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Working Paper No. 143

TO PAY OR NOT TO PAY?

**CITIZENS' ATTITUDES TOWARDS
TAXATION IN KENYA, TANZANIA,
UGANDA AND SOUTH AFRICA**

*by Merima Ali, Odd-Helge Fjeldstad and
Ingrid Hoem Sjørnsen*

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Hoem Sjursen*

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Merima Ali is a Senior Researcher at Chr. Michelsen Institute, Norway.

Email: merima.ali@cmi.no

Odd-Helge Fjeldstad is Research Director of the International Centre for Tax and Development and Senior Researcher at CMI, Norway.

Email: odd.fjeldstad@cmi.no

Ingrid Hoem Sjursen is a Research Assistant at CMI and PhD-candidate at the Norwegian School of Economics and Business Administration.

Email: Ingrid.sjursen@cmi.no

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ABSTRACT

This paper examines factors that determine citizens' tax-compliance attitude in Kenya, Tanzania, Uganda and South Africa. Using the 2011/12 Afrobarometer survey data, we find that tax-compliance attitude is positively correlated with the provision of public services in the four countries. However, the correlation depends on the specific service in question and differs between countries. Tax knowledge and awareness are found to be positively correlated with tax-compliance attitude. On the other hand, frequent payment to non-state actors in exchange for security and individual's perception that their own ethnic group is treated unfairly by the government are negatively correlated with tax-compliance attitude.

INTRODUCTION¹

Raising more domestic revenue is a priority for most sub-Saharan African countries (Drummond et al., 2012). Mobilizing revenue is a way for governments to create fiscal space, provide essential public services, and reduce foreign aid and single resource dependence. However, the domestic tax bases in most African countries are undermined by widespread tax avoidance and evasion (IMF, 2011; ITD, 2010). In addition to limiting the amount of resources available for the government, tax evasion can also have harmful effects on economic efficiency (Chand and Moene, 1999; Tanzi, 2000a) and income distribution (Hindriks et al., 1999), implementation and outcomes of economic policies (Tanzi, 2000b) and government's legitimacy (Graetz et al., 1986). Although taxpayer non-compliance is a continual and growing global problem (McKerchar and Evans, 2009), studies suggest that developing countries, many of them in Sub-Saharan Africa, are the hardest hit (Cobham, 2005; Fuest and Riedel, 2009).

Dealing with the problem of tax evasion requires an understanding of the factors underlying taxpayers' decision about whether to pay or evade taxes. However, little is known about tax compliance behavior in developing countries (Andreoni et al., 1998; D'Arcy, 2011; Fjeldstad and Semboja, 2001). This study explores factors that determine citizens' tax compliance attitude in four African countries: South Africa, Kenya, Tanzania and Uganda. The latter three are members of the East African Community (EAC), and South Africa is chosen because it provides a comparison with a higher GDP and a more developed tax system context. To conduct the analysis, we use attitude and perception data from a new round of Afrobarometer surveys (Round 5; 2011/12). The most recent survey contains a new series of questions about taxation that have not been included in the previous rounds of surveys. This allows for a more comprehensive empirical analysis of tax compliance in the selected African countries.

The EAC countries have been implementing various tax reforms since the 1990s aimed at broadening tax bases, enhancing compliance and improving other aspects of tax revenue administration, and rationalizing taxes to improve the investment climate. However, domestic resource mobilization via taxation is still low. For instance, between 2006 and 2008, tax-to-GDP ratios in the region ranged from 12.3% to 22.1% compared to 25.4% for South Africa and an average of 35.6% for the Organization for Economic Cooperation and Development (OECD) countries (AfDB, 2011: 318). Various studies identify low compliance levels, tax evasion and difficulties with tax administration as major challenges impeding domestic revenue mobilization in the EAC (AfDB, 2011). In contrast, tax compliance in South Africa is considered relatively high with strong enforcement, risk profiling, taxpayer education, and services.

Studying determinants of tax compliance attitude in Africa is not only of academic interest. It is also important for policy makers. Attempts to broaden the tax base should build on insights into how citizens experience and perceive the tax administration and enforcement, and whether and how their tax behavior is correlated with their perceptions. More systematic and coherent information on taxpayer attitudes are therefore required for better analysis and more informed tax policy design.

A challenge for studies of taxpayer attitude is a lack of reliable data due to an individual's reluctance to reveal one's own non-compliance. In this paper, we use an indirect measure of individuals' tax compliance attitude to avoid direct implication of "wrongdoing" by the respondents. We use an indirectly phrased question, where respondents are asked to state whether they think that it is wrong for people not to pay taxes that they own on their income. Respondents are provided with rank responses of "not wrong at all", "wrong, but understandable" and "wrong and punishable". Based on these responses, individuals are considered as having a tax compliant attitude if their response is "wrong and punishable" and a non-compliant attitude if their response is either "not wrong at all" or "wrong, but understandable".

¹ This article was prepared with financial support from the International Centre for Tax and Development (www.ICTD.ac). Useful comments on earlier drafts were received from participants at the Centre for the Study of African Economies (CSAE) Conference 18 March 2013, Magnus Hatlebakk and an anonymous reviewer. Points of view and any remaining errors can be attributed to the authors.

Studies from social psychology show that attitude can exert a strong influence on behavior (see, for example, Ajzen and Fishbein, 1977; Cochran and Mays, 1993). By empirically establishing which factors are correlated with tax compliance attitude in the selected countries, this paper derives feasible recommendations for policy makers and revenue administrations on how to improve tax compliance behavior.

Using a binary logit regression model, we find some similarities, but also differences in factors that are correlated with tax compliance attitude in the four countries. In Kenya and South Africa, an increase in the respondent's perception of the difficulty of evading taxes is found to increase the likelihood of having a tax compliant attitude. We also find evidence that individuals who are more satisfied with public service provision are more likely to have a tax compliant attitude in all the four countries. Frequent payment to non-state actors, such as criminal gangs, in exchange for protection, on the other hand, reduces individual's likelihood of having a tax compliant attitude. Furthermore, respondents who perceive that their ethnic group is treated unfairly by the government are less likely to have a tax compliant attitude in Tanzania and South Africa. The extent to which respondents think it is difficult to know what taxes they are required to pay is also negatively correlated with tax compliant attitude in these two countries. The findings are robust when employing a different econometric specification, in which we include all three response categories in an ordered logit regression.

Our study contributes to two strands of literature. First, it adds to the empirical literature on the determinants of tax compliance attitude in Africa using a cross-country analysis (D'Arcy, 2011; Levi et al., 2009; Sacks, 2012). Compared to previous studies, the Afrobarometer surveys that we use contain more tax-specific data. Second, the study's measure of tax compliance attitude is new and aims to address shortcomings in the measure of compliance attitude used by earlier studies. The previous studies referred to above employ proxies for tax compliance attitude. These proxies were criticized because the proxies mixed attitude toward tax with attitude toward perception of tax enforcement. Furthermore, since the questions were directly phrased, their measure of tax compliance attitude could be biased upwards due to strategic responses (Torgler, 2004; Daude et al., 2012; Daude and Melguizo, 2010).

The remainder of the paper is structured as follows: Section 2 provides a brief presentation of theoretical perspectives on tax compliance. Section 3 presents the data and research design. Section 4 present the regression models and the results. Finally, section 5 summarizes and concludes.

UNDERSTANDING TAXPAYER ATTITUDES AND BEHAVIOR: THEORETICAL FOUNDATIONS

Models of taxpayer behavior, including the decision whether or not to pay taxes, tend to reflect one of five theories that can be referred to as: (1) economic deterrence; (2) fiscal exchange; (3) social influences; (4) comparative treatment; and (5) political legitimacy. These theories are to some extent interconnected, and some represent an evolution of the others. The latter three are particularly intertwined, and could all be seen as behavioral models of tax compliance.

Economic Deterrence

The economic deterrence theory states that taxpayer behavior is influenced by factors determining the benefits and cost of evasion, such as the tax rate, the probability of detection and penalties for fraud (Allingham and Sandmo, 1972). This implies that if detection is likely and penalties are severe, few people will evade taxes. In contrast, under low audit probabilities and low penalties, the expected return to evasion is high. The model then predicts substantial noncompliance. Although the model has been criticized for focusing exclusively on the coercive element at the expense of the consensual side of compliance (Sandmo, 2005), there is some evidence to support the relevance of deterrence strategies to addressing non-compliance (McKerchar and Evans, 2009). For example, the fear of being detected and punished has in some contexts been found to be an effective strategy to induce truthful behavior. The theoretical principles of economic deterrence have been widely adopted by tax administrations when developing enforcement strategies, which rely mainly on penalties and the fear

of getting caught. According to the economic deterrence theory, we expect that individuals who perceive tax evasions as difficult are more likely to be tax compliant.

