



# INNOVATIONS FOR SUCCESSFUL SOCIETIES

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HAUSMAN: This is David Hausman and I'm here in Accra, Ghana at the Internal Revenue Service with Mr. John Sotenga. Mr. Sotenga is now the Deputy Commissioner in charge of Operations here at the IRS and was previously the head of the Large Taxpayers Unit (LTU). Mr. Sotenga, have you agreed to be recorded for this interview?

SOTENGA: *Yes, I willingly want to be recorded.*

HAUSMAN: Great, thank you so much. I'd like to start by asking you a bit about your career and the jobs you've had up to and including your job at the Large Taxpayers Unit and then here at the IRS.

SOTENGA: *Yes, I finished university education in 1977 and joined the Internal Revenue Service then called the Central Revenue Department at that time in 1978. Usually we go in for in-service training of one and a half years in tax administration, which I underwent and then was posted to the northern part of the country far at the border with Burkina Faso, where I worked as a tax official for about eleven years. I worked in that region, which is called Upper West Region. I started as an assistant commissioner, an assistant inspector, sorry, as an assistant inspector of taxes. I worked in that region and was promoted to the rank of a Chief Inspector of Taxes. This took me eleven years to get to the Chief Inspector of Taxes because the grade were from inspector to senior inspector to—from Assistant Inspector you go to Inspector, to Senior Inspector, to Principle Inspector and then to Chief Inspector. I went through all these ranks in the northern part of the country where I eventually was the director of the region. But when I went there I was just an officer. Then I got promoted to the rank and I became the director of the region.*

*I moved around quite a number of regions in the country. As you are aware Ghana, the country is divided into regions, what you call political regions. We have ten regions and I moved around quite a number of them starting with the Upper West Region. I moved to Northern Region. I moved to Volta Region and I moved to Western Region. I went to Ashanti Region and then eventually moved down to the capital region, that is Accra, where I headed the Large Taxpayer Office. Later on I implemented a Large Taxpayers Unit. The names seem very close together, but structurally they are very different. So I headed both the Large Taxpayer Office and later on the Large Taxpayers Unit. I will explain that later.*

*So from the Large Taxpayers Unit, I then moved to become the Deputy Commissioner in charge of operations in the IRS up to date.*

HAUSMAN: Great, thanks. So I'd like to concentrate mostly on first the Large Taxpayers Office, then the Large Taxpayers Unit. But before talking about those things, let me ask you a bit about how the IRS changed when you were posted in the different regions. Let me start by asking about what some of the largest problems were before the IRS was made autonomous in 1986.

SOTENGA: *The largest problem was that we were put under the Civil Service, which is the largest government structure. This government structure was too huge and there were a lot of, kind of difficulties in the system which made it very difficult for revenue agencies or revenue institutions set up like the Central Revenue Department at that time to run effectively. Basically, it was due to lack of logistics and human resources, qualified human resources, established business processes. These were the key areas, logistics, human resources and effective established business processes to manage an essential institution like revenue collection.*

HAUSMAN: Can you say more about each of those things and how they were missing?

SOTENGA: *If it comes to logistics, that means vehicles, office environment, furniture, and so forth. Once you were lumped in the whole government expenditure, votes were allocated regardless of the actual needs and workload of the institution. They just allocated the vote generally. Again, the expenditure was so centralized because there was only one treasury, that was—I mean decentralized down to the regional levels. Even the regions were not all that decentralized because everything was centralized at the head office. So far as the vote was so centralized and expenditures were managed from one point, it made acquisition of logistics or availability of funds to run, very difficult. That is the logistics aspect.*

*The human resource, the Civil Service were the key—the head of Civil Service, through the Public Service Commission was the appointing authority and everybody has to go there and you are appointed and posted. So you could be transferred from the Central Revenue Department to another department. Then it didn't give room for training of staff to get the skills for tax administration. The numbers were also not available because government did not have enough resources to provide the required staff in the numbers. That was a certain issue, the human resource.*

*Then business processes and procedures. Obviously as you were all under Civil Service, then there was one approach, one system of approach. But each institution needs to establish its own peculiar or required business processes and procedures. But things were too generalized, there was no efficiency in the system.*

HAUSMAN: Are there some specific examples or stories that come to mind when you think of the difficulties at that time?

