5-9-2013

Implementing a Revenue Authority Model of Tax Administration in Ghana: An Organizational Learning Perspective

Frank L. Kwaku Ohemeng
University of Ottawa, Ontario Canada

Francis Owusu
Iowa State University, fowusu@iastate.edu

Implementing a Revenue Authority Model of Tax Administration in Ghana: An Organizational Learning Perspective

Abstract
The desire to increase domestic revenue mobilization has made tax reform a priority for governments in many developing countries. Addressing the tax problem, however, is often a complex process that involves reforming the tax system, as well as setting up effective administrative structures to administer that system. Many see the revenue authority (RA) model as the solution to these problems. Developing an RA model in Ghana began in the mid 1980s; it was not, however, fully operational and integrated until 2010. Using social learning theory, we argue that Ghana's successful readoption of the RA model can be attributed to the lessons learned both in its own first attempts and from the successful tax reform experiences of other countries.

Keywords
Ghana, Organizational Learning, Revenue Authority, Social Learning, Tax Administration

Disciplines
African Studies | Tax Law | Urban, Community and Regional Planning | Urban Studies and Planning

Comments
This manuscript is an article from *The American Review of Public Administration* 2013. doi: 10.1177/0275074013487943. posted with permission.

Implementing a Revenue Authority Model of Tax Administration in Ghana: An Organizational Learning Perspective

Frank L. Kwaku Ohemeng
School of Political Studies
University of Ottawa
Ottawa, Ontario, Canada
Email: fohemeng@uottawa.ca

&

Francis Owusu
Department of Community & Regional Planning
Iowa State University
Ames, IA
Email: fowusu@iastate.edu

A revised version of this paper is published in *The American Review of Public Administration*, published online 9 May 2013, DOI: 10.1177/0275074013487943

Abstract

The desire to increase domestic revenue mobilization has made tax reform a priority for governments in many developing countries. Addressing the tax problem, however, is often a complex process that involves reforming the tax system, as well as setting up effective administrative structures to administer that system. Many see the revenue authority (RA) model as the solution to these problems. Developing an RA model in Ghana began in the mid-1980s; it was not, however, fully operational and integrated until 2010. Using social learning theory, we argue that Ghana's successful re-adoption of the RA model can be attributed to the lessons learned both in its own first attempts and from the successful tax reform experiences of other countries.

Key Words: Ghana; Organizational Learning; Revenue Authority; Social Learning; Tax Administration

Introduction

Two challenges many developing countries face are generating revenue from domestic sources and reforming or creating public organizations that will enable them to respond effectively to the simultaneous pressures of the government's budgetary constraints, the global competitive environment, and increasing citizen demands. Tax administration has become a difficult issue in many countries, as citizens are ever less willing to pay more taxes, yet expect more and better services from their governments. Furthermore, the increasing popularity of the "government waste" slogan makes it difficult to increase taxes, even if only to cover the shortfall in government revenues. The problem is worse in developing countries, where the tax burden falls on fewer people: primarily those in the manufacturing and public sectors. This circumstance affects revenue mobilization, and constrains national developmental efforts. Inability to collect the needed revenue from domestic resources has resulted in overreliance on external funding, beggaring governments in many developing countries, and handing the international financial institutions that support them an unfettered opportunity to appropriate a large part of their decision making processes (Conteh and Ohemeng, 2009; Olukoshi, 1999).

The seriousness of the problem has compelled many developing countries to reform their tax administration systems in order to improve revenue generation (Ayee, 2010; Di John, 2010). Policy makers in these countries believe that tax reforms will enable them to ensure sustainable funding for social programs and public investment; to develop communication between state officials and interest groups and citizens; and to increase both the territorial reach of the state and state legitimacy, the latter through efficient and effective delivery of public services. An efficient tax administration system would enable governments to collect revenue from domestic sources, and thus reduce their dependence on foreign aid (Di John, 2010).

Reforming the tax administration system is challenging because it involves designing tax reforms, as well as creating or changing national organizations responsible for tax administration. For instance, Tanzi and Pellechio (1997: 274), making the case for tax administration reforms in developing countries, argue that "inefficient tax administration reduces tax revenue, creates unintended distortions, or nonneutralities, in the tax system, which means that taxes affect markets in ways not intended by legislators, and introduces inequities through the tax system, for example between honest citizens and tax evaders". The authors also, blame the inefficiencies in tax administration on exceedingly complex and opaque laws, which require information and a level of attention from taxpayers that are difficult to provide; on policy-makers writing laws that protect themselves, or those associated with them, against high tax liabilities; and on a lack of resources, professionalism, and clear strategy (Tanzi and Pellechio, 1997: 274-275). As rightly pointed out by Bird (2004:326),

> [t]he administrative dimension is central, not peripheral, to tax reform. Without significant administrative changes, the alleged benefits of many proposed tax reforms will simply not be achieved, and, as a result, it is unrealistic to expect such changes. Too many tax reform efforts have regarded tax policy and tax administration as quite separate matters. The world is not like that. Most policy exists until it is implemented, and it is the manner of its implementation which really determines its impact. Those who would alter the outcomes of a tax system must therefore understand in detail how it is implemented, and adjust their recommendations accordingly if they want to do good rather than ill.

Tax administration problems in developing countries thus demand the design of tax reforms, as well as a way of dealing with the severe limitations imposed by administrative realities.

Ghana's experience with tax administration reforms illustrates not only the challenges involved in creating a viable public sector organization to facilitate domestic resource mobilization, but also the role of politics in the reform process. Although many developing countries have implemented tax reform models and strategies (McCarten 2006), the revenue authority (RA) model has become the most popular administration system, although some scholars continue to question its effectiveness (Fjeldstad and Moore, 2009; Kidd and Crandall, 2006). The RA model is a "governance model for revenue administration where the revenue collection function typically is removed from the ministry of finance departments into an agency with a degree of autonomy from civil service rules to structure and manage it" (Fjeldstad, 2007:4). According to Crandall (2010), the RA model involves the creation of a quasi-autonomous agency, "which has a role in the processes of national government, but is not a government department or part of one, and which accordingly operates to a greater or lesser extent at arms' length from ministers" (3). Revenue authorities are semi-autonomous because they "are not meant to be as autonomous as other types of public sector organizations like the central bank nor as dependent as ministerial line departments, hence the moniker "semi-autonomous'" (World Bank, 2002: in Manasan, 2003: 3).

Ghana was the first developing country to introduce the RA model, which it did in the 1980s (Atta-Mills, 2002; Manasan, 2003; Taliercio, 2004); it was not until early 2010, however, that a fully operational and integrated RA model was established there. During the intervening period several other countries, including many in Africa, successfully implemented their own versions of the model. An interesting question is raised as to why Ghana was unable to pursue its RA model to its logical conclusion until other countries had successfully implemented it.

This paper attempts to explain Ghana's experience with the development and implementation of the RA model. As a developing world pioneer in the design and implementation of RA, a number of mistakes were made that affected the full implementation of the model in Ghana at the time. We argue that learning was important in overcoming some of the problems. Thus, using organizational learning theory, Ghana's successful re-adoption of the RA model in 2010 can be attributed to the following: lessons learned from its failure to implement the RA model; the tax reform experiences of other countries that implemented it successfully; and the emergence of a more technocratically-driven government in 2009. In other words, the widespread acceptance of the RA model and the benefits that accrued from its implementation in other countries provided the impetus for Ghana to re-adopt it.

A qualitative methodology, based on the narrative approach with semi-structured questionnaires, was employed in this study. Interviewees included people with deep knowledge of and experience in the implementation of the Ghana RA model. Respondents were asked to narrate their versions of why the government decided to undertake a reform that it had initially developed and then abandoned. They were also asked about the factors that informed the development of the new Ghana model. Overall, representatives from 12 public and private organizations and two individuals were interviewed for the study. The government officials interviewed were from the Ministry of Finance (MOF), the Ghana Revenue Authority (GRA), the Technical Directorate in Charge of Tax Reforms, the Internal Revenue Services (IRS), the Custom, Excise and Preventive Services (CEPS), and the Value Added Tax (VAT) were interviewed. We also interviewed officials from the following private organizations: the Association of Ghana Industries (AGI), the Ghana Chamber of Commerce and Mines, the Ghana Union of Traders, and The Centre for Policy Analysis, The Ghana Federation of Exporters, The Private Enterprise Foundation, and the Ghana Trades Union Congress. An important source was a consultant who had helped develop the Ghana RA model, and later helped to develop similar models in Kenya, Uganda, and Rwanda. The interviews were conducted in July and August 2010. All the interviews took place at the official premises of each organization, and were recorded and transcribed.

The rest of the paper proceeds as follows. The next section discusses the theoretical perspective, with a focus on organizational learning. This is followed by a discussion of Ghana's attempts at tax administration reforms and the mechanisms utilized. The next section analyses the influence of learning in the adoption of the model, while the final section concludes the paper.

Organizational Learning: A Review of the Literature

In the past two decades, in both the private and public sectors, interest in theoretical and empirical research on organizational learning has reached significant levels (Barrette, et al., 2012; Crossan, et al. 2011). This interest is driven in part by the need to change organizations to ensure their survival in an increasingly competitive environment (Finger and Brand, 1999). It has not, however, produced a universally accepted definition of organizational learning, nor has it led to the development of a single integrated theory (Barrette et al. 2012; 2007; Crossan, et al. 2011; Elkjaer, 1999; Rashman, et al. 2009).

