

# ***Revenue authorities and public authority in sub-Saharan Africa\****

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## ABSTRACT

Since the early 1990s, many countries in sub-Saharan Africa have established semi-autonomous revenue authorities (ARAs), organisationally distinct from ministries of finance, with some real operational autonomy, and with staff paid at rates substantially higher than those in comparable public sector jobs. This has been seen by some observers as a step to dilute the power of the central state executive. We demonstrate that this is a misreading of the story of revenue authorities in Africa. Both African governments and the international development agencies involved in the reforms see ARAs as a means of increasing central government revenues, and thus enlarging the authority of the (central) state. To date, there is little sign that the creation of revenue agencies has actually increased public revenues. It has, however, facilitated a range of reforms in the ways in which taxes are assessed and collected, and deflected pressures that might otherwise have emerged for substantial privatisation of tax collection.

## THE DIFFUSION OF AUTONOMOUS REVENUE AUTHORITIES

In most countries, central government taxes are collected by government departments within ministries of finance.<sup>1</sup> However, in sub-Saharan Africa the visible face of revenue administration began to change

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markedly in the early 1990s. To date, fourteen countries have established semi-autonomous revenue authorities, moving tax collection out of the ministry of finance into a separate entity (Devas *et al.* 2001; Kidd & Crandall 2006; Taliercio 2004a).<sup>2</sup> The cases, with years of establishment, are: Ghana (1985),<sup>3</sup> Uganda (1991), Zambia (1994), Kenya (1995), Malawi (1995), Tanzania (1996), South Africa (1997), Rwanda (1998), Zimbabwe (2001), Ethiopia (2002), Sierra Leone (2002), Lesotho (2003), The Gambia (2005) and Mauritius (2005). Several others are likely to emerge soon, including Burundi and Mozambique.<sup>4</sup>

Although (semi-) autonomous revenue authorities (ARAs) differ from one another in many details, they share significant features (Fjeldstad 2003, 2006; Hadler 2000; Mann 2004; Taliercio 2004b; Terpkker 1999; Therkildsen 2004; von Soest 2006, 2008). First, the new agency is granted, in law, some autonomy from central executive power, partly with the purpose of limiting direct political interference in its day-to-day operations. A revenue authority, however, is not meant to be as autonomous as a central bank. It is 'semi-autonomous'. Second, a revenue authority is meant, in principle, to be quite independent of the financing and personnel rules that govern the public sector in general. Its managers can in principle recruit, retain and promote quality staff by paying salaries above civil service pay scales, sometimes at levels close to comparable jobs in the private sector. They can also more easily dismiss staff. Third, all central government tax operations are integrated into one single-purpose agency.<sup>5</sup> In contrast, when revenue administration is located within ministries of finance, each major tax (e.g. income tax, sales tax and customs duties) is commonly collected by separate departments.

How do we explain the steady spread of the ARAs in sub-Saharan Africa? There is one broad answer to this question that appears marginally in the literature and more frequently in discussion. This is the view that the creation of ARAs is part of a project to remodel the public sector in sub-Saharan Africa along New Public Management (NPM) lines (Barbone *et al.* 1999; Byrne 1995; Kidd & Crandall 2006; Taliercio 2004a). This typically involves: breaking up large public sector organisations into smaller units, preferably separating small central policy agencies from implementing agencies; placing implementing agencies in a contractual relationship with central policy agencies; encouraging competition for contracts within the public sector, and between public sector agencies and commercial and non-profit non-government agencies; and ultimately privatising some government activities.<sup>6</sup> This interpretation of the purpose of introducing ARAs may be accompanied by references to a broader, more 'neo-liberal', agenda of trying to reduce the authority of the state

and shift power to the market. This understanding of the proliferation of ARAs is not nonsensical. Various pieces of evidence, viewed collectively, make it plausible:

- The ARA model has been actively supported by the same international aid and development organisations – especially the UK's Department for International Development (DfID), the International Monetary Fund (IMF) and the World Bank – that have otherwise supported the introduction of New Public Management reforms in poor countries (DfID 2002; Kidd & Crandall 2006; von Soest 2008).
- The most important single organisational model for ARAs appears to have been the Executive Agencies established in the UK in the late 1980s and the 1990s during a wave of public sector reforms inspired directly by New Public Management ideas (Wulf 2005: 40).<sup>7</sup>
- A widely-cited scholarly paper on the spread of ARAs argues that their popularity is a direct outcome of the fact that their autonomy weakens the hand of the state (Taliercio 2004b). The author makes the case in terms of the political economists' concept of 'credible commitment' (see below).
- The establishment of an autonomous revenue authority, with staff paid at rates close to those in comparable private sector jobs, does indeed seem to parallel the process of putting state agencies on a commercial footing as a prelude to privatisation.
- There appears to have been a considerable amount of privatisation of revenue collection at the local government level in Africa in recent years, notably tendering to private agents the right to collect fees from market traders (Iversen *et al.* 2006), and in some cases also property taxes (Fjeldstad *et al.* 2008).
- Aid donors have also helped fund what might appear to be experiments in the privatisation of tax collection, such as contracts given to the British company Crown Agents to manage customs collection in Mozambique (1997–2005) and Angola (2001 to the present) (Duran & Sokol 2004).<sup>8</sup>

While superficially plausible, this interpretation of the spread of ARAs as a neo-liberal project to weaken the (central) state and/or privatise tax collection is wrong. We show in the following sections that the intentions of the two main sets of actors involved – African governments, and international aid and development agencies – were the opposite: to use ARAs as a vehicle for increasing tax revenues, and thus increasing the authority of the (central) state. Were they successful? It is difficult to answer that

question clearly, because high global market prices for natural resource commodities have intervened to increase government revenues in recent years. However, the reforms have almost certainly helped enhance the *potential* of African governments to increase tax revenues by facilitating a range of sensible reforms in tax administration that have proved their worth elsewhere.

#### MOTIVATIONS FOR REFORM

Why are ARAs so widely adopted in Africa? As with other cases of organisational change, it is rarely possible to give definitive answers even for individual cases. Many different actors, domestic and foreign, were involved in each case. They probably had different motives, not all of which would have been put on the table or fully appreciated by the other actors involved. Further, understandings of the reasons for the change will have been influenced by the process of change itself. Several ARAs in Africa were established more than a decade ago. Many of the original actors have moved on, and the organisations themselves have undergone continual modification. We can, however, get close to the truth by looking at the three main types of explanation normally given for the establishment of ARAs: (i) signalling political autonomy; (ii) creating managerial autonomy; and (iii) facilitating reform of tax administration generally. We begin with the most doctrinal, and end with the most pragmatic.

#### *Signalling political autonomy*

The most doctrinal answers are rooted intellectually in the New Institutional Economics and the New Public Management, and expressed in terms of concepts like ‘credible commitment’ and ‘signalling’ (Persson & Tabellini 1994). The core problem is believed to lie in the capacity both of states, as legitimate public authorities, and of tax collectors, as corrupt abusers of positions of public authority, to extract money from taxpayers without adequate safeguards. There is a wealth of literature suggesting that, when faced with a corrupt tax collector, individual taxpayers will be better off if they pay a bribe, rather than refuse or try to join other taxpayers in protective joint political action (Chand & Moene 1999; Fjeldstad & Tungodden 2003; McLinden 2005; Mookherjee 1997; Svensson 2003; Zuleta *et al.* 2007). Taxpayers are largely defenceless in the face of retaliatory penalising harassment from the taxman.

A similar logic is applied to the capacity of governments (a) to use their taxation powers in a discretionary way to harass political opponents and

their financial supporters and to reward their own allies, and (b) to renege on any agreements they might have made to tax citizens after they have seduced them into revealing their actual income and wealth. In short, the point of departure is the belief that neither governments nor their tax-collecting agents can be trusted with powers over the taxation process. To the extent that governments hand over these powers, in a binding and non-reversible way, to some independent authority that in turn can be trusted not to abuse them, and to abide by correct procedure and the law, taxpayers will have less to fear from the tax agency and its staff, and be more willing to declare their real income and wealth. More tax revenue will be forthcoming, less will leak into the pockets of the collectors, and the government itself will become more legitimate.