SOTENGA: *For example, I was in, as I mentioned, in the northern part of Ghana in the region called Upper West Region. We had no vehicle. We had to enter market trucks and when I say truck, a wooden vehicle that is meant to carry cargo. We had to enter that with the market women to the market centers to identify tax payers' data. We had no data at all. The office, we rented. We rented an office, part of it was a store and part of it was residential, yet we were also using part of it as the revenue office.*

*When we talk of logistics that is it. The human resource, when I went there, was then—we were only two professional men. There was then a principal inspector of taxes and I was the assistant inspector of taxes and we were the only two in charge of the region.*

HAUSMAN: How many people lived in the region at that time?

SOTENGA: *The total number of people were about twelve, in charge of the district that we were running.*

HAUSMAN: And what was the population of that region?

SOTENGA: *I can't remember, I think it would be 1-2 million at that time. I'm not very sure because it was long ago, 1978, '81, '82. So these are some of the examples that I remember. For example, claims, if you were entitled to some claim or some salary, everything—you have to prepare a voucher and the voucher goes to the district office of the controller and accountant general and the regional offices*

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*that were far away and from the regional of course they also had to come to the head of, to Accra before you are paid.*

*So sometimes a claim that you have to collect takes you about two months to collect. So it doesn't motivate the officer to work because he wants to be paid and he delays, and moreover they may even tell him there is no vote, wait. You can wait for about three months, four months before claiming that you are entitled to his paycheck.*

HAUSMAN: How did all that change?

SOTENGA: *When they announced that we are going to change from the Central Revenue Department to Internal Revenue Service, we were going to be self-accounting. The first thing, to break us off from the centralized expense system. So now money will be voted to you direct at the head office. The head office will also allocate votes to the regional office, and the regional office allocates votes to the district offices, and therefore you could make claims and carry on expenditures right in the office. So things were far faster.*

*The issue of lack of funds, because the vote was given to the whole region under the controller and accountant general system, all of us went there. Sometimes they just say, no vote. This time you retain part of what you collect. Your head office will take it and also allocate it to you. So funds were readily made available. So the issue of self-accounting made it possible for expenditure and claims and payments to come very easily and therefore work was faster and effective.*

HAUSMAN: Was there any way in which central offices or I guess region or district offices monitored the self-accounted spending of funds?

SOTENGA: *When we became central—the Internal Revenue Service, we were self-accounting.*

HAUSMAN: One common problem with decentralization is that the central office then has trouble monitoring the work of the local or regional offices. How was that problem dealt with?

SOTENGA: *We didn't have that problem because first every district had an accountant and had a district manager or district head. They were answerable to the regional director. The region would have about ten or eleven, or some had six districts. So all these districts were answerable to the regional director who had an accountant, a statistician, and an administrator. So all the districts reported to the regional director, and the regional director had to report to the central office, that is the head office. Besides that there was a management information system, reporting system that was well established.*

*So every month you have to submit on that, on this prescribed management information system, report your expenses, revenues and bottlenecks and what have you. So because of this organized reporting system it was easy to supervise.*

*Then we had an internal audit that would go around and constantly check to make sure. Government still had external auditors, audit service. That also came around to audit. Even though you were now self-accounting, you were still a government institution and your expenses were public expenditure, public funds and therefore the government still had a role, the audit service would come*

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*around to audit. So there was quite a strong reporting system to safeguard any malpractices.*

HAUSMAN: Can you say a little more about the management information system and the system of reporting. Was there a specific form that you filled out each month that got sent to the central office or how did it work?

SOTENGA: *It was a format of reporting, a format, where revenue—you would report your revenue, how much revenue is collected, from which tax type and so forth. Then your expenditure. Also core centers. Your money is spent according to the core centers, and you are budgeted. You have to send in a budget of the core centers. The money is allocated in that form, and you have to spend and report that in that form.*

HAUSMAN: So you said some things about how business processes improved. What were some of the improvements in logistics and human resource?

SOTENGA: *When we became the Internal Revenue Service, once we started having our own retention there was availability of funds. So logistics, for example vehicles were bought, better offices were rented. Claims and other expenditures were quickly paid so the work began to move faster, activities improved. Once the activities begin to improve it means that you will move more effectively in trying to carry out the business way of doing things and that is what we call the business process and procedures. As soon as you begin to go around doing your business more effectively then you are improving your processes and doing things.*

HAUSMAN: And in terms of human resource, what were some of the changes in conditions of service?

