



Taxation and State-Building in Developing Countries

Capacity and Consent

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CAMBRIDGE

Chapter 5.

Mass taxation and state-society relations in East Africa

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Chapter 5 (pp. 114 – 134) in Deborah Braütigam, Odd-Helge Fjeldstad & Mick Moore eds. (2008). *Taxation and state building in developing countries*. Cambridge: Cambridge University Press.

<http://www.cambridge.org/no/academic/subjects/politics-international-relations/comparative-politics/taxation-and-state-building-developing-countries-capacity-and-consent?format=HB>

Introduction

In East Africa, as in many other agrarian societies in the recent past, most people experience direct taxation mainly in the form of *poll taxes* levied by local governments. Poll taxes vary in detail, but characteristically are levied on every adult male at the same rate, with little or no adjustment for differences in individual incomes or circumstances. In East Africa and elsewhere in sub-Saharan Africa, poll taxes have been the dominant source of revenue for local governments, although their financial importance has tended to diminish over time. They have their origins in the colonial era, where at first they were effectively an alternative to forced labour. Poll taxes have been a source of tension and conflict between state authorities and rural people from the colonial period until today, and a catalyst for many rural rebellions.

This chapter has two main purposes. The first, pursued through a history of poll taxes in Tanzania and Uganda, is to explain how they have affected state-society relations and why it has taken so long to abolish them. The broad point here is that, insofar as poll taxes have contributed to democratisation, this is not through revenue bargaining, in which the state provides representation for taxpayers in exchange for tax revenues (Levi 1988; Tilly 1990; Moore 1998; and Moore in this volume). Instead, in East Africa poll taxes have mobilised rural people politically to combat a practice that they have experienced as repressive. The recent introduction of competitive political systems has turned the coercive collection of poll taxes into a national political issue. People use their voting power to get rid of them. To this

degree, the Tanzanian and Ugandan stories are essentially the same, and are very similar to the experiences of contemporary rural China (see Bernstein and Lü 2003, and their chapter in this volume). In both cases, the resentments caused by coercive local taxation have led central governments to abolish it.

Our second main purpose is to explore the dynamics of coercive local taxation by making comparisons among districts within each of the two countries. The evidence suggests that the local political balance between elected politicians and appointed bureaucrats is an important variable: coercive tax enforcement is most likely when administrators have more power over tax collection relative to elected councillors. Further, the presence of foreign donor agencies that make grants to local governments conditional on matching funds raised by the local authority seems to strengthen the hand of the bureaucrats, and intensify the practice of coercive revenue raising.

The chapter begins with a short introduction to poll taxes in Africa. The following section traces the rise and fall of poll taxes in Tanzania and Uganda from the time they were introduced more than hundred years ago until their recent abolition. We then describe and explain inter-district variations in poll tax collection in the two countries. The final section concludes with some remarks on the impact on local taxation of emerging competitive political systems.

Poll taxes in Africa

In Britain poll (or ‘head’) taxes can be traced at least to 1377, when a fixed sum per head was charged (Pepper 1969). In Africa, the British introduced poll taxes in the 19th century (Ghana) and early in the 20th century (Eastern Nigeria, Kenya, Nyasaland, Northern Rhodesia, Sierra Leone, Tanganyika and Uganda). The purposes of these taxes have changed over the years, but included at various times combinations of:

- Forcing subsistence based peasantries to sell their labour and/or to produce cash crops for export during the early colonial period.
- Contributing to the financing of British war efforts, especially during World War II.
- Contributing to making the colonies self-financing, and to reducing reliance on customs duties, the other prime source of colonial revenues.
- Financing development activities and the running costs of public administration.

The special features of poll taxes, which help to explain their importance for state-society relations in Africa, are best demonstrated by comparing them to income taxes. In principle, a poll tax involves a uniform charge on all individuals within a large population category, typically able-bodied adult males (ibid).¹ Millions of people are liable to pay. By contrast, income taxes are levied on the relatively few people who enjoy comparatively substantial salaries or business incomes in the public and the private formal sectors of the economy. Further, while the majority of income taxpayers typically live in or around the commercial capital, poll taxes are collected throughout the country from people with very different incomes and relations to agents of the state.

A poll tax has the merit of conceptual simplicity but the disadvantages of inequity and collection difficulties (Pepper 1969:4). It is blind to actual income differentials and household circumstances. For although there are exemptions for the very poor and the elderly, and in some cases, such as Uganda, the tax is modestly graduated according to assessed income, these provisions have limited effect on actual tax incidence because of the coercive ways in which the tax is enforced.² Poll taxes are inequitable and regressive, and are perceived as unfair by citizens. There is often widespread unwillingness to pay. Non-compliance is a serious problem.

Three other factors tend to reinforce the discriminatory and arbitrary features of poll taxes. First, incomes and 'ability to pay' are notoriously difficult to assess in peasant economies, which are commonly dependent on rain-fed agriculture. Incomes may be very variable over time and location. Second, local political pressure and conflict may obstruct tax collection and influence who actually has to pay. Third, it is often fairly accidental who actually pays because the administrative effectiveness in collecting the poll tax is generally low and variable across local jurisdictions. Collection typically involves the use of force in direct encounters between the taxpayer and tax collectors. The latter are sometimes accompanied by armed militia, and may search for potential taxpayers at road blocks or in public places

¹ In East Africa, women with independent means of income from salaries or business must also pay. They are few in number.

² Certain exemptions are often written into the Acts. The army, police and prisons staff are typically exempted. So are people who are under the age of 18, full time students, ill, destitute, or otherwise unable to pay. However, according to Due (1963:7), the number of otherwise eligible taxpayers exempted on this basis 'would rarely exceed 5% of the total number of taxpayers'.

