

Ghana: Tax Administration Reforms (1985-1993)

Seth E. Terkper

ABSTRACT

Bold changes in Ghana's tax administration played a key role in improving the country's revenue mobilization and overall fiscal health. This paper describes and analyzes these changes and offers them as lessons to other nations.

Among the reforms reviewed are: (i) the provision of enhanced operational, administrative and financial autonomy for revenue collection institutions, (ii) the reorganization of tax institutions along functional lines (as opposed to organization based on tax types), and (iii) the introduction of more stringent performance monitoring and supervision procedures. The paper places the administrative reforms in the context of Ghana's other tax changes and its broader structural adjustment program.

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I. INTRODUCTION

Ghana is widely acknowledged for the successful implementation of its far-reaching Structural Adjustment Program (SAP) since 1983. The rapid increase in tax revenue recorded in recent years is often cited among the achievements of the Economic Recovery Program (ERP).¹ The three factors primarily cited for the increases in revenue are: the expansion in the bases of taxation as a result of liberalizing the economy; the changes made to the structure of taxation; and the extensive reorganization of the institutions that administer taxes in the country.²

It is difficult to isolate the separate impacts of these factors on the growth in revenue over the last decade. Nonetheless, as is common with most analyses of tax reforms, far more credit appears to have been attributed to the first two factors for the success of the recovery than the impact of the bold and sometimes innovative measures that were taken under the reform of the country's tax administration. It can be emphatically stated that these administrative changes were equally instrumental in improving the fiscal health of the economy, particularly the domestic revenue mobilization effort.

It is widely acknowledged that reforms in tax administration are relevant or virtually indispensable to the process of effective reform of the structure of taxes in any country.³

¹Ishan Kapur and others, "Ghana: Adjustment and Growth (1983-91)," IMF Occasional Paper 86, Washington 1991. ERP is an alternative expression for SAP.

²For a general overview of tax reforms in Ghana, see Seth Terkper, "Ghana: Trends in Tax Reform (1985-1993)," 8 *Tax Notes International* 1267 (May 9, 1994).

³Milka Casenegra, "Administering the VAT," in Gillis, Shoup & Sicat, eds., Value Added Taxation in Developing Countries, the World Bank 1990; Richard M. Bird, "Tax Administration and Tax Reform:

However, a view that is widely held is that "it generally turns out to be more difficult to reform tax administration than tax policy."⁴ As such, a separate discussion of the tax administrative measures that were taken to accelerate the pace of fiscal and economic reform in Ghana is very important.

Furthermore, over the last few years, Ghana has received requests from several sub-Saharan African countries seeking information about the steps taken and the lessons that could be derived from these measures. In a few cases, official delegations have visited the country for discussions on the subject. There is evidence that some countries, such as Uganda, have gone ahead and implemented some of the administrative reforms initiated in Ghana. It seems appropriate, therefore, to generate a formal debate regarding the merits of these changes, or lack thereof, to add to the documentation of global fiscal administrative practices.

II. RESTRUCTURING GHANA'S REVENUE ADMINISTRATION

The thrust of the administrative reforms in Ghana centered around removing the revenue institutions from the Civil Service and granting them operational autonomy, with a view to improving efficiency through enhanced work and employment conditions. Given the long tradition of identifying tax institutions with the core of civil service work in many countries, it is not surprising that, eight years after this major decision was made, the merits of this change are still passionately debated in the country. The argument does not abate in any forum, local or international, where the blueprint for autonomy has been presented.

The premise for the action is that supervision and monitoring of fiscal functions in any economy by treasuries or ministries of finance need not be confused with the sort of physical

Reflections on Experience," in J. Khalilzadeh-Shirazi & A. Shah, Tax Policy in Developing Countries, The World Bank, 1991.