SOTENGA: *Our salary was different. That was the principal issue. From the Civil Service, now that, when we became the Internal Revenue Service we were given better remuneration than those in the Civil Service.*

HAUSMAN: About how much better if I can ask?

SOTENGA: *Can I remember? I don't think that I can remember that. But I assume that I was getting about 50% or more than somebody in the Civil Service.*

HAUSMAN: Can you describe how these changes affected the experience for taxpayers?

SOTENGA: *It is quite a long time, and I have to stretch my memory a bit. I can't immediately remember what the experience was, but around that time, when we were made Internal Revenue Service of government, there was a change of government, military government, and they introduced something they called Citizen Vetting Committee. That Vetting Committee dealt with taxes. That Vetting Committee really came out with what I said, very strong punitive measures on people who defaulted.*

HAUSMAN: What were some of those measures?

SOTENGA: *About 300—I can't remember, it was around three times the tax that you were supposed to pay if you were caught. If you could not pay it, some of your assets were seized. That was quite a deterrent enough. So the awareness of paying taxes increased. It was shortly after that—it didn't take long before the Internal Revenue Service was born. So it gave that awareness that it is because that government has started this vetting and realized that there is much to do,*

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*efficiency and enhancement of business processes that were necessary that gave back to the restructuring of the Central Revenue Department change to the Internal Revenue Service. So that was a major change. The taxpayers would have seen it as an ongoing issue from vetting. It has now translated into a more formal institution that would help to use those enforcement measures that the military government through the Citizen Vetting Committee had established.*

HAUSMAN: I've been told that customer service representatives were placed in each of the district offices, is that true?

SOTENGA: *That is recent, but not all the offices, customer services—.*

HAUSMAN: When did that happen?

SOTENGA: *Customer service representatives started in IRS, customer service started only 2007, 2007 or 2008. But in LTU it started right from the—.*

HAUSMAN: How would you say decentralization affected the—I'm sorry, go ahead.

SOTENGA: *Before I—let me explain this. It is a matter of name. Customer Service Centers started 2007, 2008. But in some way or another we were trying to enhance customer service through the Public Relations Department, Public Relations and Tax Education Department. They carried out the function of customer services, but it was not spelled out and identified and an office created for customer service. It was Public Relations and Tax Education, but they carried out the customer services. So that one existed right from the time of the Internal Revenue Service.*

HAUSMAN: How would you say the customers or taxpayers' experience changed with the decentralization that followed the formation of the IRS?

SOTENGA: *It is through that customer service started improving in the sense that we started changing the ways that taxpayer—there were taxpayer—the taxpayer was a bit too alienated from the business aspect of doing things because you considered the taxpayer somebody you had to shout at, you had to push around. You just need to offer customer service to anybody who is at the center of your business, to identify them as your customer, and since the customer is the one will rule the business, that aspect wasn't there when you look at it as a taxpayer. But when we started changing the words, calling the people customer, then that relationship and duty found that you had to treat the taxpayer as a customer and improve services.*

*Therefore that means that you assist in giving him forms, explaining things to him, explaining matters. You go, even on enforcement activities, you have to put in a very nice way and explain things to the customer for his understanding. So when you bring out any enforcement activity, he says, well, that's okay, you come to do your work. You need to explain that.*

HAUSMAN: Where do you think those changes originated? Were there any particular people driving those kinds of changes in attitude?

SOTENGA: *It was not that organized but if I have to use me as an example, having gone through all phases right from the Central Revenue Department to the Internal Revenue Service up to this time, some of it came from the leadership. The officers who were, who had responsibility of leading the people to carry out the work. That was—then the second thing is there were quite a number of seminars*

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*and trainings. For example, using myself again as an example, I was first brought down to do middle level management theories and practices and instruction and training people on that. I came down for a six-week course on that.*

*So when I went back, I hadn't had to use those management theories and practices, I had to implement them and that helped also disseminating and move around people. So training was one of the issues that helped to give that change.*

HAUSMAN: I know at this time that many professionals were hired in the IRS. Were there professionals posted to your office in addition to you?

SOTENGA: *Professionals, in the form of accountants or lawyers?*

HAUSMAN: Yes.

SOTENGA: *Yes, they were hired because they were employed, but most of them that came, as employees, were just because now that we were self-accounting, they had to come and establish the accounting procedures, documents and practices. But they did not have direct input on tax administration or the operational aspect of tax administration.*

HAUSMAN: So did all these changes actually increase revenue in your region at that time?