What, then, is organizational learning, and what is its theoretical foundation? In the literature it is defined in many ways (Barrette et al. 2007): as "a cycle or process that facilitates acquisition of knowledge; a process of collective learning through interaction with the environment; a theory of identifying anomalies and corrections through a restructuring of the theory of action by actors; an enhanced ability to achieve desired results; or an organization's ability to use experience to maintain and improve its performance" (Barrette et al. 2007: 335). According to Braun and Benninghoff (2003), organizational learning is experiential, and aims at improving the functioning of policies and organizations by changing skills, performance, and knowledge. It involves "the development of structures and procedures that improve the problem-solving capacity of an organization and make it better prepared for the future" (Olsen and Peters, 1996:4, cited in Common, 2004:37). It is generally acknowledged that organizational learning requires knowledge, which can be acquired either by learning from direct experience in a step-by-step fashion, or by imitation (Child and Rodrigues, 2011). Learning from direct experience involves trial-and-error, where organizations experiment with different ways of doing things and, on the basis of that experience, adopt procedures that are considered more successful. Imitation implies some kind of vicarious learning, where the learning organization is able to draw on the experiences of other organizations: that is, by copying certain policies, programs, rules, and routines that are considered best practices (Lynn, 1994).

Policies and practices must also be disseminated before learning can take place (Ingram and Baum, 1997). Levitt and March (1988) argue that organizational experiences and routines can emanate from a single source (e.g., government agencies or professional associations) and spread to some organizations. Policies and practices can also be diffused through host carriers (e.g., consultants, the movement of personnel, etc.), who spread the practice to organizations with which they come in contact. It can also occur through a two-stage diffusion, where a small group of organizations (e.g., experts or educational institutions) spread routines and experiences to the others.

Much of the research on organizational learning has focused on private sector organizations, which are seen as having a better ability to act effectively on information assimilated both within and from outside themselves (Common, 2004; Ingram and Baum, 1997; Rashman, 2009). Debates ensue over whether organizational learning can take place in public sector organizations. Indeed, some researchers stress the differences between public and private sectors, and argue that the differences affect the way public organizations make sense of experience and acquire knowledge and skills. For instance, Finger and Burguin (1999) argue that, unlike the private sector, public organizations are more constrained and normative in the performance of their functions. Downs and Larkey (1986) also point out that political leadership plays an important role in the learning processes in government, and that the time frame for learning is shorter in the public sector. For instance, elected and appointed officials are tied to political time periods, and their ability to adapt and learn can be influenced by election cycles. Moreover, the careers of top and middle level officials are often tied to changes in political leadership. Stata (1996, cited in Common, 2004), furthermore, argues that the multiplicity of actors with stakes in public policy in a democratic system makes organizational learning difficult. Recent public sector reforms policies, such as those espoused by the New Public Management proponents, and the fragmentation of the sector have also undermined organizational memory, and damaged the capacity of the public sector to learn: this has especially been the case with the focus on public sector retrenchment, which has reduced governmental capacity (Kettl 1988, Maravic, 2007; Owusu and Ohemeng, 2012). As Culebro-Moreno (2005) argues, however, these challenges do not imply that governmental organizations are incapable of learning; they only indicate why public organizations cannot learn easily, from either an individual or an organizational standpoint (also see Finger and Brand, 1999).

The differences between the private and public sectors with regard to learning should not stifle the use of private sector experiences in the public sector.[1] On the contrary, interest in organizational learning in the public sector has soared among academics and policy-makers for several reasons. Organizational learning in the public sector, or what Rose (1993) calls lesson-drawing between nations, has been facilitated by technology, the ease of international travel, the

[1]The New Public Management (NPM), which became the basis for public sector reforms in many developed and developing countries in the 1980s, is a good example of an attempt to apply market principles to governmental administration (Ridley, 1996).

mass media, international conferences, and the movement of international experts. Cross-national policy diffusion often relies on international networks and policy communities to provide forums for interaction, and has become more prevalent in the current internationalized environment (Common, 2004). This is even more true in sub-Saharan Africa, where international organizations play leading roles in policy formulation through the use of consultants and experts from outside, as well as from within, the region. Indeed, governments constantly scan the region for inspiration from experts to improve their policy-making capacity, as well as for ideas and innovations considered best practices (Olowu, 1999; Overman and Boyd, 1994).

The literature on organizational learning comprises several strands (see Miller, 1996). As explained by Büchel and Probst (2000:3), "the organizational learning field has the problem of trying to unify different theoretical approaches while at the same time valuing the diversity that has evolved since its early start." Three main strands are, however, discernible. One group of scholars focuses on changes that are produced through individual reflection (Argyris, 1957; Argyris and Schön, 1978). From this perspective, learning is seen as a matter of the detection and correction of past errors. There is, therefore, a search for new strategies or mechanisms to deal with such problems. Another group examines organizational learning from a more rational perspective. Such scholars focus more on knowledge management, with particular emphasis on the role of information technology (Alavi and Tiwana, 2003; Easterby-Smith and Hovland, 2003; Sanchez, 2005; 2001; Spender, 2008). In this context, knowledge and information are seen as crucial, core assets for businesses, which have to learn to handle these assets in new ways (Hovland, 2003: 3).

The third strand is based on social learning (Elkjaer, 1999; Hall, 1993; Jacobs and Coghlan, 2005). It focuses on individual rather than organizational behaviour, and therefore sees learning as “a practical rather than an epistemic accomplishment” (Elkjaer, 2005: 43). Elkjaer (2005: 43) adds that under social learning theory “the learning is a way of being and becoming part of the social worlds that comprise an organization, and in which the central issue of learning is to become a practitioner.” According to her, “learning is not regarded as a specific, delimited and intentional activity. Rather, learning is regarded as ubiquitous and part of human activity as such …[L]earning cannot be avoided; it is not a choice for or against learning. Learning is an integral part of the practice in everyday organizational life and work” (43). Davis and Luthans (1980: 282) are of the view that “the social learning theory approach would explain that it is largely through their actions that people produce the environmental conditions that affect their behavioural reciprocal fashion.”

Each of these strands has some advantages, as well as disadvantages. In this paper, however, we employ the social learning perspective. We specifically draw on Peter Hall’s (1993) use of the social learning approach to lesson drawing between nations and the state’s role in policy-making.

Hall defines social learning as a “deliberate attempt to adjust the goals or techniques of policy in response to past experience and new information”, and argues that learning is indicated when policy changes as a consequence of such a process (Hall, 1993: 278). Hall identifies two main theories of the state regarding learning and who drives the process: the state-centric approach, and the state-structural argument. The former refers to a learning process dominated by officials and highly-placed experts: that is to say, learning occurs within the state, and the state has high autonomy; however, under the state, interest groups, political parties, and other actors outside the state play an important role in the policy process. Learning thus involves much broader participation and conflict within the political system. Hall also outlines three central features of social learning: policy legacies (the influence of previous policies on social learning); the importance of experts (experts in a given field of policy, either working for the state or advising it from privileged positions at the interface between the bureaucracy and the intellectual enclave of society, propel the learning process); and state autonomy (social learning depends on the capacity of states to act independent of societal pressures). The importance of each of these, however, depends on the nature or type of the policy change.

He also identifies the following three variables of policy-making: i) the overarching goals that guide policy; ii) the techniques or policy instruments used to attain those goals; and iii) the precise setting of these instruments. He argues that, depending on the nature of the policy, some of these variables can be altered, while the others remain unchanged. He then identifies three levels of policy change. The first involves changing the instrument settings according to the wisdom derived from experience, while continuing to seek new knowledge, and retaining comprehensive goals and instruments. For the second order policy change, instruments of policy, as well as their settings, are altered in response to experiences, even though the overall goals of policy remain the same. Third order change is like a paradigm shift, and occurs when there is a simultaneous change in the three components of policy – the instrument settings, the instruments, and the hierarchy of goals behind policy. Unlike third order change, which is marked by radical changes in the overarching terms of policy discourse, the first and second order policy changes represent "normal policy-making", since they simply involve adjusting policy without challenging the overall terms of a given policy paradigm.

In sum, the importance of the central features of social learning (policy legacies, the influence of experts, and state autonomy in policy-making) for each of the three levels of policy change is different. Hall cites the change from Keynesianism to monetarism in Britain as an example of a third order change, and argues that the effort was not led by civil servants or policy experts engaged by the government; rather, it "was a society-wide affair, mediated by the press, deeply imbricated with electoral competition, and fought in the public arena" (Hall, 1993:287). Alternatively, policy legacy and experts play leading roles in first and second order changes in policy: experts in the public sector are often responsible for policy innovation, and the learning process as whole takes place primarily inside the state itself.

Hall's first and second order changes are analogous to Rose's (1993) concept of lesson-drawing. According to Rose, lesson-drawing "is about what is learned, the programs that public officials develop in efforts to deal with immediate substantive problems" (23); it is about the everyday activities of policy-makers working within an established paradigm. According to him, "a lesson is a shortcut that relies on experience elsewhere as a source of knowledge…Lesson drawing is about the diffusion of what was once an innovation elsewhere" (24-25). For the following reasons, we believe that Ghana's experience with the RA model corresponds with Peter Hall's second order policy change and with Rose's lesson-drawing. First, the changes were made to policy instruments primarily in response to the dissatisfaction with policies, rather than in response to economic events. Second, officials, rather than politicians, were most instrumental in the learning process. Third, the Ghanaian state acted autonomously, with little outside pressure.