⁴M. Gillis, "Micro- and Macroeconomics of Tax Reform: Indonesia," in Richard M. Bird & Oliver Oldman, eds., Taxation in Developing Countries, The Johns Hopkins University Press, 1990.

control that involves the day-to-day or routine operations of revenue institutions. If tax administration is to become effective in developing countries, enormous infusions of qualitative human and material resources are needed to perform what can be clearly identified as the professional roles of revenue institutions. In the matter of the administration of central government economic activities, monetary institutions (e.g. central banks, stock exchanges, and other financial institutions) appear to enjoy far more operational autonomy in developing countries than their counterpart fiscal institutions.⁵

Two practical steps were taken in Ghana in 1985 to strengthen revenue administration in the country. These were the establishment of the National Revenue Secretariat (NRS) and the creation of the two major revenue organizations, the Customs, Excise and Preventive Service (CEPS) and the Internal Revenue Service (IRS), as autonomous institutions outside the civil service.

A. The National Revenue Secretariat

The supervision of revenue institutions by various ministries of finance or treasuries in developing countries is fraught with a number of difficulties. The well-known observation by fiscal experts is that, instead of concentrating on policy analysis, most of these ministries have established revenue departments or sections that interfere excessively with the day-to-day administration of the institutions they are supposed to be supervising.⁶ There is another charge that, for very obvious reasons, the task of fiscal administration in these ministries tends to be virtually equated with expenditure allocation and control by the budget division. Revenue policy gets relegated to the background and the actual supervision of revenue performance becomes relaxed, leading to ineffective administration and loss of revenue.

⁵Seth E. Terkper, "Improving the Accountancy Content of Tax Reform in Developing Countries," Tax Research Series, International Tax Program/Harvard Institute for International Development (HIID), Harvard University, Nov. 1992.

⁶"General Aspects of Tax Administration," IMF Institute, Session No. 37 papers, 1981.

A number of countries have grappled with these problems by establishing revenue boards charged with the overall supervision of revenue activity in the country. These boards also may recommend policy to the Ministry of Finance for consideration in its overall fiscal planning and policy analysis. However, appointments to membership of these boards may be only part-time, and their effectiveness limited by the modus operandi for all quasi-governmental management boards. There may be a tendency for these boards to become the means for rewarding political patronage within the governing machinery. Another major drawback to this type of structure is that these boards may lack the strong administrative backing needed to do the work they were established to perform, because they often continue to rely on the very weak institutions they were established to strengthen. The intensified research and revenue analysis contemplated thus may never materialize.

Ghana is among only a few countries that have actually experimented with establishing a separate body with ministerial status to supervise revenue activity. However, the experiment did not last. Between 1985 and 1991, the National Revenue Secretariat had complete responsibility for supervising the activities of the revenue institutions and recommending revenue policy directly to the government. This role was performed with virtual autonomy from the Ministry of Finance. This change occurred simultaneously with making the operations of IRS and CEPS independent of the civil service structure. They were placed directly under the supervision of the NRS. The inspiration for this reform appears to have come from Canada, which is the only country known to this writer with a revenue structure (Revenue Canada) operating alongside the Treasury or Ministry of Finance.

It is difficult to assess the full potential of this initiative in Ghana, primarily because the continuing controversy over the appropriate status for the NRS took precedence over the need to staff and equip it to the level at which it could perform the functions envisaged for it in the model on which it was based. It is believed that the model had the potential for realizing the ideal of an "ongoing tax analysis division" advocated for third world countries (TWC) by Bird and Oldman

in their appraisal of the Indonesian tax reforms.⁷ For the period in which it operated with full autonomy, the NRS was placed under a minister of state, who had sole responsibility for revenue policy and the tax reforms that were launched around 1985.

While an independent institution such as the NRS may focus exclusively on the single objective of formulating and supervising the implementation of revenue policy, it is almost certain to promote conflict in the promulgation and subsequent implementation of fiscal policy in general. For the structure to work effectively, the role of the NRS must be effectively coordinated with overall fiscal policy formulation and administration under the Ministry of Finance or the Treasury.

