



# INNOVATIONS FOR SUCCESSFUL SOCIETIES

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MAKGETLA: My name is Itumeleng Makgetla, it is the 14<sup>th</sup> of September 2009 and I'm in Accra, Ghana here with Mr. Edward Larbi-Siaw who served as Chief Director in the National Revenue Secretariat (NRS) from 1986 to 1991. He is currently Tax Policy Advisor in the Ministry of Finance. Thank you very much for joining us as part of this set of interviews with people engaged in reform.

LARBI-SIAW: *You're welcome.*

MAKGETLA: Before you begin may I just confirm that you've given your consent and that this is a voluntary discussion?

LARBI-SIAW: *Yes, I have fully given my consent as a legal requirement.*

MAKGETLA: Thank you. We're interested in talking to you because you were involved in the National Revenue Secretariat during a very interesting period when there was a change in the institutions of tax administration as well as a change in the structure of taxation and I'd like to discuss both with you. Perhaps we could begin with you giving us a brief overview of your career and how you came to be working at the National Revenue Secretariat.

LARBI-SIAW: *I trained in economics and then I worked in the Central Bank. Then I changed. I went into law and trained as a lawyer. I trained also as a management accountant. So when I returned to Ghana I joined the National Supply Commission. Thereafter my specialization was more in economics taxation, so I transferred to the National Revenue Secretariat.*

MAKGETLA: When you first arrived there it was a fairly new institution. What were the main challenges that were priorities for you in your role as Chief Director?

LARBI-SIAW: *It was the main institution because we had recognized that the country put so much emphasis on expenditure and very, very little on mobilization of revenue. So the decision was to also try to focus on how to mobilize revenue. The biggest challenge was to try to bring awareness to the taxpaying public and also at the same time to collect revenue without getting resentment from the public. We needed to restructure the revenue agencies because first the focus was wrong. The civil service had attracted into the revenue agencies people that were not conversant with the modern understanding of taxation. We didn't have accountants, we didn't have lawyers, we didn't have scientists testing products coming through the harbor. You know basically we were not responsive to the challenges of the times and that was why the National Revenue Secretariat was set up to give a new emphasis and to change the direction. You noticed that because the revenue agencies were not attracting the best, their remuneration was poor. The first decision we took was to take the staff out of the civil service and then pay them better remuneration without disturbing the General Orders of government. You know, they call it General Orders in the civil service. It means everybody, no matter where he is, must be paid the same. So in order to get out of that restriction, they have to come out of the civil service.*

*So we built into the new revenue authority a new concept of better remuneration, better facilities to work in, better equipment, and we attracted lawyers, accountants, chemists, and those people who were agents of change.*

*When we got to the Secretariat (National Revenue secretariat) they had only the operations department, the custom's operations and prevention. The internal*

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*revenue operations, enforcement and the others were new departments for accountability and monitoring of revenue. So we brought in research, monitoring revenue. We brought in investigations and auditing which did not exist before. We brought in finance and human resources, which were not there before. They were doing all this through the civil service structure. So we built these new institutions and I tried to follow the modern concept of agency, a business concept. Those were the first two challenges that we had*

MAKGETLA: Was there a blueprint that you came in with or had policies been devised for the restructuring of the agency in this way, or was this something that you began to develop as you came in?

LARBI-SIAW: *We developed most of them, but the concept, I think my boss then, had been to Revenue Canada and of course Revenue Canada had the one concept revenue idea where customs, internal revenue, were combined as a one-stop. So that if you were a tax officer you knew about customs, you knew about internal revenue and you knew about VAT (value added tax). So we also tried to build that concept in Ghana. Even though we couldn't go the full Canadian structure, we started by having the internal revenue and customs brought under an administrator, the National Revenue Secretariat with two different boards of directors. That was the concept with us.*

MAKGETLA: So that structure was more unified than had previously been although at the same time it wasn't as integrated as the Canadian model.

LARBI-SIAW: *That's correct.*

MAKGETLA: You've described several of the important changes that took place while you were there which include this new concept of better remuneration, better facilities and equipment to attract certain types of staff and also the shift in the structure of the agency. Are there any other important changes that you would regard as significant that took place during your time there?

LARBI-SIAW: *Well the next significant change was supervision and monitoring. Previously, one could not readily say if the revenue that was collected and transferred into the government account at the Central Bank, was the actual collection depending on the indicators in the economy. Nobody was asking any questions.*

*For example, let me take the import freight. It is not sufficient for customs to tell us that we collected a certain amount of money in a month. You have to bring in the managers and ask them if they knew the import value from the balance of payment. Then you also had to know the exchange rate, the CD dollar or CD sterling rate, then basic duty rates and customs depending on whether it is 10% or 20%. You should be able to sit down and say from the balance of payment import value, struck against the exchange rate with the various duty rates, "This is what you ought to have collected". So that we have a measure.*

