Revenue administration and corruption

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REVENUE ADMINISTRATION AND CORRUPTION

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The aim of this U4 Issue paper is to identify and discuss major challenges, appropriate responses, and relevant tools for addressing corruption in revenue administrations. This text is part of the output from the U4 Focus Area on Public Financial Management and Corruption.

How does corruption affect revenue collection, and what are the consequences for development indicators such as growth and poverty? This paper explores the driving forces behind fiscal corruption in order to facilitate a thorough understanding of the problem - a prerequisite for anyone who wants to succeed in designing appropriate measures to improve the situation.

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INTRODUCTION

This paper draws on available studies and evaluations addressing the question of corruption in revenue administrations, as well as on the author's own research. In this text the terms revenue administration and tax administration are used interchangeably.

Limitations of the present donor approaches

This issue paper emphasises the economic, social, and political dimensions of anti-corruption reforms, and the limitations of some of the 'technocratic' approaches to institutional reforms taken by donors. Donor approaches have often overlooked the fact that reforming a revenue administration - although it has important technical aspects, is also a social and political phenomenon driven by human behaviour and local circumstances. It is often a long and difficult process that requires civil servants and politicians to change the way they regard their jobs and responsibilities, including their tasks and their interaction with citizens.

Country specific and thematic knowledge on corruption ought to be combined with operationally relevant knowledge of corruption in revenue administration. Studies of particular countries that have managed to contain problems of systemic corruption, or of specific measures designed to fight fiscal corruption directly, may offer insights that are potentially replicable in other situations. They may also clarify the extent to which the experiences of one country or institution are transferable to others. Additionally, such research may produce evidence on the limitations of universal anti-corruption prescriptions, and also help to identify major constraints facing donor interventions.

What you will not find in this paper

This issue paper focuses on corruption in national revenue administrations. This includes the institutions responsible for collecting the bulk of domestic revenues in the form of income taxes, value-added-tax (VAT), national sales taxes, excises, customs duties, etc. In practice, this includes revenue departments either located within ministries of finance or semi-autonomous revenue authorities.

Local government revenue systems are not included here, since this is the theme for a separate issue paper dealing with decentralisation and corruption. Moreover, revenues in the form of various licenses, fees, and fines are not covered by this paper. This effectively excludes (from this paper) licenses collected by various line ministries (e.g. hunting and fishing licenses), fines collected by the police, and tuition fees collected by ministries responsible for education, etc. This does not imply that corruption is not considered a problem in connection with such revenue sources - quite the con-
trary. However, the fact that these incomes generally do not represent major revenue sources, leads us to focus on national revenue administrations.

Since the focus is on corruption, this issue paper does not contain a complete account of all the arguments, questions, and debates that concern the reform and modernisation of revenue administrations. Nor does it go into detail on other issues that are covered on the U4 website (www.u4.no and http://partner.u4.no). Certain areas where corruption may play a role, but where there is no evidence available, are also given limited attention.

1. DEFINITIONS AND FORMS

One battery of definitions

To choose a set of definitions of corruption is the conventional starting point of most corruption analyses. This may literally be done in an infinite number of ways (see chapter 2 in the report Corruption: A review of contemporary research - pdf ). However, the working definition used by the U4, the World Bank, Transparency International, and others is that corruption is the abuse of public power for private benefit. This definition implies that corruption is behaviour that deviates from the formal duties of a public role (elective or appointive) because of private-regarding (personal, close family, private clique) wealth, power or status gains

The literature suggests different ways of categorising corruption in the revenue administration, some of which are useful and others less so from a practical anti-corruption point of view.

A classification of corruption that has practical applications to the revenue administration's working environment is suggested in the Customs Modernisation Handbook, published by the World Bank in 2005

A slight modification of this classification, which also makes it applicable for other parts of the revenue administration, in addition to Customs, distinguishes between:

- Petty and grand corruption
- Bribery
- Misappropriation
- Embezzlement
- Extortion
- Patronage

Petty and grand corruption

Corruption is often categorised into two broad types: petty corruption and grand corruption. Petty corruption is the everyday corruption that takes place at the implementation end of politics, where public officials meet the public. Sometimes it is referred to as ‘routine’ corruption, whereby - for instance - private importers of goods pay bribes to obtain a speedy completion of routine customs procedures, or whereby import goods with high customs duty and excise rates are classified as goods with lower rates. Petty corruption is also described as ‘survival’ corruption; a form of corruption which is pursued by junior or mid-level revenue officers who may be grossly underpaid and who depend on relatively small but illegal rents to feed and house their families and pay for their children’s education.

Grand corruption, on the other hand, may take place when tax policy (or amendments to tax laws and regulations) is made. It usually involves more senior officials and significant amounts of money. One example is the granting of discretionary tax exemptions to large companies by senior civil servants and ministers. Accordingly, since petty corruption is perceived to be different from grand corruption, some observers argue that different strategies are required to deal with these two types of corruption. In practice, however, it is often hard to distinguish between these forms of corruption in the revenue administration. For instance, revenue officers at all levels often collude in corruption networks. Moreover, by referring to petty corruption as a ‘survival’ strategy, one risks legitimising some forms of corruption which are damaging for the society and state-citizen relationship. Finally, the active or passive role of taxpayers in defrauding the treasury is ignored in this type of categorisation.

Bribery

Bribery in the revenue administration includes:

- Payments to alter or reduce duty or taxation liabilities,
- payments to ensure that revenue officers turn a blind eye to illegal activities (e.g. drugs and weapons imports),
- payments or ‘kickbacks' to ensure that an individual or a firm is successful in obtaining a lucrative tax exemption from normal administrative formalities, and
- payments to secure or facilitate the issuance or processing of licenses and clearances.

In the first half of the 1990s the Revenue Department within the Ministry of Finance in Tanzania went under the nickname the ‘Tax Exemption Department’, due to the widespread granting of discretionary tax exemptions to business people willing to pay for this ‘service'.

In the Philippines prior to the reforms of the late 1990s, customs officials seemed to consider that they had the right to obtain compensation for their services. Businesses had become accustomed to giving small bribes as part of their standard operating procedures. It was generally accepted that it was necessary to pay someone to ‘facilitate’ even fully legitimate transactions, and to have the services of someone personally friendly with customs officers in order to avoid harassment. In Tanzania, goods imported to religious and children’s education.

www.u4.no
Misappropriation

Misappropriation includes a wide range of behaviours such as: falsification of records, misclassification of goods, and fraud (See Table 1 below). This form of corruption is a common factor in revenue administrations in developing countries where administrative controls or checks and balances are not always present and where supervision and audits of financial transactions are not well developed. For instance, a review in Tanzania a few years back concluded that at least 50% of all transit imports were unable to provide final documents proving that goods had arrived at their final destination. They most likely ended up on the domestic market, implying substantial revenue losses.

A common method to avoid pre-shipment inspection of goods before shipment from the export country is to split the goods into units which individually are worth less than the minimum required to trigger inspection. The goods are therefore exempted from pre-shipment inspection. Underreporting the value of goods is also common, for instance for second-hand cars.

Embezzlement

Embezzlement is plain and simple theft whereby revenue officers steal money collected, leaving little or nothing behind for the treasury. For instance, in Tanzania in the mid-1990s a study conducted by one of the business associations reported that embezzlement of collected taxes by tax collectors and administrators - which did not implicate taxpayers - was widespread. It was caused by poor control routines in the tax administration. Sometimes embezzlement takes place with the collusion of bank employees and/or auditors within the revenue administration.

Extortion

Extortion implies taking advantage of taxpayers’ incomplete knowledge of tax legislation. Tax collectors may threaten taxpayers to pay more than they are obliged to, and often assume that taxpayers will not be financially able to press charges. This form of corruption is difficult to quantify. Nevertheless, in some countries small businesses - including hotels and restaurants - claim that this is a big problem.

Patronage

Patronage and social obligations in the revenue administration can include such behaviours as the selection, transfer, or promotion of staff on the basis of kinship, tribal, and other social relationships regardless of merit. In some countries tax officers are seen by their family members and social networks as important potential patrons who have access to money, resources, and opportunities that they are morally obliged to share. A person in a position of power is expected to use that influence to help his or her kin and community of origin. Therefore, to accumulate, even in corrupt ways, is not necessarily perceived to be bad in itself. It is accumulation without distribution which is considered unethical. Only someone who accumulates can redistribute and be identified as ‘a man of honor’ or ‘a big man’.