The prescription corresponding to this diagnosis is to increase – perhaps even to maximise – the degree of autonomy that the revenue authority has in relation to politicians and government. Governments are urged to do this in their own self-interest. It *signals* to business people and to potential investors that the power to tax will not be abused. Government has, according to a widely used term, ‘tied its own hands’ (Root 1989). To use more technical jargon, it has made ‘credible commitments’ to taxpayers about the integrity of future tax arrangements (Taliercio 2004a, 2004b). There is no single formula for doing this; the word ‘autonomy’ is abstract and does not translate directly into specific legal, procedural and organisational arrangements (Therkildsen 2004). There is, however, a relatively coherent package of formal measures that is likely to contribute to achieving this goal, provided that informal power relations do not completely override formal arrangements:

- Give the revenue agency a separate legal status, as a corporate body with clear legal responsibilities and duties, and wide powers to own assets, borrow money etc.
- Put it under the control of a management board whose members are independent of government by virtue of (a) being nominated from a diversity of sources, both inside and outside government;<sup>9</sup> (b) having relatively long, fixed periods of tenure, revocable only on clear criteria and through open and legal processes; and (c) having remuneration arrangements that cannot be affected by the current government.
- Place all staff clearly and directly under the authority of the chief executive, who will in turn be chosen by and answerable only to the management board.
- Provide an operational budget that is independent of the normal annual national budgeting process, either through constitutional

provisions or by allowing the authority to fund itself by appropriating a fixed share of the revenues it collects.

When they established ARAs, were the African governments keen to signal substantive 'political autonomy'? Did they institute governance arrangements for ARAs likely to persuade (business) taxpayers that politicians would in future play a much reduced role in the implementation of tax policy? The answer is a clear 'no'. One of the most direct indicators relates to sources of finance. Outside sub-Saharan Africa, it is the norm that ARAs have access to sources of funding other than, or in addition to, the normal annual budget appropriations initiated by the executive and approved by the legislature. These alternative funding sources mainly take the form of entitlements to a proportion of revenue raised, and may also include some kind of performance bonus. Most ARAs in Africa do not have access, even in principle, to any funding beyond the annual budget appropriations. They are thus under the direct financial control of government.<sup>10</sup>

Another useful indicator of reformers' intentions is the identity of the agencies responsible for appointing the chairs and members of ARA supervisory/management boards. In sub-Saharan Africa, it is either the President or the Minister of Finance in almost every case. While almost every ARA board includes a private sector representative, in every case s/he is chosen by government rather than by any independent organisation (Kidd & Crandall 2006: 86–8). Similarly, the chief executives of ARAs are appointed either by the government alone (e.g. Ethiopia, South Africa, Tanzania and Zambia) or jointly by the government and the supervisory/management board (e.g. Botswana, Kenya, Lesotho, Rwanda, Uganda and Zimbabwe). Only in Mauritius does the supervisory/management board alone have sole formal power of appointment.<sup>11</sup>

It is true that a significant number of the people appointed to run ARAs in Africa have been expatriates or nationals believed not to be deeply embedded in local politics or networks of corruption.<sup>12</sup> But such appointments are made, and terminated, very much at the will of presidents. Close relationships between the chief executive of the ARA and the head of state are the norm. For example, the chief executive of the South African Revenue Services (SARS) has, since soon after its establishment in 1997, been a very senior member of the ruling African National Congress (Hlope & Friedman 2002). The Rwanda Revenue Authority (RRA) has been able to count on the personal support of the president, who has played a major role in the campaign to change public attitudes towards paying taxes and corruption (FIAS 2006a). In Uganda, President

Museveni and people close to him personally are widely believed to intervene directly in the Uganda Revenue Authority (Therkildsen 2004). In Zambia, during Chiluba's presidency (1991–2001), the management of the Zambia Revenue Authority found it difficult to maintain operational autonomy and to prevent political interference (von Soest 2006). For instance, the government instructed the agency not to tax certain businesses, including enterprises owned by ruling party politicians that allegedly had never been subject to assessments or paid tax. On the other hand, opposition politicians and former government members were subject to frequent tax audits and harassment from the tax authorities (Afronet 2002: 27).

These close relationships between heads of ARAs and heads of state have been used both to protect the tax collection process from the corrosive routine pressures of corruption and politicking, and to advance the immediate political interests of the head of state. One agenda can transmute quickly into the other.<sup>13</sup> Business people know that. If the people who established ARAs in sub-Saharan Africa seriously intended to send a credible signal to large taxpayers that tax collection was to be given immunity from routine politics, they would have aimed at governance arrangements for ARAs such as those listed above: as much operational autonomy as is consistent with ultimate accountability to the legislature; wide legal powers and financial authority; freedom to develop self-financing mechanisms; and significant independent representation of business interests on the supervisory board. These are also the governance arrangements one would expect if the creation of ARAs had been intended as a step on the road to the privatisation of tax collection under contract.

