



INNOVATIONS FOR SUCCESSFUL SOCIETIES

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BLAIR: I'm here with the Special Adviser for Taxation and Revenue here in Lagos Nigeria and just to confirm that you have consented to the interview for the tape.

IPAYE: *Sure I have.*

BLAIR: Before we begin getting into the work that you're doing here, could you perhaps provide us with a brief overview of sort of your career and your first job and then how you came to be here.

IPAYE: *Well, I'm a lawyer. I qualified to practice law in Nigeria in 1989 after post graduate studies. I actually worked as a legal practitioner up until 1992 when I joined the faculty of law of the University of Lagos as a lecturer. I was there right up to 2001. I left first on leave of absence. At the time I was sub-dean of law, I was senior lecturer in the department of commercial and industrial law. I joined the Lagos state government as Special Assistant Legal Matters. But in the course of that career, I was doing a lot of work on tax matters because I used to teach revenue law at the university so I got landed with quite a number of the tax-related issues. But I functioned throughout as Senior Special Assistant Legal Matters in the last administration. The last six years of it, 2001 to 2007 and with the new administration I was appointed Special Advisor, Taxation and Revenue and a member of the Lagos State Executive Council.*

BLAIR: So we can start by getting a little bit of a description of the, the things that you see as the key reforms that you've been able to get through as part of the Executive Council in the area of taxation.

IPAYE: *We started, the Nigerian tax system is a bit complex but let me give some background. There are taxes collected by the state governments but they do so under federal law. So it is not a law made by the state House of Assembly, rather it is a law of the National Assembly for the sake of uniformity, harmonization and so on. So we had this law, the Personal Income Tax Act applicable throughout the country but quite dated. Some of the ideas enshrined in that law had become quite inadequate. One major part of that which is the bedrock of this reform was that the major tax agency of the states was created under this federal law.*

We looked at that in the last administration, thought that it was not quite constitutional for the federal government to establish state tax agencies. We thought we could just go on and reestablish the agency under a state law. That aspect we could take out and do on our own because a lot of things hung on the kind of agency you are using, the way it is structured and so on. It used to be under the civil service, salaries were poor, equipment was inadequate. Systems and processes were slow, bogged down with bureaucracy. Actually the level of expertise needed was not there because if you did well, if you had a degree, you had a good background, you were in the civil service, very soon you are hired by some company in the private sector, especially because the salary in the civil service is so low compared to what you have outside and a lot of other things then follow because of the quality of people you had. You couldn't do much by way of reform.

So we decided that one, we would reestablish this agency and make it autonomous so it will no longer be under the Ministry of Finance. Its staff will no longer be civil servants. So that is one. As soon as we did that we got tremendous result because more than half of the staff stayed with the civil service, the rest came away with the new board, the new Inland Revenue

Service and we found that revenue actually increased. So it is like cutting your staff load by half or even more and still you are getting more money than you used to under the old system.

Then we found automation quite useful. A story I like to tell, I was part of a committee that was trying to create a roadmap for the reform, what do we do first, what do we do after that and so on and so forth. As part of our investigations we went out trying to, because we had a lot of fake tax clearance certificates, so we did go to where people used to procure this tax clearance certificate. We bought ourselves some fake ones and came in. The shocking thing was that the leaflets were actually genuine, they were taken from regular booklets, security documents with the state government audit, and the signatures on them were also genuine. So these things were being done in conjunction with state officials. That was one of the major reasons why we decided to scrap paper certificates; we now use electronic tax clearance cuts.

Following on that, the abolition of dealings in cash, you want to pay tax now, if you have cash you take it to the bank, pay into designated account of government. You don't pay to any official. You don't even give your check to any state official. You have to go to designated accounts of government at the banks. So all payments go to bank. By simply taking that step we plugged a lot of leakages because people would pay the money, it would go missing, people would drop their checks and the checks would be applied to other purposes. All sorts of corrupt practices attached to this mode of payment, people using cash or checks.

So we said no more of that, go straight to the bank, pay into government account. Until it is reckoned, we have a company that monitors all the payments because there are so many banks, so many bank branches. So to make sure that everything is reported immediately because we then began to have a tendency on the part of the banks to delay the reporting. They would keep the money for a week or two before it shows up on our records. So we started monitoring that. As a result, it is when we know that the money has hit our account, that we ensure your receipt and you are able to process your things.

