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Revenue Reform and Statebuilding in Anglophone Africa:

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Revenue Reform and Statebuilding in Anglophone Africa[1]

Mick Moore

Summary

Within the development field, tax administration reform is an area of relative success. Over the past two decades, the national revenue systems of most countries in anglophone Africa have undergone major reforms. These comprise, in particular, the introduction of Value Added Tax (VAT), the adoption of 'advanced' tax administration practices, and the creation of semi-autonomous revenue authorities. What do these reforms imply for emerging patterns of politics and governance in anglophone Africa?

The first conclusion is conceptual and theoretical. The impact of these reforms has been shaped by the broad context within which they were being implemented, especially the increasingly transnational character of many important policymaking relationships (Orenstein and Schmitz 2006; Stone 2008; Weiss 2005). Senior African revenue staff feature increasingly in transnational expert networks, and face a wider range of employment opportunities, public and private, both at home and abroad. The second conclusion is that these revenue reforms have contributed only modestly to statebuilding. While the new revenue agencies are in many respects impressive organisations, actual revenue collection has not increased much; improvements in organisational capacity have been concentrated at national and capital city level; potentially synergistic improvements in the capacity to formulate tax policy have not occurred; and some anticipated spillover benefits from improving the revenue collection apparatus have not been realised. The third conclusion is that, while these reforms have made it possible for governments to raise revenue from the organised private sector in a more 'Weberian' (institutionalised, rule-bound) and a more consensual manner, they have also increased the possibility that the taxation system will be shaped by private sector interests, making it difficult for governments to raise the revenue that they claim they need.

Keywords: tax; tax administration; institutional reform; Africa; globalisation; business; aid.

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Contents

Introduction

Over the past two decades, the national revenue systems of most countries in anglophone Africa[2] have undergone major reforms, with three main components:

- introduction of VAT, which is an organisationally demanding but effective instrument for raising revenue;
- adoption, in varying degrees, of a package of advanced tax administration practices, most of them conducive to more voluntary compliance by taxpayers and greater cooperation between them and tax collectors;
- giving tax collection agencies a degree of autonomy from the political executive.

These revenue reforms are not exclusive to anglophone Africa. Some variant of VAT is now in place in most poorer countries (Bird and Gendron 2007; Keen 2007). Similarly, most national tax administrations pay at least lip service to these advanced tax administration reforms (Section 4). Anglophone Africa is distinctive only in its enthusiastic embrace of semi-autonomous revenue authorities (SARAs): almost every government in the group has now created a SARA, making it the most SARA-rich cluster of countries in the world.[3] Overall, there has been substantially more revenue reform in anglophone Africa than in the obvious comparator clusters of low income countries: francophone Africa, which shares the continent, and South Asia, which shares a British legal and bureaucratic inheritance.[4]

What, if anything, do these reforms imply for emerging patterns of politics and governance in anglophone Africa? I reach three broad conclusions. The first is conceptual and theoretical. To understand the impact of these reforms, we need to take account of the broad context in which they are being implemented, especially the increasingly transnational character of many important policymaking relationships (Orenstein and Schmitz 2006; Stone 2008; Weiss 2005). The second conclusion is that these reforms have contributed only modestly to statebuilding, where that is defined as increasing the capacity and effectiveness of the state apparatus. The third conclusion is that, while these reforms have made it possible for governments to raise revenue from the organised private sector in a more 'Weberian' (institutionalised, rule-bound) and a more consensual manner, they have also increased the possibility that the taxation system will be shaped by private sector interests, making it difficult for governments to raise the

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2 I include in the definition of anglophone Africa both the francophone and the lusophone (Portuguese-speaking) countries of Southern-Central Africa: Rwanda and Burundi, and Angola and Mozambique, on the grounds that they are becoming increasingly anglophone in language and 'anglo' in geostrategic terms.

3 SARAs are also relatively widespread in Latin America. The chronology of the creation of SARAs in Africa is as follows: 1985 Ghana (initially three separate agencies, which were integrated in 2010); 1991 Uganda; 1994 Zambia; 1995 Kenya and Malawi; 1996 Tanzania; 1997 South Africa; 1998 Rwanda; 2001 Zimbabwe; 2002 Ethiopia and Sierra Leone; 2003 Lesotho; 2005 Gambia and Mauritius; 2006 Mozambique; 2010 Burundi; and 2011 Swaziland. In addition, the Nigerian Federal Inland Revenue Service received some additional formal autonomy. As of late 2012, the establishment of SARAs was under consideration in Angola, Namibia and a number of francophone countries. (I am grateful to Odd-Helge Fjeldstad for this information.) See also Kloeden (2011).

4 There are no databases on national tax systems that would make it possible to prove those claims rigorously. They are based both on my own observations and those of other international tax specialists. Such data as is available indirectly demonstrates that, compared to the rest of anglophone Africa, the South Africa revenue system is more advanced. See, for example, the data in OECD (2009) and International Tax Dialogue (2010). Within francophone Africa, Morocco is quite an advanced reformer. Within South Asia, the Indian revenue system has seen the most significant changes. The revenue authorities of the other South Asian countries often continue to operate paper-based systems, while digitalisation is the rule in anglophone Africa. Latin American revenue systems have also undergone considerable reform (Mahon 2004).

revenue that they claim they need. This is an especially significant issue for African governments, which rely more than most on taxes levied directly on companies.

In Section 1, I briefly set the context by pointing out that, contrary to expectations arising from images of Africa as a continent of weak governance institutions, African governments – and especially the governments of the anglophone countries – have long benefitted from relatively effective public revenue systems.[5] The tax reforms discussed in this paper are a response to fiscal needs, but not generally to fiscal crises. In Section 2, I explain the situation in which these reforms were introduced. I explore them in more detail in Section 3 (VAT), Section 4 (advanced tax administration reforms) and Section 5 (semi-autonomous revenue authorities). In Section 6, I argue that these reforms have contributed significantly to a set of changes in the professional environment and the opportunities facing the senior staff of (anglophone) African revenue authorities. In brief, senior tax professionals are: (a) increasingly well connected transnationally, through personal and organisational linkages; and (b) increasingly able to migrate between domestic public sector posts (with tax agencies), international public sector roles (with the International Monetary Fund (IMF) or aid agencies, as employees or consultants), and private sector posts, including jobs with the fast-expanding ‘Big Four’ international accounting firms and international banks.

In Sections 7 to 11, I look at the combined impact on state capacity of the revenue reforms and the associated changes in the senior African revenue profession. While the reformed revenue agencies are themselves quite impressive and influential organisations (Section 7), I am reluctant to talk of great statebuilding successes for four reasons. First, the reforms have not led to much increase in revenue collection (Section 8). Second, because they are relatively high-cost organisations focused on headquarters and IT-based activities, the reformed revenue authorities are well placed to engage with the organised private sector, but not with the bulk of small actual or potential African taxpayers (Section 9). If there are statebuilding functions to be performed by extending revenue collection to smaller-scale enterprises and by helping sub-national governments to raise revenue more effectively, the reformed revenue authorities may not be best placed to perform them. Third, the focus of energies on improving the capacity of revenue authorities has come at some indirect cost in terms of the absence of corresponding developments in tax policy formulation within Ministries of Finance (Section 10). Fourth, with the conspicuous exception of Rwanda, the reformed revenue authorities have not generally played their classic role as a training ground for high quality, motivated staff for the public sector more broadly – and are unlikely to do so in future (Section 11).

