



## INNOVATIONS FOR SUCCESSFUL SOCIETIES

THE WOODROW WILSON SCHOOL OF  
PUBLIC AND INTERNATIONAL AFFAIRS

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Interviewee: Richard Tusabe

Interviewer: Leon Schreiber

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**TUSABE:** *My name is Tusabe. I'm the current Commissioner General for Rwanda Revenue Authority (RRA), a role that I've been in now for four years. Prior to that I was the Deputy Commissioner General and Commissioner for Customs, a job that I did for three years. But before that I was working private sector. I'm an accountant by profession, so in the private sector I was serving as chief financial officer of one of the telecom companies.*

**SCHREIBER:** You have significant time that you've spent here, if you look back maybe seven years, eight years, any even longer than that given what you've learned from people previously, how would you characterize the challenges that faced the RRA let's say in the mid-2000's as it was trying to sort of build up its ability to improve tax collection? Maybe two or three of the big things that stood out.

**TUSABE:** *I think two or three big things that were really affecting the Revenue Authority back then were again a mirror of what happened in this country. With the genocide against it was in in 1994. Basically, the economy was shattered, non-existing, moving towards a failed state, the economy was not there. But more importantly the people. So, the lead, if you look at the genocide again, people were killed, others left the country. We tried to build a tax administration on a shaky and weak economy in terms of private sector. People who were already doing business and they tried to attract investors all over the globe to come and invest here with the genocide history still on people's minds. And with a weak skill base. So, for you to strike that balance, I think it was extremely difficult to attract investors and even to give confidence. A few were still here, saying that this is the place to be. But getting support for the tax administration, because the RRA was established in 1998. So, it's quite young in terms of age as an institution. So, the question was, we need to move into a more stable economy. But how do you get people to come? Where do we get resources from? It takes decades to develop a skill base. Develop people who can come and serve. But the demand is now as it was then. So, under the visionary leadership, we made a very strong choice to say, let us try to get people who are skilled to come and help us. And one of the moves that was done, I think back when we joined the East African Community, that was a big milestone. Because as you become involved with the East African Community, they allow free movement of people. Labor start coming in. So, getting Kenyans or getting Tanzanians, you're getting, bringing capital but not only capital, bringing the people as well to learn the capital, to support the economy, to grow. Basically, I think at that time Ghana was a little bit advanced and we got one of the most experienced tax administrator from Ghana. The first Commissioner General here was Ghanaian. [...]*

*When we bring in this new Commissioner General, we started having reforms in place. So, for you to have reforms, you need to understand what you are reforming and how you are going to support the reforms. So again, you need a support system in terms of partners who are going to understand you. But then, up to then we had DFID (Department for International Development) who understood the vision of the country, the leadership and they supported us and then again, we had an expert in charge of reform and modernization. So, to drive the reform agenda, you need someone who has been there.*

**TUSABE:** *[The expert was] Kieran Holmes.*

*So, that brought in confidence. As the government was trying to stabilize the economy, trying to attract investors, the tax administration was shaping up in terms*

*of getting skills, trying to benchmark and ensure the skills that we're getting actually were to serve the taxpayers in a sustainable manner. Again, with the support of the development partners, we had people going for master's degrees to study in tax administration.*

SCHREIBER: Overseas?

TUSABE: *Overseas. So, we made that kind of skill base, and also having partners who understand that actually, this is a marathon. We went around for many, many years. It's not a sprint, and we're lucky that they're still supporting us in that area.*

SCHREIBER: So the capacity question is central to starting the story. Almost nothing could have happened subsequently if you didn't manage to relatively quickly build up that kind of capacity. Can you give me a sense of how you sort of put in place the bare bones back then, necessary to do everything else?

TUSABE: *I think the bare bones back then was to say, "Okay, we need to build this strong tax administration" and the people had done it like I mentioned, other countries were a little bit advanced. One of the key reforms happening at that time was try to consolidate the customs and tax so that you have a holistic view of a tax payer.*

*So we moved into that direction but that was again not enough. You can move this too but again, we actually realized we need to have a kind of level of flexibility. So, we're given a semi-autonomous capability to run the institution, where you have capacity for hiring and firing as need arises under the leadership of a board. So, you're not really in the mainstream of public service that might have a little bit of more bureaucratic, more red tape, that kind of process.*

SCHREIBER: So you have more flexibility?