This meant that a lot more of the revenue actually got to the pockets of government. It was as simple as that. Then, okay, we've different orientation for the (Lagos) Internal Revenue Service (LIRS). That is why its [Indecipherable] is not inside the Secretariat. It has 36 branch offices across the state. Now we are having mini-stations like in the markets, where you want to be nearer to the traders, you want to do a lot of enlightenment and so on and so forth. So those are the key highlights of the reform process. We created the revenue agency that saw itself the way a private company would in terms of what it wants to achieve, in terms of access to resources to achieve it. It actually has a guaranteed stream of income or resources to use in carrying on its operations. It's better paid. The staff are under a different contract of service, they have a code of ethics, all of the things that you could get away with, otherwise. You wouldn't now because it is a different contract. It is not your typical civil service contract. So that has changed the orientation. We see results in times of greater efficiency.

BLAIR: What were some of the differences in the contracts with staff members?

IPAYE: Now, if you were in the civil service, if you committed what we will call an offense or some misdeed, that's a long process, disciplinary process. A board will be set up that will report to another board that would, it was a long drawn thing. In the course of that, a lot of these cases tend to be dropped and sometimes even the

sheer magnitude of the process can discourage anyone from trying to take action. You are required to give queries and so on. But now, the contract says that you are involved in a special kind of service. We want to see, you have to be honest and above board, but you must also be seen to be. So it is not a matter of proof.

If people begin to complain about you then you know that you are not suitable for the job, even if we cannot prove it that you are doing something wrong, but there are consistent complaints about the way you do your work or consistent allegations of corruption or inducing people to pay a bribe or something. So that once these things happen, it will justify your removal without us having to go through the long processes. Then of course the pay structure is much enhanced, much better than it is in the civil service. Then you have better leave pay, better guidance as to how you will do your work because we have a handbook which you tend to see in the private sector about virtually everything, the way you will conduct yourself, the way you will do your work, the kind of health benefits, holidays and things you are entitled to.

But I think most importantly is the code of ethics that you sign onto. There are certain things you cannot do. There are certain gifts that you cannot take, certain ways in which you must behave yourself. So that is it. It makes clear that you are not a civil servant. You are working now for an autonomous agency, even though it is owned by government, the orientation is quite different.

BLAIR: When you say differences in pay structure, does that mean that pay is tied to some sort of performance measures?

IPAYE: *Yes. I think that is one significant aspect of the contract that I didn't elaborate on. There is a performance bonus available so that if we go an increase in revenue over what was projected, an amount comes to you which is not part of your regular salary or allowances, it's just a bonus, so you have a stake in the growth of the business so to speak.*

BLAIR: What were some of the obstacles to getting these new contracts? Were there—you were taking a bunch of people who were civil servants and giving them this new contract, was that something that was difficult to get through, were there negotiations with the unions?

IPAYE: *Fortunately we didn't have union issues because we made it entirely voluntary. That is, if you choose to remain in the civil service you are guaranteed your job, it's just that you won't be working for the revenue any more, you'll be taken to another department. So a lot of people took that line, more than half the staff chose to remain because of the kind of difficulties that you envisage, that is culture shock. It is like being wide open compared to civil service. I want to discipline, you have to go through so many processes, set up so many boards and so on. So you feel a bit layered in terms of protection. But here, you could be disciplined, even right there on the spot.*

So a lot of people felt, ah, maybe it is a matter of perception but the job security that you enjoy in the civil service is not here. Those people chose to remain. A lot of people were staying in staff quarters and of course LIRS didn't have staff quarters and there was this fear that once you chose to change over, you will have to relinquish your staff quarters although in the end we managed that they didn't have to. But a lot of people chose to remain in the civil service because of that. But otherwise, then of course there were some people that we simply couldn't accommodate here in terms of level of education, quality of output and

so on and so forth. So again, they remained, they were posted to other places where they might be of better use.

That process, that whole process was well managed simply because it was not compulsory. I mean if you liked your life as a civil servant you were given the option of staying and being posted to some other department. If you chose to take the risk, you liked the excitement of a new organization, well equipped, well resourced, well tuned to achieve its purpose, then you came along. That's how it happened.

