

Autonomy, Incentives and Patronage:
A Study of Corruption in the Tanzania and
Uganda Revenue Authorities

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Preface

The purpose of this report is twofold: Firstly, to explore in greater detail factors that may explain the observed patterns of corruption within the Tanzania Revenue Authority (TRA) and the Uganda Revenue Authority (URA). In particular, the study discusses the key assumptions behind the revenue authority model and the relevance of these in an African context characterised by scarcity of qualified tax officers, including accountants and auditors, and clientilistic networks between political, bureaucratic and economic agents. Secondly, based on this work, the study aims to identify options available for sustainable tax administrative reforms in the two countries in light of existing political, economic and administrative constraints. Issues of particular relevance for foreign assistance to fighting fiscal corruption and strengthening tax administration are highlighted.

The study is commissioned by the *Norwegian Agency for Development Co-operation*, NORAD. The present report presents the work done by the project group, made up of Odd-Helge Fjeldstad (project leader), Ivar Kolstad and Siri Lange.

The main ideas of the report have been worked out by the group as a whole. Some division of labour has, nevertheless, been necessary: Fjeldstad (economist) wrote the first outline of the report and had the main responsibility for chapters 1, 2, 3, 4 and 8, Kolstad (economist) for chapters 5 and 6, and Lange (social anthropologist) for chapter 7.

The analysis is based on a variety of sources of information: official reports and data on tax revenues in Tanzania and Uganda; available grey literature produced by the governments, the TRA and the URA, donors and business communities; personal interviews and discussions with present and past tax officers and board members of the revenue authorities, staff at the Ministries of Finance in Tanzania and Uganda, business people and customs clearing agents in Dar es Salaam and Kampala, aid workers, tax consultants and researchers; and newspaper articles on tax issues in the two case countries. Data collection and interviews were carried out by Fjeldstad during frequent visits to Tanzania and Uganda during the period 1996-2003, and by Lange in Uganda in November 2002. During the course of the project we have benefited from comments by Eyolf Jul-Larsen, Mohamed Othman, and Bertil Tungodden, and from discussions in seminars at IDS-Sussex University and at a visit to HM Customs and Excise, London. Special thanks to the CMI-librarians for their assistance, and to the many people in Tanzania and Uganda who took the time to speak to us. Points of view and any remaining errors can be attributed to the authors.

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Executive summary

1 Introduction

- 1.1 In order to increase revenue and curb corruption, a number of African countries have implemented comprehensive reforms of their tax administrations over the past two decades. Uganda introduced a major reform in 1991 with the formation of a semi-autonomous revenue authority – the Uganda Revenue Authority (URA), and Tanzania followed in 1996 with the formation of the Tanzania Revenue Authority (TRA).
- 1.2 How successful were these reforms? It is naturally too early to pronounce a final verdict. Reforms need time and results will always depend on the criteria underlying the evaluation. However, neither the TRA nor the URA have been able to sustain their early successes. In Uganda, the reforms appeared to be a success in URA's first six years of existence. Reported tax revenue increased sharply - from 7% of GDP in FY 1991 to more than 10% in 1997. Corruption seemed to be declining too. But since then, the tax-to-GDP ratio has remained stagnant around 10%. There are also clear indications that corruption is on the rise again. The Tanzania Revenue Authority has experienced a similar development, though the decline in the tax-to-GDP ratio and rise in corruption came faster compared to the URA: Reported revenue increased in TRA's first year of existence from about 10% of GDP in 1996 to almost 11% in 1997. Thereafter tax revenue has declined to less than 10% of GDP.
- 1.3 In both Tanzania and Uganda this pattern, initial increases in revenue collection followed by stagnation or decline, took place despite continued economic growth, further reforms of important tax legislation in line with best practice as prescribed by the IMF, and accumulated operation experiences in the new revenue administrations. There are many indications that an increase in fiscal corruption has contributed to reducing the growth in reported revenues. Thus, a closer look at the pattern of corruption may shed light on the development of tax revenues.
- 1.4 The purpose of this report is to explore in greater detail factors that may explain the observed patterns of corruption within the TRA and the URA. Three factors are highlighted; one is related to the autonomy of the tax administration and political interference, the second is linked to the power of incentives schemes for tax officers, and the third is connected to patronage and the 'cultural logics of corruption'. The study discusses the key assumptions behind the revenue authority model and the realism of these in an African context characterised by (a) scarcity of qualified tax officers, including accountants and auditors, and (b) clientilistic networks between political, bureaucratic and economic agents. Based on this work, the study aims to identify options available for sustainable tax administrative reforms in the two countries in light of existing political, economic and administrative constraints.