Fiscal Exchange

The fiscal exchange theory suggests that the presence of government expenditures may motivate compliance and that governments can increase compliance by providing goods that citizens demand in a more efficient and accessible manner (Cowell and Gordon, 1988; Levi, 1988; Tilly, 1992; Moore, 2004; 1998). Alm et al. (1992) note that compliance increases with (perceptions of) the availability of public goods and services. Accordingly, the main concern of taxpayers is what they get directly in return for their tax payments in the form of public services (*quid pro quo*). In this perspective, taxation and the provision of public goods and services are interpreted as a contractual relationship between taxpayers and the government (Moore, 2004). Individuals may pay taxes because they value the goods provided by the government, and they recognize that their payments are necessary both to help finance the goods and services and to get others to contribute (Fjeldstad and Semboja, 2001). The existence of positive benefits may increase the probability that taxpayers will comply voluntarily without direct coercion (Bodea and LeBas, 2013). Although most taxpayers cannot assess the exact value of what they receive in return for taxes paid, it can be argued that they have general impressions and attitudes concerning their own and others' terms of trade with the government (Richupan, 1987). It is then reasonable to assume that a taxpayer's behavior is affected by his/her satisfaction or lack of satisfaction with his/her terms of trade with the government. Thus, if the system of taxes is perceived to be unjust, tax evasion may, at least partly, be considered as an attempt by the taxpayer to adjust his/her terms of trade with the government. The fiscal exchange theory has received much attention and is well established theoretically. However, empirical evidence to support the theory is ambiguous (D'Arcy, 2011: 5-6). Within the fiscal exchange framework, we expect the probability of an individual's tax compliant attitude to be positively correlated to satisfaction with the provision of public goods and services.

Non-state Actors as Service Providers

The fiscal exchange theory focuses on the relations between public provision of goods and services and taxpayer compliance. What happens when non-state actors mediate this relationship? The spectrum of such providers is broad. It can be donors and non-profit NGOs providing health services, private schools providing educational services or vigilante groups or criminal organizations offering security and protection services. Regardless of the type, the presence of such non-state service providers is likely to affect the way people perceive the fiscal exchange with the government. The role of non-state actors (e.g. donors and NGOs) in providing social services and how that in turn affects tax attitudes is explored in previous country specific and cross-country research (Fjeldstad, 2001; Sacks, 2012). Bodea and LeBas (2013) examine the effects of vigilante groups offering security services in urban Nigeria on tax compliance. However, the provision of services by vigilante groups and criminal organizations and its relation to tax compliance attitude has, to our knowledge, not been studied in a cross-country African context. Our primary hypothesis is that citizens' payment to non-state actors for protecting them, their business and property reduces their likelihood of having a tax compliant attitude.

Social Influences

According to the social influence theory, compliance behavior and attitudes towards the tax system is thought to be affected by the behavior and social norms of an individual's reference group. It is reasonable to assume that human behavior in the area of taxation is influenced by social interactions much in the same way as other forms of behavior (Snavelly, 1990). Tax behavior and attitudes may therefore be affected by the behavior of an individual's reference group such as relatives, neighbors and friends. Therefore, if a taxpayer knows many people in groups important to him/her who evade taxes, his/her commitment to comply will be weaker. On the other hand, social relationships may also help deter individuals from engaging in evasion for fear of the social sanctions imposed once discovered and revealed publicly. Theoretical research on herd behavior in economic situations (Banerjee, 1992; Sah, 1991) also indicates that social influences may affect compliance, in particular by affecting the perceived probability of detection. One of the most consistent findings about taxpayer

attitudes and behavior in Western countries is that those who report compliance believe that their peers and friends (and taxpayers in general) comply, whereas those who report cheating believe that others cheat (Andreoni et al., 1998). Evidence suggests that perceptions about the honesty of others may affect compliance behavior. In line with the social influence theory, we expect to find that individuals who perceive other people to be compliant are more likely to be tax compliant themselves.

Comparative Treatment

The comparative treatment model is based on equity theory and posits that addressing inequities in the exchange relationship between government and taxpayers would result in improved compliance (McKerchar and Evans, 2009). Citizens may not consider their relationship with the state in a vacuum where both parties are the only actors. Likewise, they may not think about their fellow citizens without considering their own relationship with the state. Citizens may also consider how the state treats them relative to their fellow citizens. This judgment is likely to affect not only their judgment of the state, but also how they view their fellow citizens (D'Arcy, 2011: 7). If the state treats certain groups preferentially, this may color the citizen's relationship with the state and the group receiving favors. A crucial variable is then not just what a person gets from the state, but how the state treats the person relative to those who are in the person's wider national community. Within the comparative treatment theory, we posit that individuals who perceive that they, and their group (could be defined by wealth, education, age, religion, ethnicity, etc.), are fairly treated by the government are more likely to be tax compliant.

Political Legitimacy

Finally, according to the political legitimacy theory, tax compliance is influenced by the extent to which citizens trust their government (Tayler, 2006; Kirchler et al., 2008; Fauvelle-Aymar, 1999). Legitimacy could be described as belief or trust in the authorities, institutions, and social arrangements to be appropriate, just and work for the common good. Political scientists have addressed how political legitimacy and civic identification are fostered. For instance, Persson (2008) argues that African countries that upon independence emphasized building national over ethnic identity have been more successful than those that allowed ethnicity to become the main animus of politics. Based on this argument, we expect to find a higher likelihood of being tax compliant among individuals who trust the government than among those who do not.

In the following empirical analysis we will examine the extent to which the different theories of taxpayer compliance contribute to explaining peoples' attitude towards taxation in the selected African countries.

DATA AND DESCRIPTIVE ANALYSIS

Data

The main source of data for the analysis is Round 5 of the Afrobarometer survey fielded in 2011/2012. Afrobarometer collects data on public attitudes on democracy, governance, markets, taxation and civil society in 35 African countries. The questionnaire includes a series of questions about tax, which are derived from the theories outlined in the previous section. Most of these questions are new and were not included in the previous rounds of Afrobarometer. Because the questionnaires are similar across countries, the data allows for cross country comparisons and the range of tax variables permits testing the relevance of the various theories about taxpayer compliance. Nationally representative samples of individuals who are more than 18 years old are selected both in rural and urban areas of the different countries. 2399 randomly selected individuals were interviewed from 8 and 9 districts in Kenya and South Africa, respectively. In Tanzania and Uganda, the sample size is 2400 in each country and the respective number of districts is 26 and 5.

Kenya, Tanzania and Uganda were chosen for this study because they are the original members of the East African Community (EAC). These three EAC countries have been implementing various tax reforms since the 1990s aimed at broadening tax bases, enhancing compliance and improving other aspects of tax revenue administration. However, domestic resource mobilization via taxation is still

low. Looking at similarities and disparities in attitudes towards taxation in these countries may provide useful information about where they can make collective efforts to improve tax compliance and where country specific policies are needed. South Africa provides an interesting comparison because it has a more developed and extensive tax system, as well as a significantly higher GDP per capita than the EAC member countries (see Table 1). There are also institutional and structural differences between the four countries (Table 1). Though South Africa is rated as the wealthiest and most democratic country, it is also the most unequal in terms of income. Kenya has the second highest GDP per capita, but scores second lowest in terms of democracy and inequality, while Tanzania is the second most democratic and has the lowest inequality. Uganda has the lowest GDP per capita, scores second best on inequality and second lowest on the democracy index.

Table 1: Macroeconomic Indicators

Indicator ²	South Africa	Kenya	Tanzania	Uganda	SSA
Population (million)	51	42	46	35	876
GDP per capita (current USD)	8070	808	532	487	1 469
Tax revenue of GDP (%) ³	27.3	20.1	15.2	12.9 ⁴	17.6 ⁵
Urban population (% of total)	62	24	27	16	37
GINI index	0.63	0.48	0.38	0.44	...
Democracy index ⁶ , 2011	7.8	4.7	5.6	5.1	4.3

With tax revenues accounting for 27.3% of GDP in 2011, South Africa has the highest tax to GDP ratio of the four countries (AEO, 2013). Since the abolishment of apartheid in 1994, the country has gone through major tax reforms (OECD-DAC, 2012). Although tax avoidance and evasion are still considered to be major challenges, the implementation of popular taxpayer outreach and education programs by the South African Revenue Service (SARS), combined with new enforcement techniques, have led to improvements in public attitudes regarding the importance of paying taxes (OECD-DAC, 2012: 31; SARS, 2011).

In Kenya, tax revenue as a percent of GDP was 20.1% in 2011 (AEO, 2013). Although this is relatively higher compared to many other low income African countries (World Bank, 2012), the tax burden is unevenly distributed among Kenyan citizens, leaving a large fraction of the economy untaxed (Waris et al., 2009).

Large efforts to improve taxpayer compliance have been made by Tanzania Revenue Authority in recent years. Despite this effort, the tax to GDP-ratio has only reached 15.2% in 2011. Tax evasion and generous tax incentives are major challenges (AfDB, 2011). Consequently, the country remains heavily dependent on aid which, according to the African Development Bank, accounts for about 34% of the government's budget (AfDB, 2010a) .

With a tax share of 12.9% of GDP in 2010, Uganda has the lowest tax to GDP-ratio of the East African countries (AEO, 2013). While the tax share has almost doubled from 1991/92 when the ratio was only 6.7%, the growth in tax revenue collection has been slow in the last decade (AfDB, 2010b).

² All numbers are from World Development Indicators 2012 (World Bank 2012) for the year 2011 unless specified

³ Numbers for 2011 from African Economic Outlook (2013), <http://www.africaneconomicoutlook.org/en/>

⁴ Number from 2010

⁵ Number from 2007

⁶ Economist Intelligence Unit (EIU) democracy index 2011, 0 = authoritarian regime and 10= full democracy (EIU 2011: 30)

Measuring Tax Compliance Attitudes

In the questionnaire, respondents were asked directly if they have refused to pay taxes or fees that they owed to the government during the last year. However, studies show that individuals tend to answer untruthfully when asked questions about sensitive issues such as their own tax payment. In surveys of tax evasion in Western countries (e.g. Kinsey, 1991) it is argued that because tax evasion is considered to be socially undesirable, responses to a questionnaire will be adversely biased. Tax compliance is therefore likely to be over-reported in survey data using such measures. This might also be the case in an African context, although anecdotes suggest that tax evasion in some countries is not associated with the type of social stigma referred to in the West. In contrast, some observers describe non-payment of taxes as a form of popular opposition towards state policies (Tripp, 1997: 154). South Africa, for instance, has a long history of popular tax and service fee boycotts (Fjeldstad, 2004). Furthermore, while some authors argue that obtaining reliable quantitative information about tax compliance behavior is practically impossible, others maintain that application of appropriate survey methods and interview techniques comes a long way in reducing problems of ‘strategic’ responses (see for instance Kaufmann (1997) and Reinikka and Svensson (2006)).