Table 1, page 6: Common forms of tax evasion in developing countries - mechanisms of integrity violations in revenue administrations.
<table>
<thead>
<tr>
<th>TYPES</th>
<th>MECHANISM OF INTEGRITY VIOLATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. ‘Unadulterated’ tax evasion (without the involvement of tax officers)</strong></td>
<td></td>
</tr>
<tr>
<td>Smuggling</td>
<td>Smuggling of goods (beer, spirits, soap, sugar, cooking oil, etc.). Border police is involved in some cases.</td>
</tr>
<tr>
<td>Taxable income/transactions are not reported or are underreported in accounts</td>
<td>Several ledgers are often used, including one for taxation purposes that may show a deficit. Common within many businesses.</td>
</tr>
<tr>
<td>Underreporting of turnover</td>
<td>Common within retail and wholesale sectors.</td>
</tr>
<tr>
<td>Overreporting of expenditures</td>
<td>An accounting trick to reduce tax burden.</td>
</tr>
<tr>
<td>Underreporting of the value of imports</td>
<td>A general problem in imports of goods.</td>
</tr>
<tr>
<td>Misclassification of goods</td>
<td>Import goods with high tax and duty rates are classified as goods with lower rates. One example is the classification of alcoholic beverages as mineral water. May involve customs officers (see below).</td>
</tr>
<tr>
<td>Goods in transit are sold on the domestic market</td>
<td>Could involve many types of commodities. In some African countries it is a particularly big problem with respect to oil and petroleum products. In some cases customs officers and other civil servants are directly involved.</td>
</tr>
<tr>
<td><strong>2. Collusion between revenue officers and taxpayers</strong></td>
<td></td>
</tr>
<tr>
<td>Tax exemptions</td>
<td>Involves the tax administration, the Ministry of Finance, and other public agencies, such as investment centres, which are in position to issue exemptions. In some cases, the taxpayer is not registered in the tax registers, but pays a lower tax ‘privately’ to tax collectors.</td>
</tr>
<tr>
<td>VAT fraud</td>
<td>Falsified claims for VAT refunds. Can occur with the help of collaborators within the tax administration.</td>
</tr>
<tr>
<td>Goods in transit</td>
<td>One way of evading tax is to report import goods as transit goods. Customs officers and importers work together occasionally.</td>
</tr>
<tr>
<td>False classification of goods</td>
<td>Customs officers may be involved (see above).</td>
</tr>
<tr>
<td>Underreporting value of goods</td>
<td>To avoid pre-shipment inspection of goods before shipment from the export country, a common method is to split the goods into units which individually are worth less than the minimum required to trigger inspection. The goods are therefore exempted from pre-shipment inspection.</td>
</tr>
<tr>
<td><strong>3. Corruption without the direct involvement of taxpayers</strong></td>
<td></td>
</tr>
<tr>
<td>Extortion</td>
<td>By taking advantage of taxpayers’ incomplete knowledge of tax legislation, revenue officers threaten taxpayers to pay above rates.</td>
</tr>
<tr>
<td>Embezzlement of collected revenue</td>
<td>Revenue officers steal money collected. May take place with the collusion of bank employees and/or auditors within the tax administration.</td>
</tr>
<tr>
<td>Fraud</td>
<td>Falsifying tax receipts is common.</td>
</tr>
<tr>
<td>Corrupt inspectors/auditors</td>
<td>Internal auditing may be inefficient and corrupt. Exacerbates the problems of corruption since it undermines the credibility of the monitoring policy.</td>
</tr>
</tbody>
</table>
2. AT THE ROOT OF ADJUSTMENT AND GROWTH PROBLEMS

Huge amounts of revenues cannot be accounted for

Studies in various developing countries indicate that it is not uncommon that half or more of the taxes that should be collected cannot be traced by government treasuries due to corruption and tax evasion. This tax-base erosion is particularly damaging since insufficient domestic revenue mobilisation is considered the root of the adjustment and growth problems faced by many developing countries. These are some examples of the adverse effects of corruption in a country's revenue administration:

- Significant revenue leakages impacts on the funding available for public service provision (Examples from Guatemala, Ecuador, and Tanzania)

- Reduction of voluntary compliance with tax laws and regulations through bribe-paying for tax evasion (Example from Uganda showing correlation between firm-size and bribe-paying)

- Resistance to reforming the tax structure (Example from Indonesia)

- Erosion of public trust and confidence in government institutions - undermining the legitimacy of government

Other effects of corruption in revenue administration (not further explained in this section):

- Increased costs for individual taxpayers and businesses are often borne by the poorest sectors of the community

- Maintaining barriers to international trade and economic growth

Significant revenue leakages impacts on the funding available for public service provision

For 2003, the Guatemalan revenue administration (SAT) estimated the total tax evasion to more than two-thirds of actual collections. However, the tax evasion rates varied across revenue bases, and represented 29% for VAT, 63% for income taxes, 56% for excises on tobacco, and 46% for tobacco. Another study made on Ecuador, estimated VAT and business income tax evasion in 2001 to be at 21% and 43%, respectively.

In Tanzania, extensive corruption and embezzlement of public funds are documented in a number of reports from both private and official sources. According to a study by the Economic and Social Research Foundation (ESRF) in 1996, official import statistics underreported the value of imports by as much as 70%. One indication of the extent of this problem was that some types of textiles (including those used in the most popular type of clothing, the 'khanga') were sold for 30% less than the value of the customs duty per metre of the textile. Official statistics on reported revenue from customs duties also indicated large leakages. While the most commonly applicable import duty rate at the time was 30%, the customs tariff generated a revenue equivalent to less than 6% of the official import value during that period.

(For further details on the extent of revenue leakages in Guatemala see Mann (2004) - see link in the reference list.)

(On Tanzania, see Fjelstad (2003): Fighting fiscal corruption: The case of the Tanzania Revenue Authority - see link in the reference list.)

Reduction of voluntary compliance with tax laws and regulations through bribe-paying for tax evasion

Bribe payments to tax officials are a means of gaining favours in the form of reduced tax obligations or payments. Bribe payments to public officials lead to inequities and inefficiencies in tax administration, since they result in a transfer of a public resource to private agents - reducing government revenues. Bribes also constitute a major impediment to equitable and efficient tax administration, placing firms that do not engage in such practices at a competitive disadvantage.

In a business survey conducted in Uganda in 1998, which covered 243 firms, as many as 43% said they were paying bribes to tax officers occasionally or always, while 38% reported paying bribes to customs officials. The frequency of bribe-paying increased with firm size. However, the actual burden of bribe extraction by public officials was the heaviest for medium sized firms (26-75 employees). These firms paid 3.5% of their sales in bribes, equivalent to 60% of what the average-sized firm actually paid in taxes. This was 29 times more per unit of sales than larger firms, and 9 times more than smaller firms. (For more details see Gauthier and Reinikka (2001) - see link in the reference list.)

Resistance to reforming the tax structure

Extensive corruption may have negative impacts on the possibilities for reforming the tax system. For instance, important stakeholders, including bureaucrats and politicians, as well as powerful taxpayers, may resist changes in an attempt to protect their influence and control of the tax system. The strongest resistance to tax reforms in Indonesia in the early 1990s came from the tax officials themselves, since they had the most to lose from the depersonalisation and simplification of the tax system. Tax collectors actively opposed simplifications in property tax administration, income tax laws, and tariff structures. Indonesia is not unique in this sense, and some observers argue that the extensive public sector regulations and complicated tax systems observed in many poor countries are the result of a deliberate strategy by civil servants, including senior tax officials, to facilitate corruption.

Erosion of public trust and confidence in government institutions - undermining the legitimacy of government

Taxation is essential for shaping state-citizen relations. It almost goes without saying that fiscal corruption is counterproductive to establishing productive state-society relations. Survey research from a number of countries concludes that citizens in general view corruption negatively, including in countries where it is widespread.
A study of bribery in the Czech Republic, Slovakia, Bulgaria and Ukraine, for instance, found that public opinion in all four countries is against corruption. The morality of public office holders is therefore an important source of government trustworthiness.

Fiscal corruption is likely to undermine government trustworthiness and thereby the legitimacy of the government. When the institutions are legitimate, citizens have a predisposition to consider obedience to them as reasonable and appropriate. A government’s lack of legitimacy on the other hand diminishes almost by definition the perceived moral justification for obeying its laws. Of particular importance in this context is that citizens’ disrespect for tax laws may initiate disrespect for other laws, leading to a vicious circle where distrust breeds distrust. In contrast, government trustworthiness and widespread public support tends to legitimise the public sector, and may so impose some social norm for paying taxes. (These issues are further elaborated in Fjeldstad (2003) : Fiscal corruption: A vice or a virtue? - see link in the reference list.)

3. MOTIVATION AND OPPORTUNITIES TO ENGAGE IN CORRUPTION

Many stakeholders with partly overlapping and conflicting interests

Corruption in revenue administration is caused by the aggregate effects of numerous decisions by taxpayers, revenue officers, and political decision makers. The literature distinguishes between two main categories of factors contributing to corruption:

1. Elements that affect the motivation (or incentives) to engage in corruption, and

2. Elements that create windows of opportunity for corrupt activities.

The motivation for corrupt acts may differ both within groups of stakeholders, for instance between different taxpayers depending on the types of taxes, excises, and duties - and between groups of stakeholders. The various stakeholders’ perspectives must therefore be taken into consideration for identifying key factors impacting on their motivations and opportunities to engage in corruption if one is to succeed in addressing the problem.

This section briefly reviews factors impacting on the behaviour of various key stakeholders. Since patrimonial networks and social obligations often have huge impacts on both the motivations and opportunities to engage in corruption in developing countries, we have included such networks as a separate category to be explored.

• 3.1 Taxpayers
• 3.2 Revenue officers
• 3.3 Politicians
• 3.4 Patrimonial networks

3.1 Taxpayers: Tax structure and regulations matter

Taxpayer behaviour is influenced by factors such as the difference between the amount of tax that is to be paid without evasion - and that with (which determines the benefits of evasion), as well as the probability of detection and the resulting penalties (which determine the costs). Hence, several factors - partly interlinked - explain tax evasion:

• Opportunities for evasion are often related to the complexity of tax systems, the discretionary powers of politicians and tax officers to grant exemptions, etc (Exemption levels - an indicator for evasion: illustrations from Tanzania)
• Likelihood of detection and punishment (Example from Tanzania)
• High taxes, as well as cumbersome tax regulations and procedures, affects the benefits evasion (Examples from East and Southern Africa)
• Taxpayers’ trust in the government is related to the government’s capacity to deliver services for taxes paid, and to the perceived compliance by fellow taxpayers
• Maintaining barriers to international trade and economic growth (not further explained in this section)

As illustrated in Table 1, page 5, tax evasion is practised in different forms, with or without the collusion of tax collectors.

