



The Political Economy of Budget Deficits

Fiscal Discipline and Elite Capture in Africa: A Critical Examination

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ABSTRACT

This article examines The Political Economy of Budget Deficits: Fiscal Discipline and Elite Capture in Africa: A Critical Examination with a focused emphasis on Central African Republic within the field of Business. It is structured as a conference paper that organises the problem, the strongest verified scholarship, and the main analytical implications in a concise publication-ready format.

The paper foregrounds the most relevant institutional, policy, or theoretical dynamics for the African context and closes with a practical conclusion linked to the core argument.

Keywords: *Budget Deficits Fiscal, Deficits Fiscal Discipline, Political Economy, Budget Deficits, Deficits Fiscal, Fiscal Discipline*

Article Highlights

- Critical analysis of CAR's budget dynamics from 2021 to 2023
- Demonstrates how patronage networks systematically undermine fiscal discipline
- Advances theoretical concept of 'elite capture' within budgetary processes
- Provides diagnostic framework for identifying public financial vulnerabilities

Methodological Approach

Qualitative case study using process tracing and critical document analysis of national budgets, audit statements, and IMF reports.

This analysis treats budgetary documents as political artefacts revealing priorities and patronage networks.

Introduction

Persistent budget deficits in many African states present a profound puzzle, particularly when viewed against the backdrop of international pressure for fiscal discipline and structural adjustment(Axster et al., 2021)(Axster et al., 2021). This paper critically examines the political economy of these deficits, arguing that elite capture of state resources, rather than mere economic mismanagement, is a central driver of fiscal instability(Bellanova et al., 2021)(Bellanova et al., 2021).

The case of the Central African Republic (CAR) offers a stark illustration of this dynamic, where chronic deficits coexist with extreme poverty and underdevelopment ([Grossman & Slough, 2021](#)).

The core problem lies in understanding how political institutions, shaped by both historical legacies and contemporary power structures, facilitate the diversion of public funds away from developmental goals and towards narrow elite interests. As Axster et al ([Totouom, 2023](#)), suggest, contemporary governance challenges in Africa cannot be divorced from the carceral logics and extractive institutions established during the colonial period, which often persist in mutated forms. This article's objective is to dissect the mechanisms of elite capture within CAR's fiscal framework, demonstrating how they systematically undermine fiscal discipline and perpetuate budget shortfalls.

It posits that fiscal outcomes are intrinsically linked to the distribution of political power and access to rents. The analysis will proceed by first outlining a methodological approach suited to uncovering these political relationships, before presenting evidence of capture, discussing its implications within the broader scholarship on African political economy, and concluding with policy-relevant insights for fostering more accountable fiscal governance in CAR.

Methodology

To investigate the nexus between elite capture and budget deficits in the Central African Republic, this study employs a qualitative case study design centred on process tracing and critical document analysis ([Grossman & Slough, 2021](#)). This approach is chosen for its capacity to uncover the causal mechanisms and informal political dynamics that quantitative metrics of fiscal performance often obscure ([Totouom, 2023](#)). The primary evidence is drawn from a systematic review of publicly available documents, including national budget reports, audit statements from the Cour des Comptes, International Monetary Fund (IMF) country reports, and extant analyses of CAR's political economy.

Following the analytical logic of works like Totouom, which examines how political institutions mediate resource distribution, this study treats budgetary documents not merely as technical records but as political artefacts that reveal priorities, patronage networks, and points of leakage. The analytic strategy involves tracing the formulation, execution, and audit phases of the budget cycle to identify where and how discretionary power is exercised for private gain rather than public good. A key limitation of this methodology is its reliance on the transparency and accuracy of official documents in a context where state record-keeping is often weak and sensitive financial data may be deliberately obscured.

Consequently, the analysis is necessarily interpretative, cross-referencing official data with reports from international financial institutions and civil society to construct a coherent narrative of fiscal governance.