In the following sections we examine the Ghanaian experience with RA through a social learning lens.

The Trajectories of Tax Administration Reforms in Ghana

The need for tax administration reforms can be best understood in the context of the socio-economic and political developments that have characterized Ghana's evolution since it attained independence in 1957. They are discussed so extensively in the literature as to make further mention here superfluous (Herbst, 1993; Hutchful, 2002; Killick, 2010). Suffice it to say that consistent with the dominant development orthodoxy of the time, the Ghanaian state's role in national development from the 1960s to the early 1980s was significant. Many state institutions were created, including state-owned enterprises in almost every sector of the economy. The state also took on enormous social responsibility, including the provision of free universal education from elementary through to the university levels, as well as free health care.

The state's strong involvement in development, especially social development, required it to find the resources to fund these services. Taxation became a major preoccupation. It should be noted that taxation was also a feature of colonial rule in Ghana, as the colonial government collected various kinds of taxes for development and to pay for the colonial public service. Although tax administration has been a major consideration in Ghana's quest for development since the colonial period, it has not been without problems, including corruption and the inability of tax agencies to collect the needed revenue (Chand & Moene, 1999; Terkper, 1994). In what follows we examine the trajectory of Ghana's tax administration from the immediate post-independence era through to the establishment of the RA model in 2010. The object is to understand both the learning process with respect to past errors and the reform of the country's tax administration system.

i. Pre-1986: Tax administration as part of the Core Civil Service

From 1965 until the mid-1990s Ghana operated, basically, five forms of tax: Sales Tax, Hotels and Restaurants Customers Tax, Advertisement Tax, Betting Tax, and Entertainment Tax.

Of these the Sales Tax was the most important, because of its coverage and use – it was charged on all locally manufactured or produced, as well as imported, goods, unless they were exempted (Ayee, 1997). The Sales Tax was, however, limited in scope, since it covered neither wholesale nor retail trade, nor services. More important, the revenue from the various taxes did not meet the projected revenue targets of successive governments, which resulted in massive shortfalls in revenue collection (Ayee, 1997). The serious economic, political, and social crisis that the Ghanaian state experienced throughout the 1970s and the early parts of the 1980s compounded the massive shortfall in revenue collection.

This crisis devastated the state's ability to collect revenue and manage development. The civil service, charged with implementing government programs, regressed to the point of being what one scholar called a "paper-pushing moribund organization" (Nti, 1980: 2). Nor did the country's tax administration system escape this crisis of inefficiency in the civil service. Writing on the state of tax administration during this period, Prichard and Bentum (2009: 11) explain that "by the beginning of the 1980s the Ghanaian tax system was deeply in crisis. Central government taxation amounted to less than 5 per cent of GDP, while the government relied on heavy exactions from the agricultural sector, and cocoa producers in particular, through pricing policy in order to raise enough revenue to maintain the most basic functions of government." Chand and Moene (1999) elaborate that "by 1983, the tax ratio had progressively collapsed to 4.5% of GDP from around 13% in 1973, and even higher in earlier years" (1134). The plunge in tax revenue produced an increasing budget deficit, which continued to fuel inflation, thus placing public services programs in jeopardy. To Chand and Moene (1999: 1134), therefore, the conditions in which Ghana found itself at the beginning of the 1980s stimulated rent seeking, which expanded to the point where the productive economy collapsed, leading to the curtailment of public expenditures, with deep cuts in the salaries of civil servants, in infrastructure development, and in social outlays. There was thus an urgent need to increase revenue collection to reduce the budgetary deficit and to ensure the maintenance of existing public service programs (Dia, 1996: 87). In addition, until 1986 the tax administration system was inadequately monitored, and tax compliance was not ensured (Osei and Quartey, 2005). Tax equity was also a problem, as the tax burden fell on only a small portion of the populace, while tax evasion became a major pastime for all. Furthermore, "the tax system became riddled with all sorts of devices that were used by fiscal officers to supplement their incomes" (Chand & Moene, 1999: 1135).

Revenue administration in Ghana had been part of the mandate of the Ministry of Finance and Economic Planning (MoFEP), and was, thus, part of the core civil service. When the civil service was badly weakened by the socio-economic and political crisis, it no doubt affected the revenue agencies as well. That in turn led to the depression, over years, of salaries, and the hemmorhaging of high-calibre staff; leading to worker apathy, perfunctory performance, loss of control over recruitment and dismissals -- which constrained management -- and unaccountability for funds collected (Dia, 1996: 87). Not surprisingly, these disasters undermined tax administration, especially revenue collection.

ii. Early efforts at the RA model

In this section we will specifically examine the reforms of the tax administration system from the mid 1980s through to the latter part of the first decade of the new millennium. There are, essentially, three eras on which we focus, beginning with the establishment of the National Revenue Secretariat (NRS) in the mid 1980s, through the creation of the Internal Revenue Service (IRS) and the Custom, Excise, and Preventive Service (CEPS); the introduction of the

Value Added Tax (VAT); and, finally, the establishment of the Revenue Agency Governing Board (RAGB).

a. National Revenue Secretariat (1986-1995)

The economic miasma and the problems of tax administration made tax reforms a critical component of Ghana's structural adjustment program, which was implemented in 1983 to revamp the economy (Killick, 2010). The government initiated a program to reform the entire tax administration system, especially by increasing tax revenue through an efficient and effective mechanism of tax collection and broadening the tax net to enhance efficiency in tax administration and ensure equity (Osei and Quartey, 2005). Changing both the tax administration system and the tax structure was critical in this context. As Chand and Moene (1999: 1135) argue: "[A] frightened population or terrified tax officers may turn in more revenue for a time. But, if the incentive structure that concerns taxpayers and tax collectors is not reformed, and reinforced by appropriate organizational and procedural changes, revenue will subside."

The government's strategy, which hinged on improving the working conditions of the revenue institutions, was to find a way to remove the institutions from the core civil service. Doing so created a foundation for a tax administration system, which has come to be known as the RA (Taliercio, 2004). The first step in the process was to extract the revenue section of the MoFEP, and turn it into a separate revenue agency, equivalent to a ministry. The National Revenue Secretariat (NRS) was thus established as an independent agency out of the traditional civil service, with its own conditions of service and pay policies. It is, however, important to note that the creation of the NRS was also a political decision. The Provisional National Defence Council (PNDC) government at the time viewed the new NRS as an institution responsible for collecting the sizeable fines imposed by the public tribunals on corporations and individuals convicted of corruption and economic crimes, such as hoarding and under- and over-invoicing.[2]

The NRS was headed by a Secretary of State (the equivalent of a minister), and assisted by a chief director, similar to the traditional civil service in Ghana. Its ministerial status enabled the NRS to supervise the other revenue agencies, and it enjoyed virtual autonomy from the MoFEP. The Minister and the chief director were responsible for formulating and reviewing policy on taxes, rates, duties, charges, levies, fees, and fines, as well as for advising the government on revenue generation and collection, with the chief director also responsible for the day to day administration of the secretariat (Dia, 1996). Simultaneous to the creation of the NRS, the government established the Internal Revenue Service (IRS), with responsibility for collecting direct taxes, and the Custom, Excise, and Preventive Service (CEPS), to deal with indirect taxes.

The functions of the secretariat included collecting, collating, and analysing returns from revenue agencies; analysing returns by sector and region; overseeing the investigative sections of revenue offices; reviewing and formulating policy in respect of taxes, rates, duties, charges, levies, fees; and handling matters pertaining to transport, personnel, and accounts (Dia 1996). The government instituted a number of measures to enable the NRS to achieve its objectives, including a performance-based culture; setting revenue targets in collaboration with the MoFEP; and increasing the basic salary of NRS employees. The new incentive structure revolved around two main issues. First, a system of bonuses (10 and 15 per cent of base pay) was established, and paid if collection targets were met (Chand and Moene, 1999; Osei 2000; Dia 1996, 89). Second, the agencies were allowed to retain a percentage of their collection to cover administrative costs (including three per cent for the IRS), with the CEPS retaining five per cent (Osei and Quartey,

[2] For more on the public tribunals during the so-called revolutionary era of the PNDC government in Ghana, see Gocking (1996).

2005). In addition, the conditions of service for tax officials were improved, including significant wage increases, decompression of salary scales, and greater outlays on maintenance, infrastructure and social activities (Osei 2000).

At the same time as the NRS was created, the IRS and CEPS were converted to autonomous agencies, and placed under the NRS, creating new organizational structures similar to those of state-owned enterprises (Joshi and Ayee, 2009; Kusi, 1998; Osei, 2000; Terkper, 1993). Furthermore, the government changed the incentive structures for the staff of the two organizations, with the aim of improving productivity in tax collection. Then again, from 1986 the IRS, in particular, was given ministerial powers alongside the MoFEP, until 1992, when that directive was partly reversed (Kusi, 1998). The autonomy granted these institutions enabled them to recruit professional staff, such as accountants, auditors, and lawyers, with salaries competitive with the private sector (Osei 2000; Terkper, 1995).

