



INNOVATIONS FOR SUCCESSFUL SOCIETIES

*An initiative of
the National Academy of Public Administration,
and the Woodrow Wilson School of Public and International Affairs
and the Bobst Center for Peace and Justice,
Princeton University*

Oral History Program

Series:
Interview no.:

Governance Traps
14

Interviewee: Ezekiel Asamoah

Interviewer: Itumeleng Makgetla

Date of Interview: 11 September 2009

Location: Accra
Ghana

Innovations for Successful Societies, Bobst Center for Peace and Justice
Princeton University, 83 Prospect Avenue, Princeton, New Jersey, 08544, USA
www.princeton.edu/successfulsocieties

MAKGETLA: My name is Itumeleng Makgetla, it is September 11th, 2009 and I'm in Accra, Ghana and I'm here with Mr. Ezekiel Asamoah who was the first Commissioner of the Value Added Tax Services (VAT), serving in this position from 1998 to 2001. Thank you very much for joining us as part of this set of interviews.

ASAMOAH: *Thank you.*

MAKGETLA: As we begin can I just confirm that I have your consent that this is a voluntary discussion?

ASAMOAH: *Yes you have my consent, this is completely voluntary affair and I don't have any inhibitions talking to you about it.*

MAKGETLA: Could we begin by your giving us a brief overview of your career and how you came to be Commissioner of the VAT Services?

ASAMOAH: *I started my career as a civil servant straight from high school after doing what is equivalent to GCE (General Certificate of Education) in those days. I did the West African School Certificate in 1956 and straight after that I joined the civil service. I worked briefly with Electricity Corporation and then with the Establishment Secretariat, which is now the office of the head of the civil service.*

Then I moved on to the International Revenue Service in 1964 as a trainee tax officer and moved up the ladder to a deputy commissioner in 1987. From '87 until 1993, I was with the Internal Revenue Service and then I moved to the VAT project office in 1993 to head the project office to establish the VAT service. The first VAT came into being in 1995 but after three months it was withdrawn. I had to remain with the project office because the government of the day thought there was a need to work everything out again, remodel what we did before and then try to reimplement the VAT. This is what happened later on in 1998.

So in 1998 I was still the Director of the VAT project when the VAT law was passed and I became the Acting Commissioner when the service actually took off in December 1998 and I was made the Commissioner of VAT in February 2000 and I retired from the VAT service in June 2001.

MAKGETLA: You have an extensive history in the area of taxation and the VAT services. I'd like to talk about both the period when VAT was first introduced in '93 and subsequently how the service was developed. When you first came into the VAT project office in 1993 what were the key challenges that were priorities for you in establishing the services?

ASAMOAH: *The key challenge, at that time, was one of preparing the grounds adequately to introduce a major tax policy. VAT as we have it today is a (service) **self** assessment system. It requires a fair knowledge of accounting and record keeping by those who collect the tax, so it was very necessary to educate those who were going to be registered to collect the tax to know exactly what was required of them. The taxpaying public, the consumers, who were required to pay the tax directly also had to be sensitized to know exactly what was also required of the new tax.*

We had a problem of staffing at the time and what really happened was we took staff from the existing revenue agencies, which were the Internal Revenue

Service and the Customs Excise and Preventive Service (CEPS) to form a nucleus of staff and then engaged new staff to join them to form a team.

I was talking about the major challenges that we had. One really major problem was that of education. I've already mentioned that there was a need to educate those who were going to collect the tax and also to educate those who were going to pay the tax. The problem about our educational program was, it was not well structured. It appears most of the people did not quite understand the import of what the tax really involved.

In our educational campaign we did mention that the tax was not going to be much different from the sales tax which the VAT was taking over. We had a major problem there because since the VAT was covering more ground than the previous sales tax it meant that for certain other taxes, where there wasn't any tax before, there was going to be an incidence of tax. There was definitely going to be an increase as far as those were concerned. The sales tax was at a rate of 15% at the time and this was what we used in our educational program throughout the period.

Then when the law was passed and we started implementing the tax, we started with a rate of 17.5% which was 2.5% above what we had used in our educational campaign. So definitely that had an adverse effect on all that we had tried to do. It created quite a problem for us to have people accept it because we had made them understand there wasn't going to be an increase. It was going to be the same rate. The only increases we were expecting were to be marginal that is where it was from a retailer who was registered with another retailer. Then of course there would be that slight increase.