The reforms leave ambiguous the future relationship between the state and the organised private sector – the dominant source of revenue for most African governments (Section 12). On the one hand, reformed revenue authorities are better placed to tax the organised private sector in a more Weberian, consultative and consensual manner, establishing revenue systems that are more predictable, based more on trust, and more responsive to taxpayers’ needs. On the other hand, the increasing interchange of personnel between the tax agencies and the private sector increases the risk that private interests will colonise the domains of tax policy and administration, and make it difficult for governments to raise more revenue should they wish to do so. Tax collection will probably become less corrupt in the most direct sense of the term, but might become more corrupt in the more structural sense of the term.

[5] For an exploration of some of the historical background, see Mkandawire (2010).

1 Context: revenue-raising in Sub-Saharan Africa

For two decades or more, political scientists have been turning out publications that seek to explain why governance is so bad in much of Sub-Saharan Africa, and why many states there tend to be weak or failing.[6] Given the tendency of other political scientists to identify the capacity of a government to collect taxes as a – or even the – indicator of generic state capacity (Lieberman 2002; Slater 2010), we would expect that contemporary African governments would, on average, be poor performers in the revenue-raising game. The truth is significantly different.

Overall tax collections, as a percentage of GDP, tend to be low in Sub-Saharan Africa. But that is because average incomes are low. Globally, there is a strong and robust statistical association between the structure of national economies and the proportion of national income raised in tax. For reasons that are explored further in Section 3, governments that preside over national economies characterised by high per capita incomes – and also high ratios of international trade to GDP and high proportions of non-agricultural activity – consistently garner a high proportion of national income in tax.[7] Few Sub-Saharan African governments collect a high proportion of GDP in taxes. But, over the past two decades, and compared to most poorer countries, the governments of most African countries, and especially the anglophone countries, score well in terms of *tax effort*, i.e. actual tax collection levels relative to the levels we might expect them to achieve given the structure of their national economies.[8]

2 The reforms: introduction

In a few cases – notably Ghana, Rwanda and Uganda – the reforms discussed here were in part a response to fiscal crisis (Devas, Delay and Hubbard 2001). In Rwanda and Uganda in particular, long periods of civil war had largely destroyed the pre-existing formal revenue-raising apparatus. But in most cases the reforms were not crisis-driven.

The three categories of reforms – the introduction of VAT, advanced tax administration reforms, and the creation of SARAs – do not comprise a tightly integrated package. But neither are they independent of one another. The International Monetary Fund (IMF) has consistently promoted the first two over a long period. The General Agreement on Tariffs and Trade (GATT) reforms, which led to major reductions in tariff levels, cut heavily into the incomes of most African governments in the 1980s and 1990s (Baunsgaard and Keen 2005), and encouraged a search for new revenue sources. The widening use of digital information and communication

6 For a small sample, see Ayittey (1992), Bates (2008), Bayart (1993), Chabal and Daloz (1999), Clapham (1996), Herbst (2000), Jackson and Rosberg (1982), Mamdani (1996), Reno (1998), and Van Der Walle (2001).

7 For references to the consistent evidence from cross-country statistical analysis, see Moore (2008), Drummond et al. (2012) and Pessino and Fenochietto (2010).

8 The data is less good than we would wish, but the regional differences it signals are quite marked. The IMF reproduces estimates of tax effort for 56 countries over the period 1991-2006, excluding those countries with large tax revenue from hydrocarbons. Taking only the 32 low and lower-middle income countries, the average tax effort, by regional grouping, is as follows: anglophone Sub-Saharan Africa (7 countries) – 80%; francophone Sub-Saharan Africa (7 countries) – 71%; Latin America (6 countries) – 59%; South Asia (4 countries) – 51%; and Others (12 countries) – 56% (IMF 2011, appendix table 4). Gupta (2007, 28) provides alternative estimates of tax effort for a larger number of countries over the period 1980-2004. The overall pattern is similar, with Sub-Saharan African countries – especially the anglophones – performing well. See also Keen (2012).

technologies (ICTs), and the increasing numbers of Africans with secondary and advanced education, facilitated the changes discussed here. There are more specific logistical and organisational connections that in some cases meant that the introduction of one reform eased or encouraged the implementation of another. For example, the adoption of VAT from scratch appears to have provided a positive push to other tax reforms in anglophone Africa because it required the digitalisation of enterprise accounts and administrative tax records, and created strong pressure at inception for revenue agencies to recruit qualified accountants and other professionals to deal with its complexities (Kloeden 2011). Other connections are more cognitive and political: some reform components were perceived and justified by their proponents in terms of their synergy with others. In the 1990s, in particular, revenue reform in anglophone Africa reflected a relatively high degree of cooperation between external agencies. The IMF and the World Bank were influential over tax policy, especially in introducing VAT and simultaneously reducing what had hitherto been a major public revenue source: import and export duties.[9] At the same time, the British aid programme and British-based consultants played the lead role in encouraging the creation of SARAs (Kloeden 2011; Devas, Delay and Hubbard 2001). This initiative was 'designed to support the implementation of the tax reform agenda advocated by the International Monetary Fund (IMF) and the World Bank' (Gray and Chapman 2001, 2). Even observers who are sceptical of the specific benefits of SARAs have accepted the argument that their creation has facilitated more important changes in tax policy and administration (Fjeldstad and Moore 2009; Joshi and Ayee 2009; Devas, Delay and Hubbard 2001).[10]

3 Value Added Tax (VAT)

VAT was introduced into anglophone Africa and then achieved almost universal coverage over a period of about 15 years beginning in the early 1990s (Kloeden 2011).[11] VAT is an intellectually demanding concept for non-specialists, involving as it does simultaneous processes of revenue collection and offsetting refunds for tax collected elsewhere in the value added chain. It is also a very challenging tax to introduce from scratch – although quite an effective and efficient earner once in place.[12] There is no single model of VAT, but rather a suite of choices cohering around a common core (Bird and Gendron 2007; Keen 2007; Keen and Lockwood 2010; Saleheen 2012). From the perspective of this paper, the introduction of VAT in anglophone Africa was significant in three main ways.

First, it created a common challenge for revenue administrators, and provided a stimulus to professional engagement across frontiers (see also Section 8). This was all the more true because the initial introduction sparked protests and riots in both Ghana and Uganda. African tax administrators were very interested in the lessons that might be learned from comparative experiences, whether in Africa or elsewhere. Because VAT is not levied below a threshold level of business turnover that excludes most enterprises in Africa, and because some goods and services typically are exempted entirely, the possibility of making marginal changes to VAT regimes is always on the taxman's agenda. Although VAT has long been in place in most countries of the region, questions about how to implement it continue to generate interest whenever African tax administrators meet professionally.

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9 In low income countries, this substitution was not very successful: receipts from the new VAT did not equal the revenue losses from reducing border taxes (Baunsgaard and Keen 2005).

10 Kloeden (2011), however, suggests that the creation of SARAs might have delayed more important reforms.

11 The spread of VAT to low income countries is in part due to the enthusiasm of the IMF (Keen 2012).

12 For analyses of VAT in developing countries, see Baunsgaard and Keen (2005), Bird and Gendron (2005), Bird (2008), Ebrill et.al. (2001), Keen (2007) and Keen and Lockwood (2010).

Second, because it requires the capacity to cross-check a large number of business invoices and receipts, VAT was highly synergistic with the wider adoption of ICTs, both in tax agencies and in companies whose business turnover was sufficiently large that they were required to submit VAT returns (Kloeden 2011). The use of ICTs has been integral to both the effective implementation of VAT and to most of the advanced tax administration reforms discussed in Section 4.