2 The tax systems in Tanzania and Uganda

- 2.1 Reforms of the tax systems in Tanzania and Uganda during the last decade have focused on simplifying the direct and indirect tax structures, removing discretionary tax exemptions and improving the tax administration. In addition to revenue raising, efficiency and economic development considerations have motivated recent reforms of the tax system.
- 2.2 The major measures implemented are:
 - lower personal and corporate income taxes;
 - simplification of the tax bands and broadening of the bases for personal and corporate income taxes;

- introduction of the value-added tax;
 - simplification of the excise duty structure;
 - reduction of import duties and simplification of the rate structure; and
 - abolition of export taxes.
- 2.3 Administrative reforms are also increasingly stressed, as reflected in the establishment of the TRA and the URA. More recently, reforms of the local government tax system and harmonisation of local and central government taxes have been addressed in Tanzania.
- 2.4 While addressing many relevant issues, the tax reforms of the 1990s have failed to tackle serious problems of taxpayer-tax administration relations. In spite of the reforms, the tax systems in Uganda and Tanzania are characterised by an excessive number of different taxes with different rate structures that are difficult for taxpayers to understand. The tax law is written in a confusing way and manuals to consult are often absent, opening up for discretionary powers by tax enforcers. Tax officials have, for instance, discretion over important decisions, such as those related to the determination of tax liabilities, selection of audits, litigation, etc. Many administrative procedures, including the procedures for reporting tax revenues, lack transparency and are poorly monitored both within the tax administration and by the Auditor General's Office. Moreover, the legal sanctions to enforce punishments on either taxpayers or collectors who do not comply with the law are weak. Each of these factors contributes to a non-transparent and complicated tax system, where taxpayers' often are left to the discretionary power of tax officers.

3 The Tanzania and Uganda Revenue Authorities

- 3.1 TRA and URA are set up as semi-autonomous agencies of Government reporting to the Minister of Finance, and operate under the supervision of a Board of Directors. Their main functions are to administer, assess, collect and account for all revenues due under the country's tax laws, and to advise the Ministry of Finance on changes to those laws and fiscal policy in general.
- 3.2 The choice of a revenue authority, which originates in the so-called executive agency model, aimed partly to limit direct political interference by the Ministry of Finance, and partly to free the tax administration from the constraints of the civil service system. Firstly, by being run on business principles, it was assumed that the revenue administration would be less vulnerable to political interventions in its operations. Secondly, a semi-autonomous revenue authority can, in principle, recruit, retain and promote quality staff by paying salaries above the civil service regulations, and also easier dismiss staff. It was assumed that such steps would provide incentives for greater job motivation and less corruption.
- 3.3 A shift to a revenue authority was also attractive to donors and senior politicians because it opens up opportunities for more widespread reforms of the tax administration. To this should be added an additional concern: the deep fiscal crisis in the two countries in the late 1980s and 1990s, and the chronic inefficiencies of the previous tax administration arrangements placed in the Ministry of Finance.
- 3.4 Although the agencies, in principle, are not constrained by civil service rules on employment, including salaries and promotion, there are, in practice, substantial staffing constraints: the freedom to set salaries is constrained externally and the real wage level has declined over time. As many other public institutions in Tanzania and Uganda, TRA and URA also lack suitable qualified staff within key areas, in particular there is a shortage of economists, IT-specialists, lawyers and auditors.
- 3.5 The autonomy of the TRA and the URA has steadily waned over time. Moreover, both agencies suffer from micromanagement. In the TRA, the Board increasingly intervenes in the day-to-day operations. And in the URA, the Ministry of Finance is almost in full

control in the Board. Particularly in staffing matters, the Ministry exerts its power. These interventions contribute to undermining the authority and legitimacy of the Commissioner General and the top management of the agencies. In the URA, it has also led to accusations of biased recruitment based on ‘secterism’ and ‘tribalism’.