Shares of beneficiaries of customs exemptions in Tanzania (1998/99):

Opportunities for evasion (Exemption levels - an indicator for evasion: illustrations from Tanzania)

Experience has shown that a high occurrence of tax exemptions creates room for bribery and corruption, reduces the tax base, and increases the appearance of loopholes for tax evasion. Hence, the extent of tax exemptions is often an indication of a government’s political will to fight fiscal corruption and tax evasion.

The situation in Tanzania during the late 1990s is an indication of this problem: The third schedule of the Customs Tariff Act and a number of Government notices which allowed for exemptions, were probably the most abused sections of the tax legisla-
tion. Therefore, while exemptions accounted for more than 15% of total tax revenues (the actual collected tax plus exemptions) in 1996/97, this percentage grew to 37% in 1998/99. The composition of exemptions granted for customs duties in Tanzania in 1998/99 is illustrated in the figure below - showing that slightly above one third of the exemptions were granted to the private sector (individuals and firms), and around one third were granted to NGOs and religious organisations combined.

Likelihood of detection and punishment (Illustrations from Tanzania)

Taxpayer behaviour is not necessarily influenced by a high probability of detection if the penalty is insignificant. Similarly, the size of the penalty may be unimportant if the probability of being detected is minimal. This point is exemplified by recent experiences from Tanzania: By early 2004, the Tax Investigations Department of the Tanzania Revenue Authority (TRA) had raised the number of tax fraud prosecutions from zero in 1996 to 72. However, no one was imprisoned. The major problem did not rest with the TRA itself, but with a weak and corrupt judicial system.

High taxes, as well as cumbersome tax regulations and procedures, affect the benefits of evasion

Relatively high tax rates and a complex and incoherent set of rules - especially for customs and corporate taxes - imply large potential rewards for taxpayers willing to bribe their way to tax evasion and/or to speed up the customs clearance of goods. In 2000, on average, 23 days were required for import clearance in Zimbabwe, compared to 20 in Kenya, and 16 in Zambia (see graph below). This situation is costly for enterprises and provides strong incentives to pay customs officers for a speedier service.

Average number of days required for import clearance in 2000:

<table>
<thead>
<tr>
<th>Country</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lesotho</td>
<td>6.4</td>
</tr>
<tr>
<td>Botswana</td>
<td>7</td>
</tr>
<tr>
<td>South Africa</td>
<td>11.5</td>
</tr>
<tr>
<td>Swaziland</td>
<td>16</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>18.2</td>
</tr>
<tr>
<td>Tanzania</td>
<td>18.9</td>
</tr>
<tr>
<td>Kenya</td>
<td>19.9</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>23.2</td>
</tr>
</tbody>
</table>

Tax compliance and trust

In the standard economic model of taxpayer behaviour, the basic assumption is that people are free-riders: no one will voluntarily contribute to the government coffers unless the threat of punishment makes it sensible. However, an increasing amount of evidence reveals that the rate of contribution to a public good is affected by factors such as citizens’ trust in each other, and perceptions of the trustworthiness of government. Why should the taxpayer not take advantage of the opportunity for a free ride? Government trustworthiness, coupled with the perception that fellow taxpayers are doing their share, can induce people to become ‘contingent consenters’ who cooperate even when their short-term interest would make free-riding the individual’s best option. Accordingly, citizens’ willingness to pay taxes voluntarily rests on the government’s capacity to provide services, as well as its demonstrated readiness to also secure the compliance of everyone else.

In this context, the credibility or trustworthiness of the revenue administration’s sanctions against defaulters is important. Moreover, compliant behaviour and attitudes towards the tax system are influenced by the behaviour of an individual’s reference group - relatives, friends, business partners, and political associates. If taxpayers know that many of those important to them do not pay taxes, their commitment to comply will be weakened. Consequently, tax exemptions granted to individual businesses or sectors may therefore contribute to legitimise widespread tax evasion.

3.2 Revenue officers: Low salaries are only part of the story

As illustrated in Table 1, page 6, corruption in revenue administration takes many different forms - with or without the collusion of taxpayers - and is often conducted in well organised networks.

The most basic motivation for revenue officers to engage in corruption is personal financial gain. The individual revenue officer’s motivation is influenced by a number of fiscal as well as non-fiscal factors:

- Corruption in networks
- Corruption corrupts - the moral costs of corruption are affected by the overall levels of corruption in society and the behaviour of peers and fellow tax officers
- The Nature and complexity of the tax structure and legislation - impacts on the opportunity for corruption
- Low wages are a problem, but so may also high wages be (Examples from Cambodia and Azerbaijan)
- Wage differentials affect staff motivation
- Erosion of real wages - (Example from Uganda)
- Likelihood of detection and punishment (Example from Tanzania)
- Existence of alternative employment - firing corrupt staff may backfire
- Markets for attractive positions - undermining the recruitment process
- A corrupt management legitimises corruption (Examples from Albania, Peru, and Guatemala)
Corruption in networks

Corruption in revenue administrations is often conducted by reasonably well organised networks where trust and reciprocity is found between network members. Such relationships are likely to reduce transaction costs, as well as any moral costs that may arise from allowing oneself to be involved in corruption. Furthermore, peer networks often function as ‘repositories of knowledge’ for members, for instance on the top management’s attitudes towards corruption, how internal monitoring works, who is potentially ‘bribeable’ among staff members and management, etc. In customs such networks may be composed of customs officers, clearing agents, staff at the harbour authority or border police, and business people.

Corruption corrupts

Revenue collectors usually do not operate on their own, but are influenced by the behaviour of their reference group, such as colleagues and friends. Social sanctions by peer members are probably a very important determinant of effort behaviour in work relations. Therefore, if revenue officers know that colleagues are getting more corrupt, their commitment to honest behaviour will probably be weakened. There are at least three arguments supporting this view:

- Internalised moral feelings of guilt by fraudulent behaviour become weaker as the number of corrupt tax officers increases, when many others are involved in corruption, the loss of reputation (stigma) for each collector when discovered decreases, and
- when many others are corrupt, this lowers the probability of being revealed due to the fact that the capacity of internal and external investigation units is constrained.

In other words, ‘corruption may corrupt’. Thus, an increase in fiscal corruption may over time initiate a vicious circle in the tax administration.

The Nature and Complexity of the tax structure and legislation

Despite quite comprehensive changes in tax structure (rates and bases) over the last two decades, the tax systems in many developing countries are still complicated and non-transparent. Tax legislation is often unclear and causes random and partly ad hoc collection procedures. Assessors are considered to have wide discretionary powers to interpret tax laws - for instance, to allow or disallow expenses or charges, or to exempt import duties. Additionally, weaknesses of legal sanctions when it comes to enforcing punishments on taxpayers or collectors in breach of the law, contributes to uphold corruption. Furthermore, the fact that tax enforcement often implies direct physical contact between taxpayers and collectors (since many taxes are paid in cash by individuals to revenue collectors), the opportunity for illicit deals remains high.

Some studies argue that a country characterised by large government involvement is more likely to experience high levels of corruption. The basic argument is that the more governments intervene in the economy, the more opportunities there are for discretionary interpretations of regulations and the allocation of resources by civil servants. However, the public sector is extensive in some of the least corrupt countries such as Denmark, the Netherlands, and Sweden. At the same time corruption has increased in some countries, including China and Russia, which have gone through economic liberalisation and privatised public companies. According to the Commission on Corruption in Tanzania, economic liberalisation has significantly contributed to increase corruption in the country by facilitating new opportunities for the culprits. Hence, empirical evidence indicates that it is not the size of the public sector, but the way the public sector works, that is of importance for the level of corruption.

Low wages are a problem, but so may also high wages be

A common observation about the wages received by revenue collectors at junior or mid-levels in many developing countries, is that they cannot sustain their families. In Cambodia, The level of the average annual civil service salary - at USD 0.60 per day in 2000 - was well below private sector pay, even for unskilled workers. This situation created severe pressures to engage in additional income generating activities (e.g. demanding bribes) to meet basic household expenditures. Therefore, many scholars argue that increasing civil service wages will reduce corruption.

The basic idea is that a rise in tax collectors’ salaries equals an increase in their fine for bribery, since that is what they will stand to lose if caught and fired. A key element of many recent reforms of revenue administrations has therefore been to raise the salary of revenue officers without parallel increases for the rest of the public sector. However, few empirical studies find a clear negative correlation between payment levels and corruption.

On the other hand, some studies argue that high salaries might become part of the corruption problem. Tax administration wages that are significantly above the market rate may effectively imply that two prices are set for the same level of civil service provision. This may provide a fertile ground for corruption and rent-seeking where attractive jobs are likely to be bought and sold, with the capital value of the salary surplus built into the price.

A study from Azerbaijan published in 1999 reports that a regular customs official at a ‘fat site’ has to pay USD 100 000 to get the position. A position is normally financed by the incumbent borrowing from family and friends. Customs officials are assumed to have earned enough for repaying the investment after 6 months. Thereafter they are supposed to send a percentage (85 % is indicated) of their earnings from corruption on to their superiors.

Wage differentials

Huge wage gaps often exist in many revenue administrations between junior/mid-level tax officers and senior managers. For instance, in the Uganda Revenue Authority in 2002 the compression rate was 34 - equivalent to a wage gap of 3300% between the top and bottom grades. This has also contributed to increasing the distance between executive management and staff. Moreover, a recent study of an East Asian customs administration noted that amongst senior officials - who enjoyed relatively generous levels of salary and good working conditions - ostentatious living and ex-
travagant expenditures had become the norm. These officials’ behaviour had become conditioned by the behaviour of a wider elite, which customarily indulged in illegal activities and paraded their material wealth. This suggests that there might be a continuum of gradually changing situations between revenue officers who take bribes to provide for basic needs, and those who are drawn to bribery by the pressures of social emulation and greed.