Third, the initial adoption of VAT typically required revenue agencies to make investments in the recruitment and training of skilled accountants (Kloeden 2011). This point is significant beyond VAT, and relevant to the broader argument of this paper. There is a developmental logic in tax systems, which can be expressed in terms of a contrast between two (idealised) modes of assessing the liabilities of individual taxpayers: physical verification and accounts-based verification. Physical verification can be considered to be the original mode. It has typically been used in the collection of land and crop taxes, property taxes, customs duties, sumptuary taxes on conspicuous consumption, and excise taxes on the production of scarce consumer items like salt, tobacco and alcohol. Physical verification is almost inevitably associated with the merging of assessment with collection: the same person who assesses taxpayers' liabilities also collects the money from them. For this reason, physical verification is typically associated with malfeasance: collectors use their power to extort money from the taxpayer and/or to cheat the exchequer.

Accounts-based verification, which has its roots mainly in corporate and personal income or profits taxes, creates three developmental opportunities. One is the employment of revenue agents whose skills lie more in accounting and law rather than in muscle power and force. The second is the increased scope for separating the process of assessing tax liabilities from the collection of dues, thus reducing the scope for extortion or corruption. The third, which applies mainly to digitalisation, is the enormous potential for improving the level and efficiency of collection by matching data from different sources. Some tax agencies in low income countries still collect little systematic data on anything except current tax collections. In principle – and excluding organisational friction and political resistance – digitalisation makes possible radical changes in working methods and outcomes (Bird and Zolt 2008).

As economies become less agrarian, more marketised, and better recorded first on paper and then digitally, there is a 'natural' trend towards accounts-based taxation. That, in turn, mainly explains why economies with high per capita incomes, high ratios of international trade to GDP, and high proportions of non-agricultural activity consistently generate high ratios of tax collections to GDP (Section 1). Accounts-based taxation has the potential to greatly reduce the 'friction' that inevitably exists between taxpayers and tax collectors. It is less adversarial and more efficient than taxation based on physical verification (Vázquez-Caro and Bird 2010).

The introduction of the information-hungry VAT in anglophone Africa can be seen as an accelerator of this broader historical trend: not only away from physical verification towards accounts-based taxation, but also towards more cooperative tax collection, aimed at more '(quasi-) voluntary compliance' on the part of the taxpayer.

4 'Advanced' tax administration reforms[13]

We should be wary of the typical development consultant's assertion that international 'best practice' in public administration is automatically appropriate to poor countries (Andrews 2012a). However, many of the advanced tax administration practices developed recently in OECD countries are partially relevant and transferable to Africa. The list of sensible options for contemporary tax administration reform is to a significant degree similar across the globe, not least because they are in large part driven by the adoption of mainstream, low-cost ICTs.

There is a range of ways in which, as implemented in anglophone Africa, these advanced tax administration reforms might be described and classified. For present purposes, it is useful to group them into three overlapping clusters:

- The main historical principle for the internal structuring of tax agencies in anglophone Africa was tax type. Offices and individuals would be assigned to collect only one of, for example, customs duties and excise, sales or income taxes. While appropriate to very low income economies with limited commercialisation, this practice results in competition among different tax offices to take money from the same taxpayers, failure to share information about taxpayers among tax offices, and high transaction costs for taxpayers who have to deal with two or more tax offices. Structuring by tax type is giving way to two alternative organisational principles. The first is what is known in the trade as 'taxpayer segment', i.e., type of taxpayer. In contemporary anglophone Africa, the application of the principle has mainly involved the concentration of a scarce resource – the most competent and committed accountants and auditors – on the complex affairs of the small number of large companies that typically provide the bulk of all tax revenue for African governments.[14] This in turn permits the deployment of staff with weak accounting skills on more routine tasks: for example, in Rwanda, regular campaigns to register and collect fees from what are in effect business licences from the numerous drivers of motorcycle taxis. The revenue agencies of most OECD countries now have a separate unit for large taxpayers (OECD 2009). Similar units have been established in more than half the countries of anglophone Africa, although their effectiveness is quite variable (Kloeden 2011).[15] The second organisational principle that is becoming more widespread is function, with distinct units for activities like taxpayer registration, processing tax returns, processing payments, debt collection, auditing and investigations, finance, personnel, legal affairs and dispute resolution, investigations and internal compliance (anti-corruption). The main benefits of organising by function are those of specialisation (Kidd 2010). As of 2011, revenue collection was still organised principally by tax type in only two small anglophone African countries (Seychelles and Swaziland); and only in these and two other cases (Botswana and Zimbabwe) was there no attempt to organise according to taxpayer segments (Kloeden 2011).

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[13] This section draws on many sources, including Aberbach and Christensen (2007), Bergman (2003), Bird (2004), Bird and Zolt (2008), Cantens, Raballand, and Bilanga (2010), Kidd (2010), Kloeden (2011), OECD (2009), Vázquez-Caro and Bird (2010) and Zake (2011). Some more cutting edge practices are not treated here because they are of little relevance to contemporary Africa. For example, it is increasingly common for OECD tax administrations to issue 'advance rulings' that specify whether or not they will accept certain types of 'tax planning' (i.e. tax avoidance) schemes. In anglophone Africa, only the South African Revenue Service engages in this practice.

[14] Kloeden provides some figures for the VAT taxpayer populations of 8 anglophone countries for various single years between 2004 and 2009. On average, large taxpayers accounted for 4.8% of the VAT taxpayer population and for 69% of total VAT receipts (Kloeden 2011).

[15] It is a sign of the relative weakness of most African revenue agencies that few have effective specialised units to tax particularly complex and challenging industries, including mining, telecommunications and finance.

- Advanced tax administration reforms combine an increasing trust in the taxpayer with a series of measures that collectively increase the capacity of the tax agency to assure itself – at relatively low cost – that this trust is not being abused. The most visible manifestation of this trust is a growing reliance on self-assessment by the taxpayer, especially in respect of corporate and private income and profits taxes and VAT.[16] Tax administrations are increasingly able to cross-check the reliability of the information provided by taxpayers using two instruments that rely on the spread of ICTs: the allocation of unique tax identification numbers to each taxpaying unit; and data on assets, income or expenditure derived from 'third party' sources (banks, electricity providers, motor vehicle sales, property sales, credit card accounts, and company ownership and dividend payments). These instruments are not yet widely used in anglophone Africa.[17] The same is true of the more significant change in tax practice to which they contribute: the shift to risk-based audit. Audit units traditionally have often been used to squeeze taxpayers suspected of having the capacity to pay more, or as a last-minute means of helping the tax agency meet its revenue collection targets. Risk-based auditing involves targeting auditing resources on those taxpaying units that are identified as being especially likely to attempt significant levels of tax evasion, on the basis of statistical risk analysis that takes into account such factors as business type and individuals' records.[18] The immediate objective of risk-based auditing is not revenue collection per se, but preserving the integrity of the revenue system by deterring the most egregious tax evasion.

- The third cluster of advanced tax administration reforms comprises a set of measures to make tax paying, including self-assessment, easier for taxpayers, and to reduce the extent of direct personal interaction between them and tax collectors. The list includes: the simplification of tax systems and rates (fewer taxes, fewer rates for each tax, fewer exemptions); relocating tax offices or changing procedures to make it easier for taxpayers to register, file and pay – including using banks as collection agents; shifting these processes on-line; separating tax assessment and tax collection activities, both physically and functionally; providing quicker and fairer means of resolving disputes between tax collector and taxpayer; and providing more information to taxpayers about the procedures they are required to follow or how government spends their money. All anglophone tax agencies claim to be adopting or extending these kinds of practices (International Tax Dialogue 2010). We have little hard information on the extent of progress. As I explain in Section 10, there is no progress to report in respect of one of the items listed above: reducing the frequency of tax exemptions.