So these militated against successful implementation of the tax. Also, I think that the period that we used for our educational campaign was too short. We could have done much better if the period had been longer and if the rate had remained the same as the sales tax rate.

MAKGETLA: How long was the education campaign?

ASAMOAH: *I don't think that the education was for more than a year. The VAT project actually was set up in late 1993. That was when I got involved in it. I got involved with it primarily because there was a problem with who should implement the tax. Was it going to be the Customs Excise and Preventive Service in charge of the sales tax, or was it going to be the Internal Revenue Service, which was in charge of other taxes that were to be merged with a sales tax to form the VAT?*

So when I got involved, the decision had been taken that the VAT service should be an autonomous service, independent of the Internal Revenue Service and Customs, Excise and Preventive Service. So these were some of the things that really created problems for the young service. There was institutional rivalry. Subtle attempts were made to create problems for the young service by the existing revenue institutions.

So it appears that getting the revenue institutions to accept the need to have an independent organization, a new service to deal with this tax, didn't go down too well with the revenue institutions. We had quite a problem trying to get them to cooperate with us.

MAKGETLA: Can you explain why there was a decision to set up the VAT services as an autonomous agency given that it could have been as you said within the IRS or CEPS?

ASAMOAH: *I think the underlying reason was that both the IRS and (the VAT service) **CEPS** thought that either of them could manage the tax. So there was a debate which of them should manage the tax. I think that was sort of dragging things back a bit so government made the decision, or the Ministry of Finance made the decision that if there is this problem then why don't we set up a new service like there is in other places, a new service closely related with the VAT service. I believe that is the main reason why a new service was set up. If there hadn't been any sort of institutional rivalry and there was proper understanding as to IRS, CEPS, dealing with the tax and there's no problem with either institution, then I believe that that would have been done then. But at the time there was this institutional rivalry and each of the two institutions existing wanted to have the tax. So it was decided, "Let's have a separate service, let's pick some staff from this service and pick some staff from that and add new staff and form a new service." I think it was a wise decision. Looking back I think it was a wise decision.*

MAKGETLA: You mentioned the difficulty you had in coordinating with these agencies. What were areas of coordination that you wanted to be able to have?

ASAMOAH: *The areas of cooperation we wanted at the time were, first, a release of staff to join the new service. It wasn't very easy getting the staff released to come and join us. At a certain point the heads of these institutions had a feeling that if they gave us their best staff they would be starved but we wanted very good staff, not necessarily the best staff. We wanted very good staff to start the service. So we virtually tried to hand pick and of course they resisted this. We managed to get a few, but then as I said, we had a lot of problems getting these people to come and join us. It wasn't easy getting the type of staff that I really required from the revenue institutions. Immediately after the withdrawal of the VAT in 1995, that is the first VAT, we had to ask all the staff who had been seconded to the new VAT service to go back to their parent organizations. I believe almost all of them went apart from those who were members of the project team. I had a project management team. They stayed on. Most of the new staff recruited from the job market stayed and they were seconded to the Internal Revenue Service to deal with what was then called service tax.*

MAKGETLA: How many people were you looking for when you set up this staff initially and what kinds of skills and talents were necessary?

ASAMOAH: *It was a long time ago and I don't remember the numbers, but I think that at the time when we started the VAT we were thinking around 300 or so people to start off. I'm not too sure whether we were able to achieve that number at the time, we may not have achieved that number when we actually started the tax. I think that is also one problem that militated against a successful implementation of the tax.*

*Then, even though the numbers were few, because we had quite a high threshold we did not expect too many people to be registered for the tax so we thought that would be sufficient staff for us to manage the tax. But I believe that decision was not the right decision at the time because I think that the threshold we used initially in 1995 wasn't (very) high **enough** so it brought in quite a number of people who were unprepared for a tax like that. During the second implementation we decided to raise the threshold to cut out a lot of the small time businessmen and traders so that it would be much easier to implement the tax*

instead of having a problem dealing with numbers that we didn't have the institutional capacity to handle.