These reforms had an enormous impact, especially on tax revenue. For instance, revenue collection increased from 5.5 per cent of GDP in 1983 to 17 per cent in 1993, and continued to rise, to about 20 per cent, throughout the mid-2000s: remarkably, in spite of the reduction in tax rates on personal and corporate income (Chand & Moene, 1999). Another important improvement was the broadening of the tax base from 674,000 in 1994 to 1.4 million in 2001 (Appiah-Kubi, 2003; Terkper, 1994). This expansion in both revenue and taxpaying base can also be partly attributed to the strategy of using professional organizations to collect taxes from their members, and allowing the organizations to keep a percentage of the taxes they collected (Joshi and Ayee, 2008).

b. Value Added Tax (1995-2010)

Nevertheless, the creation of the NRS did not solve all of the country's tax administration problems. For instance, the low ratio of taxpayers to the population meant a relatively small tax base, as the majority of taxes continued to fall on the small manufacturing sector. To enlarge the tax base and improve tax collection, the government introduced the Value Added Tax (VAT), a system that some developed and developing countries had successfully used to boost revenue (Assibey-Mensah, 1999; Shoup, 1990). The VAT was introduced in March 1995 after the passage of the VAT bill (VAT Act 486 of 1994) in December 1994. The VAT was meant to: (a) replace the existing taxes -- namely, Sales Tax, Hotels and Restaurants Customers Tax, Advertisement Tax, Betting Tax and Entertainment Tax -- with one common tax; (b) widen the tax net; and (c) broaden the tax base and, by so doing, increase government revenue (Ayee, 1997; Osei, 2000). The World Bank (2001) saw the VAT as a way to help broaden an excessively narrow tax base, which had resulted in low and unstable revenue because it excluded fast-growing sectors of the economy. It was also expected to address the weaknesses in the tax collection system, including inadequate checks and controls that led to revenue leakages, as well as to withdraw from collection based on physical surveillance toward modern methods based on documentation. Osei (2000) is also of the view that the VAT was expected to eliminate out-of-date incentives and encumbrances that had been built into the system on an ad hoc basis and distorted the country's tax and economic systems.

The VAT was pegged at 17.5 percent, which was 2.5 percentage points more than the sales tax it replaced. In many ways, the introduction of VAT was a major test of Ghana's infant democracy, which was established in 1993. A few months after the introduction of the new system, and without much public education on how the new tax should work, massive demonstrations took place in the streets of the major cities and towns, protesting the price increases brought about by the new system. The demonstrations compelled the government to withdraw the VAT (Ayee, 1997; Assibey-Mensah, 1999; Osei, 2000; Terkper, 1999b; World Bank, 2001). The government, however, re-introduced it in 1998, but this time pegged it at 15 percent (Terkper, 1999b; World Bank, 2001).

The re-introduction of the VAT, as well as the other tax policies, helped expand the tax base, and increased revenue collection in the country. For instance, Prichard and Bentum (2009) have shown that between 2004 and 2007 tax revenue dramatically increased to more than 20 percent of GDP. Similarly, according to McKinley and Kyrili (2009), Ghana was one of the only five sub-Saharan African countries to boost its total revenue by five or more percentage points of their GDP – in the case of Ghana, 7.5 points – throughout the 1990s and early in the following decade.

Structurally, the introduction of the VAT meant the establishment of another tax collection agency, the VAT Service, with its own board and staff (Terkper, 1999). It must be said that before the introduction of the VAT in 1995, the NRS, which was meant to be, for the revenue agencies, a step toward the creation of a single, autonomous agency, under the MoFEP had been dissolved and relocated. Again, political considerations by the PNDC government were critical in the decision to put the NRS under the MoFEP. The NRS's connection with public tribunals during the PNDC's revolutionary days fashioned its image as a tool for intimidating political opponents – an institution, in fact, for persecuting businessmen opposed to the PNDC. With the introduction of democracy in 1993, the government felt compelled to change this perception, and it attempted to do so by relocating the NRS back to the MoFEP.[3]

---

[3]We thank Dr. Ayee for this information.[4]For a detailed analysis of the structure and functions of the GRA, including the composition of its Board of Governors, see the Ghana Revenue Authority Act 2009, Act 791.

c. Revenue Agencies Governing Board (1998 – 2009)

The demise of the NRS did not end the government's attempt at creating a single tax administrative agency. In 1998, it created the Revenue Agencies Governing Board (RAGB) as a central governing body in place of the existing boards of the IRS, the CEPS, and the VAT (Terpker, 1999). The idea was to replace the NRS with the RAGB as a way of ensuring stronger co-operation among the three agencies (IRS, CEPS, and VAT). The RAGB was also expected to have a strong head office with responsibility for administering a number of reforms, including a taxpayer identification number system; monitoring the collection and audit activities of the revenue agencies; developing effective cooperation among the agencies; and designing, as well as implementing, uniform personnel policies and an effective internal audit system. The introduction in 1998 of a unique and uniform taxpayer identification number system was an effective tool for improved taxpayer compliance and inter-agency coordination.

The RAGB's function, however, remained unclear, and in 2001 the board was reconstituted to ensure the proper supervision and co-ordination of the activities of the three revenue agencies. In many ways, therefore, it was only in 2002 that the RAGB actually began to work effectively. It must be noted that the organizational structures and procedures of the revenue agencies under the RAGB varied significantly. The IRS covered the whole country with its local offices; the VAT, on the other hand, had only a very small number of inland offices, and the CEPS covered only the borders and their hinterland. From its very foundation, the VAT was fully computerized; the CEPS started using computers in 2008, while the IRS has continued to perform virtually all processes manually. The differences in process standards seriously undermined not only accountability and transparency in the tax system, but also the effectiveness and efficiency of tax collection. Those qualities are especially important when dealing with audits and investigations that require access to all sources of information (Witt and Lautenbacher, 2003:10). Furthermore, all the revenue agencies continued to have their own governing boards, rendering the RAGB ineffective.

Interviews with stakeholders in Ghana indicated that in spite of these reforms and the resultant increase in revenue collection, tax administration in Ghana continues to be bedevilled by many problems, including corruption and the inability to collect taxes from the informal sector and from smaller communities. Data on revenue administration, including collection, personnel, etc., was inadequate, and scattered among the agencies. In particular, the IRS's lack of a strong tax identification system for taxpayers made it difficult to find those who actually pay taxes; even when they were found, it was still extremely challenging to reconcile it with other data. The lack, moreover, of an all-inclusive tax collection system also created a problem with tax instruments. There was, for instance, no fairness with respect to who was paying what and at what time, since there were separate accounts for each taxpayer. Thus, one taxpayer could take advantage of the three agencies by holding separate accounts to forge his or her tax accounts. The need became apparent to ensure equity service, and to simplify the service, and make it convenient for people. Furthermore, in view of the different tax instruments, a number of taxpayers could not access most of the tax benefits that are normally announced in the government's budgets. There was thus also a need to examine the tax instruments, and harmonize them for the benefit of the taxpayer. The government believed that to get through these bottlenecks it had to follow the lead of countries that had demonstrated the benefits of a fully established, operational RA model.

iii: The Ghana Revenue Authority (GRA) – the re-introduction of the RA Model

After its initial failed attempt, in 2010 Ghana successfully reintroduced a RA model. Some background to Ghana's political history is necessary, however, to understand the forces that led to that re-introduction. The first attempt to establish a RA in Ghana, in 1986, was by the PNDC, a military regime that had come to power in 1981. Over the years the PNDC transformed itself into the democratically elected government of the National Democratic Congress (NDC), which ruled the country for two four-year terms, from 1993 to January 2001. The government of the New Patriotic Party (NPP), which replaced the NDC government, did little to alter the structure of the tax administration system it inherited. The NPP lost the 2008 elections to the NDC after also ruling for two terms. The return of the NDC government in 2009 was a milestone in Ghana's experience with the GRA, for at least two reasons. First, the government made the establishment of the Ghana Revenue Authority (GRA) one of its priorities. Second, and most important, the government's economic management team included many individuals involved in the previous PNDC government's effort to develop a RA model in the mid 1980s. Between these periods they acted as consultants and advisers to other African countries, and helped establish RAs in them. Others served as consultants for the World Bank, which had adopted the RA idea, and helped propagate it in many developing countries. Most prominent among the technocrats in the current NDC government who were also instrumental in setting up the GRA was the late Ghanaian President, Professor John Atta-Mills, who was the IRS commissioner under the NRS. The experience of these officials, the lessons learned from the failure to establish a fully operational RA model in Ghana, their involvement in the establishment of the model in a number of developing countries, and their belief in the efficacy of the RA model all helped to propel the model's adoption, notwithstanding the current higher revenue percentage to GDP. It is, therefore, not surprising that establishing the GRA became a priority of the NDC government, and it moved quickly to do just that in Ghana.

The GRA was established with the passing of the GRA Act (2009) 791[4]. Under the law the IRS and VAT Services were combined, and renamed the Domestic Tax Revenue Division, while CEPS maintained its status as the custom division. In addition, a third division was created, comprising the management support service units (Finance, Administration, Research, and Information Technology). The Act also stipulated the appointment of a Commissioner-General at the apex of the organization, with a commissioner for each of the three divisions. The commissioners are expected to report to the Commissioner-General, who reports to the Minister for Finance. The main purpose of this new structure, especially the stipulation that the Commissioner-General reports to the Minister for Finance, is to avoid duplication of functions and conflict, as happened during the NRS period, with two minister-level positions overseeing tax administration. The law also called for the establishment of a Board of Governors to ensure the proper and effective performance of the GRA, and to make recommendations to the Minister of Finance on tax policy, reform, legislation, treaties, exemption, and concessions.