Following Reinikka and Svensson (2006) in their work on corruption, we use an indirectly phrased question to capture tax compliance attitude in order to avoid direct implication of “wrongdoing” by the respondent. In the questionnaire, respondents are asked to state whether they think it is “not wrong at all”, “wrong, but understandable” or “wrong and punishable” for people not to pay taxes on their income. Based on these responses, individuals are considered as having a tax compliant attitude if their response is “wrong and punishable” and non-compliant attitude if their response is either “not wrong at all” or “wrong, but understandable”.

Because this question has not previously been included in the questionnaire, earlier studies of tax compliance based on Afrobarometer data have used answers to the question whether “the tax administration always have the right to make people pay taxes or not” as a measure of tax compliance (D’Arcy, 2011; Levi et al., 2009; Sacks, 2012). However, as Daude et al., (2012) point out, this measure focuses attention on enforcement and could be affected by the respondents’ perception of the tax administration itself.

While our measure of tax compliance attitude is new in the context of cross-country studies in Africa, similar measures have been applied in studies in other geographic regions. Among these are Hug and Spörri (2011) who examined tax attitudes in European countries in transition from Communist rule to democracy, Torgler (2004; 2005) who analyzed tax attitudes in several Asian and Latin American countries, and Daude and Melguizo (2010) who researched tax attitudes in the context of Latin America. These studies all used the question “Can cheating on taxes, if you have a chance, be justifiable?” collected by the World Values Survey and the Latinobarometer. This wording circumvents the problem of mixing attitudes towards tax with attitudes and perceptions of tax enforcement. Furthermore, since the question is directly phrased, it could be biased upwards due to strategic responses.

Descriptive Analysis

Socioeconomic Variation in Tax Compliance

Figure 1 shows the relationship in our data graphically by plotting the share of respondents with tax compliant attitudes against the natural logarithm of GDP per capita for ten Afrobarometer countries, including Kenya, South Africa, Tanzania and Uganda. The figure depicts a positive correlation between GDP per capita and share of individuals with tax-compliant attitude, with relatively richer countries having a higher share of respondents with a tax compliant attitude. However, this relationship could be driven by South Africa, which is an outlier in terms of having a relatively much higher GDP per capita compared to the other countries. For this, we plotted another figure (Figure 2) without including South Africa, and the positive correlation between GDP per capita and the share of individuals with tax compliant attitude still persists.

Figure 1: Share of Population with Tax Compliant Attitude and GDP Per Capita in 10 Countries in SSA

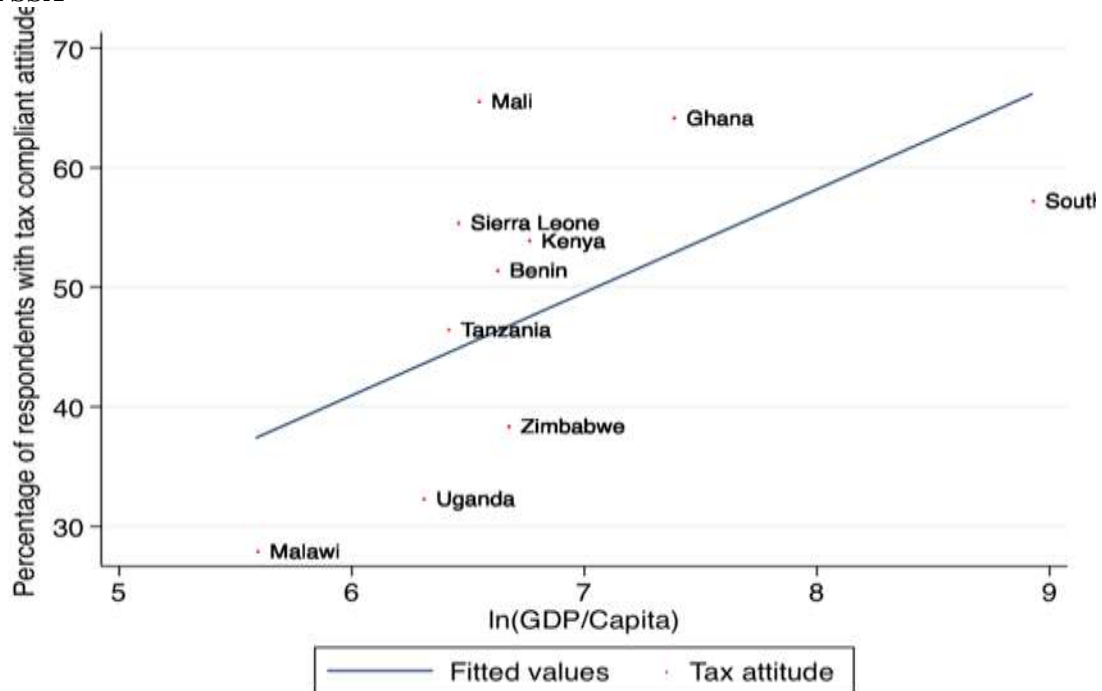


Figure 2: Share of Population with Tax Compliant Attitude and GDP Per Capita in 9 Countries Excluding South Africa

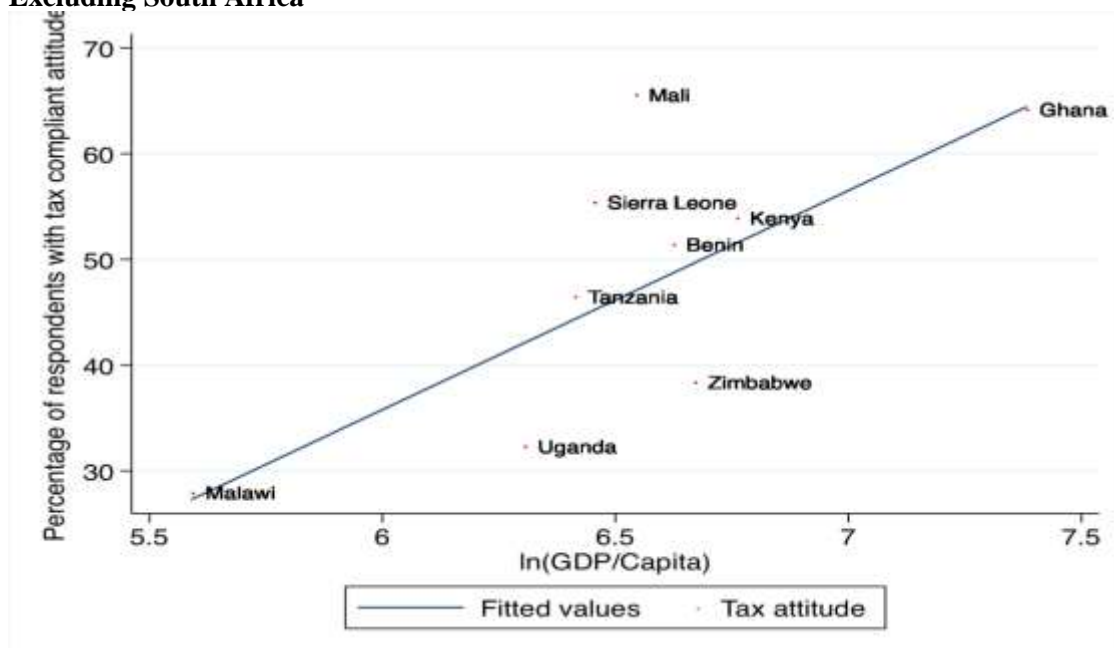


Table 2 further shows the share of respondents with tax compliant attitudes across different socioeconomic dimensions. The first row shows the total share of respondents of the full sample with a compliant tax attitude in the countries of investigation. In both South Africa and Kenya, more than 50% of the respondents have a tax compliant attitude. In Tanzania and Uganda, on the other hand, a small proportion of individuals from the sample have tax compliant attitude. 47% of the respondents in Tanzania, and as low as 32% of Ugandans have a tax compliant attitude.