SOTENGA: *Yes, yes. Revenue actually increased when we changed from the Central Revenue Department to the Internal Revenue Service. The basic issue was, as I said, because of the business practices that were beginning to be improved, enforcement procedures were more followed and the awareness of the taxpayers starting from the time of the Vetting Committee. People in this area, they said no, I better pay my tax. You don't know what government may come again and they may have to use this opportunity to collect tax from us. I don't want to be embarrassed, I don't go and let them report and I have the revenue department collect my taxes and pay my taxes. So that was one of the measures.*

*Then with the restructuring of the Internal Revenue, at the Internal Revenue, that was started the National Revenue Secretariat. That National Revenue Secretariat was a kind of far-away cry for a kind of integration. So we will now have a central body that was monitoring all the revenue agencies. Therefore the top-level management at various areas, attention was being drawn to the fact of the need for government to have a focus, to draw attention to the need of revenue mobilization.*

*Since basically a lot of our tax is collected through withholding agents, most of the public institutions, employers, business, and transactions were made agents automatically to collect the tax. When this awareness grew and government showed interest and got more and more involved in tax matters, that awareness spread to the public institutions and to the top level. They all started implementing the withholding as part of the PAYE (Pay as You Earn) system, and the 5% withholding system. All these now, the government agencies, started implementing them. That brought it—and honestly, most of our revenue, more than 50% of our revenue, is collected through withholding taxes.*

HAUSMAN: I've been told also that at this time agency-wide bonuses were put in place for exceeding annual targets. Do you remember those bonuses?

SOTENGA: Yes.

HAUSMAN: Do you remember whether they had an effect on performance in your office?

SOTENGA: *It had huge effect because everybody wanted to enjoy the bonus. They wanted to have a bonus. So target, target, target, achievement was the order of the day. Even those who were not directly involved in operations, they meet you and they ask you, "Are we meeting our target?" You go for a meeting, everybody is talking about meeting our target. Actually collection, collection, collection was a problem. It had a very positive effect in mobilizing revenue, but the negative thing was there was too much placed emphasis on collection, collection, whether fair or foul, without still trying to follow the strict procedures of the law. That was one thing that was bad.*

*Because of the bonus, everybody was committed to collection. Once you were able to meet your target, nothing was done to find out whether the procedures that were in place were still being followed or not.*

HAUSMAN: So did no one think that their own work just wouldn't make a difference because the agency was so big? Did no one feel that they didn't have an effect on the bonus so there was no reason—you see what I mean?

SOTENGA: *I don't get you.*

HAUSMAN: Do you think this was as effective as an individual bonus would have been?

SOTENGA: *No, it wasn't because everybody knew that when the target is met, whether you were a security officer, you were a secretary, you were a tax collector going to the field to collect the taxes or you were the assessing officer of the lawyer, everybody would get a bonus when you get it. Therefore it was not an individual affair.*

HAUSMAN: Okay. Let me go on now and I guess skip ahead a little bit and ask you about the formation of the Large Tax Office first. Can you describe how the idea for the Large Tax Office first came about?

SOTENGA: *At the time of the Large Tax Office, the creation or the implementation of the Large Tax Office concept I was then in the outside head office—as a regional director. So I wasn't part of the policy decisions. But we were informed.*

HAUSMAN: When was that?

SOTENGA: *The Internal Revenue Service in the year 1998, I'm not very sure, but it was around '96, '98, no '96, thought of this segmentation of the taxpayer population and the first level of it was to create a large taxpayer office. So being a regional director, I was informed of this and the first Large Taxpayer Office was to be created at the head office, that is the capital town of the country.*

HAUSMAN: Can you say a little about how the office actually was formed?

SOTENGA: *At that time I wasn't in the head office when the first one was formed. I later on came to head it, but the issue was that they just requested for some selected files to be transferred to Accra from wherever it was located. But as much as possible, most of the large taxpayers were picked from the capital city, most of them. In any case, no big taxpayer would go out of the capital of the country to go and establish—so essentially most of the large taxpayers were picked from greater Accra.*

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*I happened to open the third largest taxpayer office that was in the Western Region. After the Greater Accra one they opened three more. One other one was in Greater Accra again, that is in Tema, and two others, one in Ashanti, Kumasi and the other one in Takoradi, Western Region. I was then the Western Regional head and I had to open the Western Region's Large Taxpayers Office. That is how I got to have a picture of what it means to open a Large Taxpayer Office.*