BLAIR: When people are, when staff members are disciplined do they go back into the civil service if they're kicked out or are they—?

IPAYE: *No, no. There was a cut off time where you're either there or here. By now everyone is here. So you rise or fall by whatever experience you encounter. There's no going back at this time. There was a period during which you were given the leeway to still make your choice, but we're over with that now. Everyone who is with LIRS is with LIRS and whoever is with the civil service is there.*

BLAIR: And the people who came over here were happy to come over here for the pay was better, there was no problem convincing people.

IPAYE: *There were a bit of problems, but I guess, I don't know whether some of that is still there, but let me tell you what it is. During the changeover people had now to be placed. It is a different cadre. You could have been an assistant director in the service, but the question that would arise here is whether because as assistant director you'd probably be heading a department and holding a very responsible position. So whether we see you as someone capable of holding the same position here. It may be that at this time we prefer a younger person for whatever reason, or a less experienced person that shows promise. So there was a bit of that problem, of people complaining that they were not placed where they thought they should. The LIRS couldn't quite go with the old scheme of things, to say that if you were my senior here, you would be my senior there. It could well be that here we are coordinates, we're on the same level.*

So not a whole lot, but there were a bit of complaints about that issue, but they were made to understand, those that were aggrieved were made to understand that where you are today is where the interview panel thought you should be. Really there is nothing we can do about that. But going forward if you prove yourself deserving of a better position of course you will be so rewarded. Because of that one or two people went back, still they could at the time. So they went back. But that I think was the main issue.

The cultural problems lingered for a while, but I think everybody has gotten attuned to the new system now.

BLAIR: Great. One of the problems people—this may be related, one of the problems people deal with often in making big changes to the bureaucracy like this is the patronage problem, dealing with people who perhaps have their position through familial ties or ties to a group. Was that a problem you had to deal with in this transition to the new service?

IPAYE: *Well, it could have been. I think it was a feature but it didn't turn out to be a problem because under the old scheme of things this patronage was not necessarily beneficial to government. For instance, you are heading a tax station*

in a particular area. They all know you around the place. You well have compromised, you discussed with them, you've agreed, already paid so much, remit so much, so that is not necessarily we were eager to take advantage of. Rather you find that if you put a new set of people there, there is a fresh look about the manner in which assessments are done, the remittances are made, and you may have people more actively, the officials more actively chasing the taxpayers around the place than if we had the old system where these people already knew each other, they were used to each other.

So I wouldn't say we lost by it, it was probably even beneficial, but we had a fresh opportunity to review some of the linkages that were on the ground.

BLAIR: How did you identify linkages?

IPAYE: *Linkages, like I mean you are our head of station, you are the one we relate to when we come to submit our returns, you are the one, we already know you. So when you are reviewing my returns maybe you're not so careful, you're not so careful. We are friends by now. But when you have a new person looking at the same returns, you may detect a few problems around that. So that's what I mean.*

BLAIR: So does that mean that new people were going out to all of these offices?

IPAYE: *Not entirely, but we had a good number of new faces. Not like everyone, no. We still had some older, but I think by now there have been some changes also moving around which again is easier to do under the new system, the autonomous LIRS. In the past the issue of posting, the issue of transfers and so on often involved people outside the board. That is, in the civil service structure. Because at that time the chairman of the tax board was a Permanent Secretary in the civil service which means that he was below the head of service, he was below the commissioners. So he could well be interfered with far more easily than now. Now probably it is only the governor that can really override him in his professional activity. But then he was in the Ministry of Finance, he was under the Commissioner of Finance. As a Permanent Secretary he was under the Head of Service which created also some problems.*

BLAIR: When you think back to the early discussions about splitting this off into a new service, how, what were those discussions like, building the support in the executive committee for this change? There must have been some vested interests in keeping it like it was the Ministry of Finance wanting to keep it under their purview and the civil service not wanting to lose its employees—.