Table 2: Cross-country Differences in Background Variables of Respondents with Tax Compliant Attitude (% or mean for subsamples)

	South Africa	Kenya	Tanzania	Uganda
Total	57 %	54 %	47 %	32 %
Male	50 %	53 %	51 %	49 %
Employed	39 %	45 %	34 %	51 %
Self-employed	13 %	65 %	55 %	77 %
Urban	69 %	40 %	35 %	13 %
Age (mean)	40.5	36.2	39.1	34.4
Level of schooling (mean)	4.4	4.1	3.2	3.4
Wealth	0.65	0.54	0.41	0.20

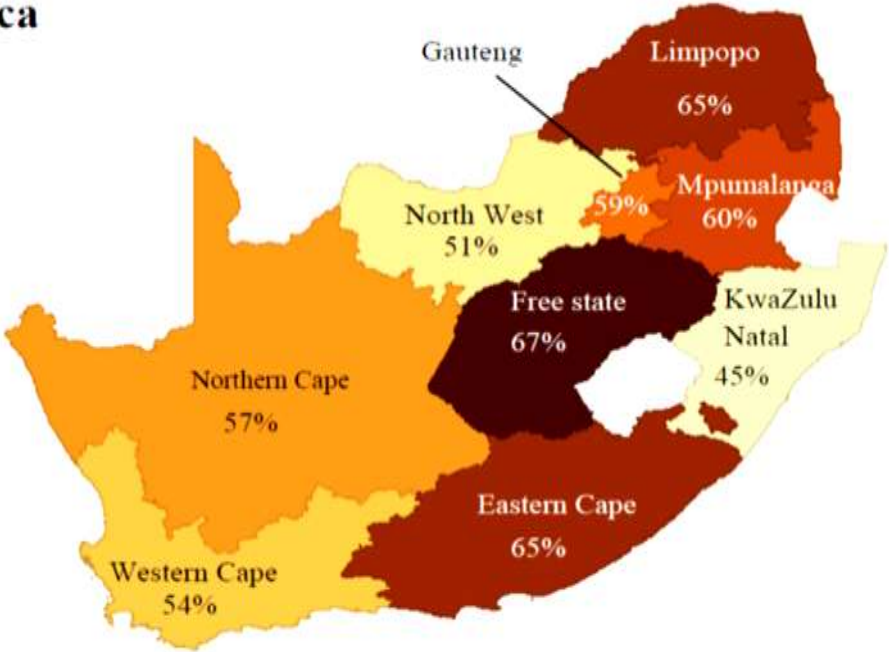
Gender, employment statuses and urban location are measured in percentages, age is measured in mean years and level of schooling is measured by a continuous variable ranging from 0 = “no formal schooling” to 9 = “postgraduate qualifications”. Finally, wealth is measured by a composite variable using factor analysis consisting of individual’s ownership of radio, TV, car, water, latrine and roof material. The variable ranges from 0 = respondent has none of the items, to 1 = respondent has all items. The only finding consistent in all four countries is the tendency towards a higher mean level of schooling among respondents with a tax compliant attitude. In all countries except Uganda, we also find that respondents with a tax compliant attitude are older, relatively wealthier and to a larger degree live in urban areas.

Geographic Variation

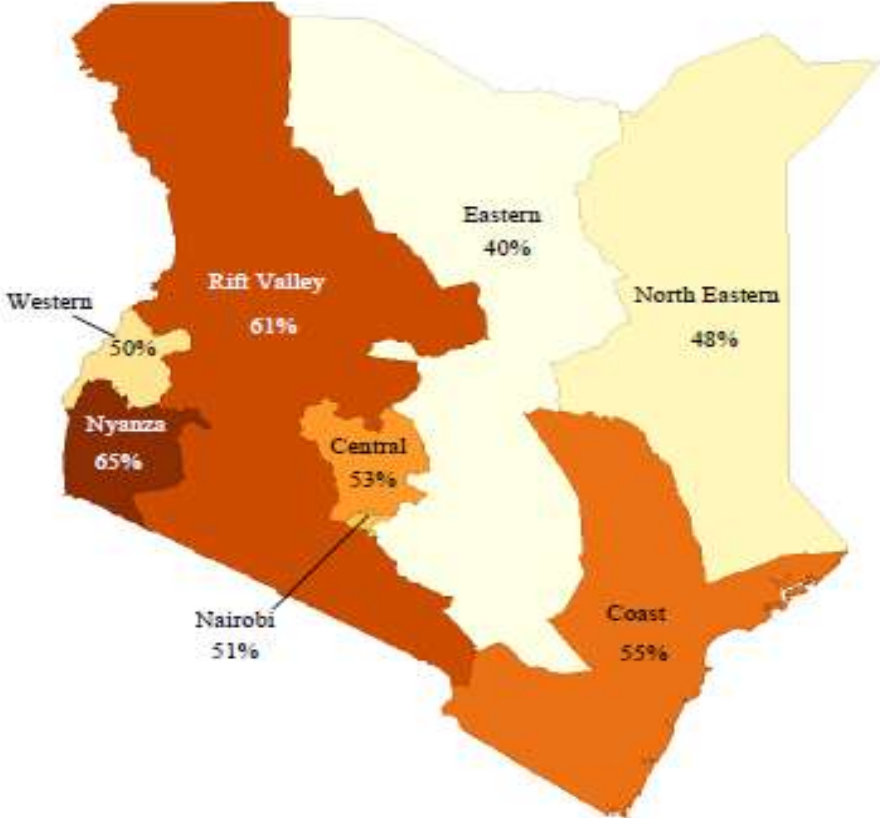
Figure 3 shows geographic differences in the share of people with a tax compliant attitude across regions/provinces for each of the four countries. A darker shade denotes a larger share of the population with a tax compliant attitude in the region. In South Africa, where 57% of the overall population has a tax compliant attitude, the regional shares vary from 45% in KwaZulu Natal to as high as 67% in the Free State. With the exception of KwaZulu Natal, the eastern provinces all have higher regional percentages than the western ones (North West, Northern Cape and Western Cape).

Figure 3: Share of Population with Tax Compliant Attitude by Region in South Africa, Kenya, Tanzania and Uganda

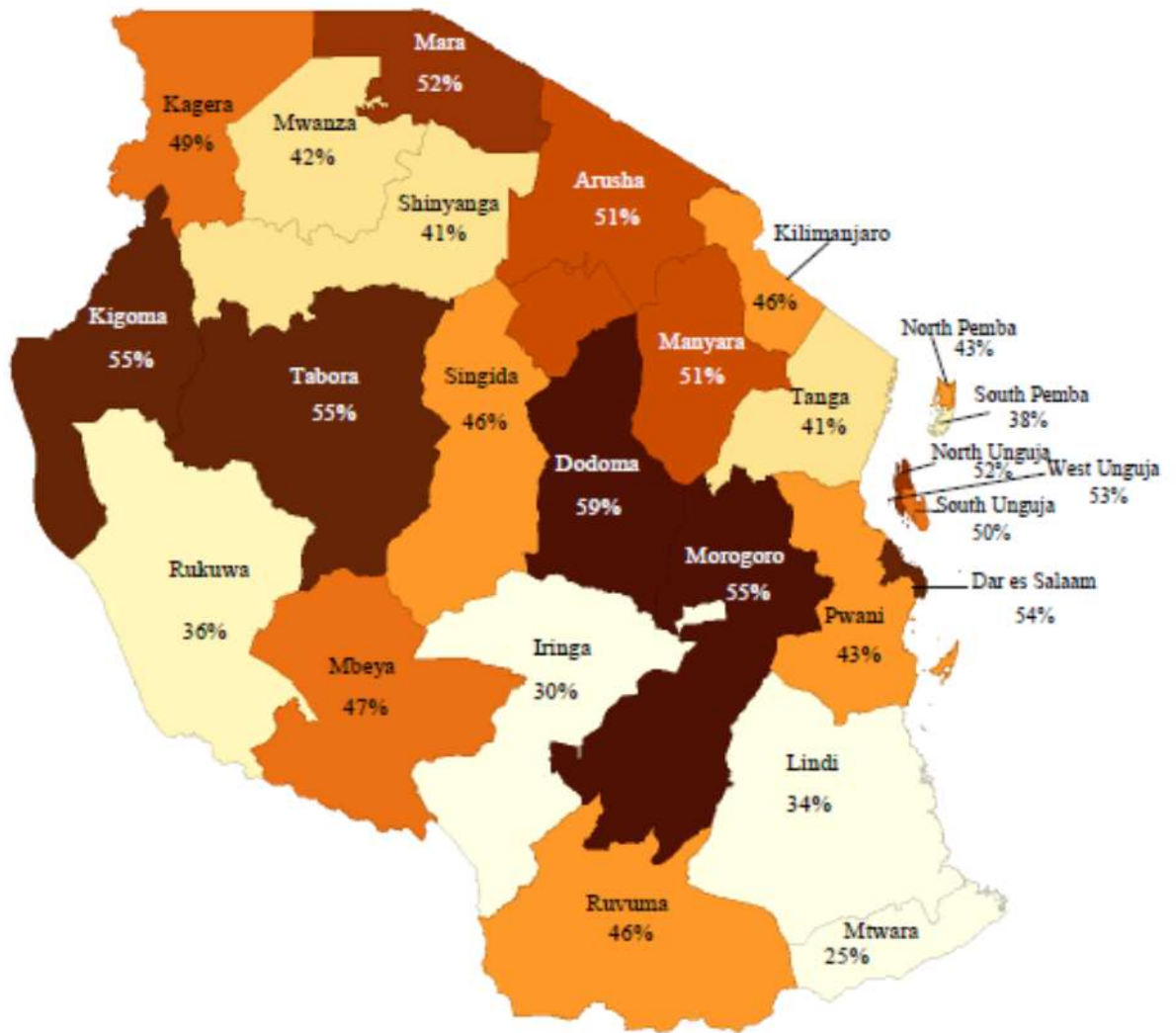
South Africa



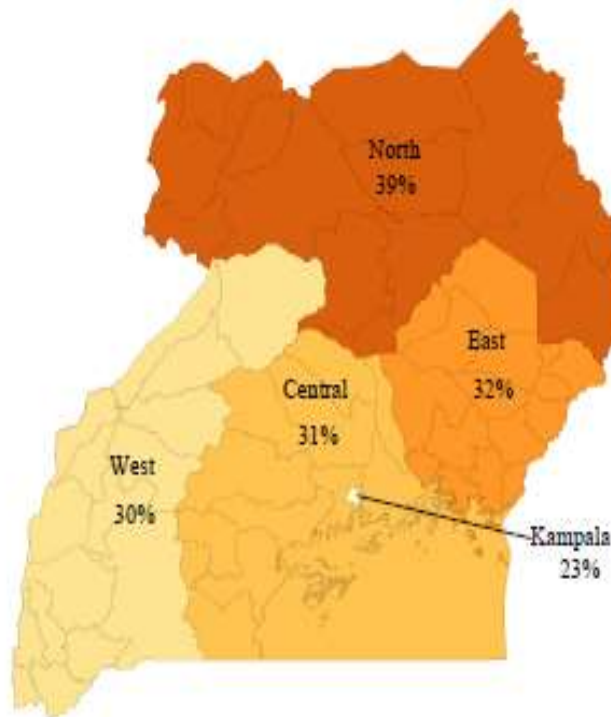
Kenya



Tanzania



Uganda



Also in Kenya the regional variation is large. Though the overall percentage of people with a tax compliant attitude is lower than in South Africa, the highest regional averages of respondents with a tax compliant attitude are very similar in magnitude in the two countries (65% in Nyanza versus 67% in KwaZulu Natal). Kenya's Eastern province, stretching from the border towards Ethiopia in the North and almost to the Tanzanian border in the South, has by far the lowest share, with only 40%, of respondents with a tax compliant attitude.

