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Pre-colonial politics affects tax compliance in modern day Uganda

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Parts of Uganda that had centralised political systems before colonial rule are more likely to have higher rates of voluntary tax compliance. Merima Ali and Odd-Helge Fjeldstad look at why that might be the case.

Voluntary tax compliance is an important source for domestic revenue in Africa as the traditional methods to improve tax compliance, such as increased audits, are costly to implement. **The quality of institutions and social norms** help explain variations in citizen's compliance with paying their taxes. What is now becoming clear is a link between **stronger tax compliance and a pre-colonial centralised state.**

In pre-colonial times, Uganda had a variety of institutional structures and tax systems. In the South and West of the country the kingdoms of Buganda, Bunyoro, Toro, and Ankole had well-established centralised political systems (See Figure 1). These states had tax collection mechanisms that relied on detailed information about taxable resources at the village level. The tax collection was undertaken in a decentralised manner whereby the village chiefs implemented a local census to identify who owned what and this was then sent to the central government. Tax revenues were essential for funding the king's armies, supporting the royal court, and administering newly conquered areas. Additionally, residents were obligated to provide labour for public projects.

In contrast, the East and North of Uganda were fragmented political entities. These areas were organised into small, village-like polities led by village chiefs or councils of elders. Unlike the centralised systems, there was no political administrative unit above the local village who charged taxes.

The colonial period in Uganda was influenced by the legacy of these pre-colonial institutions, and this influence persisted after independence. The British implemented a policy of indirect rule in many of their African colonies, including Uganda. This approach involved maintaining existing local hierarchical structures and using them as intermediaries to administer and tax the local population. Pre-colonial institutions remained relevant in Uganda long after independence and were fundamental building blocks of ethnic belonging and cohesion.



Figure 1: Ethnic homelands with pre-colonial centralised and non-centralised states

- [The blue-coloured areas are ethnic homelands that either had large chiefdoms or were part of a large state. The white areas are ethnic homelands that lacked any political organisation beyond the local level.]

The state of play today

The areas of Uganda that had pre-colonial centralisation are strongly correlated with a higher willingness to pay taxes in today's Uganda. There are three mechanisms which account for this phenomenon.

The first mechanism is the difference in citizens' beliefs about the need to obey authority. In pre-colonial times, states in centralised polities had the means to enforce authority and uniformly apply policies to extract labour, enforce laws, and collect taxes across their territories. The legacy of such a system of governance may have led people in these regions to become more obedient to authority, which in turn may shape their compliance to paying taxes.

The second mechanism is the quality of institutions. Political structures in pre-colonial centralised societies helped promote the accountability of local leaders by distributing power, influence, and authority among numerous hierarchies of institutions. The legacy of indigenous bureaucratic capacity that promotes accountability can in turn affect trust in the contemporary fiscal contract between citizens and local government.

The third mechanism centres on social cohesion. Pre-colonial centralised states in Africa expanded their territories by conquering new areas. The expanding kingdoms in pre-colonial times needed to bring together individuals with different backgrounds and encourage their acknowledgment of authority and compliance. To do so they strengthened social cohesion among the different groups by using proto-nationalistic beliefs, religion, and political rituals. This helped build a cohesive polity, where people from various backgrounds felt a sense of belonging and shared identity. A strong social cohesion in pre-colonial centralised areas is likely to have contributed to a higher interpersonal trust, which may further explain the higher tax compliance norms in these areas.

The higher tax compliance norms in historically centralised parts of Uganda are due to the legacy of the state's capacity to uphold authority and the strong social cohesion through higher interpersonal trust. Better quality public institutions do not play a significant role in explaining the higher tax compliance norms in historically centralised areas. Even if public institutions are not trusted, the presence of strong interpersonal trust within the community can offset this and encourage tax compliance.

The interplay between historical governance structures, societal norms, and contemporary tax compliance behaviour is extremely complex. It is important, therefore, to understand the long-lasting effects of historical

legacies when designing effective tax policies and compliance strategies.

Though Uganda offers unique experiences, the empirical patterns may have broader implications for other countries in Africa with centralised pre-colonial systems.

*This blog is based on the article **Pre-colonial centralization and tax compliance norms in contemporary Uganda**. *Journal of Institutional Economics*. Vol. 19(3): 379-400.*

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