(hospitals, schools, markets, sport grounds, at weddings etc). These collection techniques - and the ways in which they discourage rural people from travelling - have led to resentment and subterfuge since poll taxes were introduced more than a hundred years ago. For these reasons, the political and social impacts of the poll tax are substantially greater than its yield in terms of revenue may indicate.

The rise and fall of poll taxes in East Africa

Tanzania and Uganda are in many ways very different politically, socially and economically. Their experiences with the poll tax, from its introduction about a century ago to recent total abolition, are however very similar.

Tanzania

Political stability has been a central feature of Tanzania since the country was established in 1964.³ This can be attributed to several factors. Firstly, there exist no clearly defined ethnic groups of sufficient size, power and cultural homogeneity to create a demand for federalism or secessionism. The largest ethnic group, and the most likely candidate for special status, the Sukuma, live south and east of Lake Victoria, and comprise around 20% of the country's population. However, they have long been divided among dispersed chiefdoms and have never raised serious demands for local autonomy (Kelsall, 2000). There are more than 120 other ethnic groups, but they are relatively small and do not control the access to natural resources that may form the material basis for regional political power.

Secondly, there was no devolution of political authority by the British colonial power to regional groupings as seen, for instance, in Nigeria and Uganda. Instead, a system of provincial administration and Native Authorities was established (Tordoff 1965). The Native Authorities - each containing within its boundaries a dominant ethnic group (Dryden 1968:6) - were composed of traditional leaders (chiefs), and were vested with some executive, legislative and judicial powers under the 'Indirect Rule System' (Iliffe 1979; URT 1991). They were not empowered, however, to collect taxes for their own use. Instead they collected taxes as agents of the central government (Bukurura 1991:76). This was in accordance with

³ The former British colony of Tanganyika got its independence in December 1961. The United Republic of Tanzania was established in 1964. It comprised mainland Tanganyika and the former British island protectorate of Zanzibar.

the British policy, which required the colonies and protectorate administration to be self-financing (Katalikawe 1988:179).

Thirdly, after independence a main challenge for the new central government was to secure internal cohesion in the country: nation building. The dominant party, the *Tanganyika African National Union* (TANU), became the main agent of the nation building process.⁴ During the independence struggle TANU had gained legitimacy, while traditional leaders (chiefs) had become identified in the public mind with the colonial oppression in taxation and enforcement of 'modern' agricultural practices. Hence, in 1962, the Native Authorities with their traditional rulers were abolished (Dryden 1968:117). The position of individual national leaders in the party and government at the central and regional levels were shaped by their education, administrative competence and, particularly, loyalty to the centre (Kelsall 2000). In addition to their official salaries, senior politicians and civil servants either ran or sat on the boards of parastatal enterprises and cooperatives, thereby securing substantial extra income for themselves.⁵ In this way, members of the most educated stratum of Tanzanian society invested their loyalties in - and were rewarded by - the centre. They saw their role as mobilising the backward rural areas in the interests of national development. They had no interest in mobilising rural demands or in leading rural areas in opposition to the centre.

However, even in the early years after independence there were manifestations of a growing divide between the TANU leaders and the bureaucracy on the one hand, and the social base of the nationalist movement, poor peasants and workers, on the other (Havnevik 1993:40-1). Although it had the ability to avert peasant unrest, the Tanzanian state lacked the bureaucratic capacity to exert full disciplinary surveillance over peasants. Hence, peasants were able to evade the state, using their 'exit' rather than their 'voice' option (Hyden 1980). They could shift into new locations and economic activities and hide from the tax collectors.

Since the 1980s, the Tanzanian state has been under increasing political and financial stress. The search for new sources of government income is manifested in struggles for control of donor aid funds and of non-state institutions, including church societies, NGOs, and cooperatives, many of which receive donor funding. Control over these resources tends to be

⁴ In 1977, TANU was incorporated into the new 'revolutionary party' *Chama cha Mapinduzi* (CCM).

⁵ The number of state-owned companies (parastatals) increased from 64 in 1967 to 149 in 1977, and then to 380 in 1981 (Havnevik 1993:50)..

dominated by local elites with links to nationally influential kin and in some cases foreign donors (Kelsall 2000:550). Moreover, the introduction of multi-party political competition in 1992 has added an incentive for local politicians to build strong bases of popular support.⁶

Poll taxes over time in Tanzania

The colonial history of Tanzania dates back to 1885 when Chancellor Otto von Bismarck decided to create a German colony in East Africa.⁷ In the late 1890s, the German colonial administration imposed an annual head tax of three rupees on all adult males (Spear 1997:84). This was equivalent to more than a month's wages, and was designed to force Africans out of the domestic economy to work for wages for the government and private German and South African settlers. The British took over Tanganyika after World War I and continued German colonial policies regarding labour and taxes (ibid. 112). The *Hut and Poll Tax Ordinance* was issued in 1923. Officially, taxes were justified in terms of the need to recover the costs of the colonial public administration (Havnevik 1993:211). But the poll tax was also used quite actively to create regions of 'labour reserves' (ibid), and 'to flush out' labour when most needed by employers (Shivji 1979:4).

In the 1920s, the hut and poll tax rates were equivalent to one or two months' wages at prevailing wage rates (Spear 1997:113). In 1945, the tax levy in Rufiji District represented 25% of the gross income per taxpayer (Havnevik 1993:212). Tax defaulters were required to labour on public works, including grass clearing along roads and serving as porters for safaris. As late as 1950, compulsory labour amounted to an average of 10 days per person per year in some regions (Spear 1997:113).

