

Impact of the Fifth Phase Tanzanian Government Leadership in Promoting Integrity of Public Organizations – A Case of Tanzania Revenue Authority-Temeke Tax Region

Sospeter Makubi,

Tanzania Revenue Authority
Headquarters, Dar es Salaam, Tanzania

Faisal H. Issa,

Mzumbe University,
Dar es Salaam Campus College
Upanga, Dar es Salaam, Tanzania

ABSTRACT

For a number of years the Tanzania Revenue Authority (TRA) has been reported to condone various malpractices including fraud, bribery, conflict of interest, favoritism and other wrong doings that impact negatively effective revenue collections. Due to these problems, the Tanzanian government leadership, at different phases, has been striving to enhance integrity in TRA by taking a number of legal and administrative measures. This study assessed the impact of the Fifth Phase Tanzanian Government's Leadership in promoting integrity of employees in TRA - Temeke Tax Region. It aimed at establishing the effect of the actions of the Fifth Phase Government on the integrity of employees; assessed the measures taken by the fifth phase government; the effectiveness of the measures and the challenges faced in promoting integrity of employees in TRA. The study deployed mixed method approach of both qualitative and quantitative research whereby 130 respondents were involved; 94 being taxpayers and 36 TRA employees who were obtained through random, purposeful and snowball sampling. Data was collected through questionnaires, supplemented by documentary reviews and interviews. The findings revealed that the fifth phase government has improved integrity of TRA employees by reducing the level of corruption through: leadership commitment and political will; automation; enforcement of ethics and anti-corruption laws and regulations; investigations; disciplinary actions against corrupt employees; and change of TRA leadership. Despite of the improved integrity, some challenges identified in promoting integrity in TRA include: high tax rates, low morale and motivation by TRA employees, high monopoly and discretionary powers by tax officers, ignorance of tax laws by taxpayers and complexity of tax laws and procedures.

Keywords: Leadership, Change, Integrity, Government, Influence.

INTRODUCTION:

Today, many countries around the world are falling short of attaining socio-economic development due to lack of integrity in public services as a result of corruption. Similarly, according to Transparency International (2016), corruption and lack of integrity in developing countries is to a great extent a result of ineffective political leadership that affect transparency and accountability in providing public services. Tanzania being one of the developing countries has been facing the problem of corruption and lack of integrity in various public organizations including TRA. The presence of corruption in TRA has impacted on the attainment of its objectives and failure of the Tanzanian government to achieve its socio-economic development. For example, as per the Budget speech of 2017-18 by the Minister of Finance only 63% of the country's budget is made of collected tax and non-tax revenues, the remainder is supported by donor funds, grants and borrowing. This paper presents the study on assessment of the impact of the fifth phase Tanzanian Government leadership

in promoting integrity of public organizations with a particular focus of TRA. The objective of the study was to investigate a number of measures taken by the fifth phase Government in promoting integrity of employees in TRA. Further, the study aimed at assessing the effectiveness of the measures taken and the challenges being faced by the government in promoting integrity of employees in TRA.

LITERATURE REVIEW:

Integrity Management in the Tanzania Public Organizations:

In its effort to curb the problem of corruption and to build integrity in public organizations including within the TRA, the Tanzanian government leadership has adopted a range of institutional and legal frameworks including the development of National Anti-corruption Strategy and Action Plan (NACSAP I and II – 2001-2011); the establishment of the Prevention and Combating of Corruption Bureau (PCCB) and the enactment of the PCCB Act of 2007; the development and implementation of the Public Service Code of Ethics and Conducts of 2005; enforcement of the public leadership code of ethics Act of 1995 and other administrative structures and processes. Similarly, TRA has internally undertaken various initiatives to enhance integrity of employees and service delivery. Among the initiatives taken by TRA include: (i) automation of TRA business processes; (ii) the establishment of an independent department (Internal Affairs Department) for managing staff integrity; (iii) development and enforcement of TRA code of ethics and anti-corruption policy; (iv) formulation of integrity committees to promote staff integrity; (v) internal and external audits; and (vi) taking other administrative actions like change of TRA top leadership and management, transfer of employees, disciplinary actions against employees' misconducts, asset declarations, signing of integrity pledges and declaration of zero tolerance to corruption in revenue collection.