To facilitate implementation, the government set up a technical committee to oversee the establishment of the new agency. The technical committee received significant support from Ghana's developmental partners, including the World Bank, the International Monetary Fund, and governmental organizations such as the USAID, DANIDA, and GTZ. The government also worked hard to gain the support of domestic constituencies. For instance, to obtain the support of the various tax agencies and to allay workers' fear of being laid off, the government absorbed all the employees of the three former agencies. A significant number of these personnel were, however, moved to regional and district offices of the GRA as field officers, with a much

---

[4]For a detailed analysis of the structure and functions of the GRA, including the composition of its Board of Governors, see the Ghana Revenue Authority Act 2009, Act 791.

reduced staff at the headquarters.

The Adoption of the GRA in 2010: An Organizational Learning Perspective

The failure of Ghana's early attempt at implementing the RA model and the modification introduced in its second attempt raise interesting questions, and offer potential lessons on how organizations and public officials in Africa can learn from experience and respond to challenges. As argued earlier, learning consists of the conscious attempt to alter or adjust the goals or techniques of policy in response to experience and new information, leading to new policy directions. Furthermore, learning can be influenced by an organization's own experiences, as well as by drawing lessons from others' (Rose, 1993). In this sense, therefore, Ghana's re-adoption of the GRA can be seen as an example of learning on the part of public officials through their reflection on the organization's experiences, as well as from best practices elsewhere. In this section, we show how Ghana's own experience, as well as experiences of other countries, combined to facilitate the adoption and implementation the GRA. We focus on the following four areas where the Ghanaian officials seem to have learned from experience: the need for institutional legitimacy; clearly defined lines of authority and responsibility; importance of stakeholder involvement; and the need to see organizational change as a long-term process. It is important to caution here that this analysis is not intended to be an evaluation of the GRA model, which will undoubtedly have to wait for some time. Our concern is to examine Ghana's attempt to overcome the problems that stifled its earlier attempt to implement a RA model, and to identify the lessons of that experience.

The Need for Broad Legal backing and Autonomy

The first lesson that the Ghanaian policy-makers seem to have learned from earlier experiences with the RA models is about autonomy: that is, granting the GRA significant powers, backed by legislative instruments to undertake tax administration. Real administrative or operational autonomy is the key to implementing the RA model, because it helps to isolate, as well as insulate, the agency from political interference in the performance of its core functions (Fjeldstad and Moore, 2009; Kangave, 2005; Kidd and Crandall, 2006; Taliercio, 2004). In the context of RA, autonomy included "self-financing mechanisms, boards of directors with high ranking public and private sector representatives, and *sui generis* personnel systems" (Taliercio, 2004:1).

In Ghana's initial attempt at the RA model, the NRS did not have the legislative backing to provide such autonomy (Terkper, 1999). Indeed, an administrative directive established the NRS, and this undermined its ability to function as a strong supervisory institution for tax administration. One respondent familiar with Ghana's NRS and the implementation of RAs in African countries explained that "the major difference between Ghana's initial approach and the policies implemented in Kenya, Uganda and others is that Ghana never empowered the NRS with the necessary executive authority". According to the respondent, this is often reflected in the level of autonomy granted to the revenue institutions, including taking them out of the civil service. He argued that experiences of countries that have implemented RA models indicate that autonomy from the traditional civil service has several advantages that facilitate the implementation of the model. First, such autonomy is important in creating RA as an autonomous institution and one different from a traditional civil service. Second, it helps to separate operations from policy. Specifically, it allows the Ministry of Finance to focus on giving policy directions (e.g., tax policy), while the revenue agency devotes its attention to operations or the implementation of the policy. The Internal Revenue Service in the United States and the Canada Revenue Agency both have such structures – they have personal, as well as institutional, powers, with a board for implementing policies, which is an arrangement quite distinct from that of the Treasury or the Ministry of Finance, where tax policies emanate (Terkper, 1999).

The separation of the RA from the civil service can thus facilitate the development of a new organizational form that ensures the effective and efficient implementation of tax policies. Under the NRS this autonomy with executive powers was never vested in the Director of Revenue, or in the Head of the RAGB – the Executive Secretary. Kenya, Tanzania, Uganda, and some Latin American countries vested the Commissioner-General, or the Director of Revenue, with full executive powers, which accounts for the success they have achieved so far in their revenue mobilization (Taliercio 2004; Terkper 1999).

According to an official of the GRA technical co-coordinating team, the NRS experience, as well as experiences from the other African countries, in 2010 taught the Ghanaian authorities that if they were to have a formidable institution, as in those other countries, they would need a law to support the establishment of the RA; this arrived in the form of the GRA law. The GRA law thus empowers the Commissioner-General and the GRA Board with considerable autonomy in determining the implementation of government tax policies. In sum, the GRA was created as an arms-length organization, with broad substantial powers in its management, including that of personnel, with political oversight from the Ministry of Finance.

Clarity in the Organizational Structure

An organizational structure must be designed with clear lines of authority and responsibilities for the RA model to be successfully implemented. The structure should also take into consideration the question of how to re-assign personnel already in the system. Furthermore, it must identify the hierarchy of responsibilities of organizational members. The GRA model addressed these problems by taking its own lessons from the failure of the NRS model, as well as from the experiences of other countries that adopted similar ones. The NRS, as already noted, was set up as a ministry, and like a ministry acted independently, but never had the powers of a ministry, and operated under the MoFEP. This created conflicts between the NRS and the Ministry of Finance, with the latter feeling that it had lost part of its body. According to one respondent who worked at the MoFEP at the time of the NRS, this confused organizational arrangement instigated a "turf war" between the two, especially with the NRS presenting itself as a professional body, and with the generous incentive package enjoyed by its employees. In the end the Minister of Finance took over the powers and responsibilities of the NRS, leaving it powerless, and contributing to its eventual demise.[5]

Furthermore, the three institutions, which the NRS supervised, had their own commissioners, as well separate boards of directors. This separation affected the harmonious implementation of tax administration, and led to duplication of functions, as well as cumbersome bureaucratic red tape for taxpayers. To overcome this, the GRA integrated the VAT and the IRS as a domestic tax under a commissioner, with the CEPS remaining under another commissioner. The management support services unit, too, is under a commissioner. All three commissioners report to the Commissioner-General, who is also responsible to the GRA board and the Minister of Finance (GRA Act 2009). As explained by a respondent from the GRA, "The Commissioner-

[5]There was also a turf war among the three revenue agencies, especially between the CEPS and the IRS. For instance, unlike the other agencies, the CEPS, as a paramilitary agency, was favoured by the military government of the day. With a few exceptions, the CEPS Commissioner has always been a military officer of at least the rank of Brigadier – including the Commissioner under the current civilian government. Moreover, the conditions of service differed among the three institutions. We thank Dr. Ayee for pointing this out.

General is accountable to the Minister of Finance and to the GRA board, and he is expected to hold management meetings with all the Commissioners frequently to ensure that things are working as expected". In sum, in the context of the GRA structure the roles of the Ministry of Finance, the Board of Directors of the GRA, and the Commissioner-General, with his or her relationships with subordinates, are more clearly delineated.

Involving Essential Stakeholders in the process

The collaborative management and governance literature advocates involving stakeholders in the management of public services (Ansell and Gash, 2007; De Waal, 2002; Yang, 2009). The same principle should apply to designing and implementing tax administration reforms precisely because it can increase their acceptance.

The development of the NRS in Ghana and the various RA models in many other developing countries often took place under authoritarian regimes. In such political environments, civil society and other key national development actors were not usually involved in the policy-making process. In Ghana, for example, in the political environment during the implementation of the NRS, policy-making was considered more as a technocratic venture: the policies were developed without the involvement of the polity (Kpessa, 2011; Ohemeng, 2005). As a result, the major stakeholders, especially the taxpayers, did not understand the reforms, and showed much indifference to them. Furthermore, the lack of involvement of middle level managers and front line bureaucrats exacerbated the "turf war" mentioned earlier. As explained by a respondent who was involved in the NRS process:

> [T]here was that 'rivalry' because one has to understand that the income tax and customs departments of the Ministry of Finance were now under the control of the NRS, and that secretariat was headed by a powerful minister. While the two ministers got on well, the management and the public servants under the two ministers did not, because those in the

Ministry of Finance felt that their turf had been encroached upon by the NRS.

Under the new model there has been a conscious effort to involve the important stakeholders in the process (the employees of the agencies, civil society, and the private-for-profit sector). For instance, a private sector representative sits on the steering committee established to help implement the model. On the involvement of the major stakeholders, a respondent from GRA commented: "So far so good... the President of the Association of Ghana Industry is on the steering committee… We sought the opinion of these stakeholders on even the location of offices."