*In the first case you have to identify the tax files which you think should be large taxpayers. Essentially it was these multinationals, then these mining companies. Those with big time, big employees, that can pay large amount of—pay withholding tax. Then, of course, some may not be contributing much in revenue, but their operation or business may be so complex. In order to really monitor and make sure that there is no tax avoidance, you've got to bring them to a Large Taxpayers Office so that you can study and monitor that business activity. So that was the concept we used.*

*When you do that then you have to go in to identify capable staff, select a staff. This you will recall [interruption].*

HAUSMAN: So how did you go about identifying capable staff?

SOTENGA: *To do that, first as the regional director you just have to do your own appraisals of the staff and hand pick those you think are good and then establish your office. That is the most essential thing you need to do.*

HAUSMAN: Were there any incentives offered to staff to join the Large Taxpayers Office?

SOTENGA: *No, there was none. They were proud that we identified them. That's a pat on their back that yes, you are good, that's why you've been asked. It is a challenge for you to go and deal with the Large Taxpayer Office. They also do it because of the training. They were getting better exposure to go to the Large Taxpayer Office.*

HAUSMAN: How did the Large Taxpayers Offices impact revenue?

SOTENGA: *Already by their nature and their output by which they were identified, they were already having an impact on revenue. Secondly, they were also told that they have been identified as a large taxpayer. You may have, within the city, about three or four district offices. See like in Accra, we have about eleven district offices. If you are asked, even the district near you, you cannot go there. You the taxpayer have been identified as a large taxpayer and therefore you will not go to that district near where you are. You are asked to go to an office elsewhere because you are a large taxpayer. It means you have been given as it happens a blue card. A blue card—there are green filers, there are blue filers and there are red filers.*

*If you are identified as a blue filer, it means that you are a very good, recognized taxpayer, high level of compliance and so forth. So most of our taxpayers, when they heard they were part of the large taxpayers, they saw themselves as a kind of elevation, recognition that they are doing well. So that also made them to feel that well, then we cannot—being given that image, we also have to be very compliant so we will have that tag of belonging to a Large Taxpayer Office. So that all goes to—.*

*Of course the officers who are going there know that they have been chosen because of their proven abilities. So when they would go there they would insist*

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*on following business processes. Every audit, tax audit group, when they go on audit and they are asked to go to a large taxpayer, they know that this is a very expert place. So usually they go in there, and we are able to unearth a lot. So really, the large taxpayer office helped to mobilize a lot of revenue from this point.*

HAUSMAN: How did the concept of the Large Taxpayer Office then get extended and made into the Large Taxpayers Unit?

SOTENGA: *I moved to Ashanti Region, Western Region, in 2002 where there was a Large Taxpayers Office as well as the other officers and I was managing that. In about 2002 this far cry of National Revenue Secretariat, an attempt to bring all the various tax organizations, agencies, under one was being discussed around until the government of the day under the Minister of Finance announced that we need to try a pilot scheme of integration, identify some—using the large taxpayer concept, which had also emerged in the value added tax service. They were also using the Internal Revenue Service large taxpayer concept office—Large Taxpayer Office concept which we had formed. There were about four to five offices, two in Accra and two outside Accra.*

*The Value Added Tax Service also went ahead to create a Large Taxpayer Office in Greater Accra. Large traders called it, Large Traders Control and Verification Office in Accra. So it means that the LTO concept with the resultant improvement or contribution of taxes. The idea that these concepts are already improving taxes, why not cut down costs and business processes and enhance the situation by bringing them together? So it was decided let's try it on the concept of a Large Taxpayers Unit. So it is an offshoot of the Large Taxpayers Office which was getting successful that this issue came up. Let's merge them. Since VAT has got one and IRS has got one, let's merge them and therefore it bought a merger.*

*But you cannot just merge because the offices were collecting money. You have to establish an operational structure that can efficiently and effectively handle the issue. So when that idea came up, therefore it came out with—but since the Large Taxpayers Office has already existed, the selection of taxpayers to form the Large Taxpayers Unit would not be an issue, it is going to be easy. But what approach were you going to adopt because you were now bringing different tax types, taxpayers, into one office and how are you going to manage that.*

HAUSMAN: How did you?