Erosion of real wages - Example from Uganda

Erosion of the real value of salaries due to inflation is likely to have contributed to the deterioration of staff motivation in the Uganda Revenue Authority. Between 1991 and 1998 nominal wages remained unchanged. Although the Uganda Revenue Authority (URA) staff on average received salaries 8-9 times higher than the corresponding positions in the civil service in 1991, this had shrunk to a factor of 4-5 in 2000. Furthermore, compared to the salaries in other autonomous authorities in Uganda, for example the Wildlife Authority and the Human Rights Commission, the URA now pays less.

It is therefore no surprise that the initial wage reform seems to have had only a limited impact on restraining the extent of corruption in the tax administration. Nevertheless, despite the wage levels, the tax administration remains a very attractive workplace, and jobs in the tax collection departments are particularly sought after. There is also considerable internal competition within the URA for vacancies in the operational departments. In any case, the erosion of wage rates is not sufficient to explain the prevalence and growth of corruption.

Likelihood of detection and punishment

In addition to wage incentives, tax collectors’ decision on whether to behave in an honest or corrupt manner depends on the anticipated costs of the decision. At least two variables matter: the probability of being detected, and the size of the penalty. However, the behaviour of revenue officers is not necessarily influenced by a high probability of being detected if the penalty is insignificant. Similarly, the size of the penalty may be unimportant if the probability of being detected is minimal. Lack of effective auditing and monitoring systems characterises the situation in many revenue administrations. This is partly due to the fact that the pool of qualified auditors is limited in many countries, and the situation is often reflected in low quality and ineffective audits. Moreover, collusion between auditors and revenue collectors has riddled many revenue administrations.

Studies from Tanzania document that the internal auditing and inspections functions in the Customs Department - before the establishment of the revenue authority (TRA) - had become for the most part non-operative and ineffective. The establishment of the TRA did not, however, root out the problem of corrupt monitors. Almost from the outset corruption seems to have been entrenched in the Internal Investigation and Monitoring Unit (IIMU) where staff were willing to take bribes to turn a blind eye to corruption. In December 2000, the TRA management and board took action, resulting in 24 IIMU officers - including the head of the unit - being ‘retired in the public interest’.

Existence of alternative employment - firing corrupt staff may backfire

Some countries and revenue administrations have adopted drastic measures to improve the quality and integrity of their staff, including firing a significant percentage of officials. Evidence suggests, however, that while such drastic approaches can deliver short-term gains, the benefits are invariably short-lived if not supported by wider reform initiatives. One factor that needs to be considered is the impact that the departure of a large number of experienced officials will have on the wider revenue administration and business relationships. Experience from several countries suggests that many tax officers sacked in large scale re-staffing purges easily find work on the other side of the counter, working for customs clearing agencies and in the import/export sector - leading to an extension of existing unofficial networks.

This was experienced when the Tanzania Revenue Authority (TRA) was established in 1996. About one third of the former employees in the revenue administration were not given new jobs in the TRA. They were persons considered by the new management and board to have compromised themselves through involvement in corrupt dealings and misbehaviour. Many of the dismissed people were, however, attractive for the private sector due to their inside knowledge of the workings of the system. Hence, many former customs officers were recruited by clearing agencies or they set up their own agencies. These persons had intimate knowledge of the revenue administration, of loopholes, etc. Since many of their former colleagues remained in the tax administration, good connections to the inside were assured.

(For further details, see Fjeldstad (2003) Fighting fiscal corruption: The case of the Tanzania Revenue Authority. - see link in the reference list.

Markets for attractive positions - undermining the recruitment process

If the general public perceive the revenue administration to be highly corrupt, it is likely that this will attract people who from the outset are willing to engage in corrupt transactions. This is clearly demonstrated in surveys conducted by the World Bank in Albania, Georgia and Latvia (see Kaufmann, Pradhan, and Ryterman (1998) - see link in reference list.)

The surveys find that bureaucrats are willing to pay for appointment to agencies that are regarded as corrupt, and for promotion or deployment to ‘wet’ positions in which they are able to obtain bribes for the exercise of official discretionary powers. Positions as tax and customs inspectors are - according to these surveys - especially exposed for such ‘purchase’, indicating that corruption is deeply institutionalised in these organs. A study from Azerbaijan also supports these findings (see paragraph on Low wages is a problem, but so may also high wages be - above)

A corrupt management legitimises corruption

Many revenue administrations are top-down organisations characterised by submissiveness. Promotion is in general based on
seniority. Younger staff members are given few opportunities to develop their skills. Incentives are in general weak in the sense that good performance is not rewarded and bad performance is not punished. The core of committed staff who are willing to participate in change, are often captured by peer pressure to succumb to corrupt practices, or they are turned off by an apparent lack of interest by a management that in many cases seems mainly concerned about maintaining the status quo. In particular, frequent managerial changes - as observed in some revenue administrations - may contribute to corruption since managers may take advantage of the position to enrich themselves while they still can. For example, in Albania the director general position was changed 5 times during a period of 15 months after the elections in 2001.

There are many more examples of the same tendency: In Peru - during the second Fujimori administration - (1995-2000) there was extensive fiscal kleptocracy. In Guatemala, the former top executive of the revenue administration was imprisoned in July 2004, accused of pilfering USD 5-8 million.

The presence of corrupt managers is likely to have contagious effects on the general corruption level within the revenue administration. Firstly, corrupt leaders may to some extent not worry about corruption at lower levels in the organisation. Hence, the probability of being detected for corruption is likely to be lower for tax officers. Secondly, corrupt leaders contribute to reduce the moral and stigma costs associated with corruption. In such situations we will expect the general level of corruption to increase in revenue administrations.

3.3 Politicians: Revenue administrations make a tempting target for rent-seeking

Few public agencies are as powerful and as interwoven with society as the revenue administration, which monitors and appraises the economic activities of a country's citizens and businesses. Tax administrations often have important financial information about the economic operations of these actors, making it possible to extract high political dividends by controlling the tax administration. Politicians can, for example, intervene in the tax administration to grant favours such as tax exemptions to supporters, or to harass political opponents through audits. Moreover, tax administrations are attractive targets for political interference in personnel matters, because the authority offers both relatively well-paid jobs and considerable rent-seeking opportunities.

Political interference in recruitment processes has been a source of dissatisfaction and unease among staff in tax administrations in many developing countries, who see this as causing job insecurity and also further exposing the revenue administration to accusations of corruption. This may also have negative impacts on taxpayers' compliance:

- Political hiring and firing in Uganda
- Effects of political interference on taxpayers' compliance

**Political hiring and firing in Uganda**

The Uganda Revenue Authority (URA) has been riddled with political interventions in managerial appointments and dismissals. In 1997, President Museveni personally intervened in the appointment of the new Commissioner General, although the person appointed by the President was not among the candidates listed for interview by the Board, and not the preferred candidate of the minister of finance. Museveni's appointee also had close family ties to the president. The President did exactly what other members of the elite continuously try to do: influence staffing in the URA. On several occasions the President publicly criticised the URA staff of being corrupt. In March 2000 he is reported to have called the URA 'a den of thieves'. This certainly had a major negative impact on taxpayers' perceptions of the revenue agency. The URA lost its legitimacy in the eyes of taxpayers. It also lost its formal and informal authority vis-à-vis the Ministry of Finance and the state elites.

**Effects of political interference on taxpayers' compliance**

The frequent use of tax administrations for political purposes contributes to erode taxpayers' confidence in the fairness and impartialty of revenue administrations, which contributes to undermine tax compliance. Comprehensive reforms of tax administrations by way of establishing a revenue authority might be interpreted as an attempt by politicians to create a credible commitment to taxpayers - that the tax administration will be more competent, effective, and fair by delegating power to tax bureaucrats.

The promise of autonomy enables politicians to make the commitment credible, because tax administration has traditionally been characterised by high levels of political intervention. However, failure to sustain the initial reform efforts in many countries, including Uganda, Peru, Ghana, and Tanzania, has provided a powerful signal to the contrary. Increasing board and government interference in staffing matters point to a decreasing degree of personnel autonomy and signals a lesser degree of managerial autonomy. Moreover, managerial autonomy is substantially undermined by the use of discretionary tax exemptions granted by politically motivated appointments of board members. There is reason to believe that any initial improvement in taxpayer perceptions due to administrative reforms have subsequently been reversed in several countries. To the extent that taxpayers were able to foresee this backlash, the reforms might not have had much of an impact on tax compliance in the first place.

3.4 Patrimonial networks and social obligations

In developing countries, especially in Africa, many tax officers and managers remain under strong influence of traditional patterns of social relations, and they recognise the benefits of large extended families and strong kinship ties. This implies that such social relations operate at cross purposes to formal bureaucratic structures and positions. The traditional system rules over the formal 'modern' one. Fiscal corruption may therefore, to some extent, be understood in the context of a political economy in which access to social resources depends on patron-client links which exist independently of the revenue administration, yet it influences its performance.

Kinship and other social relationships of reciprocity are used to mobilise affective ties for instrumental political and economic purposes. Such relationships combine moral obligation and emotional attachment. They also serve to perpetuate an ethic of appropriate redistribution that fuels corruption. Therefore, many people rely
on the social connections of their extended families to secure admission to schools, pay fees, get jobs and business contracts, or to benefit from government services.