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16 In the case of customs collection – still probably the most corrupt area in revenue-raising in anglophone Africa as in most of the world – the equivalent of self-assessment is what are called 'preferred trader' arrangements. Importers and exporters who enjoy this status on the basis of a clean record use the electronic transfer of their documentation to give customs authorities prior notice of specific shipments, to obtain advanced clearance and thus to obviate the delays – and threat of delays – embedded in the traditional system of physical verification of every cross-border consignment. Electronic tagging and sensing of goods will reinforce this trend. Within anglophone Africa at present, arrangements of this nature are still rudimentary (Geourjon et al. 2013), but very much on the agenda of the East African Community, which comprises Burundi, Kenya, Rwanda, Tanzania and Uganda.

17 South Africa is the exception. The procedures followed by the South African Revenue Service are generally of OECD standard.

18 To be very effective, risk-based auditing requires auditing staff who are very familiar with the individual industries with which they are dealing. Such staff are rare in African tax administrations.

5 Semi-autonomous revenue authorities (SARAs)[19]

The distinguishing feature of a SARA is that the task of collecting taxes is removed from the Ministry of Finance and assigned to a single organisation that has a degree of operational independence from the Ministry and from the political executive generally. In most cases in anglophone Africa, two or three separate units from within Ministries of Finance, each collecting different types of tax, were brought under the umbrella of a SARA. Before going into more detail, it is useful to explore further the circumstances in which SARAs have become almost the sole form of organisation for revenue collection at national level in anglophone Africa.

As I noted in Section 2, the main stimulus for the initial creation of SARAs in the 1990s came from the British aid programme, supported by UK-based consultancy companies. SARAs did not originate from within African governments, and were not strongly supported by all the international organisations and specialists in the field. Was the establishment of SARAs sensible from a revenue perspective? That question remains unanswered and is virtually unanswerable (Crandall 2010). It is easier to explain why SARAs were promoted by aid donors and accepted by African governments. First, SARAs seemed designed to address exactly the kinds of governance problems that aid donors at that time believed were characteristic of – and endemic in – Africa and other low income regions. The donors' governance agenda focused on three broad objectives: making governments more market-friendly; creating more disciplined governments; and modernising and formalising government processes (Andrews 2013). The autonomy of revenue agencies could be justified as a means of advancing each of those aims.[20] Second, and more specifically, the shift of tax collection responsibilities from Ministries of Finance to (semi-) autonomous bodies fitted exactly the programme of the new public management movement, which had anglophone origins and was in the 1990s propagated internationally by the British government, the British aid programme, and the dense network of consultancy organisations rooted in the UK and other anglophone countries. The core of the new public management programme was the replacement of large, hierarchically-coordinated public sector organisations with more disaggregated (or loosely-coupled) systems, in which the delivery units had more operational autonomy and a contractual rather than a purely hierarchical relationship to superior funding and policymaking units (Sulle 2010). The shift of tax collection from Ministries of Finance to SARAs seemed to tick all those boxes. In the 1990s, and until recently, low income countries were likely to follow the lead of aid donors and international organisations. Then more than now, it was widely believed that OECD countries had high quality public institutions, and that low income countries would do well to emulate them (Andrews 2012b)

The concept of autonomy was central to the case for establishing SARAs. It is, however, a more contested and ambiguous term than the proponents of autonomy for revenue agencies, central banks and other public organisations have been willing to concede (Arnone et al. 2009). One common argument for granting autonomy to revenue agencies was that this would liberate them from bureaucratic straitjackets. It was believed that, if freed from the general civil service

[19] There is a substantial literature on SARAs in Africa: Devas, Delay and Hubbard (2001), Fjeldstad (2003), Fjeldstad (2006), Fjeldstad and Moore (2009), Gray and Chapman (2001), Hirschmann (2011), Joshi and Ayee (2009), Kidd (2010), Kloeden (2011), Land (2004), Taliercio (2004), Terpker (1999), Terpker (2008), von Soest (2007a) and von Soest (2007b).

[20] The concept of autonomous revenue authorities was actively promoted, in the sense that the potential advantages were highlighted, but not the potential disadvantages (Crandall 2010).

employment, remuneration, procurement and operating rules to which Ministries of Finance were subject, managers could do their job more effectively, and thus collect taxes more efficiently and at lower cost. Other justifications focused more on liberation from political interference in revenue operations.[21] The most intellectually elegant variant of the autonomy argument was that companies and other large taxpayers would be more willing to reveal their true assets, incomes and profits to the tax collector if they believed the tax collector to be independent of the government. They would have less fear that information held by the tax organisation might be used to exercise selective political pressure on individuals or individual companies, or to increase the overall rate of tax extraction. The success of SARAs would thus derive from the positive signal that their autonomy would convey to the private sector (Taliercio 2004).

The most evident problem with the autonomy narrative for anglophone Africa is that the nominally semi-autonomous revenue authorities that have been established enjoy rather little actual autonomy.[22] It is true that the managers often have considerable routine operational and managerial freedom to deploy resources flexibly to meet their revenue collection targets, but this is not guaranteed legally, organisationally or politically. Financially, most remain dependent an annual budgetary appropriations. Political leaders can – and do – intervene in detail when they wish (Fjeldstad and Moore 2009; Kloeden 2011; Crandall 2010).[23]

We should expect SARAs in anglophone Africa to perform below the levels promised by their original champions because they represent less of a change in lines of authority than those champions had anticipated.[24] Like so many governance and institutional reforms in Africa in recent decades, SARAs were adopted in part as signalling devices: not the signals from the government to the private sector (about the independence of revenue collectors) of which Taliercio talks (see above), but signals from governments to aid donors and international organisations of willingness to cooperate in tax reform programmes (Andrews 2013; Sulle 2010).

My conclusion is not, however, that that the establishment of SARAs has been of little consequence. They have been quite consequential – but not always as originally foreseen. Among other things, they have contributed to some major changes in the labour market for senior African tax professionals.

21 This was widespread, and remains so. The Controller of the Zambian Department of Customs and Excise was brave enough to write in his 1979 annual report that 'The number of senior people in the Party and its Government who apparently feel they have immunity to Customs formalities continues to soar ....' (quoted in von Soest (2007a, 32)).

22 Contemporary African governments seem to be generally reluctant to cede substantial autonomy to public agencies. Arnone and colleagues calculate measures of the degree of political autonomy for central banks for most countries in the world in 2003. The degree of autonomy declines with national income. While the average autonomy score for 111 developing countries was 0.41, the average for the 26 Sub-Saharan African countries covered was even lower, at 0.31 (Arnone et al. 2009, appendix table 5).

23 There are intellectual hinterlands to this story that merit a mention. There are more dimensions to the concept of organisational autonomy than one typically hears from its advocates (Verhoest et al. 2004). Formal-legal autonomy should not be confused with substantive or political autonomy (Verhoest et al. 2004). And history suggests that in most cases organisational autonomy has continually to be earned if it is to be respected: the autonomous agency has to demonstrate that it is of greater value to the political executive if left alone to do its job (Strauss 2008; Leonard 1991).

