district was targeted to receive a greater or smaller percentage of expenditures. Column 1 of table 4 lists all of the districts that received a significantly lower rate of budget change than other districts after the abolition of taxes. Column 2 lists the districts that received a greater share.⁹

The first pattern that emerges from table 4 confirms that historical party strongholds that voted for the opposition were punished with significant decreases in the rate at which lost revenue was replaced with government expenditures. Historic district strongholds in the Kilimanjaro and Arusha regions that voted for the opposition in the 1995 election were punished by receiving a 50 percent lower rate of revenue replacement than the average district. Although not shown on this table, the entire Kilimanjaro region

Figure 3. Distribution of Changes in Budget Shares



Source: Research on Poverty Alleviation (REPOA)

received on average a 13 percent lower rate of revenue replacement, in all likelihood as a punishment for overwhelming opposition support.

Several other patterns emerge from this list to substantiate the claim that the government pursued a punishment strategy when determining the rate at which lost revenues were replaced with expenditures. First, the government reduced expenditures toward opposition and marginally supportive districts that did not significantly increase the vote share to above 60 percent for the ruling party during the 2000 election.¹⁰ Arusha CC, Illala MC, Kinondoni MC, Temeke MC, Bukoba MC, Moshi, and Mwanza CC all received drastic decreases in the rate at which lost revenues were replaced with expenditures. A likely conclusion is that the government intended to send a signal that opposition strongholds were not only punished with lower aggregate levels of per capita expenditures, but also that if the vote share did not improve, they would be punished further by drastic decreases in the change of expenditures over time.

Furthermore, the government increased the budget rate in neighboring districts in the same region where the districts *did* increase the vote share for the government after the first election. This demonstration effect is evidenced in both the Arumeru district in Arusha and Biharamuro district in Kagera where the districts increased vote shares to above 60 percent after the first election. Rather than viewing this as a “reward the loyal supporter strategy,” I argue that this act was meant to demonstrate that the lack

Table 4. Districts with Significant Changes in Budget Shares, 2004–2005

Decrease in Expenditure Share						Increase in Expenditure Share					
Region	District	Diff	V\$ 95	V\$ 00	V\$ 05	Region	District	Diff	V\$ 95	V\$ 00	V\$ 05
Arusha	Arusha CC	-0.47	0.4	0.58	0.76	Arusha	Arumeru	0.27	0.49	0.86	0.88
DSM	Illala MC	-0.65		0.56	0.73						
DSM	Kinondoni MC	-0.37		0.56	0.73						
DSM	Temeke MC	-0.37		0.49	0.66						
Kagera	Bukoba MC	-0.23	0.53	0.58	0.64	Kagera	Biharamuro	0.24	0.49	0.69	0.87
Kilimanjaro	Moshi	-0.41	0.1	0.35	0.68						
Lindi	Lilwale	-0.23	0.88	0.86	0.6						
Mara	Musoma MC	-0.22	0.6	0.67	0.74						
Mwanza	Mwanza CC	-0.22	0.52	0.55	0.79						
Pwani	Kisarawe	-0.26	0.76	0.68	0.71						
Pwani	Mafia	-0.28	0.66	0.57	0.59						
Pwani	Rufiji	-0.21	0.71	0.58	0.57						
						Mbeya	Ileje	0.5	0.57	0.78	0.89
						Mbeya	Mbarali	0.34	0.65	0.74	0.89
						Mtwara	Masasi	0.23	0.9	0.91	0.85
						Mtwara	Mtwara MC	0.29	0.73	0.84	0.76

of political support is punished with decreases in expenditures and to provide a close-to-home example of the significant improvement of livelihood associated with higher levels of government support.

Second, the table indicates that those districts with high levels of government support that lowered their support, even marginally, were punished with decreases in expenditures. Eight districts in the sample decreased the level of support from the 1995 election to the 2000 elections. Of those cases, four (Lilwale, Kisarawe, Mafia, and Rufiji) experienced a decline in the expenditures, even though the initial level of support for the government was high.¹¹ This pattern suggests that the ruling party used a punishment strategy not only to coerce opposition and marginally supportive districts to increase vote shares, but also to prevent party strongholds from decreasing vote shares.

This finding also supports a punishment rather than patronage explanation of the government's allocation strategy by showing that expenditures even in supportive districts can be reduced as a result of lower vote shares.