Patrimonial networks may have a strong influence on the behaviour of both tax officers and taxpayers - as well as on politicians - by impacting on their motivations and opportunities for corruption. The technocratic remedies supported by donors appear to have underplayed the degree to which progress in tax administration depends upon a thorough 'cultural change' in the public service. This is due to the fact that the motives of individual actors are often inextricably linked to the interests of the social groups to which they belong:

- Higher salaries may lead to increased social obligations and corruption
- Banking' social capital
- The rationality of patronage

Higher salaries may lead to increased social obligations and corruption

Tax officers are often seen by their families and networks as important potential patrons who have access to money, resources, and opportunities that they are morally obliged to share. People in positions of power are expected to use that influence to help their kin and community of origin. Hence, increased salaries may lead to increased social obligations, which again may push tax officers into taking bribes to accommodate the growing expectations around them.

What looks like corruption from the outside is undertaken by some tax officers in a context where the reciprocal obligations of kinship and community loyalty require such behaviour in order to be regarded as a 'good person'. Hence, the standard definition of corruption as 'the abuse of public office for private gain' assumes a rigid dichotomy between the public and the private spheres, that glosses over a complexity that characterises the relationship between individual and society in many African bureaucracies.

In an interview, Annebritt Aslund - former General Commissioner of the Uganda Revenue Authority - gave the example of two employees from the same family. One of them is honest, the other is corrupt. The one who has not accumulated more than what was possible from the official salary, is likely to be regarded as a fool by the community, and therefore earns no respect whatever. That person cannot offer needy relatives or friends much assistance. In their eyes this un-corrupt attitude is not only foolish but also selfish.

'Banking' social capital

It is in the tax officers' own interest to help others because they might be the ones who will need help next time around. Managers may 'forgive' tax collectors who are caught taking bribes or embezzling money, because next time they may themselves be the ones in need of forgiveness. This may often explain why - instead of being fired - tax officers caught red-handed are instead transferred to other positions within the same body.

Favours of this kind can also be understood as a way of consolidating and building social capital. Tax officers are building networks made up of family, friends, and acquaintances based on trust and reciprocity as a way of 'banking assistance for the future'. The larger the network - the greater the accumulation of social capital that can be drawn on in the future.

The rationality of patronage

Why do people continue to depend so greatly on their kin? What motivates people to follow social norms and patterns of patronage? The simple answer is that it is rational. The state is perceived as unreliable when it comes to delivering basic services and assistance through formal channels. Use of kinship and other social relationships enables ordinary people to get access to resources that they might otherwise be denied. It is in part the very demands of the clientilistic networks to deliver public resources - including employment - based on moral obligations and affective attachments, that make it difficult for officeholders to run offices in accordance with Weberian principles.

Tax officers and managers in many revenue administrations in poor countries find themselves in a schizophrenic situation. Their administrative and professional legitimacy is derived from training and working in a modern bureaucratic organisation, with the corresponding values concerning public services, and this widespread adherence to abstract official norms of Western origin coexists with an equally prevalent pattern of behaviour in conformity with social norms and family obligations. Many tax officers may be sincerely in favour of respecting the public domain and may want the tax bureaucracy to be at the service of citizens, but still they participate by means of everyday actions in the reproduction of a system they denounce. Thus, a spiral is created in which networks of kin and tribe undermine efforts to modernise the tax administration, which in turn creates an ongoing need for these very networks to continue to operate.

4. MANY FAILED DONOR SUPPORTED REFORMS AND MODERNISATION PROGRAMMES

Reforms - more than institutional re-engineering

Much of the present policy debate on anti-corruption strategies in the revenue administration has at its roots the principal-agent theory of corruption. Robert Klitgaard's popularisation of this approach has been widely promoted and applied in a number of developing countries during the last decade, as reflected in the World Bank's 'Customs Modernization Handbook' from 2005 (see link in the reference list).

Klitgaard's work has also been used extensively in the development of the World Customs Organization (WCO)'s Revised Arusha Declaration on Integrity in Customs (see link in the reference list), as well as in a range of the WCO's integrity-related tools.

Despite extensive resources spent on capacity building and training of tax officers, recent years have experienced substantial setbacks in the fight against corruption in revenue administrations, as exemplified by experiences from Ecuador, Guatemala, Peru, and Uganda. Several factors have contributed to the disappointing re-
sults, and it is difficult to distinguish among these and to determine their appropriate weights.

Some observers argue that a main cause is that low levels of human capital are responsible for the organisational failure. However, why should the revenue administrations perform less well over time, despite the extensive resources spent on capacity building? Another view is that the informational environment in tax administration is constrained in many ways, for instance by a political environment which favours control over competition, and incentive systems that have failed to function.

Others argue that civil servants fail to perform because they do not identify themselves with their countries, with national aims, or with the government elite. Finally, there is the view that kinship and tribal networks put an emphasis on social obligations and redistribution that mitigate against the development of a Weberian bureaucracy.

Without passing a verdict on these and other explanations, this section explores the limitations of some of the ‘technocratic’ approaches to institutional reforms taken by donors:

- Robert Klitgaard’s approach to controlling corruption
- The Revised Arusha Declaration on Integrity in Customs
- Re-engineering public institutions
- Tax administration is tax policy
- Institutional ‘culture’ and patronage
- Impacts of monetary incentives
- Corruption networks
- The ‘power of the purse’
- Accountability between the government and taxpayers

Robert Klitgaard’s approach to controlling corruption

Following Klitgaard, corruption is most likely to occur when agents (tax officers) enjoy monopoly power over clients (taxpayers), when agents enjoy discretionary decision power over provision of services (for instance, tax assessments), and when the level of accountability is low. At the theoretical level, this approach explains how public officials almost by necessity have a number of incentives and opportunities for engaging in corrupt transactions. At the more practical policy level, the approach indicates that policy instruments may be divided into those which influence the number of corrupt opportunities, and those influencing the incentives. This includes policy instruments which affect the expected (gross) gain of the corrupt act, the probability of being caught, and the size of the penalty if detected. If expected gains of corruption are higher than expected costs, the agent will, according to the theory, choose to be corrupt. For example, the expected gain for public officials is higher when they have wide discretionary powers and considerable monopoly power in their jobs. The expected probability if detected is reduced by decreased accountability.

(For more information see Klitgaard, Robert (1997) - link in the reference list.)

The Revised Arusha Declaration on Integrity in Customs

The customs administration is often cited as one of the most corrupt sectors of government. The international customs community - through the World Customs Organization (WCO) - commenced work in the mid to late 1980s to formulate a comprehensive integrity/anti-corruption strategy. In 1992 this work resulted in the unanimous adoption by WCO members of the Arusha Declaration on Integrity in Customs. Since that time, this declaration has become the principal anti-corruption framework for the WCO’s 162 Member Customs administrations. However, progress with stemming corruption in Customs was slow. In reaction, the WCO called for a comprehensive review of the Declaration and its practical implementation in Member administrations, which led to the preparation of the Revised Arusha Declaration - unanimously endorsed by the WCO Council in June 2003.

The Revised Arusha Declaration on Integrity in Customs consists of ten distinct but interrelated elements considered essential for the development and implementation of a comprehensive and sustainable anti-corruption and integrity enhancement program. It is designed to strike an appropriate balance between the positive strategies (reform and modernisation, leadership, progressive human resources management policies, etc.) and the repressive strategies (sanctions, controls, investigation and prosecution etc) - i.e. the carrot and stick approach. The ten elements of the Revised Declaration are as follows:

1. Leadership and Commitment
2. Regulatory Framework
3. Transparency
4. Automation
5. Reform and Modernisation
6. Audit and Investigation
7. Code of Conduct
8. Human Resources Management
9. Morale and Organisational Culture
10. Relationship with the Private Sector

Collectively, the ten key elements are designed to reduce monopoly power and the inappropriate use of official discretion, while at the same time increasing the level of practical accountability. In developing the Revised Arusha Declaration the WCO was conscious of the different social, political, and economic circumstances faced by its Member administrations. It therefore deliberately designed the Declaration to be non-prescriptive in nature. In other words, the Declaration provides a comprehensive conceptual framework - but the actual implementation of each key element is up to individual customs administrations.

Re-engineering public institutions

A major factor contributing to the failure of many tax administrative reforms, which is also the case for many other types of public sector reforms, has been the ‘technocratic’ approach taken by reformers and donors. Tax administrative reforms in poor countries have often been treated as an ‘engineering problem’ - and as such a phenomenon to be addressed through ‘blueprint’ or ‘textbook’ solutions. There seems to be an assumption that tax administrative problems and their solutions can be fully specified in advance, and
that the required measures can be wholly defined at the outset, and implemented on a predictable timetable over a fixed period.

This accounts for the prescribed and mechanical approach usually favoured by donors, featuring quantitative performance targets, redrawing of organisational charts, rewriting job descriptions, training courses for tax officers, installation of new systems for human resources and financial management systems, etc. Robert Klitgaard refers to this as the ‘more approach’ (or the supply side approach) - i.e. more training, more equipment, more technical assistance, etc. Such strategies may be necessary, but if the demand side of administrative reforms is being overlooked, this may lead to distorted incentives through technical assistance, and also to undermining the government’s commitment to civil service reforms. Mark Schacter provides an insightful discussion on why many donor initiated civil service reforms have failed in developing countries. (See Schacter (2005) - link in the reference list.)

**Tax administration is tax policy**

Experiences from several countries which have introduced the revenue authority model, including Peru, Tanzania, and Uganda, show that the establishment of a proclaimed autonomous authority with comparatively generous remuneration packages and substantial budgets has not protected them from political interference. To the contrary, it has made the revenue administration a more attractive target because the authority offers both relatively well paid jobs and considerable rent-seeking opportunities. Consequently, a revenue authority is vulnerable to political interference - especially in personnel matters. The empirical evidence supporting this finding can be summarised as follows:

- **Politics dominates over law:** Legal provisions for organisational autonomy of revenue authorities have limited importance in contexts where political elites do not respect them.