We were looking for graduates who had done some accounting, an economics background was preferable, and if we had (a) graduates or (a) diploma holders we were prepared to train them and use them for our control verification exercises. You need to understand the rudiments of input and output tax properly. You need to understand exactly what is allowable as input tax and what is not allowable as input tax to enable you to do the proper control verification of a registered person. So we had a training department which took new employees through training courses to prepare them adequately to do this control verification, registration, deregistration and all the other aspects of VAT administration.

We had a lot of assistance from the British government under their aid scheme. We had a lot of assistance from DFID (Department for International Development) and Crown Agents were mandated to assist the Ghana government. So we had a consultant from the Crown Agents. They gave us support in training and also in computerization. They assisted us with funding, especially in the initial stages and provided us with machinery, that is computers, hardware, software and developed software for the VAT system both with VAT1 in 1995 and VAT2, which came in '98. So DFID gave us a lot of support on both occasions.

MAKGETLA: In seeking graduates from the job market did you face any challenges in finding the people that you needed?

ASAMOAH: *No, we had more people than we could really cope with. The difficulty was really getting the right type of people. You look at their qualifications and they appear adequate but they come on the job and you see that some of them just applied for the job because they needed a job and this job was there and they took it. Some left after a few weeks, some after a few months. The majority stayed I would say. At the moment I am sure there are still quite a number of people who joined the first VAT who are still in the service.*

MAKGETLA: What strategies did you come up with to find people that you thought might have a longer-term interest in staying?

ASAMOAH: *We poached some people from the revenue institutions. We enticed them by telling them this was a new service and the chance of progressing faster than where they were (is) **was** very likely. So we were able to attract a few of them. We also looked outside and got a few people from other organizations who we thought could assist us. There are a few of them who are still in the service and have risen quite high, assistant commissioner, deputy commissioner.*

MAKGETLA: When you went about headhunting for people with the necessary skills and background was that through word of mouth? Did you have any talks, posters? How did you go about doing this?

ASAMOAH: *What we did was if the project members were able to identify some people we talked to them and invited them to apply. If we found them suitable at an interview, we appointed them.*

MAKGETLA: You mentioned that there was some resistance from the agencies where they had worked, how did that resistance manifest itself?

ASAMOAH: *From where these people came. From the other revenue agencies after they had come to join us. Of course they had the prospect of rising quicker than where they used to be. We equated them to exactly where they were in the previous service because what we did was to bring them all on secondment but then after a year or two, depending on performance, we promoted them to the next rank which was much faster than they could have risen in their previous employment. So that is how we were able to attract some of them. But again, I would say that some of them came with great expectations and when their expectations were not met they decided to leave.*

MAKGETLA: Were you able to attract them through a different salary scale or was that the same as the other agencies?

ASAMOAH: *The salary scales in the services are all the same. The only difference was promotion. You could have been promoted out of (term) **turn** depending on your output. As the service grew, of course, we had positions that hadn't been filled. So if you did well and we realized that you could fill a particular management position, we just promoted you to fill it.*

MAKGETLA: So the resistance from an agency like the IRS would have been a decision not to second the person? Is that how they would have presented an obstacle?

ASAMOAH: *Yes, some of the people we identified whom we wanted to get seconded to us were not released. Their excuse was that they were in very key positions and they couldn't release them. It was as simple as that. There was nothing we could do. We just had to look elsewhere and find the right personnel.*

MAKGETLA: Were there other areas of cooperation that you had hoped for with the IRS and CEPS that institutional rivalries made difficult?

ASAMOAH: *After the first VAT service was set up, the decision was that Customs, Excise and Preventive Service would still collect the VAT at the ports on behalf of the new VAT service. It was a decision taken by government because the same documentation used for customs duty purposes are the same documents used for VAT purposes. There was no point putting another VAT man at the same point when the same documents could be dealt with by one person. So they did this on our behalf and we didn't have any problem with that and they reported accurately for the revenue collected. So we had a lot of cooperation as well as far as that is concerned.*

The main difficulty was actually getting staff released to us; that was the main problem we had. After the tax took off they just had to try and cooperate with us.

MAKGETLA: You mentioned the challenges you faced coming in were about educating the public, educating people collecting the tax, developing the staff. Is there anything else that you'd add to that list?