SOTENGA: *The best way to collapse the tax type and go functional. If you were able to derive the function, that captures all, it works. So the difference between the LTU and then the LTO was not just a matter of the fact that we have brought to Large Taxpayer Office concept, from VAT and IRS together. The difference was the fact that the taxpayer, the tax type concept which brought about the creation of VAT, IRS and CEPS (Customs Excise and Preventive Service), had to be collapsed in the Large Taxpayers Unit. You now run them all to become one only on the functional terms. The functional terms were then described first and foremost as the registration of the taxpayers, at least any taxpayer, before you can change the taxpayer you must have registered. So this one was seen as common and all that is a system you can easily use.*

*Then return processing, filing returns and processing. That was another function. We in the LTU added accounting function so you had routine processing and accounting function. Accounting means that when the money—how to account for whatever declaration the fellow has made. You have to establish—check their*

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*accounts, process, examine their accounts and come out with what is a liability in the declaration the fellow has made. So that is a routine process and accounting function.*

*Then from there we moved to the debt management, enforcement and management, debt collection and enforcement and management. Then the audit function. So essentially we, LTU then came out centrally, first from the LTO and the officers of the LTU in Ghana we found that we have brought taxpayers from the various agencies together. We were dealing with them on a functional level. We had brought staff from the various agencies and put them under one roof and tried as much as possible to make sure that they could cut across the activities of any of the agencies but that place, it wasn't easy to bring in a customs officer and, within a year, think that you could ask him to go out and be able to handle a case of IRS or tax issues. It was not even—even VAT, there should have a closer link between VAT and internal revenue.*

*The issues that come out clearly, one was directors and the income tax and the other one was consumption tax based on turnover and the other one was commodity tax based on tariffs. So these three aspects were difficult to assimilate into one. Income tax is income tax. Consumption tax is consumption tax. The essential ingredient is net income, arriving at a net income which you now tax. While the consumption tax, you're talking about gross. Once the turnover is turnover, then you slap your percentage on the turnover, and then the commodity tax is on tariffs. So it was difficult to get somebody, work somebody through these three distant ways and let him be one man for across the board.*

*I thought bringing the tax type, knocking them down and using functional terms to merge it, excellent. Then once you merge it you there might have been ten fabricated human beings into one to think for consumption, think for income things and think for commodity, that is the heaviest challenge that one could come across.*

HAUSMAN: What are some of the ways you found to deal with that?

SOTENGA: *It was to first and foremost understand and accommodate that this is a reality and steadily and gradually without rush try as much as possible to see how you can be binging these different human resources to acquaint themselves in a very gradual way with the system. So in setting up any activity, you would bring the three distinct offices together. If it is audit, if it is collection, if it is assessment, let them sit together, exchange views, question each other and try to learn on the job. Because it was as difficult to send them to a classroom, give them attitudinal training, give them knowledge training, academic or professional training and say come back and work, it wouldn't work. Even if they learned it, it wouldn't work. So that was the patient and careful situation that I adopted.*

*I don't know the level it has gone, but at least I could see that where you go into the details you could see a little bit of separation. But standing from afar, you would think that it was a compact team that had assimilated everything and was doing it as one whole. The only good thing was that the activities of the various were a one-stop shop. That was the cloud—that was the thing that covered all these other intricacies. One, they came to one-stop shop and there were three, four officers standing. They didn't identify who was customs, who was VAT and who was—and they transacted their business and went back. They didn't know who spoke to them, whether it was a customs man who spoke to them, VAT man who spoke to them, IRS man, that didn't matter. Obviously they were speaking to them at various levels. But the taxpayer didn't know that. That's very new. They*

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*come to one-stop shop and he has been handled and that was adequate for the system at that time. Then the in-house you could be building up that merger.*

HAUSMAN: Do you remember any particular examples or stories of that kind of assimilation?