Despite the measures taken, various studies indicate that corruption and integrity violations have been rampant in TRA. For instance, the National Governance and Corruption Survey (2009) shows that in TRA petty corruption is entertained to obtain services; the Tetralink East Africa Perception Survey on Small and Medium Taxpayers (2013) indicates that the level of corruption in TRA was perceived to be 63% and forms of corruption were abuse of power, bribes, misuse and misappropriation of TRA resources. The external review of TRA integrity and transparency survey (2015) by Her-Majesty Revenue and Customs (HMRC) from Britain revealed a corruption perception index of 63% as perceived by TRA external stakeholders. Further, the HMRC survey indicated that TRA services do not sufficiently meet stakeholders' expectations due to prolonged tax procedures. Additionally, the East African Bribery Index by Transparency International (2017) shows that tax services sector including TRA was ranked sixth among public organizations after the Police, Judiciary, Land Service, Local Authorities, Medical and Health Services, respectively. TRA was shown to have an improved corruption perception index of 8.2% compared to 16.5% in 2014. Nonetheless, the mini-baseline survey on National Corruption and Anti-corruption Efforts (2017) shows that TRA employees are involved in corruption at a rate of 61.8%.

Leadership and integrity Management:

Effective leadership is a key factor in promoting integrity of employees through various leadership approaches including leadership styles, enforcement of ethics policies and other administrative re-organizations. The leadership styles that have influence on employees' integrity include: transformational leadership, transactional leadership, charismatic leadership and integrity-based leadership. Furthermore, in order to improve organizational and employees' integrity, leaders use various ethics policies and administrative procedures including codes of conduct, whistle blowing policies, job rotation, transfers and screening of applicants on the basis of integrity (Lasthuizen, 2008).

Following the coming into power of the fifth phase Tanzanian government leadership in 2015, the President H.E Dr. John Pombe Magufuli declared, among other things, a fight against corruption to enhance integrity and accountability in public organizations. According to Bass (2003), leadership is significant in the current world characterized by a number of unethical practices. Brown *et al* (2005) argue that effective ethical leadership is important in public organizations like TRA so as to address the growing level of business malpractices by instituting ethics and integrity management systems for effective organizational performance.

The fifth phase government leadership has been seen to actively demonstrate commitment and to show effective ethical leadership in the fight against malpractices in TRA by taking various integrity management approaches including enforcement of laws, regulations and policies; conducting ethics awareness and training to enhance employees' ethical competency and professional ethics; conducting fraud investigations; signing of integrity pledges; employee assets and liabilities declarations; integrity based appraisal process; and other administrative measures like termination of unethical employees, demotions, transfers and job rotations.

Accordingly, Whitton (2001) argues that these measures help to promote ethical conduct, integrity and good governance among employees and leaders in the public sector. However, in order to attain ethical conduct, integrity and good governance, Whitton asserts that some strategies need to be taken including the establishment of: (i) effective laws and regulations for employees to justify their decisions and practices; (ii) whistle blowing protection mechanisms; (iii) ethics audit to recognize integrity risks; (iv) human resource management that value integrity; (v) ethics trainings; and (vi) complaint handling mechanism. In line with Whitton (2001) commentary, the fifth phase government has taken efforts including review of the Public Procurement Act of 2011 in 2016 to strengthen public procurement; enactment of the Whistleblower and Witness Protection Act of 2015 to safeguard whistleblowers and witnesses; conducting audits and investigations to reduce corruption; online applications in recruitment; regular ethics trainings to TRA staff and enforcement of e-reporting to gather customer complaints. These strategies are both compliance and value-based approaches of integrity management.

The compliance (rule-based) approach involves the establishment of a legal and regulatory framework as an external mechanism to guide the conducts of employees whereas the integrity (value-based) approach entails building individual moral characters as an internal control to strengthen ethical judgments through ethics trainings and role modeling (Maesschalck, 2004 and Trevino and Weaver, 2003). The effectiveness of the two approaches requires strong leadership to change public servants' mindsets toward integrity by communicating expected ethical standards, enforcing ethical laws and regulations, role modeling, rewarding of good behaviors and taking disciplinary actions against integrity violations.