Certain conditions should exist to prevent the NRS from becoming merely a glorified version of the original Revenue Department of the Ministry of Finance. Foremost among these is the need to make the unit professionally competent, which should never be left in doubt, since the establishment of the secretariat was supposed to overcome stagnation in revenue and tax analysis within the civil service. In Ghana, there was an underlying assumption that the staff of the NRS would enjoy the same conditions of service as those of the now autonomous IRS and CEPS. In some cases, these employees were actually employed by the revenue institutions and then permanently seconded to the NRS. All staff thus were permanent employees of the secretariat, with none of their fortunes attached whatsoever to the civil service. The main benefit of this arrangement is increased specialization, since there could be no anticipation during one's period of employment of transfers to offices that were not related in any way to revenue.

In 1991, the NRS was relocated under the Ministry of Finance and Economic Planning (MFEP). However, the benefits of autonomy seemed to have convinced the government to retain some measure of independence for the secretariat under the MFEP. The NRS currently is headed by the Director of Revenue, who reports to one of two deputy ministers in the Ministry of

⁷Bird and Oldman, Johns Hopkins, 1990, supra note 4.

Finance. Since these changes did not affect the status of the revenue institutions, the NRS continues to be placed strategically between the ministry and these institutions.

B. Autonomy for the Revenue Institutions

Ghana has a relatively long history of tax administration. The first customs law was passed under colonial rule in 1855 and later replaced in 1876 by a customs law based on the U.K. Customs Consolidated Act, 1876. Income tax was introduced in Ghana under the Income Tax Ordinance in 1943.⁸ As noted above, the two main revenue institutions currently are the CEPS and the IRS. It is proposed to establish a third service with the introduction of VAT in 1995 to consolidate domestic tax administration in the country.

Until 1986, both the CEPS and the IRS formed part of the civil service. In 1985, two laws, the Customs, Excise and Preventive Law (PNDC Law 144) and the Internal Revenue Service Law (PNDC Law 143), were enacted to grant full operational and partial financial autonomy to these institutions.⁹ It is important to note that the provisions of these laws, which establish the IRS and the CEPS as Services of the Republic, are upheld by the Constitution of the Fourth Republic.¹⁰

1. Operational Autonomy

The organization and management structures of the IRS and CEPS are similar. Each has a board of directors consisting of a chairman and six other persons appointed by the government, a commissioner, a controller, and an accountant general. The boards of both institutions are charged with the following identical responsibilities:

⁸Government of Ghana, "Report of the Tax Review Commission (Parts 1, 2 & 3)," Accra, 1977.

⁹PNDC Law 144 has since been consolidated with other CEPS Laws, such as the Sales Tax Act, 1965 (Act 257) and the Customs & Excise Decree, 1972 (NRC Decree 114) into the Customs Excise and Preventive (CEPS) Management Law (PNDC Law 330, 1993). Similarly, the IRS is to consolidate PNDC Law 143 with other direct tax laws, such as the Income Tax Decree, 1975 (SMC Decree 5).

¹⁰The Constitution of the Fourth Republic of Ghana, 1992 (PNDC Law 282) came into effect on January 7, 1993.

- ensuring the effective assessment and optimum collection of all taxes and penalties due to the state under the relevant laws administered by their institution;
- making recommendations to the Ministry of Finance on tax policy, tax reform, tax legislation, tax treaties, and exemptions, as may be required from time to time;
- ensuring that all amounts collected are paid into the Consolidated Fund¹¹ unless otherwise provided by law;
- generally controlling the management of their institution on matters of policy, subject to the provisions of the laws establishing each institution; and
- drawing up a scheme of service that prescribes the terms and conditions of service, as well as the remuneration, of the employees of the institution.