4 Assessment of the key assumptions behind the revenue authority model

- 4.1 Tax administration comprises three interrelated activities: (i) the identification of tax liabilities based on existing tax legislation; (ii) the assessment of taxes to determine if the taxes actually paid are smaller (or larger) than tax liabilities; and (iii) the collection, prosecution and penalty activities that impose sanctions on tax evaders and ensure that taxes and penalties due from taxpayers are actually collected. Such activities require some degree of autonomy if a tax administration is to enforce a government’s tax policies. Moreover, they require that tax officers are provided with incentives to perform their tasks in accordance with the objectives of the tax administration.
- 4.2 As noted above, reforms of the tax administrations in Tanzania and Uganda in the 1990s resulted in short term revenue increases. But these achievements have proved to be difficult to sustain in the longer run. After the initial success, revenues as a percentage of GDP have stagnated or declined and the level of fiscal corruption seems to increase. Our study explores three factors that may explain this trend: one is related to the limits of autonomy, the other to the power of incentive schemes for tax officers, and the third to patronage and ‘the cultural logics of corruption’. These factors are discussed in further detail in the following three chapters.
- 4.3 Firstly, when the autonomy of a tax administration is compromised, revenue collection performance suffers. The establishment of a proclaimed autonomous revenue authority with comparatively generous remuneration packages and substantial budgets does not protect the authority from political interference. To the contrary, as observed in Uganda, it may make it a more attractive target because the authority offers both relatively well paid jobs and considerable rent-seeking opportunities. Consequently, such an authority is vulnerable to political interference, especially in personnel matters.
- 4.4 Secondly, even with relatively high wages and good working conditions, corruption may continue to thrive. In a situation where there is high demand for corrupt services, it is unrealistic to provide tax officers with pay rates that can compensate for the amount gained through bribery. Without extensive and effective monitoring, wage increases may produce a highly paid but also highly corrupt tax administration. Moreover, hiring and firing procedures may lead to more corruption. Corrupt tax officers often operate in networks, which also include external actors. These corruption networks seem to have been strengthened because many of those fired are recruited to the private sector as ‘tax experts’.
- 4.5 Thirdly, as long as corruption is legitimised as a natural part of public office and as a way to accumulate means to support dependants, its participants may view what they take part in as legitimate. In the URA, in particular, patronage runs through networks grounded on ties of kinship and community origin. As such, people recognise the benefits of large extended families and strong kinship ties, even as their social and economic aspirations may be unambiguously modern. This implies that such social relations may rule out formal bureaucratic structures and positions. It is difficult to combat corrupt practices as long as the people who take part in them view them as acceptable.

5 Autonomy and corruption

- 5.1 The initially quite substantial degree of autonomy awarded the revenue authorities in Tanzania and Uganda has in recent years been undermined. One way in which to

understand these developments is to consider the strategic interaction of the institutions involved and their interaction with the taxpayer community. In particular, the problem of credible commitment to sustained tax administration reform seems particularly difficult to resolve.

- 5.2 While a semi-autonomous revenue authority may have a sharper focus due to less political interference, the downside of this is that it may take a narrow view of its activities, disregarding its place in the wider civil service context. In particular, a semi-autonomous authority may prove to be less inclined to align its activities with those of the Ministry of Finance, where the activities of the two conflict or where there is a need for co-ordination. And vice versa, the Ministry might be less eager to assess the impact of its policies and practices on the Authority.
- 5.3 A fragmentation of the civil service may also lead to the proliferation of regulations and discretionary decisions, as each civil service unit seeks new ways of extracting rents. Thus, under certain conditions, the creation of autonomous agencies will increase corruption in the civil service, as measured by the level of bribes demanded.
- 5.4 Given the centrality of the commitment idea to the creation of semi-autonomous agencies in other areas of government, it is surprising that this perspective has by and large been absent from the discussion of tax administrative reforms. The basic point of departure is that taxpayers base their decision to comply or not on the perceived competence, effectiveness and fairness of the current tax administration. In countries with an incompetent, ineffective and unfair tax administration, we will therefore expect low compliance. A government wanting to increase taxpayers' compliance, thus, has an interest in reforming the tax administration. However, a reform is costly in terms of investment in personnel and equipment, in addition to the foregone opportunities of patronage and other discretionary use of the tax administration.
- 5.5 In Tanzania and Uganda, the formal autonomy awarded the TRA and the URA upon their inception, and the degree to which this autonomy was exerted in the initial phases of their existence, could very well have had a favourable impact on taxpayers perceptions of their operations, and hence on compliance rates. However, failure to sustain the initial reform efforts has, in both countries, implied a powerful signal to the contrary. The fact that nominal wages in the revenue authorities have been stagnant in recent years, and that the use of dismissals has decreased substantially, point to a decreasing degree of personnel autonomy. Increasing Board and government interference in staffing matters has a similar effect, and also signals a lesser degree of managerial autonomy.
- 5.6 Moreover, managerial autonomy has been substantially undermined by the increasing use of tax exemptions in Tanzania, and by the politically motivated appointment of new Board members in both Tanzania and Uganda. There are many indications that the initial improvements in taxpayers' perceptions due to the Revenue Authority reforms, have been reversed in later years. To the extent that taxpayers were able to foresee this backlash, the reforms may not have had much of an impact on 'voluntary' tax compliance in the first place, which indicates that any initial rise in tax revenues would be attributable to other factors.