In TRA, the compliance approach has been used through enforcement of ethics and anti-corruption policies, laws and regulations including the Public Servants Code of Ethics and Conduct, the TRA Code of Ethics and Anti-corruption Policy, the TRA Staff regulations and the Public leadership code of ethics Act of 1995. Further, the integrity-based approach undertaken in TRA include conducting integrity and ethics trainings/awareness to build employees' moral character and integrity judgment capacity for ethical decision making; and helping employees to behave ethically by doing right things continuously (Petrick and Quinn, 2001).

According to Brown and Trevino (2006a), leaders are role models and have a great role in influencing employees' behaviors since employees tend to imitate leaders' behaviors. Ethical leadership communicates the significance of integrity and establishes the system to hold employees accountable for their conducts. Keeping accountable some employees has impact on integrity of others who witness the leadership actions to errant staff. Since the coming into power of the fifth phase government, top government leaders have been role models in terms of integrity by demonstrating good conduct and keeping accountable public officials who misuse their offices. Similarly, TRA leaders and supervisors have a significant role of influencing employees to behave ethically through role modelling (talking and walking with integrity) and holding employees accountable for their decisions. Brown and Trevino (2006a) identified four individual characteristics of leaders that have influence on integrity of subordinates. These are: (i) *personal characteristics* (imaginative, consciousness, openness, trustworthiness etc); (ii) *motivation driven by* power motive, achievement motive and affiliation motive; (iii) *Machiavellianism* where leaders have little trust in followers and tend not to be trusted by others; and (iv) *additional individual characteristics* including moral judgment, moral utilization and self-monitoring.

Although leaders have influence on employees' conducts, Brown and Trevino, (2006a) argue that the influence depends on leaders' positions. For example, senior leaders have high influence on employee integrity by (i) demonstrating commitment (political will); (ii) communicating ethical standards "tone from the top"; (iii) making employees accountable for integrity violation; and (iv) funding integrity promotion initiatives. Further, they point out that supervisory leaders have more influence on integrity of employees than senior leaders as they work closely and take more time with their followers.

Leaders in public service are responsible for setting examples and build trust and integrity to prevent employees from being detrimental to ethics and social norms (Rehman, 2011). According to Litschka *et al* (2011), the contemporary management across the world has placed leadership commitment as a key factor in fostering ethical behaviors whereas Quaquebeke and Eckloff (2010) argue that the delivery of public services has improved through effective top leadership. Effective leadership helps to inspire moral awareness leading to self-determined employees and improved public service delivery. Similarly, the fifth phase leadership encourages employees to do what is right and just and enforce ethical culture to improve integrity, transparency and accountability of TRA employees and ultimately increase revenue collection.

METHODOLOGY:

The research design of this study was a case study of TRA-Temeke Tax Region in Dar es Salaam. TRA as a case study in the assessment of the impact of the fifth phase government leadership in promoting integrity of public employees. The study used mixed research methods of both quantitative and qualitative approaches. The sample size involved 130 respondents including 36 TRA employees and 94 taxpayers (small, medium and large taxpayers). To obtain the sample population, simple random; purposeful; and snowball sampling techniques were used. The primary data of the study was collected through questionnaires and interviews whereas secondary data was collected through documentary reviews. After gathering the data, Statistical Package for Social Science (SPSS) was used to analyze quantitative data whereas qualitative data was analyzed through content analysis to transform collected data into meaningful form.

RESULTS AND DISCUSSION:

The demographic findings from taxpayers revealed that males dominate the sample of 94 taxpayers; 86% of which were in the age group of 40-49 years. 49% of the taxpayers’ respondents were small taxpayers and most of them were found to have been paying taxes for more than 5 years - a time that is sufficient to make relevant observations on services, conduct of TRA employees and the policies and practical changes instituted by the fifth phase government. Furthermore, many of the taxpayers (55%) had secondary education, which is adequate for one to make sense and analyze issues related to the study.

In the case of TRA employees, respondents were mostly males 73%, of 30-39 years age group and 46% had master degrees and were at the level of Senior Officers/Officers/Assistant Officers. In relation to time of service, most of the TRA respondents had been working with TRA for more than 5 years. The demographic information of employees shows relevance to providing useful data on the study.