*Once we started doing that, the officers now knew there was a yardstick by which we can measure what they were doing. So if there were any malfeasances, they were reduced. I wouldn't say they all disappeared, but at least they knew their bosses at the Secretariat were constantly, monthly and sometimes weekly, measuring what they'd done. That called for accountability.*

*Also on the excise and sales tax and value added, we didn't take whatever they reported to us as sacrosanct. We sat down with them, went through the production figures, the costing that they took from the manufacturers. Since the*

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*excise and sales tax, VAT, were based on ad valorem, before 1991 we had a sales tax, but the concept was the same, they were based on ad valorem. So the production costing and ad valorem tax rates were derived from what ought to have been collected compared against what they had collected.*

*So this constant monitoring also raised the issue of the revenue officers that knew their bosses knew what they ought to have collected. So corruption or malfeasance was reduced. The same went in the income tax area. Corporate firms brought in their final accounts and what had been their expenditures. Once we were able to attract qualified accountants, they were able to look at the returns of the firms properly and we at the Secretariat were also able to know, using this inter-firm comparison, whether their friends in the same industry had returns that were reasonable.*

*With these developments we saw significant improvement in revenue mobilization after '86.*

MAKGETLA: The increase in revenue mobilization was a measure of success in some of these areas. How did you measure the success of the reduction in corruption or malfeasance?

LARBI-SIAW: *When we did the restructuring, we fired the people who we had concrete evidence of corruption. So certainly it sent a message to the revenue agencies that once some of their colleagues had been sent away, people who worked in the same way would be dealt with in the same manner. In addition to looking at revenue performance by some indicators, we also could see improvement in administration. You can ascribe that to maybe better education, but I would not be far from wrong to say reduction of corruption also contributed to revenue increase as a result of improvement in administration.*

MAKGETLA: I'd like to discuss how you were able to build support for some of these reforms. Who did you regard as key allies or as individuals or institutions that would support you in your efforts to advance some of these changes?

LARBI-SIAW: *I think the first one was the government. Without support from the highest authority most reforms will stall or even fail. So the key ally was the government that was looking to get more revenue to respond to other expenditures, including social objectives.*

*The second one was from the public. I mean tax collectors are never liked anyway, but when you are perceived to be fair, even though they will not like you, they will not show open hostility, at least. So we tried to educate the public. When the tax agencies were in the civil service, the civil service was not concerned about publicizing the government program. But when we took the tax agencies away, we set up public relations and customer services and had people who went out to talk about the need to pay taxes and what use taxes are put to. Also of course, your human resources are very important. So once we paid the staff very well, we also got a good response from them. Then from time to time we held discussions with the other accounting agencies, like the Institute of Chartered Accountants in Ghana and the others.*

*At budget time we asked them for their views even though I couldn't say we were going to take their views into budget. But at least when you are seen to be doing open consultation you get their responses.*

MAKGETLA: How did you structure that open consultation with accounting agencies?

LARBI-SIAW: *When it was getting toward budget time, we would write to the accounting agencies to try to bring in their views. We would collect their views, work on them and if there were a need, would arrange meetings and discuss some of their views. Always with the rider that we never promise anything.*

MAKGETLA: You mentioned the importance of having the support of the highest authority, the government. If you were to break that down, were you interested in the support of the Ministry of Finance, of the executive? Who in particular did you see as an important ally?

LARBI-SIAW: *Going by the scale of importance, the government. At that time, we didn't have a parliament, but the Ministry of Finance also. But the key was the government.*

MAKGETLA: You also described the efforts you took to get public support. You said you set up public relations and customer service. Can you describe some of the work that they did to build a popular constituency in support of your efforts?

LARBI-SIAW: *In addition to holding tax fora to explain various taxes, every year there was something we'd call tax week. Tax week for internal revenue, tax week for customs and excise and later on when they formed the VAT, tax week for the VAT. Then we used plays and drama to explain about our work as tax collectors. Then in our system the traditional authorities, the chiefs and opinion leaders, have a lot of influence in their communities. So there were times when we would go to public tax education and invite some of the chiefs to come and sit in and advise their people about the need to pay taxes. And it worked. Just imagine a big chief in Ghana saying, "There is a need to pay taxes and since government has promised not to misuse the process, let us give them support and then challenge them to show how they will put the money to good use".*

MAKGETLA: What other appeals did you make in trying to get the public to support greater tax collection?

LARBI-SIAW: *We appealed to the public. It was their responsibility, although, if a tax officer did wrong, we made sure to either dismiss or prosecute him. But one would have to be very, very careful how to take the message to the public. So we measured how we went to the public; we tried not to overdo it.*

MAKGETLA: How did you strike that balance?

LARBI-SIAW: *For example, if you had a whole week of tax awareness and you get the response that it was received very well, it would be wrong to go back to the public. I am not saying that the balance was the right balance, but you make an educated guess. No matter how much public education you do, some people don't like to pay taxes, it's not only in Ghana, it is everywhere.*

*When sometimes you get to a situation where the public on its own volition is reporting to you about some people who are not paying taxes, then it is a signal that the message is getting around. When you tell the public that they are paying higher taxes because they are unconcerned about others who are not paying, but if they are able to tell those people to pay or report them, and we get them into the mix, their taxes will be reduced. Then you get them responding and they are reporting others so the message sank in.*

MAKGETLA: How did you ensure that the message went out across the country?