Until the early 1950s, most of the hut and poll tax revenues went into the central treasury to pay for the colonial administration (Due 1963). In 1948, for instance, they contributed almost 15% of total domestic revenues, while income taxes contributed less than 10% (IBRD 1961:49, Table 7). Ten years later the poll tax, then labelled the 'personal tax', contributed

⁶ The first multi-party local government election was held in 1994, followed by the parliamentary election in 1995.

⁷ From 1885 to 1890 the *German East Africa Company* was responsible for administering the territory then known as German East Africa (Iliffe 1979:88). From 1891 this responsibility was taken over by the German state. However, it took more than a decade until German rule was consolidated. It was ended abruptly by the First World War. In 1920, mainland Tanganyika became a part of the British Empire (ibid. 247). In 1922, Britain was given full powers of legislation and administration in the territory.

less than 7% of total central government domestic revenues, while income taxes had become one of the major revenue sources and contributed about 18% of central government revenues. In this period, very few Africans paid income tax (ibid. 327). At the same time, the poll tax became an increasingly important revenue source for local authorities. In 1961-62, the personal (poll) tax yielded 83% of local tax revenues (Due 1963:64).

Initially the poll tax was imposed at a uniform rate. However, the obvious deficiencies in terms of both revenue yield and equity concerns led to a steady introduction of graduation from 1953. Although the central government encouraged the use of graduated rates, the flat-rate system remained almost universal in district councils until the 1960s. The rate could, however, vary substantially across councils (ibid. 65).

In 1969, the government abolished the poll tax. This was partly in response to public opposition to the harsh methods of tax collection used by local authorities. In particular, there was public outrage at the death of 13 people in Ilemera (Mwanza Region) who suffocated in a prison cell overcrowded with arrested poll tax defaulters (Bukurura 1991:79). Moreover, the association with colonial practices of coercive enforcement methods was put forward as an argument in favour of abolishing the local poll tax (Kulaba 1989:219). But there was also a more political motive. By the late 1960s, the central government, led by President Julius Nyerere, was concerned that, at the local level, TANU and the co-operatives had become vehicles not for achieving socialism, but for pursuing personal gain. Rural elites were overtly stigmatised as 'kulaks', 'ticks' and 'bloodsuckers' (Kelsall 2000:548). The abolition of the poll tax not only removed an important revenue source for local officials, but also laid the foundation for the disbanding of rural local authorities in 1972 and of urban councils one year later.⁸ Hyden (1980) saw this as an attempt by the centre to bypass rural elites, and to 'get at' the peasantry directly. It left the central government with control over development activities down to the grassroots levels.

The local government system was reintroduced in 1982 and the poll tax two years later. The new poll tax was renamed the 'development levy' to make it more acceptable to the general public. The proposal caused uproar in the Parliament (Bukurura 1991:80). The act was

⁸ Rural development featured particularly high on the government's agenda in the period 1972-80. *Ujamaa*, or villagisation, was a key component for the 'modernisation' of the rural areas (Havnevik 1993).

passed by a narrow margin of only two votes (*Africa Research Bulletin*, 15 July – 14 August 1982, 6525).

The poll tax ('development levy') again became the most important source of revenue for local authorities. In 1984/85 it generated over 60% of the total local revenues in rural councils and about 50% in urban councils (URT 1991). However, twelve years later, in 1997, revenues from the poll tax had declined to about 30% of total local revenues in a sample of 42 rural councils, and 19% on average in 10 urban councils (Price Waterhouse 1998). Thereafter, until 2003, the contribution of the development levy to rural councils' revenue remained fairly constant. There has been a substantial decline in its importance in urban councils since they can tap alternative revenue sources.

The fall in revenues from the poll tax between the 1980s and the 1990s can to a large part be attributed to the controversial and fiercely debated 1991 parliamentary decision to exempt women from paying (Tripp 1997:157). Supporters of levying the poll tax on women argued that they were equal to men according to the law, and thus had the same rights and obligations as men. Opponents argued that women in rural areas should be exempted because they were economically dependent on men. The debate revealed a conflict between women in different income groups: female members of Parliament, representing wealthier groups, firmly opposed exempting women.

In June 2003, the government abolished the poll tax without prior consultation with Parliament, local authorities or the ministry responsible for local authorities. The decision took many by surprise, since the tax was the major local revenue source for the majority of rural councils. The government, aware that competitive elections were due in 2005, was able to deprive the political opposition of an issue on which it was likely gain support.

Uganda

Fragility is one of the distinguishing features of the Ugandan state. This has been the situation since long before independence in 1962. Thus, it took the British colonial rulers over 30 years just to define the boundaries of the Uganda protectorate. For example, Karamoja in the northeast of Uganda had no civil administration until the early 1920s. Rudolph province, also in the north, was transferred to Kenya in 1926 when the colonial regime finally realised that

its administration within Uganda was impossible. And during World War II, Uganda's boundaries were called into question again by proposals that it be merged into a larger entity centred on Kenya.

Uganda remains fragile. After the upheavals of the Obote and Amin periods (1972-1986), the rule of Yoweri Museveni and the National Resistance Movement (NRM) began in 1986. This was the first time in Africa that a group had formed its own army in the bush and seized power. "It was a literal instance of the hinterland striking back", as Herbst (2000:254) puts it. But the new regime has not managed to control the north of the country. Bloody conflicts with insurgents continue and more than one million people are displaced at present (International Crisis Group 2004).