Of the four countries, Tanzania is the one with the largest regional variation. In the South-Easternmost region, Mtwara, only 25% of people have a tax compliant attitude while this share is 59% in the central region, Dodoma. All of the regions with the highest share of tax compliance attitude are situated along a vertical belt through the middle of the country, from Kigoma and Tabora (both 55%) in the west, to Dodoma and Morogoro (59% and 58%, respectively) in the middle and to Dar es Salaam on the eastern coast. With the exception of Dar es Salaam and Unguja (part of Zanzibar), there is a belt of regions with relatively low shares of people with tax compliant attitudes along, and off, the coast. In all the northernmost regions, as well as Manyara, the compliance attitude is above the national average of 47%. Conversely, in all the southern regions except Mbeya, the share of people with a tax compliant attitude is below the national average.

Uganda is the country with the lowest overall share of respondents with a tax compliant attitude and also has the lowest regional variation, with only 23% of respondents having a tax compliant attitude in Kampala. While the West, Central and East regions have almost similar shares around 30%, the North has a share of 39% tax compliant inhabitants.

Reasons For Tax Evasion

In the questionnaire, respondents are also asked what they think is the main reason that some people evade taxes. As illustrated in Table 3, in all the four countries, the most frequently stated reasons are “taxes are too high” and “taxes are unaffordable”, with the former ranging from 22% in South Africa to 28% in Uganda and the latter from 25% in Tanzania to 29% in Uganda. This indicates that tax rates are perceived as too high both in terms of what respondents can afford and in terms of what is perceived to be reasonable. Another frequently mentioned reason is “poor public services”. In Tanzania as many as 16% of the respondents consider poor public services to be the main reason why some people evade taxes. The corresponding percentages are 12%, 11% and 9% in South Africa, Uganda and Kenya, respectively. “Unfair tax system” and “government waste/steal taxes” are also given as main reasons why people avoid taxes by more than 8% of the respondents in all the countries. Very few respondents, 1% in South Africa and Uganda and 2% in Kenya and Tanzania, state “people know they won’t get caught” as a main reason.

Table 3: Reasons Why Some People Evade Taxes (% of sample)

	South Africa	Kenya	Tanzania	Uganda
Unfair tax system	8	8	11	11
Taxes are too high	22	23	25	28
Taxes are unaffordable	27	26	25	29
Poor public services	12	9	16	11
The government waste / steal taxes	11	10	9	8
People know they won't get caught	1	2	2	1
Other	20	23	12	12
Total	100	100	100	100

CORRELATES OF FACTORS AFFECTING TAX COMPLIANCE ATTITUDE

In this section, we look at factors that are correlated with tax compliance attitude in Kenya, Tanzania, Uganda and South Africa. More specifically, we examine the extent to which the different theories of taxpayer compliance outlined in section 2 contribute to explaining people’s attitude towards taxation. In order to capture factors that correlate with tax compliance attitude, we estimate the following logit model.

$$Probability(Tax_compliance_attitude_i) = \alpha_1 + \alpha_2 X_1 + \alpha_3 Y_1 + \alpha_4 Z_1 + \varepsilon_i \quad (1)$$

$Tax_compliance_attitude_i$ is the dependent variable, and this is a dummy taking a value of 1 for tax-compliant attitude and a value of 0 for non-compliant attitude as described in section 3 above. X_1 is a vector for individual level characteristics: age, sex, education, employment status, wealth, ethnicity⁷ of the respondent and whether the individual is urban/rural resident. Y_1 is a vector for variables that capture different factors affecting tax compliance attitude. Z_1 is a vector for variables capturing regional fixed effects. α_i are vectors of the respective coefficients and ε_i is the error term.

Variables

The variables used to examine the different theories of tax compliance are described below.

Economic Deterrence

As a measure of economic deterrence, we use a rank variable based on individuals’ responses to the question: “Based on your experience, how easy or difficult is it to avoid paying the income or property taxes that you owe to the government?” The variable ranges from 1=“very easy” to 4=“very difficult”.

⁷ We control for the 3-4 largest ethnic groups, as well as for other important groups in each country.

Fiscal Exchange

A handful of variables are included in the regression to capture the respondents' satisfaction with the government's provision of different goods and services that citizens demand and that may motivate compliance attitude. These include satisfaction with i) government's provision of public goods such as basic health services and ability to address educational needs; ii) infrastructure (government provision of water and sanitation services, maintaining roads and bridges, and provision of a reliable supply of electricity); and iii) government's handling of crime, conflict, terrorism and corruption. In addition to these variables, we also control for overall satisfaction with the ease of getting basic services from the government such as issuing identity card, household services and police services. Individuals were asked to rank their level of satisfaction with the provision of these goods and services ranging from 1="very badly" to 4="very well". Individuals that responded that they don't know or haven't heard enough about the service were dropped. From the different responses, we construct composite variables for each indicator using factor analysis. From the factor analysis, we came up with an index for an individual's satisfaction with the government's provision of health and education, infrastructure, security and basic services that ranges from 1 up to 4. Higher values denote individuals who are more satisfied with the government's provision of the different services.

Non-state Actors as Service Providers

We include a variable that captures payment to non-state actors. The variable is measured by how often individuals make a payment to powerful people or groups other than the government, such as criminals or gangs in their community in return for protecting them, their property or their businesses. The variable ranges from 1= "never made payment"; 2= "only once"; 3= "a few times"; and 4= "often".

Social Influence

We use perception of other people's tax compliance as a proxy to measure the influence of other people's behavior on tax compliance attitude. The variable is measured as a rank response that takes 1 if the respondent thinks other people never avoid taxes, and 5 if they think other people always avoid. Higher values denote an individual's perception that other people are non-compliant.

Comparative Treatment

In order to capture inequities in the exchange relationship between government and taxpayers, we use a variable measured as a ranked response on how often individuals perceive that their own ethnic group is treated unfairly by the government. The variable ranges from 1 = "never" to 4 = "always".

Political Legitimacy

We use a range of variables to capture political legitimacy such as trust in tax officials, corruption of tax officials, overall level of satisfaction with politicians, and an individual's perception about their country's level of democracy. We measure trust in the revenue authority as a rank response for the extent of trust that individuals have in the institution. The variable ranges from 1 = "no trust at all" to 5 = "trust a lot". Similarly, perception of corruption is captured by an individual's response to how many tax officials they think are involved in corruption. The variable ranges from 1 = "none" to 5 = "all of them". Overall satisfaction with politicians is captured as a rank response of an individual's opinion of whether they approve or disapprove of the way the president/prime minister, member of parliaments and elected local officials performed their job in the past 12 months. The responses range from 1 = "strongly disapprove" to 4 = "strongly approve". Based on these responses, factor analysis is employed in order to have one indicator for an individual's satisfaction with politicians. Degree of democracy is captured as a rank response on the individual's opinion on how much of a democracy their country is. The response ranges from 1 = "no democracy" to 5 = "a full democracy".

Knowledge About Taxes

In addition to the above stated factors, the knowledge base of individuals regarding the types of taxes to pay may also matter in affecting compliance attitude. We therefore control for tax knowledge, which is measured as a rank response for the extent of difficulty to know the type of taxes to pay. The response ranges from 1 = "very easy" to 4 = "very difficult". Additionally, a dummy variable for

requirement to pay value added tax is included. The variable is constructed from answers to the question: “Regardless of whether you are able to pay, are you required to pay value added tax on the foods and the goods that you buy from shops or traders?” This variable takes the value of 1 for the respondents who state they are required to pay and 0 for those who state they are not. Since the use of value added tax is widespread and most people are required to pay it in all the four countries, this variable also captures an aspect of the respondent’s tax knowledge.

Results

Results in Table 4 show the marginal effects of the logit regression for the four countries. The standard errors are presented in brackets and are clustered at the district level. Table 5 further shows the Wald-test for the fit of the logit model of the four countries. As can be seen from Table 5, the null hypothesis that all the regressing coefficients are jointly zero is rejected at a 1% level of significance. This implies that the variables included in the regression create a statistically significant improvement of the fit of the model for all of the countries.