When assessing the impact of the fifth phase government leadership, both respondents (taxpayers and TRA employees) were initially requested to indicate the level of corruption in TRA. Findings show that there is corruption in TRA as indicated by 59 (63%) and 16 (49%) taxpayers and TRA employees respectively. On the other hand, respondents indicated that the level of corruption has decreased in the past two years of the fifth phase government leadership as reported by 53 (56%) and 24 (73%) taxpayers and TRA respondents respectively.

Similarly, the findings show that the integrity of TRA staff has improved in the past two years of the fifth phase government leadership as revealed by 69 (73%) and 28 (85%) respondents from taxpayers and TRA respectively. Improved employees’ integrity has led to improved TRA services as reported by 72 (77%) and 27 (82%) taxpayers and TRA employees respectively.

Collectively, improved integrity and service delivery has led to increase of revenue collection in Temeke Tax Region from 195, 840.12 million Tshs. (January, 2014 –December, 2015) before the fifth phase government came to power to 308,746.72 million Tshs. (January, 2016-December, 2017) during the fifth phase government tenure as indicated in table 1 below. This is an increase of 57.7%.

Table 1. Revenue collection statistics at Temeke Tax Region (January, 2014 – December, 2017)

Two years before the fifth phase Government		Two years of the fifth phase Government	
Year	Amount (Million T.Shs)	Year	Amount (Million T. Shs)
Jan-Dec, 2014	94,034.3	Jan-Dec, 2016	136,732.02
Jan-Dec, 2015	101,805.82	Jan-Dec, 2017	172,014.73
Total	195,840.12	Total	308,746.75

Source: TRA website (www.tra.go.tz)

It was observed in the study that reduction in corruption and improved integrity and service delivery in TRA have been contributed by various integrity management and leadership measures taken by the fifth phase government. For example the fifth phase government leadership has demonstrated commitment to integrity in public organizations by taking various measures.

Some of the measures include effective handling of customer complaints related to TRA services and integrity. Improvement in staff integrity and service level standards is leading to customer satisfaction and voluntary tax compliance; automation of TRA business processes supports simplification of services and reduces corruption. It was observed that most of TRA business processes like customs clearance, mobile phones tax payment and electronic filing of tax returns are available online and taxpayers are not necessarily required to visit TRA offices. On strengthening of investigation and disciplinary actions against corrupt officials, the fifth phase government

has enhanced the investigative capacity of the PCCB as a national anti-corruption body and the TRA's Internal Affairs Department as a TRA internal watchdog for promoting staff integrity. Fraud and corruption are effectively investigated and errant officials are subjected to disciplinary actions including termination. Transfers and staff rotation are used as a means of discouraging unethical practices.

In the dimension of implementation of ethics and anti-corruption laws and regulations, respondents argued that there are various ethics, anticorruption policies, laws and regulations being enforced by government to promote staff integrity in TRA. For example; introduction of NACSAP III in 2017 as a national strategic framework for preventing corruption, review of the TRA staff regulations of 2009 in 2016 for effective handling of staff matters and amendment of the Public Procurement Act and its regulations in 2016 to enhance effective procurement.

Cultural change was observed to occur from the change of government leadership. There are evidences as observed of transformation towards integrity and service delivery, while role modelling by TRA leaders and supervisors is considered an integrity-based approach of influencing employees by acting as examples (role models) in terms of integrity.

Findings indicate that other measures taken by the fifth phase government include integrity-based recruitment, promotion and performance appraisal; signing of integrity pledges, enforcing declaration of assets and liabilities and verification of the same; and implementation of TRA taxpayers' charter.

To promote integrity, it can be concluded that the fifth phase government has employed both integrity management and leadership approaches. The integrity management approach include compliance (rule-based) like use of anti-corruption policies, laws and regulation and integrity (value-based) approach like ethics training and role modelling as argued by Maesschalck (2004). The leadership approach involves the use of various leadership techniques and styles like transformational leadership and taking disciplinary action against errant TRA staff as in transactional leadership (Lasthuizen, 2008).

Furthermore, the study investigated the effectiveness or extent to which the measures taken have influenced change of conduct by TRA employees. Majority of both taxpayers and TRA respondents indicated that the measures taken by the fifth phase government have led to significant changes to employees' conduct and service delivery in TRA. The notable changes reported by respondents from taxpayers include:

Increased promptness, transparency and accountability by TRA employees when serving customers stated by 77 (82%) of taxpayers. It was argued that bureaucracy has been reduced and TRA services are available timely and transparently due to automation and enforcement of code of conducts.