24 Note also that the degree of coordination between customs and domestic tax units is typically low (Kloeden 2011).

6 The labour market for African tax professionals

Two decades ago, the business of collecting taxes in anglophone Africa was undertaken mostly by people with low educational qualifications and limited skills. With partial exceptions like Kenya and South Africa, tax agencies were not the places to hunt for professional or administrative talent. That is changing, especially at senior levels. Revenue agencies recruit more talented people, attract them from the private sector, and are themselves increasingly targets for professional head-hunters.[25] Senior African revenue staff increasingly can look forward to well-remunerated transnational careers. The establishment of SARAs is one of several interacting reasons for this change:

- At the point of creation of SARAs, staff salaries typically were raised to several multiples of those previously paid within Ministries of Finance.[26] This was justified in terms of recruiting talent and reducing the incentive to be corrupt. Those salary differentials seem in most cases to have been reduced, not least because, in anglophone Africa as elsewhere, they caused resentment among the remaining Ministry of Finance staff (Therkildsen 2004).[27] But SARA personnel continue to be paid significantly more than people in equivalent posts in Ministries of Finance. SARA managers typically have a greater capacity to reward good staff performance. Most SARAs have gone through some process of weeding out the less competent or more corrupt among the staff they inherited from Ministries of Finance – sometimes at the point of creation and sometimes later; sometimes through one quick cull and sometimes more incrementally and incompletely.[28] These processes have all tended to produce a workforce that is relatively able, motivated and, initially, young (Land 2004). We do not know whether overall corruption levels have diminished.[29] Enhanced salary levels certainly make revenue posts more attractive to people who do not wish to become involved in corruption networks. SARAs generally enjoyed the support of aid donors, including the provision of ICT hardware, software and training. Most of the staff skills developed in this way are transferable to other organisations and other types of job.[30]

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25 This is in addition to the normal flow of trained mid-career accountants and auditors from tax agencies into private firms or into self-employment as tax advisers.

26 These ratios vary widely. At what is likely the extreme, staff of the Uganda Revenue Authority received salaries 8 to 9 times the level of people in equivalent civil service positions when the Authority was established in 1991. However, these differentials approximately halved over the next decade (Fjeldstad 2006). See also Devas, Delay and Hubbard 2001).

27 The two generic problems following the establishment of SARAs are this resentment about high salary levels and the fact that the initial progress in increasing revenue tends to plateau after a few years. These issues are well documented for the earliest SARA created in the developing world: La Superintendencia Nacional de Aduanas y de Administracíon Tributaria (SUNAT) in Peru in 1991 (Durand 2002; Estela 2000; Thorp 1996).

28 For example, the initial 'cull' of pre-existing staff was almost total when the Burundi Revenue Authority was established in 2010/11. In Rwanda, the culling process was administered by outsiders (Land 2004). When the Uganda Revenue Authority was established, 85% of the previous staff were re-hired, despite the widespread perception of institutionalised corruption (Fjeldstad 2006; Therkildsen 2004). In Tanzania, only 65% were re-hired, and some of those were dismissed the next year while still on probation (Fjeldstad 2003).

29 For studies of corruption within SARAs, see Fjeldstad (Fjeldstad 2003, 2006). Transparency International does annual surveys of the experiences of the population of the East African Community countries of being asked for and paying bribes to specific organisations. In 2011, 115 organisations were listed. The Burundi Revenue Authority ranked 3rd in terms of the overall corruption measure; the Uganda Revenue Authority 5th; the Tanzania Revenue Authority 33rd; and the Kenya Revenue Authority 58th. There was no detectable corruption associated with the Rwanda Revenue Authority (Transparency International 2012). Nearly all tax payments in Rwanda are made through banks.

30 It is also increasingly common to encounter youngish, middle-to-senior SARA staff who are studying for advanced degrees while in service.

- Expatriates, most of them non-African, initially occupied some or all of the senior management positions in many SARAs. Nationals now occupy almost all these posts again.[31] Many of them are not career tax professionals, but people recruited as senior managers from the private sector, often on fixed term contracts.[32] The partial freedom that SARAs enjoy to hire and pay staff and to deploy resources flexibly makes senior posts more attractive to people trained mainly in the private sector. The movement is not one way: senior staff of revenue agencies increasingly have opportunities to take short- or longer-term postings as revenue specialists, in their own countries or elsewhere in Africa, with the IMF and with aid donors.[33]

- This Africanisation of internationally-recruited revenue positions is related, as both cause and effect, to the increasing frequency with which senior African revenue staff meet with one another and with other tax professionals from outside Africa in organisational arenas which they control, or in which they have significant influence.[34] The most visible instance is the African Tax Administration Forum (ATAF), an active professional body that was established in 2008, mainly on the initiative of the senior staff of a number of anglophone SARAs.[35] A transnational epistemic community of tax specialists has long heavily influenced tax policymaking in Africa (Fjeldstad and Moore 2008). That community is increasingly African.

- Finally, recent high rates of economic growth and increases in foreign investment in much of Africa have stimulated a considerable expansion in the continent of the 'Big Four' international accounting firms – KPMG, PwC, Deloitte, and Ernst and Young – and international banks. They need new staff specialised in accounting and auditing to populate the new branches they are opening. The fact that they are involved in advisory work on taxation makes the qualified staff of African revenue authorities especially attractive recruitment targets.[36]

The increased job mobility of senior revenue staff reflects a range of factors, including tangible events like the creation of SARAs and more diffuse processes like the increasing transnationalisation of governance processes (Orenstein and Schmitz 2006; Stone 2008; Weiss 2005). I see this increased mobility as one of the most consequential but unexplored indirect outcomes of the revenue reforms. Its impact on statebuilding is discussed in Section 7.

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31 At the time of writing, only the new Burundi Revenue Authority is headed by an expatriate.

32 Berlin Msika, the Commissioner-General of the Zambia Revenue Authority, estimated in a private conversation in early 2012 that at that point more than half of the heads of SARAs in anglophone Africa had been recruited from the private sector.

33 Because of their autonomy over personnel policies, management of SARAs are more likely than Ministries of Finance to release staff for short-term consultancy assignments. At least one SARA management is currently contemplating establishing a separate unit to deal with requests to provide staff for international assignments. One source of demand is post-conflict reconstruction activities in the Sierra Leone-Liberia-Côte d'Ivoire region of West Africa.

34 For example, SARAs from anglophone countries are prominent among the small number of African revenue organisations that are active members of the OECD's Task Force on Tax and Development. The Task Force is co-chaired by the Commissioner of the South African Revenue Service.

35 The formal decision to establish ATAF was taken at a conference in Pretoria in 2008. The organisation was not formally established until 2009. While it is a Pan-African organisation, the anglophones tend to dominate. This is partly for language reasons, including the fact that its financial supporters and main external organisational interlocutors are dominantly anglophone international organisations and aid agencies. I also judge that part of the reason is that autonomous revenue agencies find it easier to find the money to pay ATAF membership fees and to provide some degree of continuity in the engagement of senior staff members in ATAF events.

36 For example, in 2011 PwC announced that it planned to recruit an additional 8,000 partners and staff in Africa over the next five years <http://www.pwc.com/ke/en/press-room/pwc_announces_ambitious_growth_strategy_for_africa.jhtml>.

7 Revenue reforms and statebuilding

‘Statebuilding’ has no unique meaning. I approach it first in the terms in which it is most commonly understood: the process of establishing or strengthening formal organisations which increase state capacity, and thus the ability of those who command the state to exercise authority over non-state actors or other states.[37] Have the revenue reforms contributed to statebuilding? In one respect at least, the answer is yes. Most revenue agencies in anglophone Africa now stand out as relatively influential within the networks of the national government institutions of which they form a part. This influence stems from varying combinations of the factors discussed above: the unification of formerly separate tax units; a degree of operational autonomy; high staff quality; considerable financial and technical assistance from aid donors and international organisations; their strong transnational organisational linkages; a record of innovation and reform; and a substantial command of ICTs for a range of operational purposes. Revenue authorities seem to be among the most improved public agencies in a number of anglophone African countries.

But is this a story of major improvements in state capacity? For four reasons I would say no: revenue collection has not increased much; improvements in organisational capacity have been concentrated at national and capital city level; potentially synergistic improvements to the capacity to formulate tax policy have not occurred; and some anticipated spillover benefits from improving the revenue collection apparatus have not been realised. I explain these reservations sequentially in the next four sections.