It is clear that, in theory, the management and board of each institution have been put in charge of the operations of each revenue institution in ways that are similar to the operations of quasi-governmental commercial organizations. However, some grey areas do exist. For example, the ability of the boards to approve service conditions depends on budgetary constraints and on the continued perceptions of salary differentials with other civil and public sector institutions. Thus, the boards normally will be subject to the overall directives of the Ministry of Finance in the few areas where operational issues could overlap with general fiscal policy.

2. *Administrative Autonomy*

At the current time, the CEPS and the IRS have staff recruitment, training, promotion, and termination policies that are completely divorced from the structure administered for the core civil service. Currently, recruitment is subject only to the overall manpower ceilings allowed for

¹¹This is the main government account with the Central Bank, the Bank of Ghana (BOG).

public sector institutions pursuant to the Public Sector Enterprises Reform project under SAP. The improvement in conditions of service has made it possible for the institutions to recruit professionally qualified staff, including lawyers, accountants, and administrators.

Both promotion and disciplinary policies are formulated by the management of the revenue institutions, in compliance with decisions taken by the respective board. Management committees have been established comprising the commissioner, his deputies, and assistant commissioners. The institutions may use the facilities established over the years for the civil service, but there is no requirement that they apply any civil service regulations in discharging their functions. In particular, the Civil Service Manpower Institutions¹² are useful for the training and development of revenue officers across the country.

3. *Financial Autonomy*

The revenue institutions are established as self-accounting units, with procedures coordinated with the treasury system. Revenue and expenditure management follow a fixed routine throughout any particular fiscal year. During the last quarter of the fiscal year,¹³ the projected expenditure for the ensuing year is agreed on with the Ministry of Finance as part of the national budgetary process. Since the management of each service is in absolute control of expending both capital and recurrent expenditure, the total annual expenditure, when expressed as a percentage of related revenue, constitutes a rough measure of the cost of administering¹⁴ the direct and indirect tax systems.

Throughout the operative year, the estimate of annual expenditure is spread over four quarters in predetermined amounts, which are then released in advance quarterly or monthly

¹²The foremost civil service training institution is the Management Development and Productivity Institute (MDPI), located in the same vicinity as the University of Ghana (Legon), Accra.

¹³The fiscal year is the same as the calendar year in Ghana.

¹⁴The CEPS, which collects over 60 percent of total revenue, operates a cost/revenue ratio of around 2 percent. The ratio for the IRS, which collects about 17.7 percent of total revenue, is approximately 5.5 percent.

installments to the management of the institutions to fund routine operations. The estimate of quarterly or monthly expenditure is determined in accordance with an elaborate cash-flow analysis prepared by staff of the IRS and the CEPS. Under the administrative autonomy granted to these institutions, they are able to employ qualified accountants who prepare these elaborate budgets and cash-flow statements. The staff also is responsible for maintaining adequate accounting records and submitting annual financial statements to both the Accountant and Auditor Generals' Departments.

Between 1987 and 1992, prior to the implementation of the quarterly and monthly schemes for releasing funds to the IRS and the CEPS, a more innovative approach was used. Under this scheme, the ratio of expenditure to revenue agreed on with the Ministry of Finance became the basis on which both the IRS and the CEPS were allowed to withhold a portion of the revenue collected for their routine operations. Therefore, only revenues net of operational expenses were paid into the Consolidated Fund. For example, if the withheld portion was set at 5 percent, only 95 percent of revenue collected each day would be transferred to the Central Bank through the commercial banks that received cash on behalf of the services.

This scheme required that any expenditure in excess of the agreed limits had to be formally justified and approved by the Ministry of Finance. Since such approvals were not always easily forthcoming, the system had an inherent mechanism for ensuring that the revenue target was met to automatically generate the resources needed by the revenue institutions for their operations. An across-the-board bonus scheme also was put in place for each institution to reward revenue collected in excess of the annual target. This bonus scheme was the key incentive, apart from the enhanced conditions of service, to induce officers of the revenue institutions to improve performance.¹⁵

¹⁵For a discussion of the importance as well as examples of administrative incentives, see Bird, *The World Bank*, 1991, *supra* note 3.