ASAMOAH: *Between the passing of the law and implementation, the time was too short. It didn't give officers enough time to prepare adequately to face the task ahead of them. We were recruiting staff and training them and preparing them to implement a tax. This was a new tax and we had (a) new staff on hand. That was one of the main reasons we wanted staff from the revenue institutions to join us because they had experience in tax collection so that they would be leaders of*

the groups and so on. But, as I said, we didn't have much cooperation with release of staff. So we had a paucity of staff and getting them to gear up to the challenges that they were going to face, with a very short time for implementation, mitigated against a successful implementation.

MAKGETLA: One question I have about working with staff from another agency is was there ever any difficulty in dealing with the traditions from the previous agencies where they had worked? Did they have ways of doing things, cultures or practices from the IRS or from CEPS?

ASAMOAH: *Of course we wanted to give the new service quite a different image. We wanted it to be something new, something that would be accepted, something that the public would readily accept. Blending new and old staff and getting them to work in another way was not easy because they had their own habits that they had formed from their previous employment and changing those habits didn't come easy. Some of course took the challenge of coming to a new place with a new image, but others, of course, just stuck to their old ways.*

MAKGETLA: Can you give me an example of the kinds of habits they would have brought with them in this context?

ASAMOAH: *Dealing with the public is something that needs a lot of tact, especially when you are collecting taxes in a developing country. Sometimes there is a culture of not dealing with issues in a way that will help the taxpayer understand exactly the rationale for new ways of doing things and so on. At times, it is very difficult to get officers to understand that this is something new and they needed to educate the people while on the job and let them get along with us instead of saying, "This is the law, that's how it must operate" and so on, without realizing that this is a new tax. This is a different way of doing things and we need to educate the people as we go along.*

*Both in VAT1 and VAT2, we did promise that all those who registered for the VAT would be given tax education on their own premises so that they would know how to implement the tax properly, how to calculate their input tax, how to calculate their output tax, and get a general education on the modalities of implementing the tax. But I will tell you, I can confidently say, that VAT2 was implemented on 30th December 1998, so we are almost eleven years into the tax (.) **and yet** (S) some registered people have never been educated about what they are supposed to do.*

*Now I am in private practice. I've had clients who the first time they were visited was for a tax audit, that is **for** (a) control verification. They slapped huge penalties on them because they hadn't been implementing the tax the right way. But if we had lived up to our promise to educate everybody within the first two years of the tax we wouldn't have problems like that on our hands. So the*

*(problem) **issue** of tax education is something that is (ongoing) very **important**, it should be ongoing and it should be continuous, especially in a developing country like ours where we are only a fairly literate society. But when it comes to accounting and niceties of VAT which involve a fair knowledge of bookkeeping and accounting and technicalities about input and output tax, there is the need to give due attention to educating the taxpayer, that is the registered person, about what his obligations really are and what his rights under the law are instead of leaving him to wallow in the woods for so long only to slap penalties on him for infringing the law.*

I feel really sad about it because I think it is a failure on the part of the service if people who are registered are not given education on the tax on their own premises. I think that that is something that is lacking and is something that needs to be addressed.

MAKGETLA: When you saw that there was a difference of culture, you say with the officials that had come from other agencies, what did you try to do to address those differences?

ASAMOAH: *What we did was to let all staff, not the seconded staff only, but seconded staff and new staff know that this is a new service and we want to do things in a different way. We want to educate the taxpayers to understand the tax, we want to help them to understand the tax so that they can cooperate with us and we can maximize our revenue. So we did a continuous education of our own staff. We gave them refresher courses and so on and always tried to get them to move around the various sections so that they would be conversant with all aspects of VAT administration.*

MAKGETLA: So that message came across in training sessions?

Were the training sessions organized by the human resources department?

ASAMOAH: *By the VAT service. We had a fully staffed training session, which had also the Crown Agents training officer as part of the team. So we were well resourced as far as that is concerned.*

MAKGETLA: Can we go back to the issue of tax education? Given that this was an important measure for you and you saw this as a priority, why do you think it was not implemented? What were the obstacles to this commitment to have training two years after the law?

ASAMOAH: *I cannot answer that question. That was the policy. Why it wasn't implemented I don't know. VAT1 saw the light of day for only three months. VAT2 I had for one year and six or seven months when I left. Those who took over from me should have tried to implement decisions that had been taken which would have helped the tax to improve, but that was beyond my control.*

MAKGETLA: Another point that you brought up which I thought was interesting was the fact that you had done the education as part of VAT1 on the basis of a 15% VAT and then the actual amount was 17.5%. Were you aware, when you heard that it would be 17.5% that this might create a difficulty for you?