Table 4: Binary Logistic Regressions with Marginal Effects(Dependent variable: Dummy = 1 if individual thinks it is *wrong and punishable* not to pay taxes, 0 otherwise)

	South Africa	Kenya	Tanzania	Uganda
Individual characteristics				
Age	0.003** (0.001)	0.005*** (0.001)	0.003** (0.001)	-0.000 (0.001)
Male (d)	-0.002 (0.034)	0.029 (0.034)	-0.032 (0.027)	-0.034 (0.032)
Self-employment (d)	0.019 (0.044)	-0.045 (0.052)	-0.001 (0.035)	-0.014 (0.083)
Employment (d)	-0.009 (0.045)	-0.073** (0.035)	-0.032 (0.035)	0.073* (0.043)
Schooling	0.013 (0.015)	0.022 (0.014)	0.028** (0.013)	0.004 (0.012)
Wealth	0.057 (0.057)	0.114 (0.080)	0.015 (0.081)	0.068 (0.090)
Urban (d)	-0.024 (0.044)	-0.067 (0.044)	-0.020 (0.045)	-0.086 (0.071)
Economic deterrence				
Difficulty of evading tax	0.084*** (0.030)	0.065** (0.026)	0.044* (0.027)	0.018 (0.028)
Fiscal exchange				
Health and education	0.034 (0.030)	-0.015 (0.032)	0.090*** (0.026)	0.061*** (0.021)
Infrastructure	0.007 (0.043)	0.109*** (0.036)	0.002 (0.031)	-0.010 (0.027)
Crime and conflict	-0.007 (0.050)	-0.022 (0.032)	0.006 (0.029)	0.092*** (0.029)
Basic services from the government	0.168*** (0.046)	0.004 (0.038)	-0.015 (0.026)	0.027 (0.033)
Non-state actors				
Payments to non-state actors	-0.083** (0.035)	-0.064** (0.032)	-0.114*** (0.043)	-0.087** (0.044)
Social influence				
Perceived non-compliance of others(d)	-0.044 (0.041)	0.019 (0.043)	-0.093** (0.037)	0.008 (0.039)
Comparative treatment				
Unfair treatment of own ethnic group	-0.058** (0.028)	-0.018 (0.018)	-0.057** (0.025)	0.024 (0.029)

Table 4: Binary Logistic Regressions with Marginal Effects (Continued)

	South Africa	Kenya	Tanzania	Uganda
Political legitimacy				
Trust	-0.009 (0.017)	0.013 (0.014)	-0.016 (0.012)	-0.005 (0.013)
Corruption	-0.056*** (0.015)	0.027 (0.018)	0.007 (0.014)	-0.038** (0.018)
Satisfaction with politicians	0.003 (0.022)	-0.004 (0.019)	0.033* (0.017)	0.006 (0.029)
Democracy	-0.024 (0.019)	0.032 (0.025)	0.016 (0.015)	-0.008 (0.019)
Knowledge about taxes				
Difficulty of finding out which taxes to pay	-0.079*** (0.028)	-0.035 (0.027)	-0.051** (0.021)	0.012 (0.020)
Value added tax (d)	0.187*** (0.056)	0.276*** (0.046)	0.173*** (0.045)	0.146*** (0.042)
Region fixed effects	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>
Ethnicity fixed effects	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>
Religion fixed effects	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>
<i>N</i>	1048	1171	1690	1094
pseudo <i>R</i> ²	0.144	0.137	0.113	0.110

Standard errors in parentheses; standard errors are clustered at district level

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Although there are some similarities in factors that are correlated with tax compliant attitude across the four countries, there are also differences. Individuals are more likely to be tax compliant as age (in years) increases in South Africa, Kenya and Tanzania by about 0.3%, 0.5% and 0.3% respectively. We do not find significant variation in tax compliant attitude between males and females, wealthier individuals and between urban and rural residents. While employed people in Uganda are 7% more likely to have tax compliant attitude, we find the opposite effect in Kenya by almost the same percent. More years of schooling is found to increase the probability of having a tax compliant attitude by about 3% in Tanzania, while no significant result is found for the other countries.

An increase in the perceived difficulty of evading taxes by one unit increases the likelihood of tax compliant attitude by 8%, 7% and 4% in South Africa, Kenya and Tanzania, respectively. This gives suggestive evidence for the economic deterrence theory, which posits that the perception of increased enforcement (i.e. tax evasion is more difficult) will increase tax compliant attitude for the three countries.

Table 5: Wald Test For Binary Logit Regressions

	South Africa	Kenya	Tanzania	Uganda
Chi ²	604	675	530	1447
Degrees of freedom	33	32	51	30
Prob>chi ²	0.000	0.000	0.000	0.000

In Tanzania and Uganda, individuals who are more satisfied with the government's provision of basic health services and educational needs are more likely to have compliant attitude by 9% and 6%, respectively. In Kenya, individuals who are more satisfied with government provision of infrastructure, such as roads and electricity, are more likely to have a tax compliant attitude by about 11%. In addition to basic health services and education, satisfaction with the government's handling of security increases the likelihood of having a compliant attitude in Uganda by 9%. In South Africa, individuals who are more satisfied with the ease of getting various services from the government, such as issuing of identity card and obtaining household and police services, are more likely to have a tax compliant attitude by about 17%. The different results from the four countries suggest that government expenditures may motivate compliance and that governments can increase compliance by providing goods that citizens demand in a more efficient and accessible manner (Cowell and Gordon, 1988; Levi, 1988; Tilly, 1992; Moore, 2004). However, the results also show that different types of public services matter in the different countries.

Frequent payments to non-state actors, such as criminals and gangs, reduce the likelihood of having a tax compliant attitude in all the four countries. The effect ranges from a decline in compliant attitude by 6% in Kenya, to 9% in Uganda, 8% in South Africa and as high as 11% in Tanzania.

Our proxy for the social influence theory, perception of other people's compliance, is significant in Tanzania. As the perception that other people are non-compliant (avoid tax) increases by one point, own tax compliance decreases by 9.3% in Tanzania. This is in line with the theory that posits that people who believe that their fellow citizens comply with taxes are more likely to have a tax compliant attitude.

The extent to which individuals think that their own ethnic group is treated unfairly is also significantly correlated with compliant attitude in South Africa and Tanzania. As the extent to which individuals think that their own ethnic group is treated unfairly increases by one point, the probability of having a tax compliant attitude decreases by 6% both in South Africa and Tanzania. This may provide support for the comparative treatment model, which is based on equity theory and posits that addressing inequities in the exchange relationship between government and taxpayers matters for tax compliance (Persson, 2008; Rothstein and Teorell, 2008). However, this relationship appears to be absent in Kenya and Uganda, as we do not find any significant result.

We do not find strong evidence on political legitimacy except for a few variables in South Africa and Uganda. Corruption of tax officials is found to reduce the likelihood of tax compliant attitude by 6% and 4% in South Africa and Uganda. In Tanzania, an increased level of satisfaction with the overall performance of politicians is found to increase the likelihood of having a tax compliant attitude by 3%, but only marginally at a 10% level of significance.

Tax knowledge is significantly correlated with tax compliant attitude in South Africa and Tanzania. An increase in the perceived difficulty of finding out what type of taxes to pay by one point reduces the probability of tax compliance attitude by 8% and 5% in South Africa and Tanzania, respectively. This is equivalent to reducing the current share of people with tax compliant attitude, which is 57% in South Africa and 54% in Tanzania, to close to 51% in both countries due to a lack of appropriate tax knowledge.

In all four countries the dummy variable for perceived requirement to pay value added tax has a large and statistically significant effect on the probability of tax compliance. The results range from 15% in Uganda, to 17% and 18% in Tanzania and South Africa and as high as 28% in Kenya.

In general, we find that the perceived requirement to pay value added tax and the respondent's satisfaction with the government's service provision have the largest predictive effects on tax compliance. This implies that cognitive factors and fiscal exchange theory have the greatest explanatory power.

Robustness Check

In our previous measure of tax compliance attitude, we use a dummy variable where we categorize individuals who responded that not paying tax is “not wrong at all” and “wrong, but understandable” as having a non-compliant attitude. However, it could also be the case that individuals who responded that not paying tax is “wrong and understandable” have a compliant attitude. In this section we conduct a robustness check where we include all the three responses, “not wrong at all”, “wrong, but understandable” and “wrong and punishable”, in a regression. Given the ordinal nature of the responses, we use an ordered logit model.

We re-formulate the econometric model in equation (1) as follows. The dependent variable ($Tax_compliance_attitude_i$) in equation (2) is an ordered categorical variable which ranges from 1 to 3 (1= “not wrong at all”, 2= “wrong but understandable”, and 3= “wrong and punishable”). We assume that there is a latent variable $Tax_compliance_attitude_i^*$ given by the following expression;

$$Tax_compliance_attitude_i^* = \alpha_1 + \alpha_2 X_1 + \alpha_3 Y_1 + \alpha_4 Z_1 + \varepsilon_i \quad (2)$$

Assuming that ε_i is a random and normally distributed variable, the link between the observed and the latent variable is given by;

$$P(Tax_{compl}_i = 1|V_i) = \Phi(\mu_1 - V_i\gamma)$$

$$P(Tax_{compl}_i = 2|V_i) = \Phi(\mu_2 - V_i\gamma) - \Phi(\mu_1 - V_i\gamma)$$

$$P(Tax_{compl}_i = 3|V_i) = 1 - \Phi(\mu_2 - V_i\gamma),$$

where Φ is a cumulative normal distribution function of ε_i , $\gamma = [\alpha_1, \alpha_2, \alpha_3, \alpha_4]$ are the coefficients of the explanatory variables in equation 2, and μ_1 and μ_2 are the unknown threshold parameters that differentiate the categories. The model is estimated by maximum likelihood for each country.