### *Creating managerial autonomy*

The notion of 'managerial autonomy' is more precise than that of 'political autonomy'.<sup>14</sup> In this context, it refers to the extent to which the managers are able to dispense with standard public service rules – about staff recruitment, deployment, promotion and remuneration, procurement, and operating procedures – in favour of some mixture of their own organisation-specific rules and managerial discretion. This is the normal explanation among taxation professionals worldwide for the establishment of ARAs (Hadler 2000; Kidd & Crandall 2006; Mann 2004; Terpker 1999). It is argued that the problem with the conventional arrangement – direct collection by departments within ministries of finance – is that

standard public service rules and procedures make it impossible to run a revenue operation as it should be run.

Much of the argument can be lifted straight from orthodox New Public Management texts (Manning 2001). First, managers need to be able to deploy resources flexibly to meet the particular needs of the tasks they are trying to achieve and the sectors in which they operate. Second, managers need to be able actually to manage their subordinate staff: to find ways of motivating them, rewarding them according to performance, and disciplining them if necessary. Standard public service rules and procedures – and sometimes the public service trade unions believed to lie behind them – are understood to be the main obstacles. These arguments, and especially those relating to personnel management, do have particular plausibility in relation to revenue-raising. On the one hand, tax collectors regularly interact with highly paid private sector professionals: accountants, consultants, tax lawyers, and tax advisers.<sup>15</sup> It makes sense that the collectors should be paid enough, and otherwise motivated, to ensure a high quality cadre who will not be outwitted by people on the other side of the fence. Perhaps more important, the collectors should not all leave to serve on the other side of the fence, or otherwise take their scarce finance-related skills into the private sector. Further, since tax collectors are especially vulnerable to temptations to corruption, there is a strong case for a distinct organisational form to make it possible to effectively monitor staff behaviour and exercise discipline.

We should be wary of how we interpret the prevalence of ‘managerial autonomy’ explanations and justifications for establishing ARAs. At least on the part of tax collection staff themselves, there is a clear self-interest involved. The establishment of ARAs has generally been followed by substantial formal salary increases.<sup>16</sup> However, had strong beliefs in New Public Management principles been the dominant motivation, two complementary measures would have been introduced. First, many if not all of the existing staff of tax collection units in ministries of finance would have been obliged to apply for jobs in the ARA, and been subjected to a rigorous selection procedure. This was the procedure followed at the establishment in 1991 of SUNAT in Peru, one of the earliest and most iconic ARAs (Fjeldstad & Moore 2008: 252). There has been little of this in Africa. Existing tax collection staff have generally been transferred directly into ARAs.<sup>17</sup> Second, disciplinary procedures would have been tightened up within ARAs, and more staff would have been penalised for the corruption that is widespread in many of them. However, the use of dismissals in the initial phases of some ARAs has not been sustained. In Tanzania, for instance, annual dismissals have in later years dropped to less than 2 %



of the staff total. Generally, the annual turnover of staff is low. In the Lesotho Revenue Authority, for example, turnover is around 1–2 % per year (FIAS 2006b).<sup>18</sup>

In sum, arguments about the need for managerial autonomy did play big roles in motivating and justifying the creation of ARAs. All have received some managerial autonomy. However, since the motivating arguments have been developed and deployed within a global epistemic community of tax professionals, spanning international financial institutions, consultants and tax administrators (Stewart 2002), it is not surprising that those aspects of the New Public Management case for ARAs that would tend to inflict pain on the tax collectors themselves – for instance, reselection on merit and strengthened anti-corruption procedures – have been rather neglected.

### *Facilitating reform*

The most pragmatic argument for establishing an ARA is that, in two distinct ways, this facilitates other reforms in tax administration. First, it sends a signal to external supporters of reform, especially to aid donors and international financial institutions, that the government is (a) serious about reform, and (b) is willing, by adopting an iconic idea, broadly to accept the reform agendas that they offer. Second, this decision impacts on internal constituencies, especially sources of potential resistance to reform within ministries of finance. It signals a clear commitment to change and willingness to recruit external support to ensure that this happens. The establishment of ARAs both reflects, and has helped create, a broad consensus about tax reform in the global epistemic community mentioned in the previous paragraph.