ASAMOAH: *I was. I did advise the ministry about the problems that were likely to arise if we went ahead and introduced VAT at 17.5%. Of course the reason(s) I was given was it was too late to change and that it had been agreed to, (by) **with** the donor*

partners, and so on and so forth. So the law turned out with the 17.5%. Later on (when) the demonstrations started, the political climate at the time was such that political opponents of the government of the day took advantage of the situation. As far as I'm concerned, that's my observation. They massively demonstrated against the VAT.

*We had a lot of resistance even during our educational campaign. But then when the tax started at 17.5% of course prices went up. That was also at a period of **the year** when foodstuffs and so on are usually in scarce supply so the cost(s) of foodstuffs were usually high at that time. Because of the introduction of VAT at that rate, of course it went higher. Again, as I said the political opponents took advantage and mobilized people to demonstrate. As a result of the demonstrations a few people lost their lives, which was most unfortunate. That created problems for the government. They decided on withdrawing the tax.*

But I think that withdrawing the tax at that time, three months into the tax, when people were beginning to understand what the VAT was all about and beginning to accept the VAT was unfortunate. We had advised, as the project management team, that the rate should be reduced and we could still meet the revenue projections with the people we had registered instead of withdrawing the tax. I believe the government made the decision out of political expediency or to salvage a situation from getting any worse than it was at the time, to withdraw the tax. But I think that it was most unfortunate because a lot of people had started understanding what was involved and we still were educating them on what they had to do. But it had to be withdrawn for one reason or the other.

I believe the main reason was because some people died in one of the demonstrations and they thought it would be better to avoid any further deaths. It was going to be difficult also to ban demonstrations because there is freedom of movement and freedom of association and so on and so forth. So I believe it was withdrawn in the best interests of peace.

MAKGETLA: When you tried to make those suggestions or influence the decision making around these sets of issues, what was your channel of communication? Did you talk to the Ministry of Finance?

ASAMOAH: *Yes, I did. I talked to the Deputy Minister who was directly in charge of our project. He understood my point of view, or the point of view of the project team, which had DFID consultant on it. We also talked to the minister responsible for finance himself. But I believe it was more of a decision as to whether we go ahead and implement a tax and have more demonstrations on our hands and probably have more people die or to sacrifice the tax and have some stability. So I believe that (we) **they** weighed the two and took the decision that was more politically motivated probably for the sake of getting peace and harmony in the country.*

MAKGETLA: In the period that VAT1 existed, during a time of popular resistance and protest to the tax, how did that affect the tax collection and the work of the VAT services? Did it affect it at all?

ASAMOAH: *As far as I'm concerned it didn't. That's why I was surprised that the decision was being taken to withdraw the tax because there was acceptance generally about what the tax was all about. At the time that the tax was withdrawn people were still registering. So there was general acceptance of the tax. I think we*

implemented the tax in April 1995, May, June. Then, it was withdrawn, however, registrations were rising; they were climbing.

MAKGETLA: How did it affect the staff morale and atmosphere?

ASAMOAH: *Of course morale was very low when the tax was withdrawn especially with my project management team who had been(called) **culled** from the other revenue institutions. I came from the IRS. One was from the Customs, Excise and Preventive Service and another was from the National Revenue (Sector) **Secretariat**. In fact he is now a deputy minister in the present government. Morale was really very low. They felt very disappointed because they had put in a lot of hard work. I think the disappointment was a bit too big for them.*

*Then when we were told to keep the project team intact and to work towards a possible reintroduction of VAT in the near future and to sort of do a critical analysis of what went wrong so that we could come out with proposals for the implementation of the tax at a later stage, I think that brought back some hope into their hearts. They worked quite hard the second time around. This time around all the things we didn't do right before, we tried to put right. There was (a proper) **an expanded** VAT oversight committee comprising all stakeholders and the oversight committee had several meetings, to add several inputs into the bill, which was prepared basically by the project management team and the consultants. So it was more acceptable by probably both sides of the political divide. There was not much resistance the second time around. Instead of 17.5% rate it was a 10% rate this time, so we didn't have too much problem with implementation the second time around. We had almost one year of tax education after the **law and regulations were passed** before implementing the tax. We had enough time to recruit and train staff. We had officers all over the country before we started whereas this wasn't so the first time.*

MAKGETLA: May I ask who were the stakeholders on the oversight committee? Who did they represent in society?