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LARBI-SIAW: *We used the print media. Also we had offices all across the country. Sometimes they would tell us there is a need to come to a locality to do some education. The tasks were not confined only to Accra, they moved from region to region.*

MAKGETLA: Did you have an idea of what might have affected the level of public support that you had? Was there anything that could reduce that level of support that you were aware of?

LARBI-SIAW: *If the public perceived you are taking money and people in government are misusing funds, you'll lose that support, or that support will reduce. Later on when we introduced the VAT the public had become so cynical that they said this VAT, the new collection, the government was going to embezzle the money. The first introduction met with some resistance, before the second one went through. So if you take the public for granted, they have a way of getting back at you..*

MAKGETLA: That seems as though it puts you in quite a difficult position because you were responsible for collecting the money and not responsible for expenditure. Was there anything you could do to try to coordinate your activities to assure the public of the integrity of the public accounting system?

LARBI-SIAW: *Let me put it this way, because I said initially the system concentrated on how to spend, spend, spend and very little effort was given to improving the collection. So when the new Secretariat was set up, yes, we made an effort on collection. And we were reporting our increased collection to the cabinet. So the expenditure also has to show where the increases were going. Here again, monitoring is so important. If the whole cabinet is monitoring and there is increased collection and those who were involved in the expenditure were not showing where the increased collection was going, questions would be asked. From time-to-time we did meet with the Minister of Finance. We were also concerned where the expenditure was going. Once we got the necessary responses and all the banks and the Central Bank were able to show where expenditures went, I think the picture turned bright.*

MAKGETLA: Was this information made public, both on the level of revenue collection and also expenditure?

LARBI-SIAW: *Oh yes, through the budget expenditure and revenue figures made available to the public. From time to time the Central Bank would come out with returns on quarterly basis; what has been collected, what has been spent, whether there is a deficit. So at least information was made available to the public and those who knew how to track that information were able to inform themselves how government accounts were going. I wouldn't say it revealed any malfeasances but if you know this year you collected a certain amount and the next year it has increased by a certain percentage, it will be very difficult not to show increase in expenditure and some visible results.*

MAKGETLA: So you identified the Ministry of Finance as one institution that you had to work with in getting support for your reforms. Some authors have noted that the fact that the National Revenue Secretariat determined tax policy could bring it into conflict with the ministry because it begins to encroach in the area of fiscal policy. How is that relationship managed? Was there ever a conflict? How did you resolve that?

LARBI-SIAW: *There was a conflict and it was never resolved. You see people don't want to lose empires. So in our existence, we tried to manage the conflict. Tax policy technically is the domain of the Ministry of Finance but we in the Secretariat said,*

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*since we are the administrators, at least we have to have some influence into what becomes policy. If it is not good policy we can comment on it. So at the end of the day we were able to agree on what policies and revenues should go into the budget. But as I said, nobody wants to lose an empire. In 1991, the Minister of Finance managed to take back the National Revenue Secretariat. So we came back to the Ministry of Finance and it was assigned to [Indecipherable] Secretariat, that's the World Bank reform Secretariat. So we might have a conflict but no Minister of Finance wanted to lose his empire.*

MAKGETLA: And to that point when you were negotiating with the Finance Ministry, were they senior officials talking to each other or were there any other ways in which policy could be debated and discussed?

LARBI-SIAW: *Oh, senior officers were talking to each other. We were talking with the Director of Revenue, the Director of Budget in the Ministry of Finance. When it was budget- hearing time, we talked to the ministers, the minister and deputy minister who is now the proposed Governor of the Bank of Ghana. So at a personal level we're all friends, actually. We all know that empire building is a very difficult thing to discuss.*

MAKGETLA: Do you have any suggestions for other people who come into this sort of institutional conflict about what strategies are sometimes successful about how to negotiate those relationships?

LARBI-SIAW: *Some of the misconceptions don't have to be corrected. The Revenue Secretariat was set up not to erode the powers of the Ministry of Finance, it was just to emphasize revenue mobilization which was missing from the priorities of the Ministry of Finance. So if the minister was unable to look at it from that angle, and was looking at it as eroding his power base, we were trying to collect more revenue for him to spend. So to me there should have been no conflict. Our personal relationship was very, very good so why go beyond this? Is it because some officers are telling the ministers of finance everywhere in the world that revenue is always their domain? I think it is the outlook of the personnel. When the Revenue Secretariat went back to Ministry of Finance, now we are talking about restructuring the revenue authority again. But that is history. We get wiser by history.*

MAKGETLA: It seems as if the trend now is towards a more integrated form of revenue collection, what was the motivation at the time not to integrate the IRS (Internal Revenue Service) and CEPS (Customs, Excise and Preventive Services)?