IPAYE: *Yes, yes. I think we had an interesting period during which it seemed like the transition was getting dragged out, it wasn't proceeding as briskly as we thought and one got the feeling that perhaps the people didn't want to let go. But then, the argument for letting were overwhelming already. Really, when it came up in council for instance, I can't recall any significant opposition. Like I said, I used to teach tax law and I can say from the beginning of my career it had been the usual part of every communiqué at seminar to say that the tax agencies need to be given autonomy, they need to be better paid, the staff, they need to have better equipment. We have kept saying that. I think Lagos State was the first to really start doing it. We've been saying it for ages. But the things just remained as they were because everybody thought that that law, the law that I referred to, the federal law had sort of pegged things and you couldn't make a change until you go to the national assembly which is far more difficult thing to do. But we thought, we could change this on our own, after all we are talking of a state*

agency. So all of the legal arguments against the state being able to do it had died down now. What we find is that other states just do it because we had done it and there wasn't any problem.

BLAIR: Were there any bargains struck to sort of end the delays getting the process moving?

IPAYE: *Which delay? The transition or the delays in—?*

BLAIR: In the transition and in sort of the early phase of getting things through.

IPAYE: *The problem we had wasn't back in as such because the problems were the old directors, the old top of the hierarchy that was there before. Now, but, an opportunity came. By the time we did the investigation I spoke of earlier of the tax clearance certificate fake being sold all over the place. And government saw the opportunity to remove all of those that were found to be involved. So that helped.*

BLAIR: Right.

IPAYE: *And I'm talking of a whole lot of people, I can't recall the numbers, but a lot of heads of station, a lot of directors were retired. They were not sacked. They were not dismissed. When you are dismissed no benefits. There are all sorts of legal anglings come out of that. They were just retired. That is you get your notice that your contract is being terminated, you get your terminal benefits, you go. So that helped because all of the vested interests were removed in one fell swoop and the process could then move on.*

Then the chairman, the executive chairman was recruited from the private sector, he was a banker. So he never worked with the tax board. He had no interest in the old system of things. So it is just like cutting off the head and grafting a brand new head and giving him the resources to take it out on the civil service.

BLAIR: Tell me more about how the decision was made to do this sort of sting operation to get the fake documents and to see what would happen? How did that occur?

IPAYE: *Well, what happened is that we were already thinking of this transition to an autonomous agency. I had made certain proposals in that regard, I'd even drafted a law which at the time seemed more experimental than anything else. Okay, why don't we do this? Everybody was saying yes, your board is created by the Personal Income Tax Act, that is a federal law, you can't just go and do whatever you like with it, so it was quite experimental. But then we knew that there were serious problems. Revenue in those days was below one billion a month. We are doing like fourteen now.*

So revenue was grossly inadequate, grossly inadequate. Then everybody knew that we could do much better. Even assuming the same number of taxpayers, that if all of the money got to government we could do much better. So we knew that there were also some leakages. In fact, the whole idea of going to buy tax clearance certificates, it's not that we didn't know that they existed. We just wanted actual proof of how it worked. So the then Commissioner for Finance and myself, we just went out, parked where the touts would come and they actually came, asked us what we wanted or need, what name we wanted, what company we wanted, what amount we wanted as salary.

But the shocking thing which probably motivated subsequent activities was the finding that the certificate you bought was actually genuine. It was taken out of

booklets that the state audit, that were distributed to the tax stations and the signatures on them were actually genuine. This is what led to the removal of those directors and other people in the service. So it was a quest for more revenue. We just needed more money. Everybody knew that the first thing that you needed to do was to plug leakages.

I mean later on, after doing that, we now started extending the tax net, who wasn't paying before, where can we go next and all that. But the first thing was that once we are even getting, how do we make sure that it gets to the hands of government.

BLAIR: Right. So was it your idea when you went out and did this sort of operation to have the goal be that new agency? Was it to expose these flaws and show that this was necessary?

IPAYE: *Yes, the end goal at the time was to streamline the processes of the old agency, to make them more efficient. The idea of a new autonomous agency as I said was still—nobody was sure. Nobody was—this is what we are going to do. Not yet, at the time. The idea was okay, let's find out what is wrong with the system. Let's try to fix it. Let's try to work with the people we have. Let's try to see what improvements we can make. So the committee was actually to improve processes, not to take the revenue agency out of the civil service. That wasn't the declared intention of that committee. We were looking to plug, remove the corrupt practices, plug the leakages and so on and so forth.*

But when we saw the extent of it, and then we saw that the management had to go because that's more or less what happened, then it became more fascinating to consider total autonomy.

BLAIR: This happened under the (Bola) Tinubu administration or—?