This scheme was discontinued at the beginning of 1993 for a number of reasons, notably the tendency of the revenue institutions to occasionally hold funds in excess of their immediate requirements. A more technical point was that the practice was never backed by legislation and, therefore, infringed on Treasury laws and regulations.¹⁶

III. FUNCTIONAL REORGANIZATION

One of the major steps taken under PNDC Laws 143 and 144 was the restructuring of the departments or sections under the IRS and the CEPS along the lines of functional organization employed in most private sector and quasi-governmental enterprises. This is a clear departure from the practice of organizing revenue operations based on tax types.

A. The Structure of Functional Units

In both the IRS and the CEPS, three main departments have been established under the control of deputy commissioners. These are: Finance & Administration; Research, Planning & Monitoring; and Operations. The Operations Department is organized alongside the general classification of the revenue function into Assessment, Collections,¹⁷ and Examinations.¹⁸ This classification promotes professionalism in administration (for example, auditing) across tax types, thus promoting specialization and facilitating staff recruitment, training, and transfers within the organizations.

B. The Assessment Function

The ideal in promoting functional organization is that it is in consonance with promoting self-assessment by the taxpayer, followed by varying degrees of examination by the tax office.

¹⁶The Financial Administration Decree, SMC Decree 221, 1979, and the Financial Administration Regulations, 1979, L.I. 1234, specify that, unless permitted by law, all monies collected on behalf of the state should be paid in full into the Consolidated Fund.

¹⁷Enforcement is implied.

¹⁸Examination is used generally to cover the audit and investigations function.

Currently, under the CEPS Management Law, PNDC Law 330, 1993, the taxpayer is primarily responsible for assessing his own customs duties, domestic excises, and sales taxes. However, in the case of import duties, this job essentially is performed on behalf of importers by clearing and freight agents located at the major points of entry into the country. There is no breach of law implied by this practice since the importer, as principal, is held accountable for the declarations made on the bill of entry.

The foremost assessment task currently facing the CEPS is how to eliminate illegal practices in the valuation and classification of goods imported into Ghana. The classification of goods is based on the Harmonized Commodity and Coding System (HS Code) of the Brussels-based Customs Cooperation Council (CCC). The widely held view is that because the code is complex to administer, it is also prey to manipulation by agents and corrupt tax officials.¹⁹ In 1988, all of Ghana's indirect taxes became assessable on an ad valorem basis, making the declaration of taxable values a very important element in the assessment and collection of tax revenue. This move appears to have compounded the problems associated with the valuation of goods. The main advantage of an ad valorem basis is that it is buoyant in relation to the fluctuations in exchange rate adjustments and inflation.²⁰ However, it is widely believed that unit taxes appear to be easier to administer.

It is not easy to assess the impact made by the engagement of SGS International to carry out pre-shipment inspections in combating these difficulties. In any case, the malfeasance includes falsification of, and tampering with, pre-shipment certificates issued by SGS. The government has announced its intention to engage additional trade inspectors to promote competition and to

¹⁹See submission by the Minister of Finance to Parliament, Daily Graphic, December 9, 1993.

²⁰See Vito Tanzi, Public Finance in Developing Countries, Edward Elgar, 1991, for a discussion of the impact of inflation on the collection of tax revenue.

improve the effectiveness of surveillance of the quality and value of imports into the country.²¹

The IRS has the longest tradition of launching campaigns for improving taxpayer self-assessment in the country, but it appears to have failed in its efforts to promote regular annual filing of tax returns. The relatively large number of IRS district offices located all over the country has not helped in improving the situation. The lack of progress in this direction may be attributed to the overwhelming reliance of both officers and taxpayers on the Standard Assessment and Tax Clearance Certificate (TCC) systems.²² Other factors include a large informal sector that accommodates the "hard-to-tax" category of taxpayers and the paucity of accounting and business records kept in the country.