LARBI-SIAW: *They were integrated but halfway. They had two bosses. Fortunately or unfortunately, I was the one who went to Uganda. Because of some of the experiences we had here, we wanted a different concept of integration from the word go, in order not to have the problems we had seen in Ghana. So the Uganda model went for full integration and that has been what has been done in East Africa, Kenya, Tanzania, Zambia, Rwanda, Namibia, and even South Africa. When I was in South Africa we talked to the South African Revenue Service. South Africa went further and made their model much more integrated. Maybe the experiences in Ghana formed us when we went to East Africa. We did a better integration. After several years, Ghana is now trying to get to where we should have been several years back, but better late than never.*

MAKGETLA: Were there efforts at the time to create a single, unified tax collection agency?

LARBI-SIAW: Yes.

MAKGETLA: What was the reason that there wasn't?

LARBI-SIAW: *First, we made the mistake of having two bosses for IRS and CEPS. Then, the in-fighting between the Secretariat and Ministry of Finance. Then there was this issue about retention where the revenue institution retained part of the collection to run their operation, not openly, but subtly. The civil service never liked the idea of revenue getting out of the civil service and staff being paid well. They argued that they also have to be paid as much. So when we had gone halfway and then the model in East Africa had come out as better, there was a resistance in Ghana to go the whole way. In fact, at one time the retention of money even to run the agencies was cancelled. They had to go back to the civil service structure of waiting in line. Then the remuneration that had been specifically set aside to pay them better, lagged behind for several years. Payment was not done, so many, many trained people just left. That also accounts for the full integration being delayed.*

*When the issue of many bosses was not lending itself to full integration, Ghana came up with one broad revenue authority governing board. They had one board, but they still kept IRS, Customs, Excise and Preventive Services and VAT separate with different commissioners. The common institutions were still not managed like finance administration. Customs has its own finance administration, its own investigation, the same with VAT, the same with IRS. So those synergies were not realized even though they serve on the same board. Customs information took too long to get to Internal Revenue, took too long to get to VAT.*

*But when you have integration you have a Commissioner-General who is over the various commissioners and the common institutions are now matched so you have one finance administration looking at the whole three revenue agencies. I think we are late but we are now trying to hasten the full integration.*

MAKGETLA: May I just clarify, then, in 1986 the CEPS and IRS were both in existence or were they the creation of the National Revenue Secretariat?

LARBI-SIAW: *No they were all in existence.*

MAKGETLA: They were in existence, so there were already people who had their own area of operations and this practice of retention. Another question about the relationship to those agencies, were the commissioners at that time in the civil service? When did that become a political appointment and how was it decided?

LARBI-SIAW: *Before '86, they were in the civil service. Appointments went through the normal civil service procedures. You go to public services for an interview and then you'll be appointed. But when the reform started, we took them out of the civil service. The commissioners were appointed by the government, by law, but they didn't go through the civil service procedure. We could get somebody from our side, knowledgeable in taxation, to come and head the Customs or Internal Revenue. Previously he had to have been in the system.*

MAKGETLA: I'd like to ask about how tax policy was decided. In terms of building support certain tax policies might have benefited different segments of the population. So, for example, my understanding is that when cocoa prices dropped in the mid to late '80s but the government did not increase taxes, this had the effect of benefiting cocoa farmers, for example. But there will always be a political

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economy of tax, some people benefit, some people don't. How did the agency think about that? Was that a priority, thinking about how tax policies affected the constituency of support for the government and for the state?

*LARBI-SIAW: Of course, the interest groups always come in government. Cocoa farmers had carried the burden for a very, very long time for cocoa taxes. But as another reform with the World Bank, it was decided that we should try to increase the portion that is paid to the families. That would ensure for the country improvement in production and extension of farm acreages. Of course if you see that your source of income is reducing from one sector, you evolve other policies. Prior to that there were no taxes on petroleum products.*

*So as an alternative we had to look at petroleum. Of course many, many countries have taxes on petroleum products so we introduced taxation on petroleum products. I think the policy then was not to benefit cocoa farmers as much, but if it didn't reward cocoa farmers very well, they would cut down their cocoa farms and maybe go into mass production and now that switch was happening. At that time we had an over-valued currency. You understand what it means to farmers. They couldn't increase their production because whatever they were getting, it was not sufficient.*

*So when the cocoa taxes came down, we had another one on petroleum. Then I must say, because of mobilization and sensitization tax revenue generally increased. So at the same time emphasis was downplayed on cocoa taxes, custom duties were being reduced and it didn't affect revenue that much. But the concern then of people politicking or canvassing the government, has more to do with exemptions and tax expenditures that are given away. Like people looking for new investment, they want to be exempted from import duties, sometimes even from corporate tax, you know, general capital allowances. That is where the politicking and canvassing are and to me personally, that's where my concerns are because the ordinary person may not be able to come and convince anybody, but those who do get exemptions are big, big people who understand the system.*

**MAKGETLA:** Did you have a way to address this, because at some point it must have been difficult to resist the pressure, especially if it was a state-owned company?