Over the last two or three decades, a strong international consensus about tax reform has emerged. The key elements are the introduction of broad-based value-added taxes on consumption, simplified tax design and improved tax administration (Fjeldstad & Moore 2008). None of this requires the creation of autonomous tax agencies. But radical organisational reform facilitates many of the other more specific organisational changes that have become the norm: (a) introducing unique identification numbers for each individual taxpaying unit; (b) moving from a system organised around different taxes to one organised around localities and/or industries, such that individual taxpayers have to deal with fewer tax officers; (c) establishing separate offices and procedures for different categories of taxpayers, typically starting with the creation of Large Taxpayer Units focusing on big companies; (d) beginning to physically separate the ‘back

office' functions of assessing tax liabilities, and auditing and cross-checking records, from the 'front office' functions of actual tax collection, to reduce the scope for direct extortion and bribery; (e) trying to make the process more 'user-friendly';<sup>19</sup> and (f) generally exploiting the potential of new information and communication technologies.

It is hard to assess the strength of such instrumental motivation. The key players are unlikely to be fully transparent, or even necessarily to be fully and critically aware of the ways in which their own motivations and constructions of reality change over time. The only quantitative information we have on the issue comes from the 2006 IMF survey of ARAs (Kidd & Crandall 2006). Respondents were given eight possible reasons why their ARA was originally established. The explanation that received the highest ranking was a rather anaemic claim about a general need for reform ('low effectiveness of tax administration and low levels of compliance'). The second-ranked explanation was an assertion of instrumentality: 'need for a catalyst to launch broader revenue administration reform' (*ibid.*: 90). This accords with our own impressions from experience. ARAs have been established in sub-Saharan Africa in large part in order to advance other, more specific, reforms. It is partly for that reason that, relative to ARAs in other parts of the world, those in Africa are very similar to one another in basic form.<sup>20</sup> Because their adoption had major signalling and symbolic dimensions, there was little motivation to extensively re-engineer the designs adopted in neighbouring countries with which there was a great deal of interaction. There is substance behind the listing on the home web page of the Rwanda Revenue Authority ([www.rra.gov.rw](http://www.rra.gov.rw)) of links to 'sister revenue authorities' in Uganda, Kenya and Tanzania.

### *Justifying ARAs*

The material presented above suggests four main conclusions about the motivations behind the creation of ARAs:

- The more ideological justifications for creating new organisational forms, such as signalling political autonomy (or credible commitment), played little independent role.
- The dominant motivation was that visible, substantial changes in organisational forms could be used as a vehicle for introducing a wide range of more specific changes in tax administration that had proved their worth elsewhere in the world.
- Aid agencies and international development organisations played a major part.

- The main ultimate objective of both African governments and the international actors was to increase tax revenues.

We conclude this section with further evidence for these general conclusions. First, ARAs have generally been established in regions of the poor world suffering from relatively severe fiscal stress, where governments were especially eager to improve their tax collection mechanisms. They are found mainly in sub-Saharan Africa and Latin America, the two regions of the world that suffered from low or declining incomes in the 1980s and 1990s in particular.<sup>21</sup> The first ARAs in those two regions – Ghana in 1985 and Peru in 1991 – were both established in situations of acute fiscal crisis, with government revenues reduced to about 4 % of GDP in both cases (Chand & Moene 1999; Joshi & Ayeé forthcoming; Mahon 2004; Moore & Schneider 2004; Terpkker 1999).

Second, within sub-Saharan Africa, ARAs are found mainly in the countries most directly influenced by (a) the international agencies that have promoted the ARA model (DfID, the World Bank and the IMF), and (b) the New Public Management ideas popular in Britain in the 1980s and 1990s. African ARAs are located either in anglophone Commonwealth countries (Ghana, Uganda, Zambia, Kenya, Malawi, Mauritius, Tanzania, South Africa, Zimbabwe, Sierra Leone, Lesotho, The Gambia) or in other countries where elites have become substantially anglophone in the post-colonial period as a result of their aid and other relationships with anglophone international organisations (Ethiopia and Rwanda). ARAs are absent from almost all of francophone Africa. This anglophone bias has been strengthened by the exemplary and consultancy role of the South African Revenue Service (SARS). Motivated in large part by the political commitment to raise more tax revenue to redeem the social debt of apartheid, SARS has been the most consistent success story among ARAs in sub-Saharan Africa. Its staff provide advisory services to many other countries in the region.