8 Revenue collection

Arguably the most basic statebuilding function of revenue reforms is to make it possible for states to collect the revenue they need (Bräutigam, Fjeldstad and Moore 2008; Slater 2010). As I explained in Section 1, African states are not as ineffectual in this area as one might expect from the prevalence of stereotypes about weak and bad governance in Africa. But they do have the potential to raise more revenue, and this has been a prominent theme in the justifications for the reforms discussed above (Kloeden 2011). Have the reforms achieved this objective?

There is no clear answer to this question. Figures on national revenue collection for much of Africa are not very reliable.[38] They are often revised, and sometimes exhibit unexplained short-term spurts of good performance that are not sustained (Drummond et al. 2012; Ebeke and Ehrhart 2012). We cannot measure the extent of the revenue reforms sufficiently accurately to even contemplate assessing their impact country-by-country (Crandall 2010). We can at best make inferences from the most authoritative attempts to interpret aggregate tax collection patterns for the region, whether defined as Sub-Saharan Africa, or just the anglophone component (Drummond et al. 2012; Keen and Mansour 2010; Kloeden 2011). These sources suggest that:

[37] The notion that improving the tax collection process represents statebuilding has recently caught the imagination both of some aid donors (OECD 2010) and some revenue professionals in anglophone Africa. It was the theme of the 2008 conference in Pretoria that marked the creation of the African Tax Administration Forum <http://www.ataftax.net/>.

[38] It is possible that senior staff of revenue agencies, who are subject to precise revenue collection targets, ‘play’ the system, in collusion with large taxpayers, by bringing forward collections when targets may be missed, and deferring collections when targets have been exceeded (Bilangna and Djeuwo 2013).

- For a long period in the 1970s and 1980s, aggregate revenue performance in Sub-Saharan Africa, measured as the proportion of GDP collected in tax revenue, was either stagnant or in decline.

- There is some evidence, for anglophone Africa, of a slight upward trend, dating from the mid-1990s – a period of relative activism around the reforms discussed in this paper.

- There is more evidence of another trend increase in collections since around 2005. That is however largely or entirely attributable to increasing world market prices for Africa's mining and energy exports, and the increase is less than would have been achieved if African revenue administrations were better equipped and empowered to collect their due share of mining revenue in particular (Sturmer 2010).

No single African revenue authority has exhibited a continuously improving performance for as much as a decade. Even for countries like Ghana, Rwanda, and Uganda, which have at one time or another been lauded as reformers, periods of rapid progress are short-lived.[39] The Rwanda case is especially interesting. There are many reasons to expect the Rwanda Revenue Authority to be a star performer. It was created afresh in 1998 with strong support from President Kagame; recruited very motivated and able staff; has received a great deal of support through the British aid programme; and spends an unusually large amount of money equipping and rewarding itself. Yet, after steadily increasing revenue collection as a proportion of GDP in its first eight years, it reached a (rather low) plateau on which it has been stuck for the last decade, despite a strong policy commitment to further increasing revenue.[40] Writing of the Rwanda Revenue Authority in 2004, Land said, 'It is only a matter of time before the most capable managers that have been at the centre of the organisation's remarkable achievements move on. Already a number of key managers have been poached for top government positions, while key technical staff are being poached by other organisations that value the training and organisational experience that the RRA has provided' (Land 2004, 27). The situation has not changed since then. In the year 2009/10, 5.4 per cent of the permanent staff of the Authority resigned to take other jobs, most of them from the higher grades (Rwanda Revenue Authority 2010). Scarcity of competent staff, especially auditors, remains an acute problem in much of anglophone Africa (Kloeden 2011). Without good auditors, it is difficult to challenge the larger companies who are such an important revenue source.

Measured simply as a proportion of GDP, revenue collection in anglophone Africa is only a little above the levels of the 1970s. It is certainly possible that, without the reforms, the situation would be worse, because other factors have put a downward pressure on collections.[41] Conversely, we would have expected some 'automatic' increase in the ratio of tax to GDP in recent years as average incomes have increased.[42] We can conclude that to date the reforms probably have had only a small positive impact on revenue collection – and may indeed have

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39 This seems to be a generic feature of contemporary tax administration reforms, including, for example, customs reforms in the Cameroons (Bilangna and Djeuwo 2013). It is likely that, in addition to the typical temporary improvements that result from intense attention from outside, corrupt collection practices are temporarily suspended or reduced (Fjeldstad 2006).

40 In Rwanda the 'tax take', i.e., revenue collection as a % of GDP, reached a critical low point of 3.6% in 1994. It then increased steadily to 15% in 2002, but since that time has fluctuated between 13% and 15%. The Ugandan tax take increased from 6.8% in 1991/2 to 12.1% in 1996/7, but has since plateaued at about that level (African Development Bank 2011).

41 For example, collection levels in the last two decades have been under pressure from: (a) the increasing relative importance of transnational economic transactions, which African tax administrations find hard to monitor and exploit; and (b) the rush to replace customs duty revenues with VAT, which generally resulted in an overall revenue reduction in the poorer countries (Baunsgaard and Keen 2005).

42 The reasons are summarised in Section 1.

had none at all.[43] This is less surprising to experienced tax specialists than to many reform enthusiasts. Effective revenue agencies are highly 'networked' organisations, able to elicit the cooperation they need from a wide range of other stakeholders, including Ministries of Finance, Commerce and Justice; authorities responsible for registering motor vehicles, businesses and property; public utilities; public procurement agencies; the police, judiciary and public prosecutors; border security forces; tax agencies in other countries; banks; employers; large companies; insurance companies; company registrars; business associations; and professional associations of accountants and auditors (Bird and Zolt 2008); Vázquez-Caro and Bird, 2010). The more that tax collection is based on analysis of accounts rather than on physical verification (Section 3), the greater the need for cooperation with these other stakeholders. Improvements within a revenue agency may have very limited impact if not supported by corresponding changes in the network. It is partly for this reason that aggregate revenue collection tends to change only slowly, and waves of enthusiasm for reforming tax policy and administration in one direction or another tend to leave few detectable footprints in the historical tax statistics (Bird 2012; Keen 2012; Vázquez-Caro and Bird 2010).

9 Focus on the centre

The revenue reforms were shaped by the context in which they were introduced. Three features of that context seem especially important. The first was that African governments were relatively highly dependent on revenue collected from a small number of companies.[44] The second was that the institutional framework for revenue-raising by sub-national governments was extremely weak. It was characterised by very low collection levels and high degrees of informality, diversity, coercion, and misuse of power (Fjeldstad 2001; Fjeldstad and Heggstad 2012; Fjeldstad and Therkildsen 2008). The third was that the aid donors could offer intensive support over a limited range of activities: capital subsidies; access to new digital information technologies; and access to the advanced tax collection technologies being rolled out in high income OECD countries through training and the services of advisers and consultants.

In these circumstances, it would have been very difficult for the reform to take a different path than the one followed: a focus on central government organisations; national level issues; and trying to improve interactions between tax collectors and larger companies. No other strategy would have been likely to have shown positive results, or have been able to use the external resources available. Further, office-based revenue staff do not like to be deployed to the difficult, unrewarding and sometimes threatening task of trying to raise money from unregistered, informal enterprises (Joshi and Ayee 2009). There is an element of path dependence in the outcomes, with some detrimental features. With their impressive headquarters, high staff salaries, orientation towards the formal private sector and strong external linkages, SARAs are relatively high-cost tax collectors.[45] Large proportions of their staff posts are located in

43 That is neither a criticism nor a surprise. Tax collection typically involves running fast to stay still. Except in situations where political order is being re-established after a collapse, increases in the ratio of tax to GDP tend to be achieved only in very small steps (Bird 2012).