The implementation of VAT is expected to promote the self-assessment culture because the design of VAT administration²³ is based on the basic concept of the taxpayer raising his own assessment at the end of each month. This will be followed by examinations of varying degrees carried out by tax officials during control visits. The failure to introduce self-assessment is as illustrative as the failure to introduce a single taxpayer identification number (TIN) as means of generally improving the effectiveness of taxation in the country. At the moment, both the IRS and the CEPS use different numbers and it will be a shame if the proposed VAT Service requires yet another taxpayer number.

C. The Collection Function

Customs duties must be paid before goods can be taken out of custody of the CEPS. Apart from a few instances where importers may fail to pay rescheduled import duty arrearage, collection is nearly simultaneous with assessment for frontier taxes. Thus, the main collection

²¹See Daily Graphic, December 9, 1993.

²²The tendency is for TCCs to be issued on payment of the quarterly assessments instead of the scheme being used as a means of ensuring that taxpayers file accurate returns at the end of the year.

²³VAT could become effective in Ghana from January 1, 1995.

difficulties are associated with income tax and domestic indirect taxes, that is, sales tax and excise duty.

The collection function in the IRS districts is intertwined with the role of assessment. This may be partially due to the fact that the districts rely heavily on standard assessments issued from the Head Office. The District Heads are permitted to vary the assessment within reasonable limits where necessary. The main collection problems are the result of general liquidity problems, which implementation of the financial sector adjustment program (FINSAP) seeks to redress. The practice in business is to prioritize government debt, including taxes, at the bottom of the cash-flow chart.

The response from the government has been to invest the revenue institutions with more powers to enhance enforcement activities. These powers include seizure and detention of records, pecuniary penalties, interest, and criminal proceedings. During the early days of tax reform, a campaign was launched to vigorously pursue tax arrearage. This effort, code-named "Operation Tax Harvest," was, among other objectives, meant to stimulate the waning commitment to payment of taxes in Ghana. It led to prosecutions, business closures, and negotiations to settle outstanding tax debts. Unlike the practice in many countries, no formal tax "amnesty" was declared as part of the exercise.

The timing of this campaign coincided with the expansion of the role of other institutions with overlapping responsibility in enforcing fiscal obligations.²⁴ Because these institutions are associated with the political process in the country, the shadows they cast occasionally lead to the enforcement action of the revenue institutions being politicized as well. Any confusion of the

²⁴The notable ones were the National Investigations Committee (NIC) and the Office of Revenue Commissioners (ORC).

political role of revenue institutions may be considered harmful in view of the observation that "taxes in developing countries must be designed to be politically acceptable"²⁵ to be effective.

All of Ghana's tax laws allow both administrative and judicial appeals by taxpayers. The most fundamental element introduced into the appeals process was the establishment of tax tribunals under the National Tribunals Law, 1988 (PNDC Law 205), but they have yet to be impaneled. The absence of operative tax tribunals and formal tax or revenue rulings by the institutions are considered the major drawback in the collection, enforcement, and appeals process within the tax system in Ghana.

D. The Examination Function

The global trend is to strengthen the examination function. However, this is one area in which the thrust of tax literature and practical administration become very confusing. First, there is a wide array of terminology used to describe the examination function, including examination, field audit, verification audit, control audit, tax audit, desk audit, routine check, and even monitoring. Second, there is a growing perception that certain aspects of audits performed by tax administrators, particularly those in VAT, could be isolated from mainstream accountancy and auditing practices.²⁶

Unfortunately, very little attempt appears to have been made to reconcile tax practice with the standards and guidelines issued on the subject by the accountancy profession. To be sure, while there may be no compulsion on the part of tax practitioners and writers to adopt these standards, it is equally naive to think that they can be set aside so easily. Tax institutions interact with businesses for their existence, and they are employing more and more accountants to improve administration. It is necessary to make a clear distinction between routine compliance checks

²⁵Richard M. Bird, *The World Bank*, 1991, *supra* note 3.