6 Incentives and corruption

- 6.1 There are several possible explanations for the stagnation in the performance of the TRA and the URA, and the apparent rise in corruption. A failure to provide effective incentives for TRA and URA staff may be one reason. Moreover, the incentive schemes introduced in the TRA and URA may have failed to improve performance, due to a failure to meet the basic conditions under which monetary incentives can be expected to work. In addition,

organisational and behavioural complexities make the use of incentives less straightforward. These matters underscore the importance of a careful and comprehensive reform.

- 6.2 A core idea behind the introduction of semi-autonomous revenue authorities is their freedom to use pay and incentive structures to improve the degree to which organisational objectives are met. The idea that pay increases can have an effect on worker performance can be traced to two economic models. The first is the *shirking model*, which basically says that paying high wages makes keeping a job more valuable to workers, and they will thus exert more effort. The second model is the *fair wage model*, according to which workers provide more effort if they perceive wages to be fair. Each of the two models provides conditions under which pay increases result in significant increases in performance.
- 6.3 According to the shirking model, the size of the wages required to make tax officers choose a high level of effort, depends on several factors. In particular, it depends on the probability of being detected and fired if shirking, and on how long a period of unemployment a tax collector faces if fired. The less efficient the monitoring of tax officers' effort, the higher the salaries must be to induce a high level of effort. And the lower the level of unemployment, i.e. the shorter the period a worker does not have a paid job, the higher must the salaries be to make tax officers provide a high level of effort.
- 6.4 Regarding the probability of being fired for corruption in the TRA and the URA, it is worth noting that the initial wave of dismissals has not been sustained. In addition, the appointment of executives known for their integrity in the initial stages of the reform has been undermined by recent examples of politically motivated appointments and interference into revenue authority affairs. A perception of a more lenient attitude towards corruption may thus have been formed among TRA and URA staff. The initial pay increases may consequently not have had much of a lasting impact on corruption, and the subsequent decline in real wages has most likely eroded any initial impact.
- 6.5 According to the fair wage model, the initial boost in pay rates for Revenue Authority staff should result in increased effort and reduced corruption, by moving pay rates closer to a perception of equitable wages, or by reducing the need for additional income from bribes. However, the subsequent failure to maintain the new wage levels in real terms implies a reversal of effort and corruption. A wage increase followed by a wage decrease might even produce less effort and more corruption than if wages had been constant, if the tax collector's perceptions of fair wages are adjusted upward with rising wages. Finally, in a wider civil service context, rising wages in one department could imply that the staff of other departments views their own wages as even more unfair, with detrimental consequences for civil service morale.
- 6.6 Besides wage incentives, there are of course other types of quasi-monetary incentives which impact on staff performance. For instance, promotion policies based on merit would be one, similar in effect to a bonus. Though some effort has been made in the revenue authorities to improve hiring and promotion practices, promotion is often based on seniority and the 'right' connections. Moreover, there are strong indications of internal markets for attractive positions. The impact of pay structures on the composition of staff is, thus, a subject which requires consideration.
- 6.7 With respect to bonus systems, there are convincing arguments in favour of *not* introducing such schemes in the TRA and the URA. For instance, the introduction of a bonus system for tax collectors may have greater costs in terms of bonus payments than benefits in terms of added tax revenue if corruption at higher levels is rampant. The evolution of high level corruption in the URA makes this argument important to consider. While at their inception, great care was taken to staff upper management positions with individuals known for their integrity and independence, there seems to be a reversal to past practices of political

appointments in recent years. A failure to root out high level corruption may thus weaken the impact of new incentive schemes on tax collection performance.