Third, the international agencies that have promoted ARAs have clearly been concerned to help increase tax revenues. The IMF, the World Bank and DfID generally work closely together over taxation and fiscal reform issues.<sup>22</sup> One of the major roles of the IMF is to safeguard the global financial system. It has an interest in ensuring the fiscal health of the governments of poor countries, so that they can repay existing loans and easily contract new ones. This in turn gives it a natural bias in favour of encouraging and supporting governments to increase their tax revenues (Mahon 2004). It has frequently been criticised for this, and for encouraging African governments in short term ‘campaigns’ to meet revenue

targets that may impact adversely on the possibility of developing more consensual taxation systems in the long term. Neither the World Bank nor DfID have the same direct institutional interest in raising revenues, but there is no doubt that this has been the primary goal of their tax administration projects. For example, the recent independent evaluation of World Bank support to public sector reform concludes that 'The Bank's entry point for tax administration reform has typically been the need to increase revenues' (IEG 2008: 57). The 2002 synthesis of a review of more than forty DfID-funded revenue projects, mainly in sub-Saharan Africa, makes it clear, from the first page of the executive summary, that increasing the ratio of tax collection to GDP was a primary objective and measure of achievement (DfID 2002).

#### CONCLUDING COMMENTS: TAX REFORM AND PUBLIC AUTHORITY

The dominant motivation for establishing semi-autonomous revenue authorities in sub-Saharan Africa has been to increase central government tax revenues. How successful have ARAs been in achieving that specific goal? One could, along with their more avid proponents, cite a number of individual cases of success. The most solid is the South African Revenue Service (SARS), which presided over a steady increase in the 'tax take' (tax revenues as a percentage of GDP) in the first decade after liberation from the apartheid regime (Hlope & Friedman 2002; Smith 2003). That, however, took place under rather special conditions: a new regime and ruling party; a widespread political determination to raise the resources to make it possible for the new government to pay off some of the social debt of the apartheid regime; and a high degree of continuity in the economy and public administration during the transition. SARS did not have to cope with the breakdown of economic or fiscal systems.

By contrast, the more dramatic examples of greatly expanded tax revenues following the establishment of ARAs – Ghana in 1985, Uganda in 1991 and Rwanda in 1998 – have all been cases of recovery from major economic breakdown and, in the latter two cases, civil war. Public revenues would have increased anyway. We do not know how far the establishment of ARAs accelerated or amplified the process. For all three cases, there is evidence of a trajectory also observed in other countries, for example, in Peru (Durand 2002; Mostajo 2004): first, total revenues increase steeply for some years, then, with small variations, they seem to plateau at about the same proportion of GDP as before the original politico-economic crisis hit. In principle, one might have been able to wait a few years and then compare the revenue performances of African

countries with and without ARAs. That is no longer possible. The increase in global commodity prices in the past few years has been a godsend to the treasuries of many African governments, which still depend substantially on natural resource exports for their revenue. Recent IMF analysis indicates no positive, identifiable impact of tax reforms on government revenues in sub-Saharan Africa over the last quarter century (Gupta & Tareq 2008: 44): 'The average tax-to-GDP ratio in sub-Saharan Africa increased from less than 15 % of GDP in 1980 to more than 18 % in 2005. But virtually the entire increase in tax revenue in the region came from natural resource taxes, such as income from production sharing, royalties, and corporate income tax on oil and mining companies. Non-resource-related revenue increased by less than 1 % of GDP over 25 years.'

Our impression is that the creation of ARAs has increased the *potential* of African governments to enhance central government revenues by acting as a conduit for the introduction of a range of sensible reforms in tax administration. However, the creation of ARAs has simultaneously created an awkward inter-organisational relationship – between ARAs and ministries of finance – that might, in the wrong circumstances, reduce revenue-raising capacities. Historically, revenue collection was a major activity of ministries of finance. This made it possible for the ministry to adjust tax policy – to make continuous changes in regulations and policy over such highly technical matters as investment allowances, exemptions and tax schedules for various goods, services and business sectors – on the basis of immediate access to practical knowledge about how the existing collection system was working. The creation of ARAs poses a threat to the synchronisation of tax collection and tax policy. The two functions are now housed in separate organisations. The relations between those organisations are not always good; they are the subject of much discussion whenever senior tax staff meet professionally. The staff of ministries of finance can resent the fact that a major activity has been taken from them and given to a group of people who are typically paid much more generously. This is not an inevitable problem. It was serious in Peru (Durand 2002). It has not been a major concern in South Africa, partly because of the close relationship between the Commissioner of SARS and the Minister of Finance, who are both veterans of the fight against apartheid, and who believe that tax collection is key in the shared political project of economic growth with redistribution (Hlope & Friedman 2002). It is hard to generalise about the character of this relationship in the other sub-Saharan African countries that have established ARAs. The conclusion is that establishing ARAs has the potential to create new problems as well as to solve old ones.