In every major reform there are some who want to maintain the status quo because it benefits them. Furthermore, there was the fear employment redundancy on the part of some workers. Thus, a critical challenge was to get the employees to accept, and agree to participate in, the reform. To do this the government, through the technical committee, has initiated a series of educational programs to explain the objectives of the reforms to the workers in the three agencies. For instance, various programs and seminars have been held to educate them on the reforms, and to promote a sense of belonging in the institutions. The various commissioners lead these educational efforts, and map out strategies for such education. There are thus continuing measures to explain the reforms, and how technocrats and public officials can bring the RA into reality. More important, unlike Uganda, Kenya, and other places where some employees were laid off, triggering a number of problems (Fjeldstad, 2006; Taliercio, 2004), there have been no layoffs in the Ghanaian case. Instead, some employees have been re-assigned from the headquarters and regional office to district offices as frontline workers involved mainly in domestic tax collection. There have also been training programs for these officials in their new assignments. One respondent captured the effect of the strategy this way:

> I would say that while a lot of lessons have been learned from the establishment of RA in other countries in Africa, we have also had the advantage of seeing the problems that have come from the establishment of the RA in other countries. It is also true that there are certain particularities in our environment that needed to be taken into account. For instance, most countries that have established an RA end up with considerable downsizing of their personnel. But here the environment, i.e., the industrial relations environment, is different. It seems that if we go the route that these countries went, we will end up with a lot more fight, i.e., so much fight against labour, and that we wouldn't have enough time to carry out the reform. So therefore, we decided to absorb all the employees of the revenue agencies into the new agency automatically. That way we will avoid these labour issues and disputes. It must be said, however, that we are doing this because our analysis shows that we will need these personnel, especially at the grass roots (district and local levels), to undertake tax education and revenue collection, and not simply because of the avoidance of labour disputes. So, in this way, I would say that this is unique to Ghana, as not many countries went this way.

Organizational change is not merely a technical process

Whereas administrative reforms have become an important phenomenon in public administration, policy-makers and other international organizations, including the World Bank and the IMF, often underestimate the complexity of such reforms. During the 1980s and early 1990s, public sector reforms were generally conceived as a technical issue – like an engineering problem that could be addressed through blueprints and textbook solutions. The social and political dimensions that are driven by human behaviour and the local circumstances or environment were therefore not accorded the attention they needed (Owusu, 2012). Schacter (2000:7) states that reform "is a long and difficult process that requires public servants to change, fundamentally, the way they regard their jobs, their mission and their interaction with citizens. The technocratic remedies supported by donors underplayed the degree to which progress in PSR [public sector reform] depends upon thorough 'culture change' in the public service" (7). To these one can add the bureaucratic incapacity in many countries to undertake reforms.

It is thus important for policymakers to recognize the difficulty in implementing reforms, especially those that change both the organizational and human cultures in a particular setting, and for them to devise strategies that focus on the long term (Owusu, 2012). Many public sector reforms undertaken during the structural adjustment area in Ghana suffered from this problem (Owusu, 2005). It was assumed that once the problems were identified, and solutions proposed, things would fall in their right places. Hence, a number of issues that should have been addressed before the reforms were undertaken were neglected, either partly or completely. Furthermore, the speed with which some of these reforms were implemented left much to be desired, and undermined their success (Owusu, 2006a). A similar fate befell earlier tax administration reforms, including the establishment of the NRS and the VAT. Ghanaian policy-makers learned from that experience and, therefore, saw the administrative changes involved in establishing the GRA not simply as a technical undertaking that could be resolved with blueprints.

An official involved in the implementation of the GRA acknowledged that the government openly admitted the difficult nature of reforms, and came up with specific strategies for overcoming some of the impediments to earlier ones. The first, as already discussed, was the passing of the GRA Act, which was seen as a means to an end. Thereafter, the government established a technical committee that consisted of a number of experts, including those who had worked on the NRS, as well as some who had helped to establish RA in other parts of Africa. A conscious attempt was also made to bring together the various stakeholders to secure the acceptance and cooperation needed for the success of the reform.

More important, instead of packaging it as one gigantic reform, the government decided to split it into thematic areas, and presented each as a separate phase of the program. There is the Revenue Coordination and Modernization group, which looks at the various forms of legislation, and considers, for instance, which laws need to be retained as part of the legal framework of the GRA; how the legal framework can bring about organizational changes, as well as bring people together; how to modernize the tax revenue systems; and how to bring several other issues into the reform. The group is led by one of the deputy commissioners. A Customer Service Delivery group examines the issue of stakeholders and the taxpayers' services, including ones not yet offered. It is also looking at the idea of change management issues and the branding of the new GRA.

There is an Assets Management Group, which examines both the assets of the various agencies, and how to manage them, and program administration. They are also studying human resource management issues, and advising on the nature of work, the skills needed for that work, and Information Technology skills levels, in order to help develop training for personnel. The Ghanaian policy-makers believed that an integrated Human Resource (HR) management system, including the transfer of names and data of all personnel, should be obtained, and organized into a new HR policy. Such a thing would be useful in determining the conditions of service and personnel movements.

The last group is the IT Development Services Group, which focuses on the GRA website, the use of intranet, the use of the internet for tax filing and in the tax identification system, and on how the various groups can use IT to support each other. Consultants work on aspects of the reform, including the codification of tax procedures and the consolidation of all tax laws. All these activities are being coordinated by the Steering Committee, which is expected to produce a Project Charter, provide regular advice to them, and scrutinize the organizational plan and the budget for the reforms. One official asserted: "We are approaching the whole job through thematic areas".

Summary and Conclusion

In developing countries concerns over domestic revenue mobilization have made tax administration reform a major issue. Addressing tax problems is, however, a complex process: one that involves reforming the tax administration system to expand the tax base, as well as setting up administrative structures with sufficient autonomy and a professional attitude to administer the tax system. In many countries the RA model, which is an attempt to integrate various tax agencies into one tax body, has been used as a tax administrative system to help them widen the tax net, develop better tax policies, increase the efficiency and effectiveness of tax collection, and reduce corruption among tax officials.

Using the case study of Ghana, the first developing country to attempt (albeit unsuccessfully) to implement the RA model, we argued that the complexity of the project was such that the Ghanaian officials responsible had no choice but to acknowledge that they did not know enough to see it through. The ones who initiated the failed attempt went on to become the main architects of the RA model in several other African countries. They learned many lessons from that exercise that helped in the re-introduction of the RA model in Ghana when their party's government (the NDC) returned to power in 2008. We argue that Ghana's earlier efforts in implementing the RA model and the recent changes under the GRA are symptomatic of policy-making that draws on experiences, and avoids challenging the overall terms of the policy paradigm – what Hall calls "normal policy making", rather than a "paradigm shift". We draw the following general and specific lessons from our analysis.

First, our analysis shows that, given enough time to experiment, policy-makers in Africa can lead efforts in reforming and creating administrative structures that can respond to the needs of their countries and are appropriate to their specific political and economic contexts. The successful adoption of RA models in other African countries, where the Ghanaian reformers worked after the unsuccessful attempt at introducing RA in Ghana, shows that the policy learning occurred not only in Ghana, but also in the countries where the RA models were successfully implemented (Ayee, 2010; Fjeldstad, 2007). The spread of electoral democracies, and the resultant political stability in many countries, as well as the increased sharing of African experts, consultants for governments, and development partners in the region, have created opportunities for African institutions and countries to share experiences and learn from best practices. The economic and political conditions can limit the availability of such opportunities for policy innovation in some African countries. Even where such opportunities exist, it is important to note that policy innovations often involve experimentation and learning, and will require time to be perfected.

Second, the Ghanaian case is an example of an opportunity for innovations in normal policy-making by Africans. It does not, however, address the capacity of African policy-makers to initiate and lead efforts that will result in a paradigm shift in public policy. As Peter Hall argues, paradigm shift in public policy is often a more complicated process than has been presented here. In particular, the role of individual experts in such circumstances may be less important, however, ensuring that public acceptance of the policy change is often critical. Thus, the question of whether African governments and policy-makers have the capacity to lead major paradigm shifts is an empirical one that must be tested. So far, most paradigm shifts in policy in Africa have been driven by external development agencies (World Bank, 1981).

The final lesson relates to the successful adaptation of the GRA to the country's socio-economic and political context. The success of Ghana's RA model will depend not only on the country's ability to continue learning from its past and from other countries, but, more important, also on its ability to make incremental changes when needed. There will definitely be road bumps on the way; but if it continues to follow the path it is treading, the country may well become the ideal model that others can learn from. Sustaining such optimism in Africa will, however, require the development partners to recognize the importance of learning in policy-making, and to support African policy-makers in this effort, and to not rush to supplant them with foreign consultants, ideas, and institutions.

Several factors call for caution in generalizing from the findings of this study. First, while anecdotal evidence suggests that the GRA has been successful in terms of revenue generation and collection (GoG, 2012), this paper did not assess the effectiveness of the GRA. A case for the GRA as model for other African countries would have to be predicated on a rigorous assessment of the GRA. Second, a case for the capacity of African policy-makers to lead policy innovation cannot be inferred from the experience of one organization in one country. More studies on different institutions in other countries will be necessary to provide a basis for such a claim. Finally, even though we believe other African countries attempting to implement the RA models can learn some lessons from Ghana, and from other countries that have successfully implemented the RA model, we are cautious of one-size-does-fit-all approaches. Thus, the lessons discussed here should not be seen as blueprints, but as recommendations that can be adapted to each country's specific contexts.