Table 6 shows the marginal effects of the ordered logit regression for the three responses in the four countries. Most of our results are consistent with the findings of the binary logit regression presented in Table 4. However, we find even stronger evidence for the economic deterrence theory for all of the four countries in the regression. An increase in the perception of the difficulty of evading taxes by one point increases the likelihood of responding “wrong and punishable” by 7% in South Africa, 6% in Kenya, 5% , 7% in Tanzania and 6% in Uganda. On the other hand, an increase in difficulty of evasion reduces the likelihood of responding “wrong, but understandable” and “not wrong at all” in all the four countries.

Similar to findings in the logit regression, in Tanzania and Uganda individuals who are more satisfied with the government's provision of basic health services and addressing educational needs are more likely to respond "wrong and punishable", and they are also less likely to respond "wrong but understandable" and "not wrong at all". Again, similar to the findings of the logit regression, respondents who are more satisfied with the government's handling of infrastructure, such as roads and electricity, are more likely to respond "wrong and punishable" and less likely to respond "wrong and understandable" and "not wrong at all" in Kenya. In Uganda, satisfaction with the government's handling of security is more likely to make individuals respond "wrong and punishable" and less likely to respond "wrong but understandable" and "not wrong at all". In South Africa, satisfaction with the government's provision of basic services such as issuing identity card, household services and police services make people more likely to respond "wrong and punishable" and less likely to respond "wrong, but understandable" and "not wrong at all".

Table 6: Ordered Logit Regressions With Marginal Effects

(Dependent variable: Range variable = 3 if individual think it is *wrong and punishable* not to pay taxes, = 2 if individual think it is *wrong, but understandable* not to pay taxes and = 1 if individual think it is *not wrong at all*) (Standard errors in parentheses; standard errors are clustered at district level; * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$)

	South Africa			Kenya			Tanzania			Uganda		
	Wrong	Wrong, but understandable	Not wrong	Wrong	Wrong, but understandable	Not wrong	Wrong	Wrong, but understandable	Not wrong	Wrong	Wrong, but understandable	Not wrong
Economic deterrence												
Difficulty of evading taxes	0.066** (0.026)	-0.056** (0.022)	-0.010j** (0.004)	0.061*** (0.023)	-0.044*** (0.017)	-0.017** (0.007)	0.07*** (0.03)	-0.03*** (0.01)	-0.04*** (0.01)	0.058* (0.030)	-0.025* (0.013)	-0.032* (0.018)
Fiscal exchange												
Health and education	0.013 (0.032)	-0.011 (0.028)	-0.002 (0.005)	0.005 (0.033)	-0.004 (0.024)	-0.001 (0.009)	0.08*** (0.03)	-0.04*** (0.01)	-0.04*** (0.01)	0.049** (0.022)	-0.021** (0.010)	-0.027** (0.013)
Infrastructure	0.018 (0.039)	-0.015 (0.033)	-0.003 (0.006)	0.107*** (0.033)	-0.077*** (0.024)	-0.030*** (0.010)	-0.01 (0.03)	0.00 (0.01)	0.00 (0.02)	-0.000 (0.021)	0.000 (0.009)	0.000 (0.012)
Crime and conflict	-0.020 (0.045)	0.017 (0.038)	0.003 (0.006)	-0.018 (0.033)	0.013 (0.024)	0.005 (0.009)	-0.02 (0.03)	0.01 (0.01)	0.01 (0.01)	0.083*** (0.029)	-0.036** (0.014)	-0.047*** (0.016)
Basic services from the government	0.167*** (0.048)	-0.142*** (0.040)	-0.024*** (0.009)	-0.012 (0.038)	0.009 (0.027)	0.003 (0.011)	0.01 (0.02)	-0.01 (0.01)	-0.01 (0.01)	0.009 (0.031)	-0.004 (0.014)	-0.005 (0.018)
Non-state actors												
Payments to non-state actors	-0.090*** (0.030)	0.077*** (0.026)	0.013*** (0.005)	-0.073* (0.040)	0.053* (0.029)	0.020* (0.011)	-0.12*** (0.04)	0.06*** (0.02)	0.07*** (0.02)	-0.058** (0.029)	0.025* (0.014)	0.033** (0.016)
Social influence												
Perceived non-compliance of others (d)	-0.050 (0.040)	0.043 (0.035)	0.007 (0.006)	0.045 (0.047)	-0.032 (0.034)	-0.013 (0.014)	-0.09** (0.04)	0.05** (0.02)	0.05** (0.02)	-0.001 (0.038)	0.000 (0.017)	0.000 (0.022)

	South Africa			Kenya			Tanzania			Uganda		
	Wrong	Wrong, but understandable	Not wrong	Wrong	Wrong, but understandable	Not wrong	Wrong	Wrong, but understandable	Not wrong	Wrong	Wrong, but understandable	Not wrong
Comparative treatment												
Unfair treatment of own ethnic group	-0.070** (0.031)	0.060** (0.026)	0.010** (0.005)	-0.016 (0.018)	0.011 (0.013)	0.004 (0.005)	-0.04 (0.02)	0.02 (0.01)	0.02 (0.01)	0.016 (0.022)	-0.007 (0.010)	-0.009 (0.013)
Political legitimacy												
Trust	-0.005 (0.015)	0.004 (0.013)	0.001 (0.002)	0.018 (0.014)	-0.013 (0.010)	-0.005 (0.004)	-0.01 (0.01)	0.01 (0.01)	0.01 (0.01)	-0.010 (0.010)	0.004 (0.004)	0.006 (0.006)
Corruption	-0.048*** (0.015)	0.041*** (0.013)	0.007*** (0.002)	0.020 (0.017)	-0.014 (0.012)	-0.006 (0.005)	0.01 (0.01)	-0.00 (0.01)	-0.00 (0.01)	-0.028 (0.021)	0.012 (0.009)	0.016 (0.012)
Satisfaction with politicians	0.022 (0.022)	-0.019 (0.019)	-0.003 (0.003)	0.013 (0.016)	-0.009 (0.012)	-0.004 (0.005)	0.03 (0.02)	-0.01 (0.01)	-0.01 (0.01)	0.003 (0.024)	-0.001 (0.010)	-0.002 (0.013)
Democracy	-0.015 (0.016)	0.013 (0.014)	0.002 (0.002)	0.037 (0.026)	-0.026 (0.019)	-0.010 (0.007)	0.02 (0.01)	-0.01 (0.01)	-0.01 (0.01)	-0.016 (0.017)	0.007 (0.007)	0.009 (0.010)
Knowledge about taxes												
Difficulty of finding out which taxes to pay	-0.094*** (0.028)	0.080*** (0.024)	0.014*** (0.004)	-0.079*** (0.026)	0.057*** (0.019)	0.022*** (0.008)	-0.04** (0.02)	0.02** (0.01)	0.02** (0.01)	0.009 (0.017)	-0.004 (0.007)	-0.005 (0.009)
Value added tax (d)	0.204*** (0.052)	-0.168*** (0.042)	-0.036*** (0.012)	0.268*** (0.049)	-0.171*** (0.026)	-0.097*** (0.027)	0.20*** (0.04)	-0.10*** (0.02)	-0.11*** (0.02)	0.186*** (0.038)	-0.091*** (0.023)	-0.095*** (0.019)
Individual characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Region fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Ethnicity fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Religion fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>N</i>	1048	1048	1048	1171	1171	1171	1690	1690	1690	1094	1094	1094
Pseudo <i>R</i> ²	0.128	0.128	0.128	0.113	0.113	0.113	0.087	0.087	0.087	0.081	0.081	0.081

The results are also consistent with the binary logit model in terms of the effect of non-state actors. Individuals who make frequent payments to non-state actors such as criminals and gangs are less likely to respond “wrong and punishable” and more likely to respond “wrong, but understandable” and “not wrong at all” in all the four countries.

In terms of social influence, we get a similar result in Tanzania as in the binary logit regression where an increase in an individual’s perception that other people avoid taxes is negatively associated with a response that it is “wrong and punishable” not to pay taxes and positively associated with the response that it is “wrong but understandable” and “not wrong at all”.

We also find a similar result as in the case of the binary logit regression for the comparative treatment theory. Individuals who think that their own ethnic group is treated unfairly are less likely to respond that it is “wrong and punishable” not to pay taxes and more likely to respond that it is “wrong but understandable” and “not wrong at all” in South Africa.

In the ordered logit regression, we do not find evidence on political legitimacy except for corruption in South Africa, which depicts similar results as in the binary logit regression. Individuals who think that tax officials are corrupt are less likely to respond “wrong and punishable” and more likely to respond “wrong, but understandable” and “not wrong at all”.

Knowledge about tax is still important and an increase in the extent of difficulty knowing the type of taxes to pay reduces the likelihood of individuals to respond “wrong and punishable” and increases the likelihood to respond “wrong, but understandable” and “not wrong at all” in South Africa, Kenya and Tanzania.

Requirement to pay value added also has, as in the binary logit model, a large and statistically significant effect. In all countries, those who perceive that they are required to pay value added tax are more likely to respond “wrong and punishable” and less likely to respond “wrong, but understandable” and “not wrong at all” than those who say they are not required to pay this tax.

CONCLUSION

In this paper, we explore factors that determine citizens’ tax compliance attitude in Kenya, Tanzania, Uganda and South Africa using attitude and perception data from the recent Round 5 Afrobarometer survey. The survey includes a series of theoretically rooted questions around citizens’ views on taxation and compliance attitudes. Since the individual’s reporting of their own compliance is likely to be over-reported, we use an indirectly phrased question on the respondent’s opinion about other people’s tax compliance, a measure similar to, but arguably better than the one used in previous studies of taxpayer attitudes.