IPAYE: *Yes, under the—this was all under the Tinubu administration. In fact the law which made LIRS autonomous was signed by Governor Tinubu towards the end of his tenure. He didn't fully implement. He appointed the new chairman from the private sector as I said, and well, got this place leased and started gradual movement. But it was still a number of months after that this administration took over, then we took the new structure to the executive council, it was approved. We went back with the new salary scale, it was approved. We went back with the new contract of employment and code of ethics. It was approved, had a budget for the year approved and from then on it was working all by itself.*

BLAIR: What were you say were the most challenging parts about building the support for the implementation parts of this as you were working through this process from the beginning of the law to—?

IPAYE: *The challenging part was the internal aspect. Let me explain that. As far as the taxpayers were concerned it was a big relief. Oh you are going to have a new system, oh your staff will be more responsive. There will be no corruption, your station—. It was a relief. Okay? So no problem there.*

Now of course internally we had people who used the civil service system who didn't want to leave it. Like I said, a lot of them actually opted out. Then the issue of what to do with the staff that opted to come in—and I discussed a bit about that earlier. You couldn't always place them at the level they were before. So what do you do with them? Maybe they were heads of their station previously; now we think that they should not be head for one reason or the other. So there

was that problem. I think the staffing issues was the main problem actually. The taxpayers had no problem with it.

BLAIR: What were some of the ways that you dealt with the staff I convincing them to move around to where you needed to be or convince them that—?

IPAYE: *Well, we had a series of meetings. You know our staff is far flung all over the place so it means that these are after work, typically 4 or 5 p.m. we would meet at the hall within Lagos there is a big hall there and we'd discuss the transition. What is the new system like, what are the benefits, what are you having to give up, what are you—so we had—I mean they were able then to ask questions. We had interactions which wasn't easy, wasn't too difficult. Wasn't easy because we don't have all the staff in one building, but it wasn't then too difficult because you could then say, okay, after work tomorrow we'll meet at the hall. All the staff from all nooks and crannies of Lagos they'd come around. We'd make our presentation, they'd ask their questions. We tried to moderate fears and so on and so forth. So I think this interaction eventually led us through it without any major crisis really.*

BLAIR: So was there, in the interactions with the federal government, who had previously had jurisdiction over the system, what was—was there a process to convince them that this was okay, that this was the right thing to do?

IPAYE: *We didn't, we didn't even try. You know what happened was that we just did what we wanted to do. Fortunately for us at the same time the federal government took a decision that its own agency would also be autonomous. Okay? So actually they got their law before us. So federal government went on and did a brand new law, establishing its own revenue agency as an autonomous agency. We followed immediately after that. So they didn't need convincing, the reasoning had been well trashed out, everybody knew that that was what was bound to happen.*

BLAIR: This was under (Olusegun) Obasanjo?

IPAYE: *Yes. This was. So when we did it, actually federal government didn't—I would have been surprised if they did because it really is not their business. This agency only collects state taxes and it collects not as agent of the federal government. We don't account to the federal government, it's our revenue. So really that has nothing to do with the federal government, it's an anomaly for the old board to have been created by federal law anyway in the first place. So that wasn't a problem.*

BLAIR: One of the things I've read about is the initiatives to expand the tax base, to expand the number of people who are taxed and informal traders to convince them to begin to pay taxes for the first time.

IPAYE: Yes.

BLAIR: Can you tell me a little bit about the challenges to that work?

IPAYE: *Okay. Now after all these rules, pay straight to bank, electronic tax clearance certificate, we were more or less able to secure what was being paid for the use of government so that chapter closed. So the next question is, how do we increase this thing? How do we expand the net? It seemed like what we had in the net was the established formal sectors where it pays you and before you get your salary the tax is already—so it is the easy part. So the difficult part is the*

informal sector. You want to tax a trader, the trader doesn't have the book of accounts, he buys and sells. If he needs to buy food for his children he takes from the same drawer. He needs to buy fuel for the generator, for the business, he takes from the same drawer. No distinction between private and—.

Meanwhile, if you tried to, and this is where the challenge lay, if you tried to implement the law as it is you won't get anywhere because the law says you will submit your returns, your gross income, you have deductible expenses, you will do this, you will do that, which is impossible. Then we used to have these about six-page form. If you need to fill your income tax return form, asking you also some questions. We saw that it wouldn't work in the private sector.