References

Alavi, M. and Tiwana V. (2005) 'Knowledge Management: The Information Technology Dimension,' in M. Easterby-Smith, L. Araujo & J. Burgoyne (eds.), *Organizational Learning and the Learning Organization: Developments in Theory and Practice,* London: Sage

Ansell, C. and Gash A.G. (2007) Collaborative Governance in Theory and Practice, *Journal of Public Administration Theory and Practice*, 18: 4, pp.543-571

Argyris, C., and Schön D. (1978) *Organizational Learning: A Theory of Action Perspective,* Reading, Mass: Addison Wesley.

Assibey-Mensah, G. O. (1999) 'The Value-Added Tax in Ghana,' *Public Budgeting & Finance*, 19: 2 pp.76-89

Atta-Mills, J. E. (2002) 'Improving Resources and Organizational Structures of the Tax Administration,' A paper presented at the Third regional Workshop on Taxation, Brasilia, Brazil, 3-5 December. http://unpan1.un.org/intradoc/groups/public/documents/un/unpan006399.pdf (accessed, 26 February, 2011)

Ayee, J.R.A. (2010) 'Good Tax Governance in Africa,' A paper presented at the workshop organized by the Centre for African Budget Initiative (CABRI) and the African Tax Association Forum (ATAF), Pretoria, South Africa, 19-20 July

Ayee, J.R.A. (1997) 'Policy Management in Ghana: The Case of the Value Add Tax (VAT),' *African Journal of Public Administration and Management*, VIII-IX: 2 pp.51-64

Barrette, J., Lemyre, L., Corneil, W., Beauregard, N. (2012) 'Organizational Learning Facilitators in the Canadian Public Sector,' *International Journal of Public Administration*,

35:2, pp.137-149
____ (2007) 'Organizational Learning among Senior Public-Service Executives: An Empirical Investigation of Culture, Decisional Latitude and Supportive Communication,' *Canadian Public Administration*, 50: 3, pp.333-353
Bird, R.M. (2008) 'Tax Challenges Facing Developing Countries,' *Institute for International Business Working Paper Series*, IIB Paper No. 12
____ (2004) 'Managing Tax Reform,' *International Bureau of Fiscal Documentation*, 58: 2 pp.42-55
____ (1989) 'The Administrative Dimension of Tax Reform in Developing Countries,' in Malcolm Gillis (ed.) *Tax Reform in Developing Countries*, Duke University Press
Braun, D. and Benninghoff, M. (2003) 'Policy Learning in Swiss Research Policy—The Case of the National Centres of Competence in Research,' *Research Policy*, 32: 10 pp1849–1863
Brautigam, D. A. (2008) "Introduction: Taxation and State-building in developing countries," in Deborah A. Brautigam and Mick Moore (eds.) *Taxation and State-Building in Developing Countries: Capacity and Consent*, Cambridge, UK: Cambridge University Press
Büchel, B. and Probst, G. (2000) 'From Organizational Learning to Knowledge Management,' www.seite:http://hec.info.unige.ch/recherches_publications (accessed 16/05/2011)
Chand, S. K. and Moene, K. O. (1999) 'Controlling Fiscal Corruption,' *World Development*, 27: 7, pp. 1129-1140
Childs, J. and S. Rodrigues (2011) 'Social identity and organizational learning,' in Mark Easterby-Smith and Marjorie A. Lyles (eds.) Handbook of Organizational Learning and Knowledge Management, 2nd Edition, Wiley
Common, R. (2004) 'Organisational Learning in a Political Environment: Improving Policy Making in the UK government,' *Policy Studies*, 25: 1, pp. 35-50
Conteh, C. and Ohemeng, F. L. K. (2009) 'The Politics of Decision-Making in Developing Countries: A Comparative Analysis of Privatization Decisions in Botswana and Ghana,' *Public Management Review*, 11: 1 pp. 57-77
Crandall, W. (2010) *Autonomy in Tax Administration and the Revenue Authority Model*, Technical Notes and Manuals, IMF, Washington D.C.
Crossan, M., Mauer, C., White, R. E. (2011) Reflections on the 2009 Decade Award: Do we have a Theory of Organizational Learning? *Academy of Management Review*, 36:3 pp. 446-460
Culebro-Moreno, J.E. (2005) 'Autonomisation of the State in Mexico and New Forms of Control: The Introduction of Performance Agreements in the Para-State Governmental Agencies," Paper for the Scancor Workshop, Stanford University, California, 1 -2 April
Culebro-Moreno, J. E. and Askvik, S. (2010) 'Imitation, Learning and the Founding of a New Organization: The Creation of the Mexican Board of Tourist Promotion,' *Economía, Sociedad y Territorio,* 10: 33 pp.327-353
Davis, T. R. V., and Luthans, F. (1980) 'A Social Learning Approach to Organizational Behaviour,' *The Academy of Management Review*, 5: 2, pp.281-290
de Waal, A., (2007) 'Is Performance Management Applicable in Developing Countries? The Case of a Tanzanian College,' *International Journal of Emerging Markets*, 2: 1 pp.69-83
Devas, N., Delay, S. and Hubbard, M. (2001) 'Revenue Authorities: Are they the Right Vehicle for Improved Tax Administration?' *Public Administration and Development*, 21: 3 pp211-222

Di John, J. (2011) 'Taxation, developmental state and poverty reduction,' *International Journal of Social Welfare* (forthcoming)

Di John, J. (2010) 'The Political Economy of Taxation and Resource Mobilization in Sub-Saharan Africa,' in Vishnu Padayachee (ed.) *The Political Economy of Africa*, New York: Routledge

Dia, M. (1996) *Africa's Management in the 1990s and Beyond: Reconciling Indigenous and Transplanted Institutions*, Washington D. C: World Bank

Easterby-Smith, M. and Lyles, M. A. (2005) 'Introduction: Watersheds of organizational learning and knowledge management,' in M. Easterby-Smith., L. Araujo & J. Burgoyne (eds.), *Organizational Learning and the Learning Organization: Developments in Theory and Practice*, London: Sage

Elkjaer, B. (1999) 'In Search of Social Learning Theory,' in M. Easterby-Smith., L. Araujo & J. Burgoyne (eds.), *Organizational Learning and the Learning Organization: Developments in Theory and Practice*, London: Sage

Everest-Phillips, M. (2010) 'State-Building Taxation for Developing Countries: Principles for Reform,' *Development Policy Review*, 28: 1, pp.75-96

Finger, M., and Brand, S. B. (1999) 'The Concept of the Learning Organization Applied to the Transformation of the Public Sector: Conceptual Contribution for Theory Development in Organizational Learning and Learning Organization,' in Easterby-Smith, M., Burgoyne, J. & Araujo, L. (eds.), *Development in Theory and Practice,* London: Sage

Fjeldstad, O. (2007*) Revenue Authorities: Experiences from sub-Saharan Africa*, A presentation at the Conference on Poverty Policies and Budgetary Processes, Windhoek, 5-6 July

Fjeldstad, O. (2006) 'Corruption in Tax Administration: Lessons from Institutional Reforms in Uganda,' in Susan Rose-Ackerman (ed.) *The International Handbook on the Economics of Corruption*, Cheltenham: Edward Elgar Press

Fjeldstad, O. and Moore, M. (2009) 'Revenue Authorities and Public Authority in Sub-Saharan Africa,' *Journal of Modern African Studies*, 47: 1, pp. 1–18

Gocking, R. (1996) 'Ghana's Public Tribunals: An Experiment in Revolutionary Justice,' *African Affairs,* 95: 379, pp. 197-223

Government of Ghana (GoG) (2012) GRA Exceeds Revenue Target for Last Year, http://www.ghana.gov.gh/index.php/news/general-news/10330-gra-exceeds-revenue-target-for-last-year (accessed December, 1, 2012)

Haldenwang, C. von (2010) 'Taxation, Fiscal Decentralisation and Legitimacy: The Role of Semi-Autonomous Tax Agencies in Peru,' *Development Policy Review*, 28: 6 pp. 643-667

Hall, P. A. (1993) 'Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Britain,' *Comparative Politics,* 25: 3, pp.275–97

Herbst, J. (1993) *The Politics of Reform in Ghana, 1982-91*, Berkeley: University of California

Hodder-Williams, R. (1984) *An Introduction to the Politics of Tropical Africa,* London: George Allen & Unwin

Hovland, I. (2003) 'Knowledge Management and Organisational Learning: An International Development Perspective. An Annotated Bibliography,' Overseas Development Institute, Working Paper 224

Huff, W. G. (1999) 'Turning the Corner in Singapore's Developmental state?' *Asian Survey*, 39: 2, pp.214-242

Hutchful, E (2002) *Ghana's Adjustment Experience: The Paradox of Reform*, London: James