- **Autonomy may contain seeds of its own destruction:** Revenue authorities have become attractive targets of political interference due to both comparatively favourable remuneration packages and to rent-seeking opportunities.

- **Success may help to protect autonomy:** Respect for organisational autonomy established by law depends to some extent on the success of the tax administration. The undermining of, for instance, the Uganda Revenue Authority’s autonomy became increasingly open once it did not meet its revenue collection targets after 1996.

- **Inflated expectations may help undermine autonomy:** Donors and the Ministry of Finance, by pushing for high revenue targets (tax-to-GDP ratios), help to undermine the revenue authority’s credibility in the eyes of state elites and the public, because such targets create expectations that cannot be met.

- **Autonomous organisations often become easy targets for political blaming:** In Uganda, for instance, the public denunciation of the Uganda Revenue Authority by high level political figures, the President included, has helped to undermine the credibility of the tax administration, and hence its capacity to enforce tax laws.

‘Institutional ‘culture’ and patronage

The technocratic approach has often overlooked the fact that reforming a tax administration - though it has important technical aspects - is also a social and political phenomenon driven by human behaviour and local circumstances. It is a long and difficult process that requires tax officers to change the way they regard their jobs, their tasks, and their interaction with taxpayers. The technocratic remedies supported by donors have underplayed the degree to which progress in [tax] administration depends upon thorough ‘culture change’ in the public service.

The motives of individual actors are often inextricably tied to the interest of the social groups to which they belong. In many African tax administrations patronage runs through networks grounded on ties of kinship and community origin. As such, people recognise the benefits of large extended families and strong kinship ties, even as their social and economic aspirations may be unambiguously modern. This implies that such social relations may rule out the formal bureaucratic structures and positions. Fiscal corruption must therefore, at least to some extent, be understood in the context of a political economy in which access to social resources depends on patron clientilism.

**Impacts of monetary incentives - often exaggerated**

Recent economic research on human behaviour indicates that reformers and economists have an inclination to exaggerate the impact of monetary incentives because of a too narrow understanding of intrinsic motivation and group dynamics. However, the failure of reforms in poor countries that apply monetary rewards and incentives may have a more straightforward explanation. Because of the importance of family networks, increased pay rates may imply more extensive social obligations, and in some cases actually result in a net loss to the individual. This state of affairs can develop into a vicious circle with higher wages leading to more corruption because the tax officer has to make up for the loss caused by such obligations. An outsider might conclude that officials lack intrinsic motivation to perform well and do not respond to incentives. However, a more careful study of the situation is likely to instead conclude that the tax officers are responding very well to monetary incentives in a situation where higher nominal pay actually makes the official poorer. This might be a reason for the popularity of in-kind benefits among civil servants, which may be harder to share with one’s kin.

**Corruption networks**

Hiring and firing procedures may lead to more corruption. Corrupt revenue officers often operate in networks composed of both internal and external actors. In major anti-corruption shape-ups, many of those dismissed are recruited to the private sector due to their knowledge of the workings of the tax system and their inside contacts. This may further strengthen the corruption networks. Hence, a major challenge facing reformers of tax administrations is to crack down on corruption networks and the inherent trust that appears to prevail between members of such networks.

One suggestion is to introduce rotation systems for staff in tax administrations, where tax collectors remain only for shorter periods in the same post. But a danger of the rotation system is that the un-
certainty which is thereby created for employees may result in increased corruption as collectors may use the opportunity to enrich themselves quickly while they are stationed in the most ‘lucrative’ posts. The rotation of officials may also give corrupt superiors undue power. For instance, they might ‘sell’ assignments to attractive positions or reassign officials to remote stations as a punishment for honesty. The scarcity of qualified personnel such as auditors and accountants, available housing for staff, etc. further reduces the potential of rotation schemes in the poorest countries.

The ‘power of the purse’

The ‘power of the purse’, added with quite definite ideas regarding what sort of institutional reforms are desirable, has led donor agencies to take the centre stage in the tax administrative reforms in a number of the poorest countries. In theory, donors respond to needs identified by client governments, but in practice they often identify clients’ needs for them. This was the case when the Uganda Revenue Authority (URA) was set up by external consultants who arrived with a pre-fabricated ‘blue-print’ for tax administrative reforms. Although the reforms were supported by the political leadership and senior officials in the Ministry of Finance for a number of years, this support eroded over time. It is therefore reasonable to ask whether the political support to establish a new revenue administration, as well as the support from the local bureaucracy, was genuine from the outset, or whether it merely reflected the bargaining power of donors.

The assumption that donors can build state capacity despite the lack of effective internal demand for a more effective tax administration is highly questionable. Furthermore, donors may exacerbate the problems when there are several of them involved in the same field. This was observed in the Tax Administration Project (TAP) in the Tanzania Revenue Authority (TRA), in which several donors were involved, including Danida, USAID, GTZ, EU and the World Bank. Representatives from both the donor community and advisors to the TRA complained that initially there was no clear focus in the TAP. Moreover, the many donors involved contributed to overloading the capacity of the TRA and slowing down the implementation of the administrative reform. Accordingly, Ales Bulir and Soojin Moon from the IMF, in a recent review of the experiences with IMF-supported programmes to fiscal adjustment, concluded that ‘...revenue enhancing measures, and perhaps also technical assistance provided to program countries, failed to provide a sustainable increase in the revenue-to-GDP ratio’ (See Bulir and Moon (2003) - link in the reference list.)

Accountability between the government and taxpayers

The point about ‘internal demand’ for capable tax administration opens the door to an additional insight about the poor record of many revenue administrations in developing countries. A key problem is that accountability has failed in the relationship between government and taxpayers. The channels through which governments hold themselves accountable to citizens, and citizens communicate their demands for better government, are still highly dysfunctional in many countries. For taxation to have a positive effect on democratic accountability, taxation must be ‘felt’ by a majority of citizens in order to trigger a response in the form of demands for greater accountability. But the tax reforms during the last decade in many developing countries have only to a limited degree succeeded in widening the tax base. It has proven difficult or even undesirable to apply the tax law with full force to informal operators. With food commodities often zero-rated and most agricultural inputs exempted, VAT has not included many new groups into the tax net. Often only formal business corporations appear to be visibly affected by the central government tax reforms.

5. WHAT WORKS?

We know at present more about what has not worked in the past - than what is likely to work in the future.

There are many cases of obvious failure, but few cases of unequivocal success. However, mistakes of the past provide indications of promising paths for future efforts. Thus, there now seems to be increasing awareness around the approaches to tax administrative reforms which should be taken into account:

- Political will
- Well-placed top management and independency
- Addressing patronage
- Private management and outsourcing
- Organisational culture and leadership style
- Human resources management
- Staff remuneration
- Internal audits and monitoring
- Capacity building for tax policy-making
- Building taxpaying culture
- Reforms take time

Political will

It should be recognised that tax administrative reforms are often highly political processes that will inevitably pose a threat to important domestic stakeholders. They take time to achieve and are often contested, high profile measures. The successful implementation of such reforms requires political will and support from the highest level of government. Tax administrative reforms are unlikely to succeed if the main source of energy and leadership for it comes from outside. Donors should therefore not play a leading role and they should not dictate the content, pace, and direction of the administrative reforms.

An indication of the political willpower to fight fiscal corruption and tax evasion is the extent of tax exemptions granted. For instance, the discontinuation of customs duty exemptions for public sector imports of goods and services in Tanzania in 2002, is an indication of political will to address the problem, although many openings remain to abuse the system. The removal of tax exemptions, including those granted to aid organisations and their employees (see below), would help boost the credibility of both the revenue administration and the donors in relation to anti-corruption measures, and would contribute to widening the revenue base and simplifying the tax system.
Donors: Preaching tax morale but practicing tax avoidance

One factor that has tended to reduce revenues and created profound distortions in the resource allocation mechanism of the market system is the tax exemption on transactions associated with foreign development assistance. In addition to exemptions granted to donor agencies, these exemptions often include foreign companies engaged by the donors (e.g. construction companies). This has contributed to eroding the tax base not only for import duties, but also for corporate and personal income taxes and taxes on domestic transactions.

Tax exemptions on donor funded imports have similar distortionary effects. Tax-free status of government imports which has provided an incentive to leak construction materials and capital equipment - which exceeded project requirements - into the domestic market. Imports of capital intensive technologies characterising many donor funded projects are indications of the distortions created by the tax free status. Anecdotal evidence also suggests that foreign companies have outsourced local companies through this kind of unfair competition.

Governments receiving foreign aid should therefore consider imposing tax on imports of goods to bilaterally and multilaterally funded projects. At least two African countries (Senegal and Togo) took steps in the 1990s to eliminate tax exemptions related to bilateral and multilateral assistance by fully taxing capital imports financed from abroad and crediting donor accounts for the taxes paid. While these procedures do not directly add any revenue to the budget, it introduces a system of controls that may reduce fraud, and thereby contributes to raise government revenues. It may further improve both budgetary transparency and resource allocation by fully accounting for public investment costs. It may also contribute to a more fair competition between local and foreign companies competing for donor contracts.

Well-placed top management and independency

A strong and well-placed leadership of the revenue administration is essential for overcoming the political and bureaucratic obstacles that often confront it. This applies both to revenue departments located within the ministry of finance and to semi-autonomous revenue authorities. Based on experiences from across the developing world, this often requires a better demarcation of management authority between the top manager of the revenue administration(s) and the Ministry of Finance. Such measures, however, do not imply the end of mutual cooperation between the revenue administration and the Ministry of Finance.