7 Patronage and the ‘cultural logics of corruption’

- 7.1 Corruption in Tanzania and Uganda is as frequently denounced in words as it is practised in fact. But the verbal stigmatisation of corruption rarely leads to legal proceedings or sanctions. Political leaders, as well as the ‘grassroots’, repeatedly name corruption as one of the major obstacles for development. Still, many researchers and journalists have noted that corruption is in actual practice *accepted*. People involved in corruption often see their own actions as legitimate, and only the practices to which one falls victim or from which one is excluded are denounced as being corrupt.
- 7.2 Corrupt practices are generally *not* linked to shame, and people who engage in them often conduct their activities with a clear conscience. Moreover, there may not be a social stigma for being dismissed from one’s position due to corruption. In the URA, for example, there is a perception among some of the staff that the agency is a place to stay for a few years only to make money. Then, if one is finally caught in corruption, it doesn’t hurt much to be fired.
- 7.3 Based on anthropological research, our study explores a set of social practices that do not necessarily have anything to do with corruption, but which provide a favourable ground for its generalisation. Five ‘cultural logics’ are singled out which all provide a fertile ground for corruption: (i) gift-giving; (ii) negotiation; (iii) solidarity networks; (iv) predatory authority; and (v) redistributive accumulation:
- 7.4 Petty corruption tends to enter into the ‘*gift-giving*’ category, often making use of the terms and expressions that are traditionally associated with gift giving. To *not* thank someone for a service is not only a sign of bad manners, but may also mean that one invites misfortune. If a civil servant kindly disregards ‘the rigours of the law’, doesn’t he then deserve a gift? And why not just as well give the gift in advance?
- 7.5 The *logics of negotiation* that apply to marriage negotiations for example, also apply to corruption. ‘Petty corruption’ often has a rhetorical dimension to it. It is not uncommon to leave these negotiations to a middleman – a broker – who organises the transaction and who saves both parties time and risk.
- 7.6 The *logics of solidarity networks* entail an obligation of mutual assistance. This applies to friends of friends as well, so that the circle of people to whom one has responsibilities may be almost infinite. ‘Traditional’ networks are based on ascribed identities such as family or ethnic origin. But in modern, urban society, people may find it even more useful to nourish networks that cut across such boundaries. It is argued that the elite in African countries tends to be so small that the price of open conflict is simply too high. This may be one of the reasons why the culprits are rarely prosecuted. Moreover, positions in the revenue authorities are regarded as extremely attractive, to the point that applicants may try to use their networks in order to get the jobs.
- 7.7 In Uganda, the authorities have sought to avoid the problem of mutually protective networks by appointing women in core positions. Educated women have often studied at separate girls schools and are therefore considered less inclined to get involved in the (predominantly male) elite corruption networks. This does not mean that women are innate or ‘naturally’ less inclined to get involved in corruption. But it may support the proposition that there is a connection between ‘old boys’ networks and mutual protection in cases of corruption. This kind of reasoning seemed to lie behind the appointment of Julia Sebutinde, a high court magistrate, to head the Judicial Commission of Inquiry into Corruption of the Police Force, and, in 2002 to her appointment as chair of the Commission of Inquiry into the URA. The appointment of Annebritt Aslund as the Commissioner General of the URA

may also be seen as part of this new strategy of placing women in key positions. While indigenous Ugandans have somewhat mixed feelings about the practice of appointing expatriates in key positions, Aslund's candidature was widely applauded.

- 7.8 Appointing expatriates in key management positions may also be a technique to avoid the unfolding of *the logics of predatory authority*. The background for this way of exercising authority is partly to be found in the pre-colonial system, partly in the colonial form of administration. In many of the pre-colonial political systems, the chiefs were obliged to show largesse to all. The capacity to redistribute was founded on patrimonialism, which regulated traditional power in the context of confusion between the wealth of the state and that of the sovereign. Thus, many contemporary leaders and civil servants see it as their *right* to exploit the opportunities that a given office offers.
- 7.9 There is an intricate form of reciprocity in this relationship, in what is termed the *logics of redistributive accumulation*. Politicians at all levels – from local councillors to the executive – need to enrich themselves in order to redistribute, a redistribution which is necessary in order to uphold their authority and their networks. Seen from the relatives' point of view (and that of network associates), someone who holds a prestigious position must spread the benefit around. Often there is a considerable social pressure in the direction of the accumulation of wealth in view of redistribution. Only someone who accumulates, can redistribute, the entering point to an identity as a 'man of honour' or 'big man'.
- 7.10 A major proposition in anthropological studies of corruption is that it is not realistic to combat corrupt practices as long as the people who take part in them view them as acceptable. Thus, a challenge is to work for a reform of the public attitudes towards corruption in general. But, for this to succeed one may need an almost utopian change at the administrative level since corruption is at the one hand, a result of the incompetence of the state apparatus and at the other, its cause and agent of reproduction. As long as the political elites are unwilling to give up some of their privileges and to reform, changing the general public's attitudes may ultimately take the form of 'puritanical' or 'fundamentalist' movements based in the 'grassroots'.