*LARBI-SIAW: The way we addressed it is that we stopped giving ad hoc exemptions. All exemptions were put through the law, so that if you were entitled you got it, no matter whether you were poor or rich, whether you were educated or illiterate, the law says these are the exemptions and you will find them in the income tax law or customs management. To me, that was a breakthrough to reduce people politicking or trying to canvass government for privileges.*

**MAKGETLA:** What were the criteria? How were those determined?

*LARBI-SIAW: The criteria? Suppose you were in a new industry like mining and they say that if you're going into mining, all your equipment will be exempted. These are our corporate allowances, capital allowances in the income tax law. You don't need to go to the investment center or the government agencies of finance or trade to look for special exemptions. If it is 50%, it is 50% for everybody. But now, or previously, company A may get 70% capital allowance; company Y may get 20%. What was the rational basis? Maybe because A could speak more easily to people in authority and that is not transparent. When there are laws you know what the law says. I urged that we go back to the old situation.*

MAKGETLA: So you're saying that those criteria were initially in the legislation for the National Revenue Secretariat. How was that introduced?

LARBI-SIAW: *We started the reform choice and I think they were introduced in late '89 or early '90s. They were all in the law. During the period in the '90s, they went back to the old system at the discretion of the commissioner, which leaves a lot to be desired.*

MAKGETLA: When you introduced those reforms, as you said, it is important to have transparency around the decision, how did you ensure that the policies were actually being implemented, that the law was being implemented and that people were making decisions? Did the people provide a report? Was it your decision to grant exemptions based on these criteria? How was that done?

LARBI-SIAW: *Before we granted exemptions, I signed all the letters. I would make sure it was in the law before it was granted. So, for example, in the area of mining, if there is no law, the Mineral's Commission, wouldn't use any discretion; but sometimes when there is no law, others will use their discretion. That's where the danger lies, because if you use your discretion for A, upon what authority are you going to deny? I personally believe we should have very, very few exemptions and get low tax rates, that's my personal philosophy.*

MAKGETLA: In developing law in this area did you discuss that with the minister? How did you get that desire for more regulations in this area turned into a law?

LARBI-SIAW: *If it was customs and/or internal revenue we discussed it at our level. Then we went to discuss it with the Ministry of Finance. A paper was made for cabinet. The cabinet was going to decide. If it is passed then it goes to the Attorney General and the law will be enacted.*

MAKGETLA: I'd like to discuss one of the reforms you described initially which was shifting the revenue collection staff out of the civil service. This sounds like an important reform that probably many departments or ministries would like to be able to do so that they can attract highly skilled staff. How was the Secretariat able to do that given that it did encounter resistance? Can you describe the steps of the reform?

LARBI-SIAW: *Of the reform, that's why I say the number one area of support is government. When the government was convinced that it needed revenue to execute its program and they could not go on borrowing from the banking system or relying on aid and grants from outside the only way was revenue mobilization. When the government was convinced that a separate entity, a national Secretariat could deliver, ninety per cent of the issue had been resolved. So finally the government decided to, no matter what, take this institution out of the civil service. If we get more revenue, then we can increase the remuneration of the other staff.*

*So we didn't do a canvass and once the government got convinced it made the passage of the NRS (National Revenue Secretariat) very, very smooth.*

MAKGETLA: You didn't have to demonstrate the need for additional skills in the Secretariat at any stage?

LARBI-SIAW: *We did. Suppose you came to customs with a consignment and there is a dispute about classification, whether the content is more for consumption or for production. One classification can take it from 5% to 20% and you had no chemistry test at the harbor, the likelihood that the decision will be taken as a 5%*

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*rate is higher than 20%. So if you are in government and we are telling you that we are able to attract chemists and those decisions can be made at the port of entry to remove those doubts by just calculating the difference between a 5% classification and a 20% classification; then the government was convinced that we needed to bring in those extra qualified technicians to beef up the system. Of course, you will show the increase in revenue that is likely to come.*

MAKGETLA: When you came in did you have a sense of the skills within the revenue bodies or did you conduct a skills audit.

LARBI-SIAW: *I wouldn't say we did conduct a skills audit as such but we had an idea. For example, in internal revenue, somebody who studied Latin at a university, was looking at the final returns of firm's accounts. With respect to maybe the skills he had gained as a tax practitioner, it is difficult to challenge a professional accountant who has presented accounts to you. You will just be looking at the taxation issues as they come by A, B, C, D. But to challenge the basis of a financial account was difficult. We knew in the system all the professional accountants were in the private sector. So we had a list of officers and we knew their qualifications basically but we didn't connect what I would call the IDs, but we did know where we wanted to make the changes.*

*If you recall, we left the operations department intact and built around it because we didn't want operations to be disturbed while the reforms were going on. The core staff was in those areas. So then we brought in an accountant who came into the audit investigation department to do research and monitoring and audit.*

MAKGETLA: What percentage of the staff would you say were in operations, just to give a sense of the relative size?