So what we did was design a one-page form, one page. Collect basic information. Your name, your address, what you do, where you live, your phone number. Basic information. Then on the back of it we created a table for self assessment. So look through it and decide which level of income you fall into, which bracket and then which tax you need to pay. So that helped. A lot of people who are educated but wouldn't have been able to cope with the old system were able to come in.

Then we trained our staff as resource persons. They will help you for free, guide you through it. But still that didn't entirely solve the problem because there are people who, you cannot even place them on the tax table because they don't know their income, frankly. The average trader selling sweets on the—doesn't know, cannot even think what is my income for the year. I don't know. So we said, okay, our objective primarily is bring them in, at least have them on record. So we said, okay, we will fix a minimum, 2,500 naira for the whole year for small businesses, traders, artisans, organizers, tailors and things.

So we said everyone, if you cannot place yourself on the self-assessment table, go and pay 2,500 naira for the whole year. That helped. I mean a lot of people came on, filled their forms, paid these amounts, got their tax clearance. At least we have them on record. Then what we now do is if you want to buy land, state land, Ministry of Lands will ask for your tax clearance certificate. If they find that what you pay is 2,500 and you're buying the land worth 1 million, they may say you get an additional assessment. Or you're buying a car, they ask for your tax clearance. They check the amount you pay, looks too small regarding the transaction you are in, you get—. So we give you the benefit to assess or pay whatever you feel you can, but if you come buy, you want to do business with government, we will rate you accordingly and you will pay additional tax.

So the main challenge was how to get people into the net using the same laws that we have. So what we've done is to go around it and rely more on what we call best of judgment assessment because we really don't know what you had. So under that section we could agree with you, okay, go and pay 2,500, go and pay 4000. Oh you have a shop, okay, pay 6,000 per annum. Okay, rough and ready really. Not in strict conformity with the usual process of determining what is earned, what is taxable, and what is not taxable, what is allowable deductions all of those processes.

So we jump over all those processes just to make sure that more people are going to come in.

BLAIR: Was there a public campaign to build support for this?

IPAYE: Plenty, in fact we probably have spent more in the last two years than any other on tax campaigns. One, we have stakeholder meetings very regularly. We had one this morning with pharmacists. These are community pharmacists, people who have chemist shops, pharmacies all over the place. They are typically self-employed professionals. They also employ maybe three or four staff. We see that they are the ones outside the net now, these self-employed professionals who have small businesses because we went for the informal, the lowest to start with. We had gotten some of the highest. Now these people in the middle. So we've met with, for instance, we've had similar session with lawyers. We just had now with pharmacists. We are going to have with estate surveyors, town planners, and we'll go through like that.

So we have this segmented meetings. So when we are meeting with lawyers we know they are interested in knowing how to work out their personal income taxation but they're also interested in the taxes relating to land because they tend to deal in land for their clients. So we structured the meeting, the presentations accordingly. So when we meet with pharmacists, because they own small businesses, we introduce another topic. We'll talk to them about local government levees because they always complain, all of these levees, they don't know where they are coming from. So we enlightened them. Aside from the income tax that the state collects, when we are meeting with builders again, some of the line charges will be an issue again.

So we met with different segments, tried to pacify them. This is quite apart from press, adverts, TV adverts, newspaper adverts. Just trying to.

BLAIR: What are some of the messages you used in the—?

IPAYE: The call message is one to impress it on people that tax payment is an obligation, a constitutional obligation yes. Also a moral obligation, a religious obligation. It is just something you must do as a member of the society, that's one. Two, we link it to development. That hay, government's ability to do things, improve public schools, improve hospitals, build more roads, improve the quality of infrastructure. It is all tied to the cash, it has to be spent. You can borrow now and then but the only sustainable means of government earnings is taxation, is what you and I contribute. And the more of us that contribute the less that we actually have to contribute. We don't need to raise taxes in Nigeria for now, we only need to get more people paying. We try to shock people also.