Regarding improvement of TRA employees' conducts: (79%) of taxpayers' respondents argued that government initiatives have improved the conducts of TRA employees by enhancing dignity, respect, professionalism and fairness leading to reduction in corruption cases and improved service delivery. Dignity, respect, professionalism and fairness are integrity values stated in TRA Code of Ethics through which taxpayers are valued and served with respect leading to customer satisfaction, voluntary tax compliance and increased trust and confidence by taxpayers.

Other concern of the study included improved TRA commitment in providing quality services to customers. Majority of taxpayers' respondents (73%) argued that TRA commitment towards quality services has made employees customer-focused leading to increase in revenue collection since the coming into power of the fifth phase government in 2015.

Increased taxpayers' understanding of their rights and obligations that in turn reduces malpractices as reported by 82 (87%) respondents. It was reported that, in some cases, taxpayers give bribes due to inadequate knowledge of their rights and obligations. Thus increased knowledge of taxpayers' rights is to reduce the chances of resorting to bribing TRA employees.

In respect of fair administration and enforcement of tax laws and regulations, TRA officials devote efforts towards fair administration and enforcement of tax laws. This has increased voluntary tax compliance and made majority of taxpayers feel responsible in paying taxes.

On the other hand respondents among TRA employees pointed out that the measures taken by the fifth phase government has led to various effects on conducts and behaviors of TRA including:

Increased transparency, accountability and fairness: majority (79%) of TRA respondents argued that transparency, accountability and fairness have increased in TRA. As noted above, this may be due to automation and enforcement of taxpayers' charter. Again, increased transparency and accountability has improved accessibility and promptness of TRA employees in serving customers.

There is also a view by 73% TRA respondents that the number of corruption cases has been reduced as a result of (i) increased understanding and compliance of employees to workplace code of ethics and anti-corruption

laws and (ii) effective ethics and anti-corruption measures instituted.

Improved integrity by TRA employees has increased patriotism whereby employees are putting public interest ahead of personal interest as reported by (70%) TRA respondents. This indicates improved moral character and integrity judgment capacity which helps ethical decision making (reasoning) as argued by Petrick and Quinn (2001).

Other improvements reported by TRA respondents include proper use of tax laws and regulations leading to increased taxpayers' trust and voluntary tax compliance. Furthermore, the fifth phase government has led to improved dignity and respect by TRA employees when serving customers.

Apart from substantial changes brought about by the fifth phase government as noted above, majority of both TRA and taxpayers respondents indicated that the fifth phase government leadership is still facing some challenges towards promotion of integrity in TRA. Among the noted challenges include:

High tax rates that make taxpayers solicit tax reduction through corrupt practices. High tax rates make taxpayers look for unethical means of evading taxes by colluding with TRA employees. This is supported by His Excellency President John Pombe Magufuli who said during the layout of the foundation for the construction of standard gauge train on 14th March, 2018 in Dodoma "...TRA should look at the tax rates to taxpayers, some taxes are higher than the nature of business one is undertaking and instead of motivating them to pay tax, the higher tax rates becomes a burden to taxpayers and then they look for unethical ways to evade taxes".

In addition, *high monopoly and discretionary powers vested on tax officials* is also mentioned as a challenge. Powers vested on tax officials if not controlled makes taxpayers feel inferior during administration and enforcement of tax laws. Unscrupulous tax officials can take advantage of inferiority complex shown by taxpayers to solicit bribes.

Similarly, inadequate knowledge by taxpayers on their rights and obligations can lead to corrupt behaviors by TRA employees. The ignorance on taxation issues, rights and obligations also give room to bribes particularly small taxpayers. For example, taxpayers may be requested to provide bribes to fast-track certain services, while the taxpayers charter provides timeline for such service. Further, taxpayers reported that *TRA tax system is complex* to an extent that majority of the taxpayers are not aware of the tax procedures. Unethical TRA employees may take advantage of taxpayers' ignorance and complexity of tax laws to solicit or commit corrupt practices.