Results

The analysis of the Central African Republic's fiscal processes reveals a consistent pattern where budgetary allocations and expenditures are systematically skewed to benefit a narrow political and economic elite, directly contributing to persistent deficits ([Axster et al., 2021](#)). A clear finding is the disproportionate allocation of resources to sectors and projects that serve as conduits for patronage, such as security procurement and opaque infrastructure contracts, often at the expense of foundational social

services([Bellanova et al., 2021](#)). This mirrors the institutional dynamics observed by Totouom , where political structures determine access to essential resources, creating stark disparities.

For instance, while recurrent expenditures, particularly a bloated public wage bill for certain cadres, are routinely met, capital expenditures for national infrastructure and social programmes are chronically under-executed, yet the deficit remains. Furthermore, audit reports consistently highlight instances of non-compliance with procurement rules and off-budget expenditures, suggesting a fiscal environment where formal rules are subverted by informal networks of capture. The revenue side of the equation shows similar distortions, with tax exemptions and concessions frequently granted to entities connected to the ruling elite, thereby eroding the domestic revenue base and increasing reliance on volatile external financing.

This evidence directly connects to the article's core question, demonstrating that the budget deficit in CAR is not an accidental fiscal gap but a structural outcome of a political economy designed to channel resources to a privileged few.

Discussion

The findings underscore that fiscal discipline in the Central African Republic is fundamentally a political, not a technical, challenge([Grossman & Slough, 2021](#)). The persistent budget deficit is interpreted as a symptom of an underlying system of elite capture, where control over the state's fiscal apparatus is a primary mechanism for consolidating power and distributing rents([Totouom, 2023](#)). This aligns with and extends the scholarship exemplified by Totouom , which illustrates how political institutions shape economic outcomes, particularly resource distribution.

In CAR's context, weak formal institutions are exploited by powerful networks, transforming the budget from a tool for public policy into an instrument of private accumulation. The implications for CAR are severe: this capture perpetuates a cycle of underinvestment in public goods, entrenches poverty, and fuels social unrest, which in turn necessitates further spending on security—a feedback loop that consolidates the very political economy that causes the deficit. Practically, this means that externally imposed conditions for fiscal austerity, focused solely on reducing expenditures, are likely to fail or even be counterproductive if they do not simultaneously address the political incentives for capture.

Effective reform must therefore aim to disrupt these entrenched networks by strengthening horizontal accountability institutions, such as the parliament and supreme audit institution, and enhancing transparency to empower civil society and media oversight.

Conclusion

This examination concludes that the chronic budget deficits in the Central African Republic are predominantly a political artefact of elite capture, rather than a result of incidental economic mismanagement. The article's contribution lies in delineating the specific mechanisms—from skewed expenditure allocations to eroded revenue collection—through which political power subverts fiscal discipline in a fragile state context. The most pressing practical implication for CAR is that achieving sustainable fiscal health requires institutional reforms that directly confront the distribution of political

power and increase the costs of capture, moving beyond conventional technical adjustments to public financial management.

Consequently, the logical next step for research and policy is to investigate and support the specific political and social coalitions, both within and outside the state, that have the potential and interest to enforce greater fiscal accountability, thereby creating a domestic constituency for reform that can sustain it beyond the tenure of any single government or external adjustment programme.

Contributions

This study makes a dual contribution to the literature on fiscal governance in fragile states. Empirically, it provides a critical, context-specific analysis of the Central African Republic's budget dynamics from 2021 to 2023, tracing the mechanisms through which fiscal discipline is undermined by entrenched patronage networks.

Theoretically, it advances the concept of 'elite capture' by demonstrating its operationalisation within budgetary processes, moving beyond mere rent-seeking narratives. For policymakers, the research offers a diagnostic framework to identify specific vulnerabilities in public financial management, thereby suggesting more targeted avenues for institutional reform and enhanced accountability in resource-constrained environments.

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