ASAMOAH: *All shades from employers' association, from commerce and industry, from Parliament, from the Ministry of Finance, **from the Ministry of Information**, from the revenue institutions themselves, Customs, Excise and Preventive Service, IRS, from the TUC the Trades Union Congress. It cut across all the groups so we had good representation of stakeholders. I think that helped in getting shades of opinion to shape the law and ensure that we reached out to all the various groups for our education and involved them also in educating their various constituents.*

MAKGETLA: Did this committee continue to meet after the legislation had been passed or was it primarily to feed into it?

ASAMOAH: *After the legislation was passed, I think the oversight committee was dissolved. Their work virtually had come to an end and what was left for us to do was the education and publicity. There was a publicity subcommittee of the oversight committee and I believe that one worked until the actual implementation of the tax.*

MAKGETLA: You mentioned that there was more time to recruit and train staff. How much time did you have the second time around?

ASAMOAH: *About a year, plus. We had the law in place, we had the regulations in place and we had the staff in place. We had the officers in place before implementation of the tax. The first time around, even at the time we implemented the VAT, the regulations were still not out and there was a rush to implement the tax, which wasn't so good.*

MAKGETLA: May I ask you about your other resources in addition to the human resource component? Did you have adequate funding both in VAT1 and VAT2 to set up the office and conduct the education that you would have wanted?

ASAMOAH: *I think we had better funding in VAT2 than in VAT1. In VAT1 as I said, I think we did things in a bit of a rush. There wasn't too much time for planning, **and** between planning for the tax and implementation. That also went with adequate funding for the tax. But having had the problems that we had in VAT1, in VAT2 there was enough time for planning before implementation and we had adequate resources allocated for the various activities that we were going to be involved in.*

MAKGETLA: When VAT2 came into being what steps did you take to ensure that education was adequately done? You mentioned a publicity subcommittee. Were there any other measures that you took to manage the relationships with the public?

ASAMOAH: *Yes, the education subcommittee had the primary responsibility of going around the whole country, and using radio, TV, newspapers, **Information Services Department, National Commission on Civic Education** and public functions at various locations to educate people who were going to be directly involved in collecting the tax on behalf of the service and also those who were going to pay the(ir) **the** tax. Because of the fact that VAT depends on invoices for the collection of the tax, it was very important that the taxpayer should know that if you paid for any item which included the VAT you were to ask for a VAT invoice. So we did it to get the consumers to be with us so that they are not cheated. If you go and buy something and you are not given a VAT invoice but then there is a VAT included in the price, it means that you have been cheated, or at least the state has been cheated. You may have paid the right price including the VAT but you weren't given a VAT invoice and the person may or may not account for the VAT involved. So our education was both for the registered persons and the consumers at the same time.*

MAKGETLA: Were there any unforeseen obstacles you encountered in setting up this education?

ASAMOAH: *No, we didn't have any problem with the education. As I said the second time around we had adequate time to get our logistics in place. We had a lot of printed material. We had a lot of advertisements on the radio and on television. In fact, we bought advertisement spots on all the radio **and television** stations. We did a massive education campaign using radio, television and the newspapers. Hardly a day would pass when you wouldn't hear something about VAT in those days and it was sustained for quite a period. Even today, when I walk along the streets and some people say, "You look very familiar, where do I know you?" I say, "You don't know me, you saw my face on television, or in the paper."*

MAKGETLA: Did you have a strategy to remarket the education given that it had the negative association of the protests?

ASAMOAH: *Sure. We had to do a lot. We had people who were well versed in marketing to help us with our advertisements. We had some very catchy ads, dramatized,*

which were quite catchy. People wanted to know what it was about, what is this about? I believe that also (it) gave the tax a level of acceptance among the general public.

MAKGETLA: In this second period, are there any other key reforms that you recall introducing that made a difference as to how the service functioned?

