Developing Capacity in Public Financial Management

- an African experience -

Dr Mark Abani, Board Member FIRS,

at the 1st CIPFA International Conference:

trust and accountability in public financial management.

15 – 17 March 2011 at Queen Elizabeth II Conference Centre, Westminster, London, UK

Objective

To discuss the practical capacity challenges that affect public financial management in an African environment.

It draws on the experience of The Federal Inland Revenue Service of Nigeria in its work as a tax administration agency.

Context.

- Public Finance Management is a subject well documented and researched. Handbooks and guides abound – the challenge is in the practice.
- Public Finance in Nigeria has developed over the years from being a function of the colonial masters through the changes at Independence and the changes from an agrarian economy to an oil based economy up to the current challenges of sharing public revenue.
- To have **trust and accountability** there is a need for basic data to inform the process and reporting changes required

Some examples of Nigeria's steps towards public finance transparency

- Fiscal Responsibility Act 2007
- Public Procurement Act 2007
- Introduction of e-payment for all Government payments – contracts, salaries...
- Introduction of the Government Integrated Management System by the Office of the Auditor General of the Federation

The Nigeria Tax System - An overview

- Mainly revenue raising but with reliefs to encourage investment and/or protect local enterprise.
- Tax administered at various levels, Corporate Income Tax, VAT and some other taxes at the Federal Level, Personal Income Tax and Capital Gains Tax mainly at the State Level with various levies at Local Government level.
- Reforms started with Study Group 2002, Working Group 2004 and FIRS Establishment Act 2007
- New Tax laws passed or in passage, Tax Appeal Tribunals established and National Tax Policy agreed.

The Public Finance Challenges as they affect Tax administration in Nigeria.

- Basics – Collections, information and Data
- Multiplicity of taxes and national co-ordination
- Regulatory frameworks and Laws
- Administrative issues – Tax Audit – processes and accounting, staffing and Human Capital issues, IT capacity – physical and technical
- Taxpayer awareness and engagement

The Basics … information and Data

- **Project FACT – New Collections process**
  (Automating process and Electronic Banking)
- **(Unique) Taxpayer Identification Numbers**
  (Getting a handle on taxpaying population)
- **Links with Government Bodies to embed taxation**
  (Starting to share data to understand Taxpayer profiles)
- **Basic Taxpayer Education**
  (Self Assessment awareness, Mainstreaming Tax in learning – Schools and universities, helping compliance through training and assistance)

Multiplicity of taxes:

National Tax Policy and Joint Tax Board

- Main aims include –
  - Making Taxation a pivot and key enabler for economic growth and development
  - Reducing the number of taxes and such taxes as remain to be broad based and high yielding
  - Taxation to be fair and streamlined with managed incentives
  - Embed an appropriate Tax Appeal Tribunal system

Regulatory Frameworks and Laws

- Federal Inland Revenue Establishment Act 2007
- New Tax Law amendments passed for Company Income Tax, Petroleum Profit Tax, and National Automotive Council Act
- Other Amendments in progress through the National Assembly
- Other Acts and Regulations making reference to provision of information for tax purposes, the payment of tax and agreement about the process for providing tax exemptions.

Administrative issues:

- HR support using SAP programmes
- Training Programmes at all levels with emphasis on Tax Audit training programmes
- Recruitment of specialists
- The streamlining and improvement of processes
- The introduction of a change management approach to develop and embed new ways of working and culture
- Prosecution of tax cheats and colluding staff.

Future Challenges

- The Introduction of an IT supported Integrated Tax Administration System (ITAS)
- Improved Procurement processes and more use of Project Management techniques
- Driving a performance shift through Change Management and improved processes
- Appropriate, and on time, staff training
- Change Management to support changes
- Taxpayer Education - their Rights and Obligations

Conclusion

Regardless of the practical difficulties outlined FIRS is committed to developing the key enablers within its shpere to contribute to Nigeria's ambition of transparent Public Finances through trust and accountability in the administration of taxation in Nigeria.

Acknowledgements:

The author appreciates the opportunity provided by **Ifueko Omoigui Okauru**, Executive Chairman FIRS. Thanks also for the assistance of Osy Chuke and Sam Ogungbesan – both Coordinating Directors of FIRS.

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