A similar point applies to the relationship between ARAs and legislatures. One can plausibly argue two contrary principles. One is that giving revenue agencies operational budgets that are independent of the annual budget process will free them of direct dependence on politicians and increase the chances that they will not be subject to routine political interference. The other is that only by justifying their budget request before the legislature annually can ARAs expect to establish broad political support for their operations. This difference of view cannot be resolved by arguing from principles. It is better rather to look at what experience tells us about the granting of formal autonomy to government organisations. In the long term, and especially in more fragile polities, autonomy 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 tax authority performs well on those criteria, then its autonomy is likely to survive.<sup>23</sup> If the political leadership also values direct control of the taxation process for other purposes, then 'autonomy' may be simply a label of convenience.

In conclusion, ARAs were created to increase government revenues. To date, they have contributed little to that goal. However, their existence enhances the capacity of governments to raise more revenue, and does not signal any significant privatisation of the taxation process in sub-Saharan Africa.

#### NOTES

1. This paper is based on a variety of sources of information collected during fieldwork and frequent visits to eastern and southern Africa since the early 1990s, and consultancies for international donor agencies: official reports and data on tax revenues; available 'grey' literature produced by the governments, the revenue authorities, donors, and business communities; personal interviews and discussions with present and past tax officers and board members of revenue authorities, staff at ministries of finance, business people and customs clearing agents, politicians, aid workers, tax consultants, and researchers; and media reports on taxation and tax administration.

2. Today there are about thirty revenue authorities around the world. Most are located in Africa and Latin America. Of the twenty-nine countries identified as having ARAs in a recent survey by the IMF, fourteen are located in sub-Saharan Africa, ten in Latin America and the Caribbean, two in Asia, two in Europe, and one in North America (Canada). The Canadian Revenue Authority has since been divided in two, with customs re-emerging as a separate organisation because of concerns about border security (Kidd & Crandall 2006).

3. Formally, the Ghana Revenue Authority was the first in Africa, in 1985. However, it lacks one defining feature of revenue authorities: the integration of all pre-existing central tax collection agencies. Each major tax (e.g., income tax, customs duties) is collected by its own agency (Joshi & Ayece forthcoming; Terpkker 1999).

4. In addition, some state governments in Nigeria have granted autonomy, at least in principle, to the internal revenue boards that collect state level taxes.

5. An IMF survey conducted early in 2006, covering eleven ARAs in sub-Saharan Africa, found that all of them were collecting income taxes and value-added taxes, and all but one were collecting customs duties and excise taxes. This list accounts for all major categories of taxes. Only one ARA, in Mauritius, was also responsible for property taxes (Kidd & Crandall 2006: 89).

6. There is a large literature on this phenomenon and special concerns when it seems to be driven by development aid and aid donors (Batley 1999; McCourt & Minogue 2001).

7. British consultants with experience of these reforms continue to play a major role in advising on the reform of tax administration in Africa.

8. The management contracts were intended only to be for limited terms, and aimed in part at developing local public sector capacity (Hubbard *et al.* 1999; Wulf 2005). The Mozambique contract has been terminated, and customs collection is back in the hands of the Mozambique Customs Administration.

9. It has become the norm to appoint at least one private sector representative to the management or supervisory boards of ARAs. Of the eleven African ARAs on which information is included in the IMF's 2006 survey, ten had advisory, supervisory or management boards, and private sector representatives sat on nine of these (Kidd & Crandall 2006).

10. The IMF's 2006 survey showed that only two of nine ARAs located outside sub-Saharan Africa were dependent solely on annual budget appropriations, compared with seven of the eleven ARAs in sub-Saharan Africa (Kidd & Crandall 2006: 86–8).