Results from the logit regression provide robust results for several theoretically founded determinants of tax compliance:

Economic deterrence and enforcement: Respondents in South Africa and Kenya are more likely to express a tax compliant attitude if they perceive that enforcement makes evasion more difficult. This is in line with the prescription of the standard economic theory of deterrence.

Fiscal exchange: There is also evidence that those who are more satisfied with public service provision are more likely to have a tax compliant attitude in all the four countries. This provides support for certain elements of the fiscal exchange theory. However, the link between tax compliance attitude and public service provision depends on the specific service in question and differs between countries. While access to infrastructure such as roads and electricity encourage tax compliant attitude in Kenya, respondents in Tanzania and Uganda refer to education and health services as key to their tax compliance. In South Africa, the government’s provision of services such as police services and issuing identity cards are likely to increase tax compliant attitude.

Non-state service provision: Payment to non-state actors, such as criminal gangs in return for protection, also reduces the likelihood of having a tax compliant attitude significantly in all the four countries.

Social influences: We find that the perception of other people's compliance, as a proxy for social influences, is likely to increase own tax compliance in Tanzania. This is in line with the theory that posits that people who believe that their fellow citizens comply with taxes are more likely to have a tax compliant attitude.

Comparative treatment: Previous research suggests that the way the state treats individuals or groups relative to their fellow citizens is an important factor in determining taxpayer compliance attitude (D'Arcy, 2011). We have tested this hypothesis by examining citizens' perception of how their ethnic group is treated by the government compared to other groups. Only in South Africa and Tanzania does this seem to matter for tax compliant attitude.

Political legitimacy: The study finds no strong evidence that political legitimacy, e.g. trust in government policy and institutions, is correlated with taxpayers' compliance attitude. These findings are robust for a different econometric estimation in which we include all of the responses of individuals regarding other people's action about tax in an ordered logit regression.

Knowledge about taxes: Finally, we find indications that tax knowledge and awareness have a significant impact on tax compliance attitude. In South Africa and Tanzania, respondents who perceive it as difficult to find out what taxes they are required to pay are less likely to have a tax compliant attitude than those who perceive it as relatively easier. Furthermore, of all the variables in the analysis, the perceived requirement to pay value added tax (which could be interpreted as an indicator of tax awareness) has the largest estimated relationship on tax compliance attitude.

We have not explored the relative strength of the various factors in explaining the observed patterns of tax compliance attitude. However, the results suggest that the standard economic influences of detection probability and enforcement are at work, although other determinants are also essential in understanding taxpayers' willingness to pay. In particular, the relationship between taxation and service provision seem to be important. We also find that peoples' knowledge and awareness of the tax system have a significant impact on their compliance attitude. If our analysis of the factors determining citizens' attitude towards paying taxes is correct, it also contributes to explaining observed differences in tax compliance between countries and between areas within individual countries. Thus, the findings of the study may enrich our understanding of tax compliance behavior in the selected countries.

The study provides us with some directions for further research. For an improved understanding of tax compliance attitude and behavior in Africa, there is a need for a more thorough examination of the concept of fiscal exchange, i.e. the contractual relationship between taxpayers and the government. Poor service delivery may, in taxpayers' view, legitimize tax evasion and avoidance. In this context it is relevant to analyze if – and when – earmarking of specific tax revenues to specific expenditures is required to enhance taxpayers' compliance (Bird and Jun, 2005; Bird, 1997). It is also important to examine how payment to non-state actors for the provision of services and infrastructure may be correlated with peoples' tax compliance attitude, whether these services are in the form of private schools and/or health services, community self-help projects and/or 'protection' by criminal organizations (Sacks, 2012). Critical factors in this respect are citizens' perceptions about the role of the state, how the tax law is administrated, perceptions about enforcement, and government trustworthiness (Baskaran and Bigsten, 2012). Furthermore, there is a need for research focusing on fairness in tax collection and comparative treatment of taxpayers. Can, and under what conditions, compliance be established in African countries without an extensive and costly enforcement apparatus? This question is important because it is likely that governments, seeking power on the basis of popular consent, face restrictions in their use of coercion in tax collection. Thus, the challenge for taxation in Africa is to raise domestic revenues from consenting citizens.

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Appendix 1: Descriptive Statistics For All Variables

		South Africa				Kenya				Tanzania				Uganda			
Description		Mean	Std. Dev.	Min	Max	Mean	Std. Dev.	Min	Max	Mean	Std. Dev.	Min	Max	Mean	Std. Dev.	Min	Max
<i>Dependent variable</i>																	
Tax compliance attitude	Dummy = 1 if individual think it is <i>wrong and punishable</i> not to pay taxes, 0 otherwise	0.57	0.49	0	1	0.54	0.50	0	1	0.47	0.50	0	1	0.32	0.47	0	1
<i>Individual characteristics</i>																	
Age	Age of respondent	39.2	15.9	18	95	35.8	13.5	18	93	38.6	14.3	18	99	35.2	12.8	18	84
Male	Dummy = 1 if respondent is male	0.50	0.50	0	1	0.50	0.50	0	1	0.50	0.50	0	1	0.50	0.50	0	1
Self-employment	Dummy1 = if self-employed, 0 otherwise	0.13	0.34	0	1	0.65	0.48	0	1	0.53	0.50	0	1	0.80	0.40	0	1
Employment	Dummy = 1 if employed, 0 if unemployed	0.37	0.48	0	1	0.45	0.50	0	1	0.36	0.48	0	1	0.48	0.50	0	1
Schooling	Ranging from 9 = postgraduate qualifications, 0 = no formal schooling,	4.27	1.56	0	9	3.91	1.81	0	9	3.01	1.39	0	9	3.28	1.86	0	9
Wealth	Index for ownership of radio, TV, car, water, latrine and roof material. Ranging from 1= respondent has all items and 0 = respondent has none	0.62	0.33	0	1	0.51	0.25	0	1	0.39	0.23	0	1	0.20	0.23	0	1
Urban	Dummy = 1 if household is located in urban area	0.67	0.47	0	1	0.38	0.49	0	1	0.32	0.47	0	1	0.14	0.35	0	1
<i>Economic deterrence</i>																	
Ease of evasion	1 = very easy, 4 = very difficult	2.96	0.80	1	4	3.25	0.76	1	4	3.22	0.79	1	4	3.26	0.80	1	4

Description	South Africa				Kenya				Tanzania				Uganda							
	Mean	Std. Dev.	Min	Max	Mean	Std. Dev.	Min	Max	Mean	Std. Dev.	Min	Max	Mean	Std. Dev.	Min	Max				
<i>Fiscal exchange</i>																				
Health and education	Index for satisfaction with health and educational services. 4 = Very well, 1 = very badly				2.76	0.76	1	4	2.72	0.76	1	4	2.39	0.82	1	4	2.38	0.77	1	4
Infrastructure	Index for satisfaction with water, roads, electricity and environment. 4 = Very well, 1 = very badly				2.63	0.76	1	4	2.560	0.69	1	4	2.19	0.70	1	4	1.84	0.73	1	4
Crime and conflict	Index for satisfaction with crime, conflict, corruption and terrorism. 4 = Very well, 1 = very badly				2.20	0.76	1	4	2.17	0.71	1	4	2.34	0.69	1	4	2.55	0.79	1	4
<i>Social influence</i>																				
Tax non-compliance of others	Perceived tax avoidance of others ranging from 1= <i>Never</i> , 5 = <i>always</i>				2.63	1.35	1	5	2.93	1.30	1	5	2.37	1.22	1	5	2.31	1.21	1	5
<i>Comparative treatment</i>																				
Unfair treatment of own ethnic group	Perceived frequency of discrimination against own ethnic group. 4 = always, 1 = never				1.67	0.94	1	4	1.97	1.02	1	4	1.48	0.79	1	4	2.13	1.01	1	4

Description	South Africa				Kenya				Tanzania				Uganda							
	Mean	Std. Dev.	Min	Max	Mean	Std. Dev.	Min	Max	Mean	Std. Dev.	Min	Max	Mean	Std. Dev.	Min	Max				
<i>Political legitimacy</i>																				
Trust	Trust in tax department. 5 = a lot, 1 = not at all				3.55	1.31	1	5	2.99	1.34	1	5	3.15	1.34	1	5	2.74	1.37	1	5
Corruption	Perceived corruption among tax officials. 5 = all, 1 = none				2.48	1.12	1	5	2.98	1.13	1	5	2.84	1.17	1	5	3.11	1.24	1	5
Satisfaction with politicians	Index for satisfaction with the president, prime minister, MP and local government. 5 = Strongly approve, 1 = strongly disapprove.				3.22	1.01	1	5	2.86	1.14	1	5	3.45	1.09	1	5	3.19	1.04	1	5
Democracy	Perception/satisfaction with democracy. 5 = full democracy/very satisfied, 1 = not a democracy/not satisfied				3.39	1.13	1	5	2.96	1.10	1	5	3.70	1.06	1	5	3.08	1.18	1	5
<i>Non-state actors</i>																				
Payments to non-state actors	Payments to powerful people/groups other than the government. 4 = Often and 1 = Never				1.18	0.57	1	4	1.24	0.68	1	4	1.17	0.50	1	4	1.25	0.62	1	4
<i>Knowledge about tax</i>																				
Ease of finding out which taxes to pay	4 = Very difficult and 1 = very easy				2.68	0.81	1	4	3.10	0.83	1	4	3.14	0.88	1	4	3.10	0.89	1	4
Required to pay VAT	Dummy = 1 if respondent is required to pay value added tax				0.76	0.43	0	1	0.73	0.44	0	1	0.42	0.49	0	1	0.39	0.49	0	1
Number of observations	2399				2399				2400				2400							

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