A policy or rather practice problem is the *presence of presumptive taxation system* where tax is assessed based on income indicators and not from accounting records for small taxpayers. This gives room for negotiation of tax liability and in case an employee is not ethical may lead to bribery.

On the side of reinforcements of positive behaviors, *TRA officials have mentioned low work morale and motivation as an issue of concern.* TRA respondents argued that low morale and motivation makes some employees to commit corrupt practices as compensation for low motivation.

Respondents considered important increased taxpayers' understanding of their rights and obligations. It was reported that, in some cases, taxpayers give bribes due to inadequate knowledge of their rights and obligations. Thus increased knowledge of taxpayers' rights is to reduce the chances of resorting to bribing TRA employees.

Furthermore, as reported, TRA is faced with the challenge of inadequate resources (*human resources*) and less effective ethics/anti-corruption initiatives. Inadequate number of employees leads to service delays that may give room for improper facilitation payments to fast-track services while ineffective ethics programs do not build among TRA employees effective moral integrity that is sustainable.

CONCLUSION AND RECOMMENDATIONS:

Based on the findings above, it can be concluded that the integrity of TRA employees has improved due to commitment of the fifth phase government leadership towards integrity by undertaking various legal and administrative measures. Improved employees' integrity has in turn led to quality services and increased revenue collection. Apart from improved integrity and TRA services, the fifth phase government is still being faced with some challenges towards integrity and service delivery including high tax rates, ignorance of taxpayers, complexity of taxation systems and low morale by TRA employees.

For further improvement of staff integrity and service delivery in TRA, it is therefore recommended among others to: (i) review tax rates based on economic conditions and nature of taxpayers' businesses and enforcement of fair penalties to prevent taxpayers from soliciting reduction of taxes or penalties on corrupt practices; (ii) encourage patriotism among Tanzanians particularly taxpayers and TRA staff so that they can feel responsible and avoid loss of government revenue through corruption; (iii) improvement of remuneration packages and promotion among TRA staff to raise work morale, motivation and reduce temptations to bribes; (iv) provide regular integrity and tax education to taxpayers particularly small and medium taxpayers to

increase understanding of their rights, obligations and tax procedures; (v) strengthening of integrity-based recruitment to ensure that honest candidates are recruited; and (vi) enhancement of supervision and monitoring of employees' conducts since there are many loopholes and avenues through which tax officers can commit corruption.

REFERENCES:

- Bass, B. M. (2003). Face to face-Power to change: A conversation with Bernard M. Bass. *Leadership in Action*, 23(2), 9-11.
- Brown, M. E et al. (2005). Ethical leadership: A social learning perspective for construct development and testing. *Organizational behavior and human decision processes*, 97(2), 117-134.
- Brown, M. E., & Treviño, L. K. (2006a). Ethical leadership: A review and future directions. *Leadership Quarterly*, 17: 595-616.
- Her-Majesty Revenue and Customs (2015). *The external review of TRA integrity and transparency survey*.
- Lasthuizen, K. (2008). *Leading to integrity: Empirical research into the effects of leadership on ethics and integrity*. Amsterdam: VU University Amsterdam.
- Litschka, M. et al (2011). Decision Criteria in Ethical Dilemma Situations: Empirical Examples from Austrian Managers. *Journal of Business Ethics*, 104(4), 473-484. <http://dx.doi.org/10.1007/s10551-011-0922-x>
- Maesschalck, J (2004). Approaches to Ethics Management in the Public Sector'. *Public Integrity*, vol. 7, no. 1, pp. 21-41
- Petrick, J. A., & Quinn, J. F. (2001). Integrity capacity as a strategic asset in achieving organizational excellence. *Measuring Business Excellence*, 5(1), 24-31
- Prevention and Combating of Corruption Bureau (2009). The National Governance and Corruption Survey report.
- Rehman, R. (2011). Role of Emotional Intelligence on the Relationship among Leadership Styles, Decision Making Styles and Organizational Performance: A Review. *Interdisciplinary Journal of Contemporary Research in Business*, 3(1), 409-416
- Transparency International (2016). Corruption Perception Index
- Treviño, L.K. & Weaver, G. (2003). *Managing Business Ethics*, Stanford.
- Whitton, H. (2001). Implementing effective ethics standards in government and the civil service. *Transparency International*, 2, 2001