SOTENGA: *There were many but I haven't had my mind there for quite a long time now. An encounter would be that sometimes I wasn't directly in the field, neither was I a direct supervisor so what I can say are comments or reports or stories I hear from them. I knew it was going to be happening. I just made sure that when I hear that I could put it at the back of my mind. I made sure in my efforts to bring everybody together, it worked. But one of the stories I hear is for example, when a taxpayer arrived one of them asked, "What have you come to pay?"*

*Then if he says VAT, then he says, "Oh you, come and deal with it." That should not be. You should ask the questions and then try to deal with it. Then when you go to audit, if the issues that they are checking, they are recording and they are checking, has to do with income tax you see the VAT man very quiet. Sometimes he would just walk out, roam around and come back. So the essence of trying to learn wasn't encouraging. There were also comments that the income tax work was a bit too intricate, so they were not—the income tax man was willing and could easily catch up with the VAT case, the consumption tax or for commodities, because it was only domestic tax, excise that they were dealing with. The international trade tariffs didn't come in and as of now it doesn't come here. So that wasn't the case.*

*But, what we were doing, the LTU, the IRS man could easily get to know much about VAT and then the excise issues, but the other side it wasn't that easy. So that was it. But we also tried to use the accountants, since when you go to audit accounts is accounts. I thought that would work, but no. The interpretation of the tax laws, applying them and reading the transactions and the recordings was in the tax aspect view, and translating whatever has been recorded into whether this is taxable or not taxable is not meant for accountants only. The accountants are only there to make sure that the books and other things are proper. When it comes to interpreting whether this is a tax—this is to generate this kind of tax or not, is not meant for a, is meant for a tax administrator who has to do according to the law, an interpretation of the law. You've got to be well versed in the interpretation of the law and not in accounting in order to go in and understand that.*

*So when we were trying to push only the accountants there, we were having problems that the tax yield that was coming out of audit was not that good. Certain things that should have been taxed according to the law, the accountant is likely to say, the accountant would say all right, it is all right. Put this one here. So you can see and other people could see these were the issues.*

HAUSMAN: How did you first chose people to staff the LTU?

SOTENGA: *I was brought down by choice from, let me say that once the LTU was a merger of VAT and IRS, the two of them, and they were still independent. The commissioners were still independent and yet they wanted to prune part of themselves to go and merge. That was a difficulty. I hope you get the issue here right. So because of that the choice of persons was also going to be a difficulty. It was left in the hands of the different commissioners to identify people to send from the LTU. They were caught in a paradox.*

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*If you didn't send good people, and you were sending your good taxpayers away, then it was a risky business you were going to run. If you send your good people away, they were not going to be directly under you, and therefore you were reducing your empire into a low level of human resource because you have sent away some. So I saw the commissioners having it tough to decide, but eventually they had to send people. I was not responsible for getting—I was already chosen right from Ashanti Region to come down, head the LTO, migrated from the LTU.*

*So I took away the LTO of IRS to the LTU table and waited for somebody to bring the LTO VAT to the LTU table, and I then took control of both. Since I was already part of IRS, the commissioner of IRS involved me, handed over certain staff to me to take away. In the choice I could have input for us to determine, but he was overall—certain people were contacted, and I'd say, give me the staff, and it would be fine. Or they'd say no, this staff, if I give it to you the same day, I will have problems here. So that was the kind—but there was no clear-cut criteria in saying that he must be of this rank, he must have had this experience, he must have worked in this place for this length of time before he was selected to go to the LTU. They were just handpicked.*

HAUSMAN: Did it include many of the same people that had been in the LTO?

SOTENGA: *Yes, in fact, I took away the basic schedule officers at the LTO. I took them away to the LTU, the basic schedule officers went along. Now, under the LTO we had a sector industrial classification. Under the LTO you had mining division, petroleum and mining division. You had financial division, that was banks and financial institution division. You had multinational and manufacturing component division and you had the PAYE, peak government institutions that were paying heavy PAYE tax divisions. All these schedule heads, I migrated them away, to go ahead. When we got there we canceled the industrial classification because of VAT and decided to go—and once we were going functional, if we kept to the industrial classification you were creating a problem.*

*So the mining—petroleum and mining component division didn't exist. Financial division didn't exist. We just merged under the functionality. As soon as we said you are all large taxpayers, you are all large taxpayers. You cannot go in again and start dividing them into manufacturing, trading, financial and other things. We didn't do that. So I took away quite the outstanding ones to the LTU.*

HAUSMAN: Was it difficult being in charge of employees who were still employed by their respective agencies rather than by you?