TUSABE: *We have more flexibility to engage, hire. Get good skills. People are not really behaving in terms of—tax administration is really, you cannot move away from corruption. You talk of money where staff are likely to be compromised. How do you instill discipline? You need that kind of flexibility to say, we were seeing this kind of behavior even if you don't have someone red-handed with money, but the code of conduct that we have speaks to our kind of business.*

*Unlike the mainstream of public service that's where I tell you, you need to warn the person three times. The first time you fire, you need to get this evidence. So, that gives us flexibility, that also helped in terms of how you set up an institution. What capabilities do they have? How is decision making made? And how are you flexible to optimally resource the institution—the skill base?*

SCHREIBER: And higher salaries is the other thing that I also read about.

TUSABE: *Yes. When we got that semi-autonomous authority, we are also flexible in terms of rewarding. So, remuneration was also strong, so that we become the employer of choice that will not only attract but also retain talent.*

*So that's how we managed to really move a little bit faster in the direction of building a stronger tax administration.*

*But again, another thing that maybe I will speak about is to understand the society we are serving. We are talking about as you try to build a strong private sector, you are dealing with people who are, most of them are illiterate. You need to design tax policies that speak to their language. One of the things that we have done was to design again, the tax regime that are conducive to the small players. And that has been done, if you look at our tax regime, you can make a declaration and pay what we call a presumptive or a flat amount without you hiring an accountant to come and cost you more money.*

*To fulfill your obligations. Then came the drive to say how do you, if you are going to get poor people out from the informal sector, one of the things you are going to do is to reduce the cost of being formal.*

*And one of the costs of being formal is the compliance cost. So how do you use of the compliance cost? You need to get into making it easy for people to declare and pay taxes without spending days and days. Today being the 28<sup>th</sup> March or filing date is the 31<sup>st</sup> of March.*

*We used to have a tent put because people were sleeping here as they tried to fulfill their tax obligations. Waiting to be served.*

*Most of them are declaring in their office or at home and paying without coming here. Those are the reforms that we tried to put in place but all that is again aligned in by saying which league do you want to play in as a country. I think it would say to play in the first world league by adopting the best practices of e-government to serve our customers.*

*And how do we do that? Is to benchmark ourselves with the best practices and keep reforms that are aligned to global practices like the World Bank Doing Business report and its indicators.*

*And that report looks at how do you create a conducive business environment. And they've gone as far as having a specific indicator on paying taxes. So, they look at time, how long do the taxpayers spend in the paying, or complying with paying taxes and the tax rates, how the tax rates are. Are they really too high?*

SCHREIBER: How many visits to the offices?

TUSABE: *How many visits? Can you instead of paying maybe every month, can people pay on quarterly or on semester or annually?*

*So, we're really looking at that with a sharp lens to see how we benchmark compared to the world. And that has helped us to make sure that our reforms are aligned with international best practices. The other aspect that is also helping us, our formal agenda is being a member of WTO and WCO the World Customs Organization and the World Trade Organization. From customs and trade facilitation prospective, we implement whatever is happening in that space. So today we have a paperless customs department. You make a declaration, you make a payment, all without moving to meet the tax officers.*

*So you are reducing time. You are reducing costs. But also, you are eliminating human interaction. This effort is for corruption. Some people who have those funny*

*behaviors, you are limiting as you reduce interaction even the corruption aspect disappears.*

*So that's I think what's been happening. We are not yet what we want to be, but we think with the support of the government, with the support of the partners, we clearly understand where we're heading.*

SCHREIBER: So the people who used to sit and process paperwork and face customers. Was there a strategy for managing the impact on them?

TUSABE: *Yes, we do have a strategy to deal with that. I'll give you an example. When we automated our finance department, we had about 80 people in that department. Because what happens in the finance department, you have to report and reconcile so you can imagine the work that is involved in reconciling those accounts.*

*So, when we introduced the finance system, in year one we were able to reallocate not layoff, about 20% of the workforce into other departments. So, it just speaks to how you redeploy your resources as technology adoption picks up. We haven't reached a level of really saying we need to layoff because, for example, as you use people in finance, we are scaling up our working hours. For example, in customs where some of the borders are now working 24 hours. So you need three shifts. So instead of sending these people home, you are training them to be custom's officers, to be part of the additional two shifts that you are adding to the border. That's how we've been trying to manage. But also, you need to understand that as you automate, you also need to have resource capabilities in the automation world. For example, now we are getting into data scientists. So you are getting more statisticians and data science to organize that data. So those are the dynamics. You keep on re-engineering your resources to suit your business needs. That's how we are. For us, again, you realize that the biggest beneficiary is the taxpayer.*

