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Revenue Authorities and Public Authority in sub-Saharan Africa
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Introduction

Since the early 1990s, 14 countries in sub-Saharan Africa have established semi-autonomous revenue authorities (ARAs).This paper explores the motivation of local and international policymakers in establishing ARAs, and assesses the outcomes.

Motivation for reform

ARAs in sub-Saharan Africa are not identical but share many significant features: legal autonomy from the central executive in order to limit direct political interference; freedom to depart from normal public service rules to provide flexibility to recruit and manage high quality staff; and integration of all central government tax operations in one agency.

One interpretation of the reasons for the steady spread of ARAs in sub-Saharan Africa is that this constituted a neo-liberal project rooted in New Public Management (NPM) approaches to weaken the central state and privatise tax collection. This paper however argues the opposite: that the intention of African governments and international aid agencies in creating ARAs was to use them as a vehicle for increasing tax revenues, and thus enhancing the authority of the central state. Three main arguments are offered in support of this view:

i) NPM approaches assume the core problem is that governments cannot be trusted not to abuse their taxation powers by using them in discretionary ways to harass political opponents or reward allies. The remedy is therefore seen as increasing the autonomy of revenue authorities from politicians and government, in order to provide credible commitments to taxpayers about the integrity of future tax arrangements. This would imply giving ARAs high levels of autonomy, including wide legal powers, an independent management board with representatives from business, and an operating budget independent of normal annual budgeting processes. However, most ARAs in sub-Saharan Africa (unlike some elsewhere) remain under the direct financial control of government with no freedom to develop self financing mechanisms, while the President or Minister of Finance remains responsible for appointing chairs and members of the management board. This clearly indicates that governments were not primarily keen to signal substantive political autonomy for ARAs. In practice, close relationships between heads of ARAs and heads of state have served both to protect tax collectors from routine, corrosive political pressures, but also to protect the political interests of the head of state.

ii) Orthodox NPM approaches include the creation of managerial (as opposed to political) autonomy to free managers from standard public service rules, giving them flexibility to deploy resources and to reward and manage staff effectively. This was clearly part of the motivation for establishing ARAs, and is of particular importance where tax collectors interact with highly paid private sector professionals, and face temptations to behave corruptly. However, unlike ARAs elsewhere (for example Peru), existing tax collection staff in sub-Saharan Africa, while benefiting from substantial salary increases, were not subject to reselection on merit, or strengthened anticorruption procedures (including dismissal). This does not suggest that NPM principles constituted the dominant motivation for the establishment of ARAs.

iii) An important motivation for the establishment of ARAs was to provide a clear signal to external donors as well as internal constituencies that governments were committed to change. While tax reform did not require the creation of autonomous agencies, visible changes in organisational form served as a vehicle for introducing more specific changes in tax administration that reflected an emerging international consensus among tax professionals. These include the introduction of unique identification numbers, the establishment of separate arrangements for dealing with different categories of taxpayers, and the separation of tax assessment from tax collection functions.

The main ultimate objective both of African governments and international actors in establishing ARAs was to increase tax revenues. It is no accident that ARAs were established in regions suffering from severe fiscal stress, and by governments subject to influence by international agencies (notably the IMF and World Bank) which had an interest in increasing tax revenues. The fact that ARAs were located in anglophone, Commonwealth countries rather than francophone states reflects the influence of NPM ideas in Britain and the US, as well as the role of the South African Revenue Service (SARS) in acting as an example and source of technical support.

How successful have ARAs been in increasing revenue?

SARS achieved a steady increase in tax as a percentage of GDP in the first decade following the end of apartheid, but special conditions applied, including continuity in the economy and public administration coupled with high political motivation to redress the apartheid legacy. By contrast, ARAs in Ghana, Uganda and Rwanda, which achieved dramatic increases in tax revenue, all started from a low base following major economic breakdown and/or civil conflict. Their revenues would have increased anyway, and it is unclear how far ARAs contributed to the process. Elsewhere there is evidence of a trajectory (found also in Peru) of an initial steep increase in revenues which then plateaued at about the same level as before the original crisis struck. Recent IMF analysis has suggested that there is no identifiable impact of tax reforms on government revenues: the increase in tax to GDP ratios from 15 to 18 percent in sub-Saharan Africa can almost wholly be attributed to increases in natural resource revenues, reflecting increases in global commodity prices.

The paper concludes that the creation of ARAs has increased the potential to enhance central government revenues by facilitating the introduction of a range of useful tax reforms. But there could also be drawbacks to increasing autonomy. For example the resulting distance between revenue authorities and Ministries of Finance could make it harder for tax policymakers to draw on the practical experience of tax collectors. Similarly, increasing the autonomy of ARAs by making them independent of the budget process could reduce opportunities to gain political support through the annual requirement to justify their budget requests before the legislature.

Implications for policymakers

ARAs have the potential to facilitate reform but autonomy is not itself a panacea. It survives only if it is earned, i.e. if it conforms to the interests of the political leadership. If those interests are dominantly in the quantity of revenue, and an autonomous agency performs well on those criteria, then its autonomy is likely to survive. If the political leadership also values direct control of the taxation process for other purposes, then 'autonomy' may be simply a label of convenience.

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