SOTENGA: *Apart from the operational challenges as I said, the management or the administrative challenge I faced literally was what you were just saying. The command structure was not clear. You had officers who were still under the employees of the various commissioners. They were being paid by the various commissioners; they were being promoted by the various commissioners. So they were on secondment to the LTU.*

*Now when it came to disciplinary measures, you don't know whether you had the authority to do this measure, or you were going to refer them back. Once you are referring them back to their mother employer, then he knows that whatever disciplinary issues behavior he has with you, you can only bark but can't bite. So that was it.*

*Secondly the command structure was such that the operational, the day-to-day technical operations of the LTU was under the various commissioners. In that*

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*case, if I'm raising an assessment, if I'm collecting tax, if there is anything to do with assessment and collection functions, then I have to seek approval, consultation, from the commissioners. But they day-to-day running of the unit, the LTU, the funding, administrative, but administrative we had officers on that. This fellow was administrative. Then the Executive Secretary was to be in charge.*

*So the LTU was divided into the technical command and then the management command. Here was sometimes, I mean divided between the two. This technical matter, should that go to the commissioner? This is an administrative issue, that should go to—. But the RAGB (Revenue Agencies Governing Board) through the instrumentality that the LTU came to fruition, they should have first line of report, they should take their first line of report. But meanwhile there was no law backing the operations of whatever you were doing except under the various laws that were being run by the various commissioners.*

*So if I'm going to challenge on the authority under which I am doing the work, I would have to quote the law which the various commissioners were still empowered to operate. So how can I now seem to sideline my command structure from there? So there was a divided command structure. That was the most difficult thing I faced.*

HAUSMAN: I don't want to take up too much more of your time. Before we stop, I have a more general question. If you were writing a handbook for other government officials in other countries facing a similar challenge of setting up a one-stop shop, maybe not in tax administration, but in a public organization, what are some of the topics that you would emphasize?

SOTENGA: *First and foremost, the one I just said must be clear. What is the command structure, who is the authority? That wasn't very clear. It should be clear. If you have to bring in various organizations to have one-stop shop, that must be very clear. Then the human resource deployment. It must be very clear under what terms they are going there. They are either going there full secondment, not to be paid by the mother organization to say then that they go back there. That would be a better system than say go there, work, come back and I will pay you at the end of the month. Go there, and when you are sick, come and I'll give you excuse of duty or something like that. Then you have not created anything. You have just made a kind of something which cannot hold. If you, the head there, is not able to take all on and the measure you sit over it. If you are blown off, everything will blow away because there is nothing holding.*

*So I would suggest that first the command structure must be very clear and then the human resources you are allocating to that place. The appointment to that place should be very clear. That is the issue, the main issue. There could be others, but for a start this is what I would hit on.*

HAUSMAN: How well did the LTU work in increasing revenue?

SOTENGA: *That was the good news. Even with all that, again the issue that these LTO people have now been moved into a different office, an office that the structure created the difference. The facilities, the logistics that were given to the LTU far superseded any of the revenue agencies. That was one thing. So the LTU taxpayers that came there found themselves promoted to a very congenial and working environment. Most of the LTU taxpayers were already in a better working environment, far, far higher than the tax offices they were going to. They felt themselves demeaned. If you would get AngloGold Ashanti, one of the mining companies in the world coming to the IRS offices of that day, they were just*

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*nothing. But when we created a structure, a congenial structure and they came there, it looked like—. Again, initially the officers who were sent there, they were made to know that it was a kind of promotion to have been moved out and sent there. What it did, we created a top up to their family, we gave them top up to their salary to send them there.*

*Finally we also automated, complete. We created systems and everything and automated completely. So we were put on a far higher pedestal than anybody, and therefore there was a level of seriousness and commitment in tax administration there. The goodness of it all, the yield came. The objective of meeting—I went there with the objective of meeting 70% of the tax revenue from VAT and IRS, national. We got to 58%. I was hoping the following years of getting 60, and by this time we would have hit the 70. Anyway, we got to 58% of only 366 taxpayers we took away from combined IRS and VAT. We took away only 366 taxpayers. If these 366 taxpayers could contribute 58% of the tax of VAT and IRS in the year, I think it was 2005. I think that you would see that we have made a good effort. You have some figures here? This is, 32% of what, growth? Positive growth? The national contribution?*

HAUSMAN: Never mind. Let me just ask you a couple of quick factual questions. About how many people worked at the LTU when you first—.

SOTENGA: *It was up to 100, I've forgotten the figure, one something.*

HAUSMAN: What year did it begin operating?

SOTENGA: *2004. Half year in 2004. The full year I ran was 2005, 2006. I think May or April 2004.*

HAUSMAN: Great. Is there anything else you'd like to add before we stop?

SOTENGA: *No, it is okay.*

HAUSMAN: Thanks.