*Because this time they can comply. We can get them. We have their contacts. You can SMS them when it is the due date. Remind them of their obligations. They can communicate directly to us without them leaving the office. So, tax administration is a very key, it is like a pillar, in terms of creating a business environment.*

*And I think we are trying to say how can we be more efficient. How can we create more predictability? And sustaining whatever we do for the taxpayers to understand and fulfill their obligations. So taxpayer education again comes in very strong because you continuously engage them.*

*They need to understand how to do it. So we try to really be close to them and educate them on how they need to be complying on most of these obligations.*

SCHREIBER: Yes. And something else that I think you might be able to speak to is so I guess you were the head of customs when Rwanda joined the EAC (East African Community), 2009.

TUSABE: *No, I missed a few years. Yes, but I played a big role post this.*

SCHREIBER: Joining the EAC is an interesting potential obstacle and I want to get your take on that because my sense would be from a customs point of view, you're going to lose income. You're going to reduce barriers, you're going to reduce fees and if I'm a tax collector, it makes me nervous when I lose income. So I'm curious about how you

actually adjusted to joining the EAC, improving customs processes and I do notice also that a big push for E-tax comes from the same period, 2009/2010, so I wondered if the two are connected in some way. Because my question would be what ways you found to compensate for the potential lost revenue even though it's a good thing to join the EAC.

TUSABE:

*I think joining EAC gave us a very big opportunity. One, it increased our market in terms of the export space which is still very small. But also, being a net importer. It in a way eased the cost to our final consumers. And I'll try to give an example. The goods that we were importing originally from EAC, they're paying customs taxes here at entry. So what you are doing by that, you are imposing the cost to the final consumer. So, the moment you remove that cost, the cost was also part of the expenses of the taxpayer-*

*So theoretically the moment you don't tax them at entry, he's going to make a reasonable profit in domestic taxes when he sells the product at a lower cost. So the consumer can afford, because the basket is theoretically widened by doing that, so you can consume more. As he consumes more, the businessman is making a profit. And we tax that profit.*

*So you're only shifting the tax point. Instead of entry to exit when you're consuming. But also, it helped up in the sense that when we joined EAC, we had an opportunity to dialogue and engage. I'll give an example, we, the commissioner generals revenue authorities for the five countries meet every semester and we discuss challenges as tax administrators within the region and we consolidate areas of learning. We conduct joint operations across the shared borders to curb smuggling. So that brings in compliance across the borders for both of us. Which you could not do when you're still your own territory.*

*As not part of the group. So the revenue that we lost in the front end has been mitigated by those externalities of growing trend and easing consumption, that is our consumer can consume more, but also grow the trade. Because what is important at the end of the day we appreciated the fact that tax comes at the end of the equation. Trade has to happen. So, as you ease and design these trade policies within the region, we are starting to see a good progress in terms of our export base and that's what you need. So, in my view, we've not lost money. We've gained money and the taxpayers, everybody's a winner in this including the consumers.*

*The business community is winning and we as tax administrators we are leveraging that to grow our revenue base.*

SCHREIBER:

What is your take on the RRA taking a next step in terms of monitoring compliance, finding people who are still not paying through data analytics? Is that something that's on the agenda?

TUSABE:

*Yes, it is on our agenda. Again, we are learning from our past experience, the reforms that we have been making. I think the reason why we think we will succeed in that agenda, is that what we are doing as an institution is anchored on the national plan. The government of Rwanda adopted back in 2017 April, the data revolution strategy.*

*But again, it's a new area altogether. Globally. So you need to be very careful how you are moving in that direction. We said how do we move into that direction? Being*

*in a new area with very little expertise, so we are relying on our partners. DFID has been supporting us. But as DFID supports us being a UK originating, so we also manage to get the support of Her Majesty's Revenue Authority, UK. So, we are working with HMRC, Her Majesty's Revenue (and Customs) Authority, to help us in to become data driven institution. So, we've had a preliminary visit, a fact-finding visit, with one of the experts. We are trying to draw a five-year plan, so that we don't try to make it a quick fix. And we are trying to have the building blocks. But also, we are in such an opportune time where our president has established centers of excellence in science universities in Rwanda we like AIMS, the Institute of Mathematics and Science and Carnegie Mellon University (CMU).*