The relations of the traditionally separate Buganda Kingdom to the holders of state power have also remained a continuous source of tension and conflict (Englebrecht 2002). During the colonial period Buganda enjoyed preferential treatment, which it since has tried to maintain. When relatively neglected areas sought redress for colonial marginalisation after independence, Buganda was central to their claims. Its demand for autonomy was increasingly echoed by the smaller kingdoms in the west and by the large Busoga district in the east (Davey 1974:21). During the upheavals of the Obote and Amin regimes, the Kingdom's political privileges were reduced. The devolution of power implemented by the NRM regime has been a strategy for consolidating central power over key national issues while at the same time allowing district authorities relative autonomy. It has also enabled the regime to manipulate and fragment ethnic claims, and to head off until 2005 demands for a multi-party electoral system. Uganda's devolution is therefore both intended to accommodate ethnic nationalisms (Therkildsen 2002) and to undermine and fragment them (Crook 2002).

This is the larger context in which the politics of poll tax in Uganda must be understood. It is one in which neither the colonial power nor post-independence regimes have been hegemonic. Coercion may be applied in tax collection, especially against the poorer poll tax payers, but there is limited political and administrative capacity to sustain its consistent use for long periods or across the whole country. And the poll tax, although a 'local' tax, has always been intensely intertwined with national political issues, as the following discussion will show.

Poll taxes over time in Uganda

Financial self-sufficiency of the colony was the prime objective of poll taxes until the Second World War. As in Tanzania, taxation was also seen as a way to get rural Africans to enter the monetary economy - at first by compelling them to grow cotton. Taxation started with the hut tax in 1900 followed by the poll tax in 1905. At first, revenues went to the colonial government in Kampala. Non-Africans were not taxed until 1919 when a poll tax for them was introduced. A graduated poll tax for non-Africans was introduced in 1940 followed by income tax in 1945. Native local authorities won their first taxing powers in 1925, when they were allowed to commute compulsory work obligations (known as '*luwalo*') into cash payments. But proper local government taxation first appeared when the poll tax, renamed the Graduated Personal Tax (GPT), was introduced across all districts between 1954 and 1960 (Davey 1974: 35-38).

Until the beginning of World War II, the government of the Ugandan Protectorate was 'apprehensive and hesitant' to levy income tax on non-natives. It was still more 'reluctant – alarmed, even' to contemplate an increase in the already heavy poll tax paid by Africans. The Governor argued that their spending power was needed to enhance cash crop production (Thompson 2003:125). War time London overruled these local concerns in 1940 and 1941 with instructions to increase direct taxation for all taxpayers (ibid. 117-121). At the same time, local expenditures were not to be increased. The aim was additional tax revenues to fight the Empire's war elsewhere – an interesting colonial twist on the relationship between tax and warfare that existed in Europe according to Tilly (1990). During World War II, about 77,000 Ugandan men enlisted in the British armed forces. Many of them became politically active when they returned. The political consequences were significant: "Before 1939, the colonial state was favoured by the modesty of its goals and by the relatively co-operative African societies. The war changed all this" (Thompson 2003:5). Relations with the colonial regime became more tense and conflictual thereafter and until independence in Independence in 1962.

In the post-Independence years, the ostensible purpose of poll tax has always been to fund 'development.' Some revenues were actually used for that purpose in the 1960s (Ghai 1966). After Idi Amin took power in 1972, poll taxes soon collapsed, although local mobilisation of resources for public services did not. Indeed, the rate of construction of primary school

classrooms by grass roots organisations was at its peak during the Amin period, when state-provided services collapsed in most rural areas (Nabuguzi 1995). During the first years of the NRM rule in the late 1980s, local governments were largely dependent on their own revenues to run their affairs. By 2003, poll taxes only made up some 40-50% of locally collected revenues, against 91% in 1961. They were mostly used to cover administrative expenses (Bahigwa *et al* 2004). Such expenditures may be necessary, but they imply that, in the popular perception, poll tax payment is no longer directly linked to development activities. This fits well with the facts. Poll tax revenues have been too small to cover the investment and recurrent costs of the expansion of service provision that took place in the 1990s. These expenditures were funded by central government and aid donors.

It is also instructive to look at the broader trend in tax burdens for the 20th century as a whole. Over this period, the most significant change in Uganda's system of direct taxation was the abolition, after Independence, of discrimination based on race. This discrimination had not only meant that colonial Africans were subjected to different types and rates of taxes than non-Africans, notably their liability for the poll tax. Tax burdens were also different (Jamal 1978:428). African cash incomes were taxed at 23% in 1927 and an astonishing 55% in 1947.⁹ Non-Africans were taxed much more lightly relative to their cash income. One discriminatory colonial legacy has, however, remained: while it is a civil offence to default on income tax, defaulting on poll taxes continues to be a criminal offence.¹⁰ Colonial discrimination by race has in effect been replaced by discrimination by class (Therkildsen 2004).

After Independence, the importance of poll tax for revenue generation has declined substantially.¹¹ Income tax collections amounted to around 3.2% of GDP at independence, while the poll tax yield stood at 2.5%. Forty years later these percentages were 1.2 and 0.8, respectively.¹² However, compared to personal income tax, poll tax remains a mass tax. In 1961, fewer than 10,000 people paid income tax against some 1.4 million poll taxpayers out of a total population of around seven million. In the mid-1990s, the number of income tax

⁹ These figures cover all taxes including the effects of marketing board deductions, export taxes, etc. A cotton-producer in Buganda, for example, with an annual income of Shs 60 had to pay Shs 15 in poll tax, Shs 10 in native government tax and a Shs 10 tribute to the landlord (Thompson 2003:127).

¹⁰ The same is the case for Tanzania.

¹¹ The figures in the next two sections are from Therkildsen (2004a).