44 This is true of low income countries generally. For anglophone Africa, see Kloeden (2011).

45 We do not have very good figures on costs of revenue collection for Africa. A recent study of revenue administration in 15 African countries covered 12 anglophone countries with SARAs. It is likely that the cost figures are understatements, excluding in particular some aid donor contributions. In 2008, the average collection cost as a percentage of revenue raised for these 12 SARAs was 2.3% (International Tax Dialogue 2010). By contrast, the most recent comparable average figure for 28 OECD countries was 0.99% (OECD 2009). For the financial year 2009/10, the Rwanda Revenue Authority reported expenditure equivalent to 5% of the value of total collections (Rwanda Revenue Authority 2010). This figure was typical of recent years.

headquarters offices, rather than out on the national borders or in small towns.[46] SARAs have evolved as organisations that are relatively well structured to engage with other large formal organisations, whether internal (larger private companies, other agencies of government), or external (aid donors, the IMF, professional tax organisations), but are neither well fitted nor strongly oriented to engage with the great majority of actual or potential African taxpayers – small-scale, rural and small town enterprises.[47]

In Latin America, where the number of people considered middle class is growing rapidly and where there have been some recent reductions in the degree of inequality of income distribution, revenue administrations are paying significant attention to bringing more individuals and small businesses into the tax net. How better to tax the vast informal sectors that dominate African economies is one of the staple subjects of discussion at regional tax meetings. But anglophone revenue authorities seem to give the issue little priority in practice. Indeed, my conversations suggest something of a retreat in recent years, as the high costs of trying to raise revenue from the small-scale sector show up in management accounts. In some cases, it makes more sense for revenue administrations, encouraged by NGO campaigns exposing the tax misbehaviour of transnational companies, to concentrate on the grossly under-taxed mining sector. If there is a statebuilding function to be performed by increasing direct tax collection from smaller-scale enterprises and tapping significant new revenue sources for sub-national governments, SARAs may not be the best vehicles.[48]

10 The neglect of tax policy

In most contemporary governments, the revenue function is divided between a large implementation unit that assesses and collects from individual taxpayers, and a small tax policy unit, located in the Ministry of Finance, which advises government on revenue strategies. Tax policy units have historically been weak in anglophone Africa. This pre-dates the reforms discussed here, and so cannot be attributed to them. There is, however, again an issue of path dependence, with resources and energies being focused on revenue authorities, to the continuing neglect of the tax policy function. SARAs often play a large role in tax policymaking because they have the resources to do so (Devas, Delay and Hubbard 2001).[49] The biggest single revenue policy failure in contemporary Africa is the spread of unjustified, ad hoc tax exemptions for particular companies or activities (Cleeve 2008; Madies and Dethier 2010). A range of estimates implies that the value of these exemptions may amount to up to half the value of taxes actually collected. The ultimate driver of the spread of exemptions is directly political: politicians grant them in return for cash, whether for private use or for funding elections. Effective tax policy units alone cannot prevent lavish exemptions. They might, however, reduce exemptions by subjecting them to more consistent scrutiny, and developing criteria for granting them. Revenue agencies have no formal role in this area. The senior staff of many anglophone revenue agencies now feel trapped between their need to meet demanding revenue collection

[46] We have figures for 12 African revenue agencies for the year 2009. The modal proportion of total staff working in headquarters offices was 25% (International Tax Dialogue 2010). The equivalent figure for 28 OECD tax administrations in 2008 was 9% (Kidd 2010). Part of the reason is the high contribution of a few large companies to revenue in Africa. Those companies are often based mainly in or around capital cities.

[47] Jan Isaksen has pointed to the parallel case of highly paid and well-equipped central banks that are unable to move formal financing systems to serve the small-scale informal sector.

[48] The Rwanda Revenue Authority is however an exception. At the instance of the country's president, it attempts continually to register and tax new small-scale enterprises, at least in Kigali.

[49] When the Burundi Revenue Authority was established, the tax policy unit in the Ministry of Finance was dissolved.

targets set by Ministries of Finance, and the continual erosion of their collection base because of the generous grant of tax exemptions by other parts of the state apparatus.

11 The missing spillovers

The study of revenue collection gives rise to questions about the relationship between principals and their agents. Governments (principals) need tax authorities (agents) that are sufficiently powerful, organised and informed to raise significant amounts of revenue without generating political unrest, and sufficiently disciplined that they hand most of that revenue to the state. Historically, governments that have succeeded in that quest have often found their revenue service to be a reservoir of high quality public servants transferable to other parts of the state apparatus, and a source of ideas and inspiration for broader public sector reform (Brewer 1989; Chaudhry 1989, 1994). It is for that reason that Nicholas Kaldor described the improvement of tax reform in low income countries as an entry point into public sector reform more generally (Kaldor 1963). Have the revenue reforms in anglophone Africa generated these kinds of positive spillover effects on the public sector more broadly?

In one case, Rwanda, the answer is unambiguously positive. The Rwanda Revenue Authority, which was formally established in 1998, was created almost from scratch, and with extensive external support, especially from the UK. Civil war had destroyed much of the pre-existing state apparatus. The Authority has become well known for meritocracy and for extremely low levels of corruption. Despite formal autonomy, it has generally operated in close coordination with other parts of the state apparatus and the ruling Rwanda Patriotic Front. The Authority is consciously used as a training ground for public servants who are moved out into senior technocratic posts in other public sector organisations.[50] There is however no evidence of similar processes elsewhere in anglophone Africa. Further, it seems unlikely that they will be significant for the foreseeable future.

There is statistical evidence for this scepticism in the results of cross-national analysis conducted by Prichard and Leonard using data relating to 45 Sub-Saharan Africa countries over the period 1972-2005 (Prichard and Leonard 2010). They set out to test the classic argument about positive administrative spillovers to other parts of the public service from improvements in tax administration. In summary, they find some evidence that this took place between 1973 until the late 1990s: in that time, improvements in tax administration tended to precede broader administrative improvements. However, no such relationship is evident for more recent years. Seven of the first eight SARAs in anglophone Africa were established between 1991 and 1998 (footnote 3). Prichard and Leonard suggest that, with their independent recruitment and personnel management systems, and high salaries, SARAs effectively broke the link that previously existed between tax administration improvements and broader public sector performance improvements. This is all the more plausible if we also take into account my point above about the increasing transnational career opportunities for senior revenue staff. Those

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50 For the period 2003-8 we have precise information on this from the output-to-purpose review of British support to the Rwanda Revenue Authority conducted for the UK Department for International Development by the Helm Corporation. The report lists by name 21 Authority staff who in that period moved on to senior positions elsewhere, 18 of them in the public sector. The list begins with a Commissioner-General who was made Minister of Finance. (The Authority has since provided another Minister of Finance.) It also includes a Secretary-General, a Director of Budget, and an Executive Assistant to the Minister at the Ministry of Finance; a Director-General and a Director of Planning and Research at the Rwandan Social Security Fund; a Minister for the East African Community and an East African Community parliamentarian; the Head of the Privatisation Secretariat; three diplomatic posts; a Provincial Governor; the Head and Deputy Head of Magerwa (the public sector bonded warehouse); and a Director of Trade at the Ministry of Commerce.

opportunities tend further to disconnect revenue service careers from general public service careers in the home country. The wider the options for a Ghanaian revenue official to work for KPMG in Accra or Nairobi, or for the IMF in Freetown or Washington DC, the less the relative attraction of being promoted to a senior Finance Ministry post at home. The combination of transnationalisation and the revenue reforms discussed here is simultaneously incorporating African revenue professionals into the global expert community of tax experts (Fjeldstad and Moore 2008), and weakening their connections with the wider public service at home.