Finally, there are several districts in the Mbeya and Mtwara regions that received higher levels of budget allocations after the loss of revenue was replaced with block grants. Although it is not immediately clear why these districts were rewarded, closer examination reveals the political importance of these regions. First, the Mtwara region is the home region of former President Benjamin Mkapa, who ruled from 1995 to 2005. This trend is consistent with numerous studies that indicate that African rulers direct resources toward their home regions (see Kasara 2007). Second, the Mbeya region is a strategic source of gold deposits and a large revenue source for the Tanzanian government. Minerals from this region constitute 34 percent of the total foreign direct investment (FDI) and are a significant asset to the government. The high increases in allocations could be targeted toward supporting these mining operations.

Conclusion

This study concludes that Tanzanian ruling party, Chama Cha Mapinduzi, disproportionately targeted higher per capita expenditures and larger budget increases to the most supportive districts in order to continue to win elections formidably. Both the results of statistical analysis and an examination of the raw data suggest that contrary to Magaloni's entry-deterrence hypothesis, CCM did not target marginally supportive districts in order to deter the entry of opposition parties. Rather than attributing this pattern to patronage politics, I argue that CCM attempted to send a signal to nonsupportive districts that lower vote shares are punished with lower per capita expenditures and smaller changes in budget rates. A punishment strategy is a more effective strategy of increasing vote shares in Tanzania due to voters' lack of viable opposition alternatives and reliance on government resources to improve their well-being. An examination of the raw data revealed that nonsupportive districts that did not increase vote shares above 60 percent and supportive districts that slightly decreased vote shares after the 2000 election were punished with low rates of revenue replacement.

Beyond the empirical findings, this article makes an important theoretical contribution to the literature on hegemonic party regimes. Instead of grouping all hegemonic party regimes into a single category, it is important to parse out the unique characteristics of these regimes that influence the way in which economic and political outcomes are calculated. Although all hegemonic party regimes are interested in winning elections by a formidable margin, this study confirms that these regimes can pursue different strategies to reach the same goal. This distinction has important implications for our understanding of the political behavior of hegemonic parties, particularly across different continents.

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Notes

1. The PRI in Mexico and Congress Party in India were classified as hegemonic party regimes prior to opposition victories in 2000 and 1996, respectively.
2. Local Government Authorities are further categorized into 22 Urban and 92 Rural Councils. Despite an expansion of LGAs in 2005, I maintain the 1999 LGA structure for data continuity. Zanzibar and Pemba are not included in this analysis due to the different funding mechanism through which resources are allocated to island governments.
3. This figure is based on World Bank Development Indicators database estimates of the poverty headcount ratio at \$1.25 a day (PPP) (% of the population) in 2000.
4. These conclusions are based on inferences drawn from statistical analyses of Tanzanian budget data. Government officials were not interviewed about the methods through which they control funds that are allocated among LGAs.
5. These budget figures are drawn from the organization Research on Poverty Alleviation's Tanzania Governance Noticeboard database. This data reflects official estimates of regional public expenditures. Although audited figures would be ideal to determine actual allocations, reliable audit data is not available for all years in the present analysis.
6. In addition to limited data availability, Tanzanian MPs are elected at the constituency level, which is an administrative unit distinct from Local Government Authorities.
7. I would like to acknowledge an anonymous reviewer for comments regarding this distinction.
8. This figure was calculated by taking the inverse log of the per capita expenditure coefficient of presidential vote share.
9. "Significantly" is defined as any net gain or loss which is above or below 20% of the previous change in budget.
10. These districts include: Arusha-Arusha CC, three districts in Dar es Salaam, Kagera-Bukoba, Kilimanjaro-Moshi, and Mwanza-Mwanza MC.
11. See Appendix for a list of districts that decreased levels of support over time.

Appendix. Districts that Decreased Levels of Support

Region	District	Vote Share		
		1995	2000	2005
Dodoma	Kondoa	71%	63%	72%
Lindi	Kilwa	80%	63%	61%
Lindi	Lilwale	88%	86%	60%
Pwani	Kisarewe	76%	68%	71%
Pwani	Mafia	66%	57%	59%
Pwani	Mkuranga	69%	62%	65%
Pwani	Rufiji	71%	58%	57%
Tabora	Uyiji	62%	59%	73%

Source: Othman (1990); TEMCO (1997, 200); National Election Commission of Tanzania (2005).