¹² GDP per capita in 1961 and 2000 are approximately at the same level (Bigsten & Kayizza-Mugerwa 1999).

payers had risen to some 185,000 individuals and firms. The number of poll tax payers had fallen to around 1.2 million in a total population of around 19 million. By the time it was abolished in 2005, around 10% of the total population paid poll tax compared to only one percent paying income tax. Herein lies a major reason for the political importance of poll tax.

Numerous policy documents and consultants' reports on the local government tax system routinely single out the declining poll tax yield in the 1990s as a major problem (ODA 1996; LGFC 2002; Bahiigwa *et al* 2004). Uganda's decentralisation reform has amplified the problem as substantial transfers of functions and funds to local governments have taken place in the 1990s. As a result, local governments are now very dependent on central government grants and donor funds. These two sources of revenues accounted for between 50% (Kampala) to 85% (Gulu, northern region) of total local government revenues in the mid-1990s (Livingstone & Charlton 2001: Table 1). In 1999/2000, local poll tax made up less than 6% of the total local government revenue budget (Bahiigwa *et al* 2004). Thereafter, and until it was abolished by July 2005, revenues from the poll tax dropped even further.

The dynamics of coercive taxation in East Africa

In both Tanzania and Uganda, the poll tax is about a hundred years old. It tended to become more important as a revenue source during the first 60 to 70 years of its existence, and then declined in the post-independence period. While the historical trajectories of poll taxation in the two countries are similar, there have always been spatial variations within each country, at any moment in time, in the degree of taxpayer compliance. These have tended to increase after Independence.

Tanzania

The poll tax was highly detested by the African population during the colonial period. Defaulters were commonly caught in roadblocks. Here tax inspectors could stop people, demand tax receipts, and take them to the local tax office if they could not produce one (Due 1963:78). This was often a time-consuming and administratively costly exercise, as reflected in the Annual Report for Rufiji District of 1935 :

‘Tax has been mentioned in almost every paragraph of this report. It is a regrettable fact that the Native Administration is entirely dominated by this question. The time of Administrative officers which should be devoted to better causes, is largely

monopolised by the necessity of re-enforcing the effort of the native collectors’ (Havnevik 1993: 211).

Defaulters were forced to supply labour on public works, and could also be jailed, although imprisonment was uncommon in the 1950s and considered politically infeasible just after independence (Due 1963). However, jailing became widespread during the 1960s, as reflected in the case from Mwanza mentioned above. This contributed to the subsequent abolition of the poll tax in 1969. However, after its reintroduction in 1984, brutal methods of enforcement, including the imprisonment of defaulters, were legal and used in many councils.¹³ Poll tax resistance became widespread across the country. Taxpayers saw few tangible benefits in return for the taxes they paid. Councils sponsored virtually no development investments, and because they lacked operating funds, local authorities could not even maintain the existing public goods (Semboja & Therkildsen 1992). The deterioration and, in some cases, the almost non-existence of government services promoted tax resistance (Bukurura 1991; Tripp 1997).

Many local governments relied heavily on simple physical coercion to collect the poll tax, including roadblocks manned by the local militia or police and village-by-village invasions by collectors (Fjeldstad & Semboja 2001). The use of coercion was so pronounced and detested that people went to extremes to evade the tax, often hiding in the bush when collectors approached. Resistance sometimes took more violent forms. Fjeldstad (2001), for instance, reports that in the Kilosa District Council area, collectors avoided some villages due to the high personal risks involved. Certain villages were visited only when the local militia accompanied collectors to protect them. Cases of tax revolts were also reported from councils in other regions. *Daily News* (28 November, 1997:5) reports that ‘[o]ver twenty Moshi Municipal Council workers who were on a special operation to net development levy defaulters were attacked by a mob at Mbuyuni Market on Wednesday afternoon and eight of them were injured, some seriously, ...’ The revolt in Arumeru District in North-East Tanzania in 1998 involved the refusal of almost the entire district population to pay the poll tax, the beating up of council collectors, the burning of the council chairman’s house, and his subsequent resignation (Kelsall 2000).

¹³ The Local Government Finances Act 1982 (URT 1982: 21/1) states that “Any person who neglects, fails or refuses to pay any rate payable by him to a local government authority under this act, commits an offence and is liable on conviction to a fine not exceeding fifty thousand shillings or to imprisonment for a term not exceeding three months unless he proves that the apparent neglect, failure was due to provable circumstances beyond his control.”

Taxpayers and councillors complained bitterly about harassment and abusive collection. In the Budget Speech for 2002/2003, the central government issued a directive on tax enforcement, instructing local authorities not to use roadblocks or the local militia as instruments for tax collection. This led to an immediate drop in revenues in some councils (URT 2003). However, others disregarded the directive. Without the use of force, they argued, it would be very difficult to make people pay. This is part of the reason for large differences in poll tax collections among district councils. In 2002, for example, the poll tax ('development levy') represented more than 56% of Iringa District Council's own revenues, compared to 11% in Moshi District Council and only 4.5% in Bagamoyo (Fjeldstad *et al* 2004). Such differences between councils had, however, been quite common in the past. For instance, in 1995 the development levy varied from 3% of total own revenues in Kilwa District Council to 64% in Singida (Fjeldstad & Semboja 2000). Different economic structures, revenue bases, population densities, incomes per capita, and the level and quality of public services may explain some of these differences. But, substantial variations in revenue performance were also observed between councils that apparently had fairly similar socio-economic characteristics. The Uganda story is similar.