*So they are producing very brilliant products in terms of graduates that are coming to the market. So we are partnering with those two universities. And we will be taking some of those brilliant students to come work with us. Because some of them are data scientists, some as mathematicians, and they are coming to work with us.*

*So as we view the long-term plan, you are getting these brains to support the plan and that gives us confidence to succeed in that direction.*

*I think the other key success factor that we are seeing is what the government has invested in terms of ICT being key. I know several countries, I don't know the case for Indonesia, but Rwanda the penetration in terms of ICT is really deep. You talk of close to 80% percent of mobile penetration and everything is being done on the phone. So, if you've 80% penetration, you're hitting just above 40% on internet penetration. You are getting data reach.*

*Because you can dream of data science. If you don't have data, you're not going to do much.*

*So, we have tried to consolidate so that all our data into our space and that's why the government also almost—we set up what you call RISA. Rwanda Information Society Authority. It's a body that's now in charge of our ICT as a country. [...]*

*So that's also giving us confidence. Being data rich enables the Government to make informed policy interventions.*

*So, the National Institute of Statistics is driving that strategy to try to help the statistics that can speak to our operations and policy. and I know there is another project that is actually being piloted at the RISA to enhance citizen registry. I think like what's I think in the U.S. will get your what's it called, social security number. We're getting to that.*

*From when the kid is born and that's how ICT is trying to really drive the transformation of the country. And this will help the tax man to have more visibility and understanding of the tax base.*

*We are trying to be proactive and a little bit ahead as we get data, how do we really envision to ease and improve compliance of our tax base.*

SCHREIBER: *Would it be fair to say that if it's up to you, big data analytics is the next big thing for the RRA? It's the next sort of era?*

TUSABE: *That would be the right statement.*

SCHREIBER: The creation of the RRA was something that was seen as part of the almost fundamental goal of the government to become independent of foreign money. And now again when you talk the data site fitting in with a bigger national vision, is it fair to say that that's something that either sets Rwanda apart or has played a really significant role in giving you the kind of autonomy, the powers, the flexibility, all the tools you needed?

TUSABE: *Yes, I think we have the power and for your information, some of the reforms that we make, some of them are internally generated, others are externally generated. You find that there's a coherence in terms of what we do.*

*Like for example, as a I talk about data-centered tax administration. At the same time, the government through the central bank and ministry of finance, they're pushing for a cash-light economy, almost cashless economy. So, we have a target, I think by 2024 according to the monetary policy report that came out last month. We need to get to at least over 80% of our transactions to be digital. So, most of these reforms that we are talking about they're not entirely within our scope to implement, but they're national in nature.*

*Like as we speak now, I know there's a meeting that is going on with the Minister of Finance, Minister of Trade and other ministers on doing business. What about doing business with reforms. And one of the reforms they're discussing, some tax reforms that are there. So that's how they level ownership of reforms is in terms of broad sense.*

*So, yes, we are coming up with these initiatives but it is full ownership and head of state gets a report what all the government agencies and private sector are improving doing business in Rwanda. And as a part of doing business, paying taxes indicators come up and you question why are you lagging behind on this? What support do you need? So it becomes a national owned agenda as opposed to this is Commissioner General's business. And the level of accountability is extremely high. So that's the kind of support that we get to ensure that we can reform very quickly.*

SCHREIBER: I do want to be fair and ask what are the remaining difficulties? The sheer number of taxpayers in Rwanda I think is still relatively low, for example.

TUSABE: *No, the challenges are there. I think one of the challenges that you need to realize is Rwanda has made the choice of inclusive growth. The growth that you see in Kigali is same the growth that you see in any part of the country. So if we're going to have that kind of inclusiveness, you need everybody to pay a fair share. The small taxpayers, we still have an informal sector and one of the biggest challenges I think that we have is the cash transactions. They still carry a bigger chunk of our transactions and with cash, visibility disappears. So that's one of the biggest challenges. Cash encourages noncompliance.*

*And that's why we're engaging at the national level to say how do we become a cash-light economy. But we are also discussing a possibility of starting to introduce some laws for example, putting a cap on the amount of a transaction by cash.*

*The other challenge that I think we have is weak skill base. You need to appreciate that the economy has been growing at over 7% sustainably and calls for more qualified human capital. Within Rwanda.*