11. The details are in Kidd & Crandall 2006: 86–8. The Uganda Revenue Authority (URA) provides an interesting case in this respect (Therkildsen 2004: 69). The initial legislation made the URA Board responsible for both the formulation and implementation of the policy of the Authority. The Ministry of Finance came to see this as problematic. Powerful members of the Board not appointed by the ministry sometimes took independent stances. In the eyes of the ministry they lacked technical expertise on taxation. The statutes were amended in 1998 to give the ministry the power to nominate a majority of Board members: four out of seven, in contrast to the previous four out of nine.

12. Expatriates currently serve as chief executive officers in the revenue authorities in Lesotho and Mauritius, and have done so for periods in Uganda (Fjeldstad 2006) and Zambia (von Soest 2007).

13. This agenda shift is best documented in the case of SUNAT, the Peruvian revenue agency established in 1991 by President Fujimori. The first chief executive was given the authority to close all kinds of tax loopholes and exemptions in order to deal with a major fiscal crisis, regardless of the identity of the 'victims'. However, it was not long before SUNAT was being ordered to go easy on the president's political supporters, and to punish his opponents. For further details on the SUNAT experience, see Durand 2002; Estela 2000; and Mostajo 2004.

14. The granting of 'autonomy' to a public organisation that handles large sums of money is particularly challenging. Managerial autonomy – to run a tax agency on a day-to-day basis in ways that make sense from a perspective of its special functions – seems very sensible (Grindle 1997). The problems lie at the level of political control. The top managers of a tax agency cannot be left free to dispose of its income as they wish. They should be responsible to someone or, preferably, to some institution.

15. For example, the largest professional association of taxation specialists in Africa is the Chartered Institute of Taxation of Nigeria. It has about 8,000 members, divided approximately equally between public sector employees of revenue collection agencies and private sector 'tax practitioners'.

16. However, it has been difficult for some African governments to maintain the generous remuneration packages for ARA staff. In the Tanzania Revenue Authority, salaries remained unchanged in cash terms between 1996 and 2000 (Fjeldstad 2003). In the Uganda Revenue Authority, they were unchanged between 1991 and 1998. In 1991 average URA staff salaries were eight to nine times higher than those for corresponding positions in the general civil service. By 2000, this had shrunk to a factor of four to five (Therkildsen 2004). In 2003, tax officers in the Zambia Revenue Authority for the first time initiated a work slowdown to press for pay advances, overtime benefits, and reimbursement for housing and study loans (von Soest 2006).

17. One exception is the Tanzania Revenue Authority (TRA) where all former staff members were dismissed and had to re-apply for positions in the new revenue authority in 1996. Almost 1200 staff members, equivalent to more than a third of the total former work force, were not re-employed on evidence or suspicion of misconduct (Fjeldstad 2003). A less dramatic approach was used in Uganda, where the entire staff of 1700 people was placed on probation at the inception of the revenue authority, and approximately 250 (14%) were dismissed in the initial screening (Fjeldstad 2006).

18. By contrast, throughout most of the eighteenth century, the British Excise Commission, arguably the first large modern revenue bureaucracy, disciplined 2–4% of its staff annually, and experienced an annual staff attrition rate of 6–8% (Brewer 1989: 111).

19. For example, by opening customer-friendly 'one-stop shops', simplifying procedures, making possible online filing of returns, and providing extensive information for taxpayers in printed and digital form.

20. We have cited above evidence about the basic similarity of ARAs in sub-Saharan Africa, compared with others, in funding arrangements. A similar conclusion emerges when we look for the existence of what the IMF calls 'empowered management boards'. In 2006, these existed in nine of the eleven ARAs surveyed in Africa, but in only five of the nine ARAs in other parts of the world (Kidd & Crandall 2006).

21. Most countries of the former Comecon bloc suffered similarly in the 1990s. But public sector reform in most of that region, and especially in Central Europe, was driven largely by the conditions set for admission to the European Union. The granting of autonomy to tax agencies is not part of the European Union agenda.

22. The recent independent evaluation of the work of the World Bank on public sector reform concludes that 'Bank projects for tax administration have generally succeeded and benefited from strong government ownership, particularly by ministries of finance, and from good diagnosis and strategy (often led by the International Monetary Fund)' (IEG 2008: xvi).

23. For a case study demonstrating this point from Chinese history see Strauss 2008.

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