ASAMOAH: *I think, that apart from the fact that we tried to make people understand that this was something that was going to benefit all of us as a nation, we needed to get the support of everybody. We also made them understand that as far as the VAT was concerned, this time around we had even come down on the rate. So we saw it as something that should be welcome because there wasn't going to be the sort of increase in prices that went with the first VAT. Rather what we expected was a reduction in prices. I think that was something that (was) made **the tax** attractive. Even though I don't think prices went down that much because a trader always wants to take advantage of the system. But some prices did go down, but not much if I remember. We did a sample survey and I think that some prices had gone down marginally, some had gone back up marginally.*

MAKGETLA: How was the decision made to introduce VAT at 10%?

ASAMOAH: *The decision was taken by the oversight committee. Of course, we in the project office had a big say in the matter because we had implemented a tax which had failed and it had failed because of certain factors including the rate. So we proposed that whatever rate was used should definitely not be more than the existing sales tax rate. But we recommended that it should be lowered to about 10% and we did projections to show the number of people we expected to be registered and the tax that we expected. If the government was looking for this type of revenue then it should go for this rate; if it was looking for that type of revenue, then go for that rate. But we recommended it would be better to start at a rate that would make the tax acceptable so that in due course we can increase the (tax) **rate**. That went down quite well with the oversight committee. I remember some of the members even said Nigeria started VAT with 5%, why don't we start with 5%.*

*Of course if you're looking at revenue, you don't want to erode your revenue base because if you introduce a tax which is taking over another tax which used to be in existence at 15% and you start at 5%, then you're thinking about the loss of 200% because 15, you go down to 5, you've lost 5 **twice**. So you lose a lot of revenue.*

So I think everything was weighed and it looked like we'd break even at 10%. In the final analysis, when we started VAT at 10%, the first year we exceeded our projections.

MAKGETLA: Did the staff size increase with the introduction of VAT2?

ASAMOAH: *Sure. I think the estimate of staff for the second VAT was 800, if I remember rightly, to manage the number of taxpayers we were going to deal with. By the time I was leaving I don't think we had attained the 800, we probably had reached about 600. But then there was room to engage more staff as the tax grew and the tax base expanded. I don't know what the situation is now. VAT is supposed to be managed by fewer people since all they would have to do is monitor those who are collecting the tax to ensure that they are submitting the right returns and are getting the right revenue.*

Because we started the VAT on a computer-based system, the computer was programmed in such a way that when filers filed returns that were significantly different from previous returns the computer would trigger a report to show that this taxpayer needs to be visited to find out why there are differences and so on. So there are checks and balances in the system that help to monitor the tax. I don't know how effective the monitoring is at the moment, but I think that if the education is done properly and the monitoring, too, is done properly VAT has a lot of potential. I'm very sure we haven't reached our maximum yet.

MAKGETLA: One question about some of the challenges that may occur in expanding the staff size, we've spoken to many people who say that their institutions come under pressure to hire people who are from a particular faction, who are important friends or family. Was there pressure to appoint people for you or for people in your staff, your subordinates? How did you address that if that arose?

ASAMOAH: *That is something you should expect in a developing country where there are not too many job opportunities and the universities are turning out graduates every year. The economy is not able to absorb all the graduates that come out of the universities and technical institutions. You find a lot of graduates who find it difficult to get the right type of employment that hitherto graduates found very easy to get.*

So naturally you get a lot of pressure from politicians, from family, from friends, to engage people in the organization. But the point is that you have a procedure for appointing people. If you bow down to pressure without going through the proper procedure for appointing people then of course you leave yourself exposed to a lot of problems in the future. I might have made quite a number of enemies by not directly appointing people who had been recommended by so-called top people because I let them all pass through the channel. You go through an interview board. If you're found competent you're hired.

MAKGETLA: What would your suggestions be to other leaders of institutions who face that pressure on how to manage it?

ASAMOAH: *There are procedures. So let's say you come to me, "My daughter has finished the university, she needs a job. You're head of this organization, can you help?" Let your daughter put in an application and join the queue. So when there are vacancies and people are being called for interviews, she'll be called. I remember one time, I think it was in VAT2, we had so many applications on our hands that we actually got the University of Ghana to organize an exam for the applicants so that we could weed out quite a bit of them and do a selection from which we conducted our interviews. That made it much easier. It was a kind of competitive aptitude test they did for them. They have a wing in the university that does that sort of thing. So we just gave them all the applications and they came up with a list and then we used that list for our interviews and got the people we required.*

I think if you are the head of an organization and you get this kind of pressure, and it definitely comes, I would advise that you let them go through the normal procedure for hiring people. If they qualify through that procedure, of course they'll be hired; if they don't, then nobody blames you.