*So, we are competing on a very small skill base. So the private sector is poaching people here.*

**TUSABE:** *By the time you know it, you are—always in the training phase. So that's a big challenge. Losing staff. The most, the core, the complete staff are moving out. We're not saying that we're to really chase the private sector in terms of remuneration, but we are trying to devise means to say how can we retain people. So the pay has not been really moving up at the same pace. But we are discussing with the government how we can address those challenges.*

*But also, we are trying to see how we can get more strategy in terms of retaining our staff. Reward is one thing but there are other things that you could do to keep people motivated in terms of staff development and engagement.*

*So that's another thing. The other challenge that we have I think is that we are an open economy. We are attracting investors from all over the world. We've made a choice to not have restrictions in terms of cash repatriation.*

*So, we're getting multinationals coming to invest in Rwanda, hence the need to have internal capacity to tax them more efficiently.*

**SCHREIBER:** Transfer pricing.

**TUSABE:** *Transfer of pricing. Yes. So that's a big challenge that we have. We're trying to—we have set up a unit in charge of that. And in the next couple of years, we hope that we are going to diversify our capabilities in that space. Those are the challenges that we are mainly facing. we're getting experts through the development partners to support us, get unique resources, the people that we need to come and work with us. Of course, not on a permanent basis. One, two-year contracts make an impact and train our staff.*

*So we are trying also to make an institutional review. To review our people, the skills that we need, to review our technology capabilities, what we have, how is it speaking to our service delivery. Do we need to consolidate more? We also try to look at the data business that we talked about. Also, we can structure a business that has capabilities to handle the challenges going forward.*

*That is means to have a blueprint of our institution in the next 10 years. How it has to look like. And the staff are willing to give their contributions, so that we are to really have a solid picture what we want to be in 10 years. I think we start having the building blocks towards that today. So that's going to form our agenda going forward.*

**SCHREIBER:** On a personal level but also institutionally, what is it that you need to lead an institution like this to sort of become more effective in a place where it's not necessarily already?

**TUSABE:** *One I think is to ensure that you get the autonomy. The autonomy is very key for you to really be flexible in terms of how you resource and fulfill your mandate. Number two, I'd advise him to encourage the government, the policy makers, if they don't have it, to look at ICT as a strong enabler. I'll give an example. For Rwanda, our*

*leadership, the president said, don't tax computers, don't tax phones, don't tax telecom equipment at entry level when you are importing.*

*And what that has done, basically the vision that I think he had which we are now we are leveraging, is to say look at this ICT as an enabler, not as a cash cow.*

*You'll make more money in the long run but let it flourish. So, some countries that come here to benchmark, we have advised them to address that, because today at least I can say anybody can declare and the pay on mobile phone, but if you deny the penetration, if your penetration was like 30% of your population, then you cannot dream of mobile payment, mobile declaration. So for me, that's very, very important.*

*I think the other key thing to do is behavior, the discipline. You need to have a very strong zero tolerance policy on corruption matters.*

*I'm not saying you should not empower your staff, empower them. But make sure they are clear lines of how you want their behavior because corruption can really be bad especially in tax administration, it can really take a lot of money and mistrust with the citizens.*

*So you need to have a very strong zero tolerance policy. I think the last one that I see is to do with the level of accountability. Who do you report to, how often do you get audited? That's very, very important.*

*So, we have like an office of the general auditing us everything single year on revenue reporting, on IT, on procurement. So, you are always accountable in some of these things, the best practices, how are you performing? Why are you lagging behind on this?*

*I think to me that's very important. But also, last but not least is the way, being honest with your development partners. The development partners are always willing to support revenue authorities because of the central role that plays.*

*And if you're not honest with them, in terms of your problems, and actually proving that the value of money, in terms of the taking assistance that they give you. Because if you manage the development partners in the transparent and honest manner, sharing your agenda in terms of reforms, your challenges, you stand a very high chance of success.*

SCHREIBER:

*On the audit point I understand that the internal audit function here is also quite interesting in that it reports to the board, not to you. So sometimes, do you have to fire people? Does it still happen occasionally because of corruption or allegations of things?*

TUSABE:

*Yes, we do. We do fire people. It's part of the job. You can't really be a tax administration without these problems. It's getting less as we've gone along as you automat.. But every so often we will try to test and make changes here and there.*