LARBI-SIAW: *Of course, I'd say more than 60% because the core of the revenue task was to collect the revenue.*

MAKGETLA: In taking the staff out of the civil service, did you have to develop a new salary scale, sort of hierarchy? Did people have to be issued new contracts? Can you describe how that process worked?

LARBI-SIAW: *Oh yes, they were all issued new contracts. We couldn't interview everybody. But we had information enough on some of the staff that was corrupt.*

MAKGETLA: Where was that information from?

LARBI-SIAW: *It was both in-built and also you rely on the security services. So we had enough information. Sometimes when people are corrupt it is generally known anyway. I'm not saying petty corruption; the major ones. Somebody is in customs and has managed to own five or six houses. You can safely conclude corruption. So we went through a sort of interview. We kept the operational department as much as possible, but the new ones that came into the support departments were all interviewed.*

MAKGETLA: Did you set up a commission or a committee to determine the new hierarchy and pay scale and conditions of work?

LARBI-SIAW: *No, we did it all by ourselves.*

MAKGETLA: Was there any resistance or were there any unexpected obstacles that arose in this process?

**LARBI-SIAW:** *Oh yes, the people that we didn't take on went to the extent of trying to take us to court. But by then we had a national institution called Ombudsman, now it is CHRAJ (Commission on Human Rights and Administrative Justice) but at this incident was Ombudsman. If you had a complaint about wrongdoing you sent the issue to the ombudsman. People went to the ombudsman, whether they had been wrongly or rightly dispensed of their services. We left the operational department untouched because we didn't tag them that day because if they went on strike, you wouldn't get the money. So we made a strategic decision that the old people should be left, except those who were corrupt, to go on doing their work so that we wouldn't have a rebellion on our hands and because those around them, those institutional support services, could see the wrong they were doing, in order to check more wrongdoing in the future.*

**MAKGETLA:** Under the title of deployment, how do people organize and mobilize the resources, human and otherwise. How did you develop a more skilled core of people in the department? Did you have any difficulties finding people with the necessary skills to come into the revenue service?

**LARBI-SIAW:** *No, fortunately the new scheme of service and remuneration were both competitive enough compared to the private sector. So some of those we attracted from the private sector because there were more challenges in government to use their skills. When they were going to get the same amount of remuneration, even in some instances better, we were able to attract them.*

**MAKGETLA:** Did you make an effort to then peg the salaries in relation to the private sector?

**LARBI-SIAW:** *Yes, we certainly looked at the private sector and we tried to match the salaries.*

**MAKGETLA:** What were some of the most difficult skills to find?

**LARBI-SIAW:** *People with a science background. People were coming into excise to look at the input-output ratio of beer brewing, cigarette making, and people were coming to the laboratories to test commodities to find their contents. There were not that many scientists in the country and most of them were in the universities and research institutions. We managed to attract from People's University one of their professors who came to head up the customs laboratories.*

**MAKGETLA:** Were there any strategies or incentives or bargains that you were able to develop to attract people who had those hard-to-find skills?

**LARBI-SIAW:** *Suppose you were looking for somebody who was a professor, of course you couldn't bring him as an ordinary officer, so we made him an Assistant Commissioner, which was equivalent to his status at the university. Of course, those positions were not that many. So when we were informed of somebody who was appropriately qualified we went out to attract him.*

**MAKGETLA:** What about the capacity within the revenue secretariat? How did you find a team to work with?

**LARBI-SIAW:** *Of course I was identified. We had some officers and the present Deputy Minister of Finance, also was identified. I came with him from my previous procurement agency. Then we had some people from University of Science and Technology, a couple of them were working in the private sector and we were able to attract them. You see once we made the packages good the message got around.*

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MAKGETLA: For those kinds of positions what sort of individuals were you looking for, what were the kinds of talents that you needed for people in the Secretariat?

LARBI-SIAW: *Economics and finance background, basically, we didn't go out for numbers, we went for quality and those who would come to work on tax.*

MAKGETLA: What steps did you take to develop the capacity of your staff? Any sort of training?

LARBI-SIAW: *Yes we sent them for local training and also external training. In fact, when we were preparing for the VAT we sent most of the people in the Secretariat from time to time on courses outside to Crown Agents short-term courses and some courses at IMF (International Monetary Fund), some CEP courses.*

MAKGETLA: Did anyone voice any objections to some of these strategies?

LARBI-SIAW: *No. Not to my knowledge, apart from what I describe as the empire which was restored to Finance. Some of the courses that we were sending the officers to, Finance supported because when the officers came back, they were the same officers that rejoined Finance.*

MAKGETLA: Once trained, did you have a problem of retaining your highly skilled, well-trained staff and did you take any steps to try and keep them?