8 Lessons and implications for reform

- 8.1 This report has emphasised the economic, social and political dimensions of tax administrative reforms, and the limitations of some of the 'technocratic' approaches to institutional reforms taken by donors. The technocratic approach has overlooked the fact that reforming a tax administration, though it has important technical aspects, also is a social and political phenomenon driven by human behaviour and local circumstances. It is a long and difficult process that requires tax officials to change the way they regard their jobs, their tasks and their interaction with taxpayers.
- 8.2 Another problem is the lack of local ownership that has characterised many donor-supported tax administrative reforms in Africa. Such reforms are unlikely to succeed if the main source of energy and leadership for it comes from outside. It should be recognised that tax administrative reforms are highly political processes that will inevitably pose a threat to important local stakeholders. Thus, strong and well-placed local leadership of the revenue authority is essential for overcoming the political and bureaucratic obstacles that at present confront the TRA and the URA.
- 8.3 This also requires a better demarcation of management authority between the board and the Commissioner General in both the TRA and the URA. A board acting as the chief executive is certainly not a recipe for a strong and effective daily leadership which the revenue authority needs. The present problems of micro-management and the board's involvement in day-to-day operations must therefore be addressed. This may imply a re-

- composition of the board that better matches the expectations of the Government about the status and performance of the tax administration.
- 8.4 Furthermore, the successful implementation of such reforms requires political will to back them up. An indication of the limited political willpower in Tanzania to fight fiscal corruption and tax evasion is the rise in tax exemptions granted in recent years. Experience has shown that tax exemptions create room for bribery and corruption, reduce the tax base, and increase loopholes for tax evasion. Recently, the Tanzanian Government discontinued customs duty exemptions for public sector imports of goods and services. This is a step in the right direction. But, many openings remain to abuse the system. The removal of tax exemptions, including those granted to aid organisations and their employees, would help boost the credibility of both the revenue authority and the donors in relation to anti-corruption measures, and, at the same time, contribute to widening the tax base and simplifying the tax system.
- 8.5 The TRA and the URA are today top-down organisations characterised by submissiveness. Promotion is in general based on seniority. Younger staff members are given few opportunities to developing their skills. Incentives are in general weak in the sense that good performance is not rewarded and bad performance is not punished. Thus, a reformed pay structure and advancements mechanisms conducive to attracting, retaining and motivating highly qualified staff is required. Improved retirement benefits and physical working conditions should be part of this modernisation programme.
- 8.6 Recent economic research on human behaviour indicates, however, that reformers and economists have an inclination to exaggerate the impact of monetary incentives because of a too narrow understanding of intrinsic motivation and group dynamics. Moreover, an additional aspect of wage incentives that has received little attention in connection with institutional reforms in Africa is associated with the role of family networks and obligations. Increased pay rates may also imply more extensive social obligations, resulting actually in a net loss to the employee. This state of affairs can develop into a vicious circle with higher wages leading to more corruption because the tax officer has to make up for the loss caused by such obligations.
- 8.7 Appointing expatriates in key management positions may be an efficient technique to avoid the unfolding of the logics of patronage and predatory authority. Experiences from some countries indicate that expatriate advisors and managers may contribute to the development of integrity and professionalism in the tax administration. However, in general, the experiences in Africa with technical assistance for revenue enhancement and transfers of skills suggest that such measures have failed to provide sustainable results.
- 8.8 Private management contracts are raised as a possible approach to strengthen tax administration in Uganda. But historical evidence and recent experiences from other African countries (e.g., Mozambique) give reason to concern: Such reforms have achieved few sustainable results; the transfer of skills has been limited and the contract has been very expensive for the government. Tax practitioners are therefore increasingly questioning the value of outsourcing tax administration.
- 8.9 Although local political and bureaucratic leadership is an essential ingredient for tax administrative reform, it is not sufficient. The tax administration cannot be relied upon to reform itself. Large numbers of taxpayers and citizens regard the tax system as illegitimate. Thus, to tackle the serious problems of taxpayer-tax administration relations impetus for reform must also come from taxpayers. Business communities, taxpayers' associations, trade unions and other influential domestic institutions have a critical important role to play in pressuring the revenue administration to do a better job of serving the society. There are today some promising indications that an organised response to tax policies is developing within the business communities in both Tanzania and Uganda.