Uganda

Riots in protest against poll taxes have a long history in Uganda. Between the late 1910s and the late 1980s, every tax rebellion was caused by dissatisfaction with the power of the chief - especially his lack of accountability in poll tax matters. This sparked riots in, for example, Bukedi district in 1960 just before independence (Uganda Protectorate 1960), and in Busoga district in 1983. Indeed, the transfer of power from chiefs to politicians in the district administrations, which began in 1955 and gave councils the power to tax (Constitutional Review Commission 2003:106), resulted in instability in some district administrations, especially in eastern Uganda.¹⁴

Discriminatory over- and under-assessments of the graduated poll tax (GPT) were both common (Davey 1974:36; GoU 1987:13 and chapter 7). This was a source of much discontent. Mamdani (1991:354) argued that a growing peasant rebellion in central Uganda

¹⁴ This is so although Hicks (1961:211) at the time regarded the poll tax as a 'distinctly gratifying' stimulus to local government institutions.

against the second Obote regime was fuelled by a dramatic increase in GPT collection in 1984. It helped to bring the NRM to power in 1986. Riots against local government taxes also took place in Iganga district in 1994 – again in protest against unfair assessment (GoU 1994). There has been no GPT assessment in this district since then (Kjær 2004:28).

Inter-district tax compliance differences were substantial, too. Before independence, in 1958, for example, the percentage of adult males (16 years old or above) that paid poll tax (GPT) ranged from 85% in Ankole in the west to 58% in Acholi district (in the north). A decade later payment had declined everywhere, but most dramatically in the eastern part (Bugisu and Busoga districts). These areas were the most closely administered prior to independence, with the colonial government rigorously supervising chiefs and councils so as to reach production and development goals. Clearly, tax payment here depended on colonial effort and coercion. When this stopped, payments dropped significantly. The colonial administration was much less direct and obtrusive in the western districts where deference to chiefly authority may have sustained tax administration after independence. Here poll tax payment declined much less. In the northern districts, where the colonial power never put much effort into tax enforcement anyway, there were also limited declines after independence (Davey 1974:141-2).

Thirty-five years later, in 1993, geographical differences in poll tax payment were even more pronounced. Livingstone & Charlton (1998: Table 6) found that the ratio of taxpayers to the rural male population (aged 20-59) ranged from 96% in Mpigi district (central region) to 4% in Kitgum (northern region). The eastern and northern regions are below average on this indicator – as they were just before independence. But even in the central region, with the highest proportions of taxpayers, there are exceptions. In Rakai district, for example, the ratio was just 29% against a regional average on 76%.

People were well aware of such differences. In a major country-wide survey of 36 communities conducted by the Ministry of Finance in 1998, one of the major conclusions on GPT was that tax collection was seen as fairer in the 1960s than the time of survey. Today, the report states, “the poor are burdened while the rich are left virtually untouched”. Moreover, many people complain about “coercion, threats, and confiscation by collectors”. Bribes then have to be paid to recover confiscated items (UPPA 2000:111-2). A similar survey in 2002 found that “[b]rural graduated tax collection methods are noted with

resentment ... [by many], and reported to be a reason for unwillingness to pay” (UPPA 2002:xvi). In fact, the resistance against paying GPT has been substantial. For example, most casual workers in Mwera did “not venture beyond the surrounding parishes” for fear of being arrested for defaulting on graduated tax payments (ibid. 75). It is remarkable that GPT is identified as a much more serious and widespread concern in the 2002 survey than in the earlier one. It illustrates that the poll tax was becoming an increasingly political liability.

Explaining the patterns observed

It is largely political factors, which have driven the rise and fall of poll taxation in Tanzania and Uganda. They have also been an important cause for the wide inter-district variations in compliance – especially after independence. These two trends are, however, intertwined as shown in the following.

The rise and fall of poll taxes

A main argument in the literature on state formation in Europe is that taxation contributed to political development and democratisation by catalysing ‘revenue bargaining’, i.e. a process in which the state exchanged influence over public policy with tax revenues from citizens (Tilly 1990; Moore 1998; and chapters by Gerald Easter and Mick Moore in this volume). The history of poll taxation in Tanzania and Uganda suggests a different interpretation. The case studies show that the emergence of competitive national and presidential elections since the mid-1990s have gradually given citizens (voters) the means to mobilise politically against coercive poll taxes, which were opposed ever since they were introduced by the colonial rulers. Democratisation drives poll tax reform – not the other way round. To explain this reversal of causality requires more detailed explanations of the rise and the fall of poll taxes in the two countries.

Poll taxes were resented right from their introduction more than a hundred years ago. Nevertheless, the colonial regimes succeeded in raising substantial funds from this source - especially in the decades preceding independence - due to three factors. First, a substantial degree of coercion was used to force people to pay. It was certainly not service provisions that explain compliance at that time because the colonial regimes did little in this regard. Second, and equally important, colonial rulers applied coercion fairly consistent. Compliance rates across districts were therefore more uniform (and relatively high) prior to independence than after. This may have encouraged compliance, since people are more likely to be willing to pay

taxes when they think others also are paying.¹⁵ Third, there were no institutions of meaningful political representation in place during colonial rule, nor were there any strong organisations around which people could be mobilised to resist colonial taxation.¹⁶ Tax riots occurred, but they did not have wider political implications for the colonial regime.

All three factors changed gradually in the post-independence era. Although the use of coercion in poll tax collection was continued by the new governments, it was not applied as vigorously and consistently as earlier. The much wider differences in compliance rates across districts in the 1990s indicate this, as does the generally falling total revenue collection from poll taxes after independence. Both trends discourage quasi-voluntary compliance without which tax collection becomes both economically and politically costly (Levi 1988).

This brings us to the issue of political mobilisation. The opportunities for political mobilisation did not improve substantially in the post-independence era because the organisations and movements around which this could occur remained embryonic and weak. Both Tanzania and Uganda were ruled by regimes in which political loyalty and accountability were to the political elites at the centre – not to people or institutions in the districts. Moreover, political representation and mobilisation had no practical meaning in Uganda during the upheavals of the Amin and Obote II periods from 1972 to 1986.