When we define statebuilding as the process of increasing state capacity by establishing or strengthening formal organisations, then the impact of revenue reforms could equally well be summarised as 'the glass is half-full' or 'the glass is half-empty.' There are real achievements, but much more could be done. I shift now to a rather more diffuse concept of statebuilding: changing relationships between state and non-state actors in ways that increase their collective capacity for productive interaction, bargaining, and joint action. This kind of statebuilding is not a one-way process of increasing the power of the state apparatus, but a 'two way street: It also enables civil society parties to control the state' (Mann 1993, 59). Herein lies its ambiguity.

12 Revenue reform and state-business relations

The governments of anglophone Africa, like those of most low income countries, do not have access to what is for most OECD governments the major single revenue source: monthly income tax and social security payments deducted from salaries by employers and transferred straight into the public treasury. Africa's labour force is mostly informally employed. African governments have historically been relatively dependent on taxes collected directly from and by private companies, especially a small number of large companies.[51] That dependence has increased over the past two to three decades as import and export taxes have been radically cut, and in large part replaced by VAT (IMF 2011). In examining the impact of revenue reforms on state-society relations, I focus on the relationship between governments and their dominant revenue-providers: larger, formally-organised businesses.

Although formally enveloped in extensive legal regulation, actual revenue collection in Africa has been – and to a significant degree remains – pre-Weberian: cases are governed not by law, procedural rules and notions of impersonality, but by individual relationships between tax collectors, taxpayers and the intermediaries (tax advisors, tax lawyers), with scope for these parties to distribute among themselves some of the revenue that would otherwise accrue to the public treasury.[52] The revenue reforms have been designed to shift the process in the Weberian direction: to induce a greater degree of observance of formal rules, decrease the degree of personal interaction, and reduce the scope for corruption. This is a major objective of the advanced tax administration reforms summarised in Section 4. It is intended that taxpayers will be much better informed about their obligations, find it easier and simpler to prepare their tax

[51] This is partly because of high dependence on corporate income taxes (IMF 2011). Fiscal dependence on larger companies however goes well beyond that. In low income countries especially, larger private companies typically are also major sources of excise taxes and important collection agents for VAT and social security contributions. The extent of their compliance greatly affects overall collection levels (Bird and Zolt 2008). In anglophone Africa, most import duties are paid by a few large importers (Zake 2011).

[52] Verifiable information on these processes is inevitably scarce. We are however lucky to have excellent insights from sustained sociological investigations into the collection of import duties in the Cameroons (Bilangna and Djeuwo 2013; Munoz 2013; Canlens 2012). See also Blundo (2006).

returns and pay, and be more trusted to make accurate returns, unless the tax agency has specific reasons to investigate their affairs closely.

These changes in turn have implications for the role of ‘tax practitioners’: the people who advise companies on their tax practices, help them prepare and present their tax accounts, and, in some cases, interact with the tax collectors and ensure that the appropriate unofficial payments are made to the right people. The need is for more tax practitioners operating in professional roles as accountants and lawyers, and for fewer working as ‘fixers’. The greater the degree of professionalism in the preparation of company tax returns, the easier it is for revenue agencies to process them. Some anglophone revenue authorities are trying to induce more professionalism by engaging institutionally with tax practitioners. Tax practitioners are one of the nine segments into which the South African Revenue Service has classified its taxpayer base. It is planned to give each segment an organisational reference point within the Service (South African Revenue Service Annual Report 2010-2011). The Institute of Certified Public Accountants of Rwanda, which was established by law in 2008, licenses individuals and firms to engage in accounting and auditing for the public sector. The Rwanda Revenue Authority interacts extensively with the Institute, with the Rwanda Private Sector Federation, with which it has organised a Tax Issues Forum, and with the Association of Tax Consultants that was established in 2010. Only authorised auditors can certify tax returns. Within a few years, and especially since a number of transnational accounting firms established offices in Kigali, there has been an efflorescence of institutionalised dialogue and lobbying between the government – especially the Revenue Authority – and the private sector over tax issues.[53]

I talked in Section 3 of the natural developmental trajectory in revenue systems. Systems based on physical verification tend to be characterised by: high levels of administrative discretion; individual deals and corruption at the point of collection; and by antagonism between taxpayers and the state at the perceptual and policy levels. Accounts-based systems are conducive to more Weberian (rule-based, impersonal, honest) practices in assessment and collection; more institutionalised policy dialogue between governments and tax agencies on the one side and collectively-organised taxpayers on the other; and greater cooperation between the two in reducing the friction associated with tax collection. In various respects, the reforms discussed above have moved tax collection in anglophone Africa towards the more progressive end of this spectrum. By helping to improve relationships between governments and the larger-scale private sector, they have increased the chances that the recent increases in private investment in Africa will be sustained, and that Africa will transition further towards a fully developed capitalist economy. But those are statements of possibilities, not predictions. In Africa, as elsewhere, a thriving private sector tends to denude revenue agencies of trained staff (Section 8). More importantly, the changing job market for African tax professionals summarised in Section 6 could have two quite contradictory consequences.

On the one hand, the increasingly frequent interchange of personnel between tax authorities and both the commercial private sector and the world of public sector consultancy could increase the capacity of tax authorities to understand in detail how different sectors of the economy operate, and enhance their capacity to adopt win-win practices that benefit both taxpayers and tax collectors by reducing the uncertainty, friction and transaction costs of tax collection. That in turn could make possible relatively consensual and uncontested increases in the ratio of tax to GDP. On the other hand, the interchange of personnel between the tax agency and the private sector increases the risk that private interests will colonise the domains of tax policy and administration to the detriment of the public treasury. The Public Accounts Committee of the UK House of

53 These comments on Rwanda are based on fieldwork conducted in 2010.

Commons recently issued a strong warning about the extent to which external accountants working for government exploit the knowledge they gain there to reduce the tax liabilities of their private clients (Public Accounts Committee 2013). The private sector is the only societal interest that is in any significant degree mobilised to influence tax policy and tax administration in most African countries.[54] The increasing presence of the big transnational accounting firms and banks is likely to reinforce private sector influence. There are few countervailing forces. One possible outcome is revenue authorities that seem to tick all the boxes in terms of adopting modern tax technologies, but both: (a) lack the political impetus to tackle the big revenue leakages – tax exemptions and the transfer pricing practices of transnational corporations; and (b), more generally, are hampered by tax policies and tax collection procedures crafted by people who are institutionally too close to the organised private sector. In such a case, tax collection may be less corrupt in the most direct sense of the term, but could be considered more corrupt in a structural sense.

13 Concluding comments

Recent revenue reforms in anglophone Africa have been relatively successful. They provide good news stories both for African governments who are all too often on the receiving end of narratives of institutional failure, and for aid and development agencies pilloried for trying to foist inappropriate foreign ideas and technologies on Africa. The reforms have made some positive contributions to statebuilding. However, they have not contributed as much as many proponents expected. And the mechanisms of institutional change have been more subtle and complex than those implied in simple cause-effect models. In particular, a series of transnationalisation processes have taken new revenue authorities down a different path than originally foreseen. The outcomes are as yet unclear. However, an obvious policy question arises: are the kinds of centralised national revenue authorities that have been built up in recent years likely to reach out to small-scale enterprises in the ways that are needed if they are to be taxed sensibly and to provide much-needed revenue sources for sub-national governments? The answer is likely to be no. That implies a search for a different set of institutional innovations.

[54] In one small African country, the revenue authority recently took the initiative to cooperate directly with the organisation representing the private sector to frame a revenue reform that would be acceptable to the legislature. In this case, the reform seems to offer gains to all parties. The way in which it was achieved illustrates the scope for more self-interested cooperation between the private sector and revenue authorities. The confidentiality of my sources prevents me from naming the country.

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