LARBI-SIAW: *What we did, because the Secretariat was new and infighting was going on, what we did was to assure the officers that if anything happened, they were not going to be left to hang out to dry. So most of the staff were seconded back to Customs and seconded to Internal Revenue, so that if anything happened at all, they could go back to Customs or go back to Internal Revenue. This is for most of the staff of the Secretariat.*

*you can still find some of them in Customs, some of them in the Internal Revenue and the present Deputy Minister went to VAT before he went to the IMF and he is back as a minister*

MAKGETLA: What was the initial reason? Was it because there was an awareness that the Secretariat might go back to the Ministry of Finance?

LARBI-SIAW: *No, the initial reason was to give them security. You see the Revenue Secretariat was created for a purpose, for revenue mobilization and technically we were still under the Ministry of Finance. There was no specific law backing the National Revenue Secretariat. So we had to let them feel secure that you are working for the Secretariat, but if anything happened you are assured of a fallback position.*

MAKGETLA: What of the accountants and the chemists and the lawyers that you had attracted into the agency? Did you have a problem keeping them?

LARBI-SIAW: *No, no, in so far as the scheme was ongoing, they stayed. But later on in the ministry of finance, the yearly increase in their salaries and wages did not continue so they lost out on the market and some of them went away.*

MAKGETLA: Is this after retention had been removed?

LARBI-SIAW: *Yes, after the retention had been removed.*

MAKGETLA: Did you employ any special incentives or management techniques to ensure that your staff delivered in line with your new objectives and with the program's efforts to increase revenue mobilization?

LARBI-SIAW: *We assigned some of the staff to various revenue institutions. We concentrated on Customs, concentrated on Internal Revenue, even though we encouraged them to learn about both. As they would bring us reports on the operations and how they could be improved, of course we were grading them on the various responses that they were adhering to. That's as far as we went. We were not a very big organization.*

MAKGETLA: What was the size?

LARBI-SIAW: *About twenty within the Secretariat.*

MAKGETLA: What was the staff size of the agencies, the IRS and CEPS?

LARBI-SIAW: *CEPS was about 2010 and IRS was 1500. The Revenue Secretariat was much smaller in contrast.*

MAKGETLA: Many of the ministry-based officials that we've interviewed have said that they struggled to deal with the traditional mindset of civil servants or politicians. Are there any strategies that you would suggest in dealing with these mindsets that might be resistant to change or reform based on your experiences?

LARBI-SIAW: *Based on my experience, if you take a portion of the civil service and you treat them differently and you also make promises that after some time their package will be improved, you have to keep to those promises not always postponing improvement until tomorrow. People are prepared to wait, but they are not prepared to wait forever. So there must be a definite timetable. If I have to wait five years and then my package will improve, I'll wait for five years but after five years if you are telling me a different story, then there is a credibility gap.*

*I recollect the Attorney General's office was also facing this problem. The Attorney General's office was losing lawyers and those who stayed were doing private practice. So in order to correct that imbalance, they also decided to pay the lawyers special allowances with the understanding that others in the civil service would also be looked at. But if you failed to keep your promise, that becomes a problem. So that's the advice I would give, keep your promise and when there is an increase in revenue collection let it be seen as being shared equitably.*

MAKGETLA: There are a few questions about the sustainability of some of these reforms based on issues that other reform leaders have experienced. One of these regards the pressures that leaders might feel to appoint people either because they are important people or they're from different factions or they're friends or family. This may not be something that you've experienced or it may be something subordinates experience and the issue here is that there is a problem of tradeoffs, that it may be necessary to accommodate some of these appointments, but how do you manage that and how do you manage those appointments from undermining the policy objectives. What suggestions or strategies do you have in light of this sort of pressure that is quite common?

LARBI-SIAW: *Personally my advice would be to appoint an appropriate and qualified person into any position. You are likely to get better results than trying to do otherwise,*

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*whether by political pressure, if he belongs to my party, or he belongs to my religion or he belongs to my tribe. Experience has shown when you appoint wrong people into positions it always comes back to haunt those who made the wrong appointment. If you want to get results from any group that you lead, if you come in and you are incompetent, the people will undermine you, but if you know what you're about, you're going to get better response. Having said that, it is beyond some of us and politicians are always politicians.*

MAKGETLA: So are there any strategies to deal with those appointees once they're in an office to perhaps circumscribe them or isolate them from policy making in order to reduce the negative implications?

LARBI-SIAW: *Advertise for competitive interviews. Those who are going to do the interview must be independent in order to select the right person. Those influences will be reduced; it will not completely go away.*

MAKGETLA:

In your efforts to increase the revenue you brought in, did you target figures that perhaps had been involved in corrupt activities before or who hadn't paid taxes? The idea that if you then had to deal with entrenched interests who preferred the system in the time period before you enacted these reforms, was there opposition to your efforts that maybe had political influence and how did you address that to make the advances that you wanted?