²⁶Milka Casenegra, Carlos Silvani, and Graham Holland, "The Audit of VAT," in Alan Tait, ed., *Value Added Tax: Administrative and Policy Issues*, IMF Occasional Paper 88, Washington D.C., October 1991.

(examinations) and the detailed substantive reviews of taxpayer records (audits and investigations).²⁷

Tax administration practice in Ghana is still far from catching up with the trend toward making tax officials concentrate almost exclusively on the examination of taxpayer records. As noted earlier, the IRS continues to issue official tax assessments and, in the case of the CEPS, it is common for officers to complete bills of entries and other tax returns for taxpayers. Nevertheless, in both the IRS and the CEPS, the Field Audit²⁸ function has been strengthened with the recruitment of professional and semi-qualified accounting staff. Indeed, the proposals submitted for VAT are substantially compatible with the procedures adopted by the Field Audit staff in the CEPS. They advocate the withdrawal of resident customs officers from taxpayers' premises and replacing this long-standing practice with wide-ranging control visits by the officers.

E. Research, Planning, and Monitoring

The purpose of establishing the Research, Planning, and Monitoring (RP&M) Departments is to promote and consolidate research and improve management of statistics within the revenue institutions. The departments, within both the IRS and the CEPS, are responsible for carrying out research activities that culminate in tax policy proposals submitted to the Ministry of Finance by the management or board of directors. Thus, the RP&M Department is responsible for data processing and management information within the revenue institutions.

Computerization policy has been disjointed, with the IRS having the longest tradition for mechanically processing data in the country. Even though the equipment is old and far below the data processing capacity of the IRS, tax reform in Ghana did not generally adhere to the view that "the most effective computerization projects are organized as part of a comprehensive review involving the structure of taxes, manual procedures, and techniques and management reporting

²⁷For further discussion of this issue, see Seth E. Terkper, Harvard HIID/ITP 1992.

²⁸This activity is called Tax Audit within the IRS.

systems."²⁹ In 1988, the CEPS installed the UNCTAD Asycuda System for taxes on international trade, to the total exclusion of domestic indirect taxes. Moreover, it has been very difficult to generate meaningful management reports from the system.

Another key role performed by RP&M is the preparation of the annual revenue estimates and the underlying tax and fiscal assumptions that must guide portions of the annual budget. However, there is a need to ensure that the monitoring function, in particular, does not duplicate the efforts of the Field Audit teams.

F. General Administration

The Finance and Administration Departments of the IRS and the CEPS have taken over the clerical, secretarial, and accounting roles that used to be performed on their behalf by civil service institutions.³⁰ As noted earlier, the improved conditions of service for staff of the revenue institutions have ensured that the IRS and the CEPS are able to appoint qualified staff, such as accountants, lawyers, and administrators, to perform these functions. Both institutions have appointed a solicitor secretary who acts as secretary to the board. The Solicitor Secretary's Unit has additional responsibility for all legal issues that may affect the institutions. A number of enforcement actions that are taken through the judicial system thus are initiated by this unit.³¹

Decentralization is taken seriously by the managements of both the IRS and the CEPS. The revenue function is organized on a regional and a district basis and is headed by competent officials of the revenue institutions. The regions are responsible for all assessment, collection, and enforcement activities performed at the district offices. However, the Field Audit functions

²⁹Glenn Jenkins & Seth Terkper, "Administrative Reform For Fiscal Systems in Transition Economies: The Case of Vietnam," Development Discussion Papers, Taxation Research Series, HIID/ITP, Harvard University, 1992; 6 *Tax Notes International* 795 (March 29, 1993).

³⁰These include the Public Services Commission, the Controller and Accountant General's Department (Treasury), and the Audit Service.

³¹The work of the solicitors for the IRS and the CEPS is coordinated with the activities of the Attorney General's Department to ensure compliance with the tax laws.

are centralized at the Head Office because of the difficulty of attracting enough professional staff to operate across the country. Finally, a fair degree of administrative and financial decentralization is permitted at both the district and regional levels.