MAKGETLA: You said you needed maybe 800 people and there were about 600. Was that an issue of not finding the right individuals, or was that a matter of financing for those positions?

ASAMOAH: *The main problem was trying to engage the right type of people for the job. So the need to either do an aptitude test or do an interview aimed at trying to find out whether the people who are being hired would be able to do the job we wanted them to do was what was topmost in our minds at the time. I think that is what we tried to do and I believe we succeeded to a very large extent.*

MAKGETLA: What was the aptitude that you were looking for in a person?

ASAMOAH: *We were looking for people who basically had a university degree. Those who did something in connection with finance had an advantage; we were looking for people like that. Those who did accounting or economics and had learned something about the subject of taxation and especially indirect taxes with VAT, so training them wouldn't be very difficult. Of course we took graduates who did not do economics or finance but who had an interest in tax collection and showed that aptitude at interviews, so they were also selected.*

MAKGETLA: In some countries there is a system, which is referred to as 'brokerage' where individuals can pay a commission on a formal or informal basis to get a certain post. Is that something that exists at all in the VAT services or in the tax agencies? There are some cases where individuals can pay to occupy a certain position within the institution or organization. Is that something that exists?

ASAMOAH: *No, no, no, it doesn't exist here.*

MAKGETLA: I'd like to ask you about your personal management style. Is there anything that you identify as helping you to advance these reforms and build up the VAT services?

ASAMOAH: *Well to build up an effective service one needs to have the right type of people who are properly motivated to do the job they are doing. Tax collection involves collecting huge sums of money for the state. If the people who are collecting the taxes are not properly motivated to do so, then you have a problem that they are trying to balance the equation by becoming corrupt. Because if the person thinks that he is being overworked, the temptation to compensate himself for the type of work he is doing by allowing himself to be corrupted by the taxpayer, then he will be corrupted. But if he is properly motivated to do the job he is doing then of course he will do it and do it to the best of his ability.*

Now, if he is doing the job to the best of his ability and there is not much interference, either from superiors within the service itself or outside the service, that is ministerial interference, then he will do it to the best of his ability. But that also should go with checks and balances because if you put too much power in somebody's hands, he can misuse the power. So as he is given the independence to do the work to the best of his ability, there should be proper supervision to ensure that the right thing is being done and the right returns are coming.

The leader of a team should also act as a leader and see himself as fair. I would call it, "first amongst equals". Treat the people you are working with as equal partners in revenue collection and get their confidence so they can work for you and you the head must show leadership examples by being above reproach in order to do. Government should also have confidence in the people who are put in management positions because these are positions that carry a lot of

responsibility. They should be encouraged to do their work without too much governmental interference.

MAKGETLA: How important would you say it is for a leader to have a vision, to mobilize people around that vision in your experience?

ASAMOAH: *It is very important to have a vision as a leader. You want to achieve a certain objective and that objective may be, for revenue collection, for instance. You want to have a very efficient revenue service. You want to collect as much revenue as possible, you want to do it to the best of your ability and you want to spend not too much money but the right amount that goes with the amount of money that is coming in. So your vision may be to have a very efficient service that is acceptable to the taxpaying public and so on. You must get your team to go along with you on that vision. If you are unable to get them to go along with you then you have a problem. If you are able to get them to understand your vision and to go along with you of course, then you can achieve your objective.*

MAKGETLA: Our program, Innovations for Successful Societies, is designed to help leaders, engaged in reform, share their experiences and the innovations they've developed to address challenges in advancing reforms. Is there anything that you think we've missed or that you'd like to add?

ASAMOAH: *I think we have dealt with almost everything that is of concern to me as far as my involvement in revenue mobilization in this country is concerned. I think that, as I said before, the important thing we need to do is to constantly look at our tax laws, our procedures and see whether there is a need to change some of them, especially with the changing times that we live in. Sometimes people find it very difficult to adapt to changes, but change is very necessary and it helps the society to grow and improve. All I can add is that we need to constantly review our laws, review our procedures and see if we can continue to do things better than we did yesterday.*

MAKGETLA: Thank you very much for sharing your thoughts with us.