Increasing political competition, which began in the 1990s, is now changing this situation in both countries. Gradually, elections are being used to air dissatisfaction with existing politics, and politicians listen – often seeking to take pre-emptive action so as to prevent defeat at the ballot box during local and central government elections. Thus, the introduction of multi-partyism in Tanzania in 1992 has led to more political competition and stronger incentives for local politicians to build strong bases of popular support. Earlier, under the one-party state, a substantial minority of members of parliament (MPs) gained access to Parliament either on tickets of the mass organisations of the party, i.e. Cooperatives, Youth, Women, or as appointees of the President (Kelsall 2000:550). Hence, it was not uncommon that high-ranking politicians lost local constituency elections, but retained their cabinet positions through Presidential appointment. Seats for Presidential appointees and Youth have been

¹⁵ As argued by Levi (1999), taxpayers are ‘contingent consenters’.

¹⁶ This is certainly true for Tanzania. The Buganda Kingdom did constitute a strong organisational force in Uganda during colonial rule (and after), but its focus was on autonomy rather than taxation. Other Ugandan kingdoms had similar priorities as shown above

abolished, while there are still reserved seats for women (ibid). Consequently, aspiring national leaders now need a local political base. National and local issues are also more closely linked and local concerns more salient for national policy. Therefore, nationally-oriented leaders see political advantage in allowing the structures of repression at the local level to loosen up, at least temporarily. Given this, it is likely that the motivation behind the government's move to abolish the poll tax in 2003 was partly to increase its popularity at the grassroots levels ahead of the 2005 elections and partly to neutralise the opposition.

Much the same story can be told about Uganda. Following Obote's rule, Amin's *coup d'etat* in 1972 and the subsequent fourteen years of unrest in which local taxation basically collapsed, the National Resistance Movement (NRM) reintroduced the poll tax (GPT) in the late 1980s. Concerns about GPT soon began to have national political repercussions. This started prior to 1996 when the first competitive presidential election since the military take-over in 1986 was conducted. Local taxation has been an election issue ever since (Therkildsen 2004). During the 2001 presidential elections, for example, President Museveni's opponent, Kizza Besigye, campaigned for the abolition of the poll tax (GPT). Museveni was against this but later promised to lower the minimum rate from US\$10,000 to US\$3,000.¹⁷ This promise, combined with the clear message from national politicians to local authorities that efforts to collect poll tax should be eased, led to a dramatic drop in revenues. The GPT became in practice a flat rate tax. Nevertheless, in 2003, when the Constitutional Review Commission toured Uganda it found that "almost in every part of the country ... there was a great outcry about the burden of graduated tax" (CRC 2003:125). In July 2005 a large majority of Ugandans voted for the return to multiparty democracy in a national referendum. This result was foreseen. In his budget speech in June 2005, the Minister of Finance simply announced – against the advice of the local government association and the government's own finance commission - that the GPT would be abolished by 1 July 2005 (GoU 2005:47). The NRM was clearly preparing for the 2006 presidential, national and local elections and trying to prevent the poll tax from becoming an election issue, as it had been in 2001.

In both Tanzania and Uganda, it can be concluded, increasing political competition has raised the political cost of the coercive poll tax system. Likewise, in both countries, the ruling elites

¹⁷ Museveni argued that the government is like building a house where everyone contributes a brick or labour. Abolishing GPT would therefore promote laziness of some people (Makara 2003:282).

recently decided that this cost did not match the limited revenue benefits of poll taxes under the new rules of the political game.

The dynamics of coercive taxation: inter-district compliance differences

In districts where incomes are low, we might expect that a lower proportion of the eligible taxpayers would pay the poll tax. But, there is no such clear pattern.

We may also expect that willingness to pay the poll tax is influenced by a government's legitimacy among various groups. Inter-district poll tax compliance rates could therefore reflect ethnically inspired views about the legitimacy of the ruling elites based on their ethnic composition (Barkan & Chege 1989; Lieberman 2002). In Tanzania, there is some regionally based opposition to the ruling party, especially in Zanzibar and the Kilimanjaro Region. In Uganda there is substantial regional variation in the support and opposition to the NRM rule. The principal line of political cleavage divides the western region, from where the NRM had originally ascended to power, and the northern region, formerly a stronghold of Obote and his party (Bratton & Lambrecht 2001:442). The association between such cleavages and tax compliance is, however, not strong

More subtle explanations of inter-district differences in tax compliance must be sought in locally-specific circumstances. A main reason is that state elites in both Tanzania and Uganda have simply abandoned local government taxation to local politicians and administrators for a good part of the post-independence period. Whereas central government taxes and tax collection have undergone significant reform in the 1990s in both countries - with strong involvement by the World Bank, the International Monetary Fund and some bilateral donors - it is only during recent years that a local government poll tax reform has come on the political agenda.

This 'abandonment' by the centre together with the decentralisation reforms since the mid-1980s mean that local authorities have had considerable authority to design their own systems of collecting poll taxes, and to decide on the extent to which they will employ coercion. This seems to explain much of the inter-district compliance variance. In Tanzania, the tax by-law system, limited central government capacity, and poor coordination between the central and local governments gave local authorities wide discretion to introduce new local taxes, to set

tax rates, and to implement collection, subject to ministerial approval. Thus, the poll tax rates varied substantially between councils. In Uganda, there has been more formal central control of poll tax collection principles (centrally issued directives on rates, income categories and so on), but the local authorities have been given substantial room for manoeuvre in implementing them. Both cases illustrate an important point about taxation: 'tax administration *is* tax policy' (Casanegra de Jantscher 1990:179).