IV. IMPROVEMENTS IN THE MONITORING AND SUPERVISION PROCESS

The formal fiscal structure in Ghana allows the commissioners of the IRS and the CEPS to operate as chief executives of their departments. However, under PNDC Laws 143 and 144, the powers of the commissioner to formulate revenue policy is subordinated to the board of directors, who must in turn recommend fiscal policy to the Ministry of Finance through the director or head of the NRS. It is the responsibility of the commissioner to implement all operational decisions on behalf of the board. These include staffing and the physical control of material resources used in generating national revenue.

Nevertheless, the autonomy granted to the revenue institutions does not constitute a complete break with other vital organs of the government. The reforms seek to strengthen the day-to-day administration of the revenue institutions and, therefore, it is expected that the NRS, in particular, will introduce more stringent systems for ensuring that its activities fall in line with fiscal policy in general.

A. Planning Revenue and Expenditure Estimates

The budgetary process during the last quarter of the fiscal year constitutes the major forum for planning and controlling the revenue operations in Ghana. The Research, Planning, and Monitoring Units of the IRS and the CEPS submit projections of revenue for the ensuing year to the board and the NRS. As noted earlier, it is around the same time that the Finance and Administration Units also submit their projections of capital and recurrent expenditure. Details of actual expenditure for at least the first three quarters of the current year also are submitted.

The NRS takes the preliminary step of discussing the details of the revenue and expenditure plans with the managements of the IRS and the CEPS. During this process, the thinking of government regarding fiscal policy is brought to bear on the deliberations. After a final review by the boards of the revenue agencies, the revenue projections are tested with the macroeconomic projections and refinements are made for inclusion in the national budget. This interaction allows the revenue agencies to become part of the planning of fiscal policy. It helps allay the impression that may be formed that revenue policy is an annual imposition.

B. Monitoring the Performance of Revenue Institutions

At the beginning of each year, after the budget has been announced, the annual estimates of revenue are broken down into monthly targets. This is done in consultation with the revenue agencies, which in turn fix targets for the district collections. Subsequently, when the monthly returns based on actual collections are submitted to the NRS, they are matched with the monthly estimates and detailed explanations provided for any positive or negative deviations from the target. The returns for any one particular month are submitted with a two- to three-week lag into the next month. The NRS is responsible for consolidating the various returns from the agencies into a comprehensive report on revenue performance to be submitted to the Ministry of Finance. These reports form the basis for evaluating performance of the revenue agencies.

C. Treasury Accounting and External Audits

The Controller and Accountant General Department continues to be responsible for submitting comprehensive statements of receipts and expenditure to the government. As such, copies of the monthly returns of revenue are submitted to the department to ensure that it complies with the Financial Administration Decree, SMC Decree 221, 1979. The revenue institutions also are responsible for preparing statements to reconcile differences between the revenue statements and actual lodgments of revenue with the Central Bank. Under the laws establishing the IRS and the CEPS, the auditor general is responsible for performing annual external audits.

V. CONCLUSION

Autonomy for the revenue institutions is the key element of the administrative reforms carried out in Ghana. However, the measures continue to beg the question of whether improving efficiency can best be achieved by enhancing the conditions of service for the whole of the civil service or by continually setting portions of it aside for better treatment. This is a moot point, but while the debate continues, the point can be made that a general improvement in the conditions of service of the entire public sector is beyond the fiscal capabilities of most developing countries.

The priority given the revenue sector may be the means of collecting enough revenue for this general improvement in the lot of the civil service. However, the pressure for autonomy is not just about financial remuneration. It is a means of buttressing the point that, like the monetary sector, the implementation of tax or fiscal measures ought to be distinguished from the core of civil service supervision of policy. The best form of achieving this is to make the conditions for implementation attractive in order to promote professionalism and effective tax administration.