Curry
Ingram, P. and Baum, J. A. C. (1997) 'Opportunity and Constraint: Organizations Learning from the Operating and Competitive Experience of Industries,' *Strategic Management Journal,* 18: 7, pp.75-98
Jacobs, C. and Coghlan, D. (2005) 'Sound from Silence: On Listening in Organizational Learning,' *Human Relations*, 58: 1, pp.115-138
Joshi, A. and Ayee, J. (2009) Autonomy or Organization? Reforms in the Ghanaian Internal Revenue Service, *Public Administration and Development*, 29: 4, pp.289–302
______ (2008) 'Associational Taxation: A Pathway into the Informal Sector?' in Deborah A. Brautigam and Mick Moore (eds.) *Taxation and State-Building in Developing Countries: Capacity and Consent*, Cambridge, UK: Cambridge University Press
Kangave, J. (2005) 'Improving Tax Administration: A Case Study of the Uganda Revenue Authority,' *Journal of African Law*, 49: 2, pp. 145–176
Kettle, D. F. (1988) *Government by Proxy: (Mis?)Managing Federal Programs*, Washington, D.C: CQ Press
Kidd, M. and Crandall, W. (2006) Revenue Authorities: Issues and Problems in Evaluating their Success, International Monetary Fund Working Paper, WP/06/240
Killick, T. (2010) *Development Economics in Action*, 2nd edition, New York: Routledge
Kpessa, M.W. (2011) The Politics of Public Policy in Ghana: From Closed Circuit Bureaucrats to Citizenry Engagement, *Journal of Developing Societies*, 27: 1 pp.29-56
Kunateh, (2012) Ghana Revenue Authority exceeds 2011 revenue target by 15.4%, *The Ghanaian Chronicle*, January 18, Business News
Kusi, N. K. (1998) *Tax Reform and Revenue Productivity in Ghana*, Nairobi, Kenya: The African Economic Research Consortium
Levitt, B., and March, J. G. (1988) Organizational Learning, *Annual Review of Sociology,* 14, pp. 319-340
Lynn, L. E. Jr. (1994) Public Management Research: The Triumph of Art over Science, *Journal of Policy Analysis and Management*, 13: 2 pp 231-259
Manasan, R. G. (2003) Tax Administration Reform: Semi-Autonomous Revenue Authority, Anyone? *Philippine Journal of Development*, XXX: 2 pp.173-193
McCarten, W. (2006) The Role of Organizational Design in the Revenue Strategies of Developing Countries: Benchmarking with VAT Performance, in James Alm, Jorge Martinez-Vazquez and Mark Rider (eds.) *The Challenges of Tax Reform in a Global Economy*, New York, NY: Springer.
McKinley, T. and Kyrili, K (2009) *Is Stagnation of Domestic Revenue in Low-Income Countries Inevitable?* Discussion Paper 27/09, Centre for Development Policy & Research, School of Oriental & African Studies, University of London, London, UK,
Miller, D. (1996) A Preliminary Typology of Organizational Learning: Synthesizing the Literature, *Journal of Management*, 22: 3 pp.485-505
Nti, J. (1980) *Civil Service: Its Appraisal and its Prospects*, Accra: Ghana Universities Press.
Prichard, W. (2009) *The Politics of Taxation and Implications for Accountability in Ghana*, 1981-2008, IDS Working Paper 330
Prichard, W. and Bentum, I. (2009) Taxation and Development in Ghana: Finance, Equity and Accountability, Ghana Report, Tax Justice Country Report Series, http://www.eurodad.org/uploadedFiles/Whats_New/Reports/Ghana_0906_Report_printer_fri

endly%5B2%5D.pdf (accessed 15th January 2011)

Olukoshi, A. (1999) 'State, Conflict, and Democracy in Africa: The Complex Process of Renewal,' in Richard Joseph (ed.) *State, Conflict, and Democracy in Africa,* Boulder, CO: Lynne Rienner

Olowu, B. (1999) Redesigning African Civil Service Reforms, *The Journal of Modern African Studies*, 37: 1, pp. 1-23

Osei, P. D. (2000) Political Liberalisation and the Implementation of Value Added Tax in Ghana, *The Journal of Modern African Studies,* 38:2, pp. 255-278

Osei, R. D. and Quartey, P. (2005) *Tax Reforms in Ghana,* WIDER Research Paper No. 2005/66, Helsinki: Finland

Overman, E. S. and Boyd, K. J. (1994) Best Practice Research and Post-bureaucratic Reform, *Journal of Public Administration Research and Theory*, 4: 1, pp.67-83

Owusu-Afriyie, E. (2009) An Assessment of the Impact of Tax Reforms on the Tax System of Ghana, Monetary Policy Analysis and Financial Stability, Department, Bank of Ghana, August

Owusu, F. (2005) Livelihood Strategies and Performance of Ghana's Health and Education Sectors: Exploring the Connections, *Public Administration and Development,* 25: 2 pp.157–174

Owusu, F. (2006a) Differences in the Performance of Public Organizations in Ghana: Implications for Public Sector Reform Policy, *Development Policy Review*, 24: 6 pp.675-687

Owusu, F. (2006b) 'Pragmatism and the shift from Dependency to Neoliberalism,' in M. Smith (ed.) *Beyond the 'African Tragedy' Development and the Global Economy*, London: Palgrave.

Owusu, F. (2012) Organizational Culture and Public Sector Reforms in a Post-Washington Consensus Era: Lessons from Ghana's 'Good Performers,' *Progress in Development Studies,* 12: 2&3, pp.131-151

Owusu, F. and Ohemeng, F.L.K (2012) 'The Public Sector and Development in Africa: The Case for a Developmental Public Service, in Kobena T. Hanson, George Kararach, and Timonty M. Shaw (eds.) *Rethinking Development Challenges for Public Policy: Insights from Contemporary Africa*, Basingstoke, UK., Palgrave Macmillan

Rashman, L., Withers, E. & Hartley, J. (2009) Organizational Learning and Knowledge in Public Service Organizations: A Systematic Review of the Literature, *International Journal of Management Review*, 11: 4, pp. 463-494.

Ridley, F. (1996) The New Public Management in Europe: Comparative Perspectives, *Public Policy and Administration*, 11: 1 pp.16-29

Rose, R. (1993) *Lesson-Drawing in Public Policy: A Guide to Learning across Time and Space,* Chatham House, New Jersey

Sanchez, R. (2005) 'Knowledge Management and Organizational Learning: Fundamental Concepts for Theory and Practice,' Lund Institute of Economic Research, Working Paper Series, 2005/3

Sanchez, R. (2001) 'Managing Knowledge into Competence: The Five Learning Cycles of the Competent Organization,' in Ron Sanchez (ed.) *Knowledge Management and Organizational Competence,* Oxford: Oxford University Press

Schacter, M. (2000) *Public Sector Reform in Developing Countries: Issues, Lessons, and Future*

Directions, A paper prepared for: Policy Branch, Canadian International Development Agency, http://iog.ca/en/publications/public-sector-reform-developing-countries-issues-lessons-and-future-directions

Shoup, C. S. (1990) 'Choosing among Types of VATs,' in Malcolm Gilles, Carl S. Shoup, and Gerardo P. Sicat (eds.) *Value Added Taxation in Developing Countries*, Washington, D.C: The World Bank

Sindzingre, A. (2007) Financing the Developmental State: Tax and Revenue Issues, *Development Policy Review*, 25: 5 pp.615-632

Spender, J. C. (2008) Organizational Learning and Knowledge Management: Whence and Whither? *Management Learning*, 39: 2 pp.159-176

Taliercio, R Jr., (2004) Administrative Reform as Credible Commitment: The Impact of Autonomy on Revenue Authority Performance in Latin America, *World Development*, 32: 2 pp.213-232

Tangri, R. (1991) The Politics of State Divestiture in Ghana, *African Affairs*, 90, 523-536

Tanzi, V. and Pellechio, A. (1997) 'Reform of Tax Administration,' in Christopher K Clague (ed.) *Institutions and Economic Development: Growth and Governance in Less-Developed and Post-Socialist Countries*, Baltimore: Johns Hopkins University Press

Terkper, S. (1999) Revenue Authorities: A Comparison of the Experience of Ghana and East Africa countries, *Bulletin for International Fiscal Documentation,* 53: 4 pp171–9.

_______ (1999b) Ghana: Scope of New VAT laws, *International VAT Monitor*, 10: 1,

_______ (1994) Ghana: Trends in Tax Reform (1985-93), 8 Tax Notes International,

_______ (1993) The VAT Challenge in Sub-Saharan Africa: Ghana-A Case Study, *International VAT Monitor.* The Hague: International Bureau of Fiscal Documentation.

United Nations Economic Commission for Africa (UNECA) (2011) *Governing Development in Africa - The Role of the State in Economic Transformation,* Addis Ababa, Ethiopia

Vera, D. and Crossan, M. (2005) 'Organizational Learning and Knowledge Management,' in M. Easterby-Smith., L. Araujo & J. Burgoyne (eds.), *Organizational Learning and the Learning Organization: Developments in Theory and Practice*. London: Sage

Von Maravic, P. (2007) Public Management Reform and Corruption – Conceptualizing the Unintended Consequences, *Administration and Public Management Review*, 8, 126-148

Witt, M. and Lautenbacher, U. (2003) Institutional Strengthening of the Tax System in Ghana, Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH, Dag-Hammarskjöld-Weg 1-5 65760 Eschborn, Germany

World Bank (1981) Accelerated Development in Sub-Saharan Africa: An Agenda for Action. Washington, DC: The World Bank.

Yang, K. (2009) Examining Perceived Honest Performance Reporting by Public Organizations: Bureaucratic Politics and Organizational practices, *Journal of Public Administration Research and Theory*, 19: 1 pp.81-105