LARBI-SIAW: *The big corporations were not evading taxes, but they were paying the least amount possible. In fact, there is a law that says you can manage your affairs to pay a minimal tax so long as you don't break the law. So you get tax advisors who will tell you how to manage your affairs so that you pay the least tax. If your financial report sent into the tax office was prepared by a professional accountant, and somebody sits in our office with a history major as his background, it is very difficult to challenge some of the figures. But when we had accountants in those offices, of course the big firms in the private sector said, "Uh-uh, this time at least they have competent staff". The response was maybe this time their returns must be much more truthful. Once we put competent people in the offices the response was good.*

MAKGETLA: Were those big corporations able to exert any political influence that affected the work that you were trying to do? How did you deal with that if there were?

LARBI-SIAW: *These corporations will always go to politicians but it is the way you respond. There was a time that the excise tax on commodities was not based on specifics of ad valorem and we wanted to change it to ad valorem. They resisted, but we were able to explain that ad valorem is much more accountable than specifics being based on volume of what you produced. When the declaration is coming, volumes were being manipulated. Anytime they raised an objection, luckily the government never made a decision until they also had our side of the story. Then they measured who was right and who was wrong, the one with the better argument instead of a guy's political influence.*

MAKGETLA: In some countries there is a system called brokerage. I don't know if it exists here where individuals either formally or informally pay a commission to occupy a certain position. This might especially be the case in a tax or customs agency, does that exist here? I think the word can be used for different meanings, but referring to its use to describe a system where an individual pays a commission to occupy a position or office, either formally or informally.

LARBI-SIAW: *No, I don't think we have something similar in Ghana.*

MAKGETLA: I understand you mentioned that the tax agencies have a decentralized structure and have local representation. In some cases this can be a difficult relationship for individuals at the center who realize the need to decentralize for administrative purposes but may be wary of the people who are in the regions because they may not have that much control over them or they may not know them. Do you have any strategies for dealing with that relationship?

LARBI-SIAW: *Decentralization is not now a national policy. I don't think it is going to be achieved out of a vacuum. If from the head office, you think you don't have enough control so you don't want decentralization, you have to convince us. If there are no other means by which you can get whatever information you want to get from those decentralized areas and you are unable to convince us, I think decentralization will go on. But in the tax area, decentralization will be formed by the contribution of taxpayers. If in an area we are not getting maybe 1% of the revenue, we decentralize, because our cost of administration is so huge. But it will be done meaningfully and step by step. We won't allow commissioners also to be building empires that we have to centralize.*

MAKGETLA: I'd like to ask you to consider if there is anything within your personal management style or background that you think enabled you to advance the reforms that you described during your time at the National Revenue Secretariat?

LARBI-SIAW: *Human relationships. Never think that the boss would have to be bossy. You get an adequate response if you're able to relate to your officers, but of course, not to the extent that they wouldn't know that you are the boss. So it is a human relationship. Build a good relationship but make sure the work is done.*

MAKGETLA: Some people have spoken of the importance of a vision, that a leader has a vision to unite people, to get people to mobilize around a common agenda. How important has that been in your experience and what advice would you give on it?

LARBI-SIAW: *Sit down with the officers and agree on the agenda and the way forward and listen to everybody. If they all buy into the idea, half of the work is done. So I urge people not to go by their old way of "I am the boss so I decide." You should involve everybody. Come to a consensus. Once you have determined what to do, you will be surprised, even the junior officers will be the ones who drive the thing.*

MAKGETLA: Some leaders have spoken of the difficulties that they face in getting information on different options available or different possibilities. Where did you turn for new ideas? Did you rely on your own instincts? Were there individuals, institutions that you could look to?

LARBI-SIAW: *Of course, you use your instincts, but in a scientific way. There are no new ideas in accountancy or taxation. But you come from what you've learned to question those ideas, to assure you are fulfilling everything. For example, I spoke about the inter-firm analysis. Suppose you are looking at the mining industry. You have about five mines. Somebody's wages and salaries is 80% of his operation; another one is 60%, another one is 40%, you have to ask yourself, "No, no, no. Let me go for an explanation". As you're getting the explanation you come to the industry norm. So if this industry norm is supposed to be 65%, anybody below*

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*65% you ask questions, anybody above 65% you also ask questions. So it's instinct, your technical knowledge and common sense.*

MAKGETLA: This interview is designed to help reform leaders share their experiences in developing innovations to advance reform and to address the challenges of those efforts. Is there anything that you think we may have missed or that you would like to add?

LARBI-SIAW: *All I'll say is that reform is an ongoing, human endeavor. Don't think once success has been achieved that is the end. If you don't keep on reforming, you may be overtaken by events. In the taxation area you need more reforms. Now we hear about offshore accounts. Apart from Africa, in the US (United States) and even the UK (United Kingdom) they are talking about many, many, many companies hiding their specific taxation position from internal revenue. If you had been following some of the companies you would have known for a long time that they were doing those things. So those in the IRS should have talked to the government long before now. IRS reforms should be continuous.*

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

LARBI-SIAW: *You are most welcome.*