The revenue administration possesses unique datasets on taxpayers and revenue bases, and this information is essential for improving tax policy and legislation. But, the role of the Ministry in formulating and designing tax policy, and the responsibility of the revenue administration to implement this policy, must be unambiguous and mutually respected. A Minister of Finance acting as the chief executive and involved in day-to-day operations, is certainly not the recipe for a strong and effective daily leadership which the revenue administration needs. Recent experiences from Uganda show how micro-management from the MoF undermines the authority and effectiveness of the revenue administration's top management.

Addressing patronage

Norms, as reflected in patronage and social obligations, are liable to discourage the development of a professional tax administration. At the same time, experiences emphasise the particular importance of breaking the influence of kin-based networks on the operations of the revenue administration. One suggestion is to introduce staff rotation systems, where revenue collectors remain for only short periods in the same post. However, as noted above, (see paragraph on Corruption networks in part 4) there are certain dangers with this system which must be kept in mind.

It is in general little wonder that the revenue administration performs poorly when its behaviour is shaped by conditions over which it has little control. It is difficult to insulate the revenue administration from contexts in which graft and corruption are normal in public sector operations.

Must we thus conclude then that it is generally impossible to overcome traditional social restraints on the development of a professional, modern tax bureaucracy in the poorest countries, especially in Africa? If it is true that similar conditions were widespread in Western societies before modern public finance management took root, the answer to that question must be negative. Observations of contemporary African societies also suggest that the impact of traditional values and social obligations on the behaviour of public officials have fluctuated and can be changed. There are revenue administrations in Africa that perform relatively well despite dauntingly unfavourable contexts such as patronage and extensive corruption, and despite an overall poor public sector performance.

Experiences with the Zambia Revenue Authority, for instance, show that expatriate senior advisors and top managers who are in place for a pre-defined and limited period of time can contribute to effective change by building integrity and professionalism in the organisation through systemic changes. Placing expatriates in key management positions might also help to avoid the unfolding logic of patronage and predatory authority. Strong expatriate leadership may more easily confront political and bureaucratic pressures, and thus provide a ‘buffer zone’ within which systemic changes and new forms of staff behaviour are implanted. Experiences from other countries, for instance Uganda, with expatriate top management, however, are mixed.

Private management and outsourcing of revenue collection

Private management of tax administration is raised as a possible approach in several developing countries which are riddled with corruption. However, historical evidence and recent experiences from Africa, for instance Mozambique, give reason for concern: Such reforms have achieved few lasting results - the transfer of skills by foreign contractors has been limited and the contract has been very expensive for the government. Tax practitioners are therefore increasingly questioning the value of outsourcing tax administration.

Outsourcing of some customs activities, for instance verification, convey security, and warehousing can be appropriate, although recent experiences suggest it may be expensive and susceptible to corruption. Instead it might be a better approach to upgrade customs’ own capacity to carry out these tasks. Outsourcing of other activities such as valuation and entry processing is risky, since it...
places the collection of government revenue directly into the hands of non-government interests. In countries with a high level of corruption, there is no reason to believe that those interests will be any less corrupt or more transparent in their dealings than staff of the public revenue agency. Furthermore, placing private customs personnel in line jobs in operational units may compound the current failure to manage and, thus, entrench the problems.

Organisational culture and leadership style

Public institutions with a culture that is outcomes-oriented and 'mission-driven' appear to have higher levels of performance than organisations lacking these features. This underscores the importance of leadership styles and internal performance management practices that focus on results and services to the public. Moreover, in tax administration an appropriate system for setting performance objectives and measuring progress against them need to be developed. The argument in favour of stronger managerial autonomy of revenue administrations is consistent with recent studies on why some public organisations work well and others do not in developing countries.

In a study of 29 organisations in Bolivia, the Central African Republic, Ghana, Morocco, Sri Lanka and Tanzania, Merilee S. Grindle of Harvard University found that organisations with higher salaries paid to their staff did not perform better than public organisations that conformed to the low general public sector remuneration scales. Instead, good performers had well defined missions, where the employees internalised the organisation’s goals and saw themselves as vital contributors to its accomplishment. Moreover, effective managerial practices and high expectations about employee performance were factors that led organisations to perform well, while some autonomy in personnel matters allowed a mission to be identified and enabled skilled managers to have some room to manoeuvre in setting standards for their organisations. This underscores the importance of leadership styles and internal performance management practices which focus on results.

Encouraging the development of a positive organisational culture may be an important way of improving the performance of a revenue administration in situations where the broader environment, including the public sector in general, discourages good performances. If the enabling environment is weak, managers tend to drive performance. Hence, internal leadership and culture are likely to play a key role in establishing meritocratic and performance-oriented organisational behaviour in situations where formal political and administrative institutions are weak.

Human resources management

A reasonable hypothesis would be that if the revenue administration was given more real autonomy in personnel matters, this would contribute to greater capacity to set performance standards for its employees, and hold them accountable to the organisation for meeting those standards. Autonomy in personnel matters can be understood as a facilitating condition that provides the tax administration and its managers with the ability to build cultures that allow the organisation to rise above the norm for the public sector in a given country. Required measures would include a rigorously planned and executed re-staffing process, also at the senior management level, and the introduction of human resources policies relating to transparent recruitment, adequate remuneration, pension/retirement schemes, etc.

Many tax administrations are top-down organisations characterised by submissiveness. Promotion is in general based on seniority. Younger staff members are given few opportunities to develop their skills. Incentives are in general weak in the sense that good performance is not rewarded and bad performance is not punished. Therefore, a reformed recruitment and advancement mechanism conducive to attracting, retaining and motivating highly qualified staff is required. Improved pay, retirement benefits and physical working conditions ought also to be part of the modernisation programme.

Such measures should take place before proceeding with traditional forms of technical assistance such as the design and implementation of integrated computer systems, organisation of formal training courses and on-the-job training, and process re-engineering in a wide range of areas, including better forms, filing, auditing, revenue management, taxpayer education programs, and so on. The experiences with the latter forms of technical assistance for revenue enhancement and capacity building in revenue administrations are mixed in developing countries.

Staff remuneration

While the research on the long-term impact of public sector salaries is rather inconclusive, there is little doubt that revenue officers will identify and exploit the many opportunities for illegal rent seeking if they are not provided with sufficient remuneration to provide a basic standard of living for themselves and their families. This is particularly the case for customs officials engaged in audit or enforcement activities where discretionary powers are significant and the environment is not conducive to effective supervision and accountability. In addition, remuneration should be geared to take into account the sometimes dangerous and difficult working conditions and associated hardships faced by customs officials particularly in remote border stations. For example, in many former socialist countries, border police officers are paid on average 30% more than customs officials performing relatively similar duties. It is essential to provide appropriate conditions of employment and remuneration that includes bonuses and rewards for good performance (see below), and that can sustain a reasonable standard of living. Indeed, severe penalties applied to breaches of a code of conduct are more likely to be accepted in circumstances where the difficult working environment and required levels of integrity are recognised in the base level of remuneration. Anti-corruption programmes that fail to address this issue are therefore likely to fail.

(For a more detailed discussion on human resources management and staff remuneration in customs, see McLinden, Gerald (2005) - link in the reference list.)

Bonus systems and revenue targets

Generally in a principal-agent setting, bonuses improve the performance of the agent by making the right sort of effort more rewarding in monetary terms. There are different ways to fashion a bonus system. One important distinction is between individual and group bonuses. With individual bonuses each tax officer is rewarded for his or her individual effort. The upside to this bonus system is the direct link between what a tax officers do and what
they receive. Possible downsides are opportunism and a lack of coordination between collectors, as each pursues the tasks that are most personally rewarding. With group bonuses, tax collectors are rewarded for the performance of a group as a whole. The upside is greater coordination of tasks, the downside a possibility of free-riding behaviour, as each officer sees only a marginal effect of his or her own effort on the bonus.

Which of the two systems is chosen depends on several factors of which an important one is the ease of monitoring individual versus group output. The question of what bonuses are tied to is also important. If they are tied to a revenue collection target (for instance, revenues as a % of GDP), performance depends on both effort and factors outside the revenue authority’s control, such as fluctuations in the overall economic activity in the country. Consequently, revenue targets set in terms of revenues to GDP may be too broad a measure of performance. For individual staff members the perceived ability to influence the percentage of revenues to GDP is likely to be limited, and bonuses based on this performance measure may not have much of an effect on staff effort and corruption. If group bonuses are to be used, bonuses awarded according to departmental revenues (Customs, VAT, Income tax, etc.) may provide a closer link between effort and reward.

**Internal audits and monitoring**

The degree of audit intensity may determine the effectiveness of the wage level as an anti-corruption tool. Recent research has found the effects of higher wages on corruption - when audit levels are low and corruption high - to be zero, while corruption increases when audit and corruption levels are intermediate. In settings where the auditing intensity is high and the corruption level is low, the effects of higher wages on corruption are found to be positive but low. These results imply that wage incentives should be linked to - and not introduced in isolation from other measures. In particular, positive incentives should be complemented by negative incentives. This means that ‘carrots and sticks’ should be viewed as complementary tools in the fight against corruption. This dual strategy is also recommended in anti-corruption strategies developed by the World Bank and the World Customs Organization.

**Capacity building for tax policy-making in the Ministry of Finance**

Providing timely and well-argued policy advice to the revenue administration is regarded as a core responsibility of the Ministry of Finance. The MoF’s capacity to fulfil this function is in short supply in many developing countries, a problem that has been under-addressed by donors involved in tax administrative reforms. In particular, there is a need to strengthen the capacity for tax assessment and realistic budgeting. Recent experiences from South Africa and Tanzania are promising in this respect.