Specifically, the effectiveness of poll taxes depended to a large degree on the extent of coercion used to collect dues. In some areas, collection was facilitated through extortive and abusive approaches that were mainly advocated and implemented by council administrators, with minimum support from local politicians.¹⁸ In other areas, this pressure was lower. Thus, in the absence of democratic forms of accountability, tax collection in some local authorities turned into a license for collectors on-the-ground to more or less freely augment the local treasury and supplement their own salaries through extortion from local residents.¹⁹ In accordance with Mamdani's (1996:59) notion of 'decentralised despotism', financial autonomy provided the framework in which lower-level officials could resort to extra-legal enforcement and violence to extort money from the population.

Political pressure and conflict may also influence local tax compliance. Local tax collectors generally claim, with substantial justification, that elected councillors obstruct tax collection. The consequence is reduced tax effort. Elected local political leaders are dependent on a popular local base (Kelsall 2000:550). Accordingly, councillors are in general reluctant to raise local taxes and charges, not only due to concerns about their popularity, but also because they may be major local landowners or businesspeople who themselves do not wish to pay higher taxes.²⁰ In both countries, poll tax collections generally dropped significantly during election years in the last decade, although substantial differences between councils were observed in this respect reflecting differences in the bargaining powers of politicians vis-à-vis local

¹⁸ See Fjeldstad (2001) on Tanzania, and Kjær (2004) on Uganda.

¹⁹ Wunsch (1990:54) argues that in circumstances where national leaders were dogmatic on implementing comprehensive programmes, as Tanzanian leaders were on Ujamaa villagisation during the late 1970s, bureaucrats have been reduced to authoritarian instruments for enforcing compliance.

²⁰ Often richer districts have low compliance rates (Livingstone & Charlton 1998: Table 6). In Mbale district, Uganda, for example, coffee is the basis for wealth, but political conflicts are deep and evolve around land issues (Hickey 2003). Such conflicts, which can also be driven by other factors depending on the area in question, are a major cause of perennial administrative and political problems. They contribute to low levels of compliance.

administrators (Fjeldstad 2001). Moreover, local patronage undoubtedly played an important role in who paid and who did not (Francis & James 2003).

Finally, donors may exert strong influence on the behaviour, decisions and actions of local authority administrators and politicians. The presence of donors in a local authority may be crucial in changing the 'balance of power' in favour of the council administration (Fjeldstad 2001). Generally, donors cooperate with council administrators and staff to implement their activities, usually through the creation of parallel structures. This intervention often increases the influence and power of the bureaucracy, at the expense of the political system. Since donors increasingly use revenue generation as an indicator of the performance of the councils they are involved in, this may further empower the administrative cadre. One strategy donors have used in Tanzania to reduce the problems of free riding by local councils has been to adopt a matching scheme, supplying aid only on the basis of matching funds from the local government's own revenue mobilisation. According to Catterson & Lindahl (1998:20), this has 'created strong incentives for revenue collection'. Furthermore, donor support may cushion council administrators against possible taxpayers' opposition. However, substantial donor funds for a district may also have the opposite effect if it is not conditioned on local tax collection. It can undermine tax effort – and hence compliance – as the experiences from Rakai District in Uganda show. The district has received massive Danish funds for fifteen years and recorded in 2004 the lowest percentage of poll tax payers in the region.

Concluding remarks

Coercion often seems to be an important feature of taxation of peasant economies. As experiences from contemporary China also indicate (Bernstein & Lü, this volume), the financial burdens imposed on the rural population have become a major source of discontent in many poor, small-holder societies, and a source of political and social instability.

Underlying the issue of peasant tax burdens is the relations between state and society and hence the issue of democracy. The study of poll taxes in Tanzania and Uganda offers a glimpse of the direction in which the democratic reforms in these countries are evolving. Over the last hundred years, there have been remarkable shifts in the collection of poll taxes in both countries. Coercion has become less uniformly used, and is driven more by locally specific conditions and practices. Poll taxes were abolished in Tanzania in 2003 and in Uganda in 2005. This was a direct result of increased political competition in local, national and

presidential elections. People use their voting power to get rid of an oppressive and highly unpopular tax.

It may be argued, as Guyer (1992) does, that this illustrates an unwillingness of an electorate in a democratising African country to vote in favour of taxation. Its preference is for 'representation without taxation'. But this view does not take adequate account of the way that poll taxes are actually collected. Collection methods hit many poor people randomly, violently and destructively. The competitive political systems that are now emerging provide people with the means to push politicians to make poll tax changes directly (by lowering rates, or even by abolishing the tax) or indirectly (by encouraging less coercive collection methods). We have seen these processes at work in Uganda and Tanzania. As Adam Smith (1776) wrote long ago: "in countries where the ease of comfort and security of the inferior ranks of people are little attended to, capitation taxes are very common." Now the hinterland is striking back. This time it is against an oppressive, regressive and unfair tax.

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Acknowledgements

This chapter was prepared with financial support from Chr. Michelsen Institute (CMI), the Danish Institute for International Studies (DIIS), the Danish International Development Agency (DANIDA) and the Norwegian Agency for Development Cooperation (NORAD). Earlier versions of the chapter were presented at the Africa-Europe Group for Interdisciplinary Studies (AEGIS) conference, London (July 2005), the African Studies Association (ASA) Annual Meeting, Washington DC (Nov 2005), and at REPOA's Annual Workshop, Dar es Salaam (April 2005). We are grateful to the workshop participants and to Deborah Bräutigam, Mick Moore and Lars Svaasand for constructive comments on earlier drafts.