I mean teachers, poor teachers, not very well paid but they can't escape, they pay tax. Then here you have some professionals, you have lawyers, engineers, pharmacists, self-employed, they're not paying. It's just not fair. The moral problem is hinging our development. So we keep harping on it that all the development you see around, they are made possible by taxpayers' money. So no matter how little your contribution would be it would help. So that is the message. So we bring religious leaders because when religious leaders talk people tend to listen. We bring community leaders. We show shots of improvements around the state, we say it is taxpayers' money in action. So that has been, in fact I can get you some of the CDs.

BLAIR: That would be great.

IPAYE: We have quite a number.

BLAIR: What part of the contribution, going from one million to fourteen million, what part of that was expanding the base and what part of that was actually collecting,

stopping the leakages, collecting from existing taxpayers? [The internally generated revenue actually grew from 600 million naira average per month in 1999 to 14 billion naira average per month in 2009.]

IPAYE: *That is difficult to assess because at the time, I think in 1999 they started with 600 million (naira) or thereabouts. By the time the leakages were plugged, at least that took us, I wasn't really part of government at the early stages, for the first two years, but by the time I came in I think we were doing already like 2, 3 billion or so. I think much of that, although I would say that perhaps 30-40% of that came out of plugging leakages and then the rest came out of bringing people to the awareness that taxes were necessary for development. We started putting signboards at every construction site, taxpayers' money in action. So people can draw the link.*

Our problem had been the oil resource. Government didn't have to bother people so to speak about paying taxes because we had this petroleum resources and it sufficed for almost over 90% of public expenditure was coming out of that. To show you—so really tax was never a big issue here. So even trying to link it to development was an impressive thing for people who never really dreamed that—they thought, okay, government would share out of petroleum profits and develop the country. I mean, whether or not I pay, I will pay compared to—maybe it is removed from my salary or somebody says I must bring tax clearance before I do something, then I go and get a tax clearance, but otherwise I don't feel an obligation to pay on a consistent or regular basis. No.

BLAIR: What, the informal sector work, what contribution do you think that made to the total tax revenue?

IPAYE: *If we had had improvement which we quantify as 100, I would say informal sector 20, at best 25 out of 100. Okay? So you would ask, where did the rest come from? In the formal sector where you have companies deducting from their staff, some of them were never remitting to government. Some were remitting but half or less than half of what was due. So we started sending out auditors and they would go back and establish liabilities over four years. I mean we could go back up to six years. A lot of money is now coming from getting the people who were paying before to pay correctly, on time. A lot more came from that than the new additions.*

The new additions, I mean if you ask a trader to pay 2,500 for the whole year, it is less than what the average civil servant pays in a month. But the idea is let the trader start paying first. We'll sort out the figure as we move on but we must get a threshold that is easily crossed by people. If you fix it too highly you meet resistance, you have to deal with a lot of issues. So really, a greater efficiency in monitoring what should come to government is key or has been key in the recent past.

Then traders, informal, I would say 25%. Now people, professionals, or companies that were not in the net before, they had employees, but they were never remitting anything, those new ones, they added to how we got to where we are now.

BLAIR: Beyond the contract, an important part of changing the attitude of the people working in the agency, what were, are there examples from the experience that you project new norms of behavior in the service to get people working towards the goals that you have?

IPAYE: *Well, there is increased activity around training, exposure of staff to best practices, regular retreats where should we be. But I value something in particular which is the openness or open government that we have now. What I mean by that is Mr. X taxpayer in a remote part of Lagos could actually send a text message to the governor to say that, ah, I went to the tax office, the treatment I got was bad. These people are not doing what they're supposed to be doing. All of our phone numbers, the governor, all members of the executive council, all permanent secretaries, all head of agencies were published in the newspapers. So you could get text with the governor. A lot of people send to the governor who forward to the relevant people. He has forwarded a lot to me. I got one today.*

I mean someone, just a friend advised, or making a complaint. Then we have a complaints office dedicated to taking complaints, giving information, following up on issues that arise with taxpayers. All of those tend to make people to sit up because okay, you are dealing with me now. I can stand up and the next minute I am talking to your boss or someone who should know what you are doing. That I think has changed attitudes. Things are far more often.

Then we give our leaflets. We have posters all over the place saying you can call this number. I think that alone has affected behavior aside from training, aside from regular review of where we are, where we want to be and so on and so forth.

BLAIR: Does the governor have a special secretary who takes the text messages or does he literally get them on his cell phone?