**Building taxpaying culture through accountability and transparency**

Although local political and bureaucratic leadership is an essential ingredient for tax administrative reform, it is not sufficient. Tax administrations cannot be relied upon to reform themselves. In many developing countries the tax system is regarded as illegitimate by large numbers of taxpayers and citizens in general. Thus, to tackle the serious problems of taxpayer-tax administration relations, impetus for reform must also come from taxpayers. Business communities, taxpayers’ associations, trade unions and other influential domestic institutions have a critical important role to play in pressuring the revenue administration to do a better job of serving the society.

Many observers conclude that a lack of a taxpaying ‘culture’ is the largest obstacle to building a firm long-term revenue base in poor countries. The opposite may, however, also be the case: as long as the tax administration culture is perceived to be influenced by sectarianism, nepotism, and corruption - it is unlikely to contribute to the fostering of a more conducive taxpaying culture. Despite quite comprehensive changes in the tax structure (rates and bases) in recent years, the tax systems in many developing countries are still complicated and non-transparent. Tax legislation is unclear and causes random and partly ad hoc collection procedures. Assessors often have wide discretionary powers to interpret tax laws - for instance to allow or disallow expenses or charges, or to exempt items from import duties. These factors, combined with a perception of limited tangible benefits in return for taxes paid, legitimate tax evasion.

In such circumstances it is not surprising that taxation takes place in an atmosphere of distrust and fear between taxpayers and revenue officers. Extensive use of force is often required to collect revenues, as reflected in the use of special military units to enforce taxes and fight smuggling in some countries, for instance Uganda. Therefore, the government’s credible commitment about the use of tax revenues and its procedures to non-arbitrarily design and implement tax policy are crucial to regain legitimacy. Reforms of tax legislation and collection procedures, including measures to improve accountability (see below), and transparency (see below) in the taxpayer-tax officer relations, should therefore take place concurrently to reduce opportunities for corruption and the demand for corrupt services. When the government decides what measures to take as part of its tax reform program, it should bear in mind the state of the economy and the resources at hand. Most poor countries have neither the political capital nor the administrative capacity to sustain more than a limited range of concurrent initiatives. But an incremental process of change can add up to a radical transformation if it is sustained long enough.

**Building accountability**

A strong bond of accountability between citizens (taxpayers) and the public sector may contribute to generate demand for tax administrative reforms. Tax administration performances are determined to some extent by the interplay between the public sector and the country’s key institutions of accountability - including the legislature, the judiciary, the auditor general’s office, the media, and organised civic groups such as major business communities, taxpayers’ associations, and trade unions. For taxation to have a positive effect on accountability between government and taxpayers, taxation must be ‘felt’ by a majority of citizens in order to trigger a response in the form of demands for greater accountability.
and improved public service delivery. However, the tax reforms during the last decade in many developing countries have not done much to widen the tax base. In Peru, for instance, less than 1% of the taxpayers pay more than 85% of the taxes. It has proven especially difficult to incorporate the many informal business operators as well as professionals, such as lawyers, doctors, and private consultants, into the revenue base. Mainly formal business corporations appear to be visibly affected by central government tax reforms. Still, there are indications that an organised voice and response to revenue policies is developing within the business and trading communities in some countries, including Tanzania and Mozambique. The fact that some tax issues are being treated through formal, public organisations, rather than through bribery and public deals may indicate the beginning of a link between economic elites and government in issues of revenue generation.

Successful tax administrative reforms should therefore be adapted to and address shortcomings in the accountability environment within which the revenue administration operates. Reformers must have an appreciation of factors such as key institutions of accountability’s access to information about revenue collection (what has been collected from who, where and at what costs), as well as their capacity to analyse information about the tax administration, and place demands on it for better performance. Wide dissemination of information that allows citizens to monitor revenue collection and public expenditures may have a powerful positive impact on the attitudes and behaviour of both tax officers and taxpayers.

Transparency

Transparency is a key issue for all revenue administrations. Increasing accountability and maintaining an open and honest relationship with taxpayers is crucial to maintaining public trust and confidence in the performance of tax administration. Taxpayers must be able to expect a high degree of certainty in their dealings with revenue agencies. This can only be achieved when tax laws, regulations, procedures, and administrative guidelines are made public, are easily accessible, and are applied in a consistent manner. Any deviations from laws, regulations, and discretionary power should be justified and documented for later review. In Pakistan, for instance, the lack of transparency in the design of a customs reform project where no diagnostic report was made public, and the lack of participation by supporting interests, clearly contributed to the project’s failure to achieve its initial objectives.

The experience of the Zambia Revenue Authority (ZRA) provides a practical example of what can be achieved when a commitment to increased levels of integrity is made. The ZRA has introduced a number of positive initiatives designed to increase taxpayers’ awareness of tax laws, customs rules, and regulations. These include publication of information brochures and posters, development of a public website, and regular participation in public radio programs. In Morocco, the customs website contains the essential rules and regulations governing customs operations, as well as data on international trade and various performance indicators, including detailed and regularly updated clearance times.

In Peru, through its website, customs make available to the users and to the public in general, information on customs rules and regulations, and all its activities and programmes, including the details of various customs declarations processed. In Turkey, legislative arrangements are updated on customs’ official website, and traders are provided with guidance on the formal procedures to be used for seeking advanced rulings on tariff and valuation. Internal transparency standards can be enhanced by maintaining a tracking and analysis system for compliments or complaints, which ensures that any complaints are examined and dealt with promptly, and that an audit trail exists to facilitate monitoring of the exercise of officer discretion. (See McLinden, Gerald (2005) - link in the reference list.)

Reforms take time

Perhaps the most easily overlooked lesson about reforms of revenue systems is that it takes a long time to achieve fundamental reform of a public institution. The experience of Western countries illustrates this well. It took centuries for today’s industrialised countries to develop reasonably effective tax administrations, while poor countries in Africa, Asia and Latin America are attempting to achieve this in a couple of decades. It is therefore not surprising that the record to date has been full of failures and disappointments. Sustainable change demands sustained effort, commitment and leadership over a long time. Mistakes and setbacks are a normal and inevitable part of the process. The big challenge is to use failures as learning opportunities, rather than as excuses for abolishing reforms.

Evidence from both Western and low-income countries appear to favour an incremental approach to reform. Public management reforms in developed Commonwealth countries (New Zealand partially excepted) succeeded to a large extent because they were much more incremental than is commonly supposed. Furthermore, over-ambition is cited as a common cause of failure in various countries. This does, however, not imply that governments in poor countries should keep the scope of tax administrative reform limited. But when governments decide what measures to take as part of their reform programmes, they should bear in mind the state of the economy and the resources at hand. In general, most poor countries have neither the political capital nor the administrative capacity to sustain more than a limited range of concurrent initiatives. An incremental process of change can add up to a radical transformation if it is sustained long enough. Unfortunately, experiences from aid dependent countries indicate that too comprehensive reform programmes are initiated to attract aid money.
6. REFERENCES / LITERATURE ON THE INTERNET


http://www.cmi.no/publications/publication.cfm?pubid=861


http://www.imf.org/external/pubs/cat/longres.cfm?sk=16276.0


http://www.cmi.no/publications/publication.cfm?pubid=779


http://www.cmi.no/publications/publication.cfm?pubid=1688


http://www.cmi.no/publications/publication.cfm?pubid=1551


http://www.cmi.no/publications/publication.cfm?pubid=874


http://www.dec.org/search/dexs/index.cfm?fuseaction=Dexs.citation&rec_no=134876%20


http://www.fiscalreform.net/research/pdfs/corruption_study_final_10405.pdf


7. LINKS AND RESOURCES

Internet links to International organisations dealing with taxation:

European Commission (EC):
www.europa.eu.int/comm/taxation_customs/taxation/taxationlinks.htm

International Monetary Fund (IMF):
www.imf.org

International Trade Center (ITC):
www.intracen.org

Organisation for Economic Co-operation and Development, (OECD):
www.oecd.org

The World Bank (WB):
www.worldbank.org

World Customs Organisation (WCO):
www.wcoomd.org

World Trade Organisation (WTO):
www.wto.org

Other relevant links on taxation:

Commonwealth Association of Tax Administrators (CATA):
www.cata-tax.org

International Bureau for Fiscal Documentation (IBFD):
www.ibfd.nl

International Tax Dialogue:
www.itdweb.org

International Tax Programme (ITP):
www.law.harvard.edu/programs/itp

International Taxman:
www.taxman.nl

KPMG:
www.kpmg.com

Tax and Accounting Sites Directory:
www.taxsites.com

Taxes Around the World:
www.paradine.com/worldtax

World Tax:
www.taxworld.org

World Wide Governments on the WWW:
www.gksoft.com/gov

Internet links to research on taxation and governance in Africa:

Center for Economic and Policy Research (CEPR):
www.cepr.net

Centre d’étude d’Afrique noire(CEAN):
www.cean.u-bordeaux.fr

Centre for Policy Studies (CPS):
www.cps.org.za

The EAGER Project:
www.eagerproject.com

The Expert Group On Development Issues (EGDI):
www.egdi.gov.se

Institute of Development Studies (IDS):
www.ids.ac.uk

Institute on Governance (IOG):
www.iog.ca

International Institute of Public Finance (IIPF):
www.iipf.net
The U4 Utstein Anti-Corruption Resource Centre is a web based resource centre established by the Utstein Group (UK, Norway, Sweden, Germany, The Netherlands, and Canada) to strengthen their partnership for international development.

U4 is an internal tool at http://partner.u4.no for co-ordination and learning among the international development agencies of the Utstein Group. U4 also presents the Utstein Group’s thinking and activities in the field of anti-corruption at www.u4.no, and shares lessons and experiences with the wider world.

The U4 Resource Centre is operated by the Chr. Michelsen Institute (CMI) - a private social science research foundation working on issues of development and human rights, located in Bergen, Norway. CMI runs the U4 Resource Centre in association with Transparency International.