IPAYE: *Both. Sometimes, if he has the phone. If he doesn't have the phone somebody will deal with it but if he has the phone. Quite a lot of time he may not because if he is at meetings, obviously he wouldn't be attending and his e-mail is the same thing. But they get answered, they get answered. There may be someone dedicated to dealing with those. In his own case the main thing is to forward to relevant agencies and have someone follow up to see what happens there after.*

BLAIR: I'm conscious of the time, maybe just one or two more questions.

IPAYE: *Yes, although I think I have something waiting for me, but let's take one or two more.*

BLAIR: When you were in the beginning of this new agency one of the challenges a lot of people face is finding the right talents to get the jobs done. As this transition to the new service was happening, how did you build your own staff, get the right people into the right jobs?

IPAYE: *For now, the focus had been engaging young graduates, not—maybe one or two senior people but not typically. So you look for bright young graduates in the relevant disciplines with a view to training them, sponsoring them to training, to professional training, to management training and so on and so forth.*

BLAIR: Is there any sort of capacity-building programs or—?

IPAYE: *Definitely. We have a training school. We send them out to local seminars and conferences, the international seminars and conferences. So we take advantage of all of this in addition to the resource that we have in our training school.*

BLAIR: Were there particular talents that you weren't able to find that were scarce or difficult to find people?

IPAYE: *I don't think so, not that I know of though the chairman may be better able to say although I would like to see more people, we have people competent in computer programming and all that, but some statistician. I think the statistics don't come quickly enough for me, perhaps I've always meant to follow up on that, that we need someone who can tell me how many taxpayers, how many more at this level, more readily, to tell me the trends. That's what I see. We have accountants, we have tax practitioners. But I must tell you we rely also on the private consultants, private, take a form of chartered accountants. We engage them to audit. If I think your company is not remitting what it should, I can engage a firm of chartered accountants as monitoring agent to come to you, look at your books and make sure everything is okay. If it is not to detect what is missing, what you are owing. Then he gets a commission when you do pay off. So we use a lot of that. So the focus is not to have a big agency going here but to rely also on private sector expertise.*

BLAIR: Just a final question. Several people have said there is a need to articulate a strategic vision in the beginning of a reform like this. How important do you think that was and do you have advice for people coming into a position like this where there is this opening for change to go faster?

IPAYE: *It is important to have a strategic vision. In our own case we are looking for efficiency. We wanted to get the most that we can out of this system at the least cost. You know that means that we are looking for government to gain as much as it possibly can from taxpayers money and they weighing out to compose the whole idea of efficiency was your turnaround time. How do you deal with your customer, the taxpayers are your customers. Are they happy with you? Are there processes that you take them through that are really not necessary? Do they do three things where one would have sufficed? Do they fill ten pages of form where two pages would have sufficed?*

So you find that you now have to review all your processes. So it is good to have that and be sure. You want an efficient organization that can stand up to—because half the time people are dealing with the best in the private sector in a game that is usually hide and seek type of engagement, so you need people who can operate at that level. So if you have that end view in mind then it helps you from the beginning to put the building blocks together.

BLAIR: If you had to say why it has been possible to get all these changes done when it wasn't possible before, what would you say?

IPAYE: *Well, the political will is very important. You see all of these things, it is quite conceivable that a governor could have said, no, no, no, is this your problem. Go and see how to make them more—all these autonomy, no, how can you have an independent—if the governor took a different view that would have been the end of the matter wouldn't it. The academicians would keep writing their papers and making these recommendations or if you want to go an levy this—I mean you have to lock up a big company and the man puts a call to the governor and the governor says, how are you doing that, go on, open it up. Then you mess up the whole system.*

But where you have a governor that says, ah, even my friend, if they catch you I would not intervene. Whatever they want to do they can justify it. I will give them the permission to deal right away. It just makes everything seem easy. But these

are things that could be very, very difficult. If you cannot persuade, or if the leadership of the state or the government involved is not persuaded. But you find that very often where the leadership is persuaded and is willing to make the sacrifice, because the typical sacrifice that you make is that your friends are sometimes affected, your interests are affected. If you are willing to let go and say, well, too bad. We need to forge ahead. Then it is easy to achieve really.

BLAIR: Thank you very much for your time, I really appreciate it.

IPAYE: *You're welcome.*