



African Tax Administration Paper 1

What is the Role of Taxpayer Education in Africa?

Giulia Mascagni and Fabrizio Santoro

April 2018

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Summary

This paper reviews existing initiatives on taxpayer education in Africa, an area that has been largely under-researched in the literature. We start by providing an overview of the wide variety of programmes that African revenue authorities have undertaken in this area, including both traditional training and more innovative approaches. We then ask how effective these programmes are, and what can be done to improve them in the future. We argue that more evaluation is needed in this area. We also highlight the importance of complementing technical training with broader educational content on the importance of paying taxes, fiscal exchange and transparency.

Keywords: tax education; tax knowledge; tax compliance; Africa.

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Acronyms

KRA	Kenya Revenue Authority
MTU	Mobile Tax Unit
RRA	Rwanda Revenue Authority
SARS	South Africa Revenue Service
TIN	Taxpayer Identification Number
URA	Uganda Revenue Authority
ZRA	Zambia Revenue Authority

Introduction

How to increase tax revenue in contexts where tax evasion and poverty are widespread? This is a big question in the development debate, both because tax revenue is crucial to finance essential public services, and because any increase in tax revenue should not come at the expense of other objectives, such as equity. There are a number of promising options to increase tax revenue in a sustainable and equitable way, although they are often difficult to implement due to lack of administrative capacity or political constraints (Moore and Prichard 2017). Tax compliance literature has often focused on two sets of factors that can help to increase compliance and tax revenue: deterrence (e.g. audits, sanctions) and tax morale (e.g. peer effects, fiscal reciprocity).¹ A third and related factor is knowledge and education, which can help taxpayers navigate complex tax systems. This third factor is the focus of this paper.

Although there is little research on tax education, recent studies have shown that taxpayers often have little understanding of how tax systems work (Kira 2017; Feldman et al. 2016; Tanui 2016). Using Afrobarometer data on thirty-six African countries, Isbell (2017) reports that the majority of respondents have difficulty figuring out what taxes they owe to the government. While small taxpayers are likely to suffer more from lack of tax knowledge, large taxpayers and business associations are also not immune to this issue (Nalishebo and Halwampa 2014). Importantly, it is increasingly clear that tax knowledge is a key determinant of tax compliance (Palil 2010; Richardson 2006). This is even more true in countries where tax systems are complex and hard to navigate. As a result, there is an increasing awareness, especially amongst African tax specialists, that lack of tax education and knowledge is one of the key obstacles to voluntary tax compliance (Kira 2017; Nalishebo and Halwampa 2014; Tanui 2016).

However, lack of knowledge about tax rules and how they should be applied can affect tax compliance in two opposite ways. On the one hand, it can be associated with lower taxpayer compliance, including both underreporting and failure to register (Kira 2017; Lubua 2014; Palil 2010). There is anecdotal evidence that businesses might think they do not have to register because they only run a small shop, or because they make very little profit. On the other hand, a limited understanding of the tax system could result in higher compliance costs or even overpayment. A recent study shows that taxpayers in the US often pay more than they should due to high compliance costs and relatively complex reporting requirements (Benzarti 2015).²

This confusion and uncertainty can also have important implications for taxpayers' perceptions of the size of the tax burden and unfairness of the tax system, especially in contexts where public services are poor and tax resistance is already widespread (Fjeldstad and Semboja 2001). In fact, greater tax knowledge has been associated with improved attitudes towards taxpaying and better perceptions of the tax system's fairness (Eriksen and Fallan 1996). Uncertainty about tax rules can fuel distrust between citizens and the government (Levi et al. 2009). Using Afrobarometer data, Aiko and Logan (2014) report that the majority of Africans say it is difficult to find out what taxes they are supposed to pay and how their government uses tax revenue. Relatedly, many see tax officials as corrupt. Ali et al. (2013) show that not understanding how taxes are used is negatively correlated with tax morale and compliance attitudes. Against this background, providing information about the

¹ For a review on tax morale, see Luttmer and Singhal (2014). For a review of the tax compliance literature, see Mascagni (2016).

² This resonates with related findings showing how poor people often fail to benefit from public programmes due to their lack of knowledge about them (Duflo et al. 2006; Bettinger et al. 2009).

tax system and how tax revenue is spent is crucial to building trust between citizens and the government, and to promote accountability and transparency (Kira 2017).

If tax knowledge and education can indeed play a central role in improving tax compliance and attitudes, what can revenue authorities do to improve them? In this paper we look at initiatives that African revenue authorities have undertaken in the area of tax education, including both traditional training and more innovative approaches. Recognising the role that education can play in promoting compliance, many African revenue authorities have a taxpayer education strategy that is implemented by a dedicated department. Section 1 provides an overview of educational initiatives that are being adopted in various African countries, ranging from campaigns on traditional and social media, to classroom-type training. These initiatives can be seen as a practical ‘soft’ alternative to traditional enforcement based on audits and fines – or at least as an important complement to it.³ The focus on education is in line with a modern approach to tax administration, where taxpayers are seen as customers, and the tax authority acts as a facilitator and provider of services and information.⁴

Having established that revenue authorities in Africa are experimenting with a variety of educational initiatives, we then ask: what do we know about their effectiveness? Section 2 reflects on the general lack of rigorous evaluation in this field. Putting the African picture in a broader context, it must be noted that there is virtually no evidence in any country about the effectiveness of taxpayer education programmes – with the notable exception of Chetty and Saez (2013). Section 2 highlights some key challenges and elements of success for taxpayer education programmes, based on the African initiatives reviewed in Section 1, and borrowing lessons learned from the broader literature on financial literacy and education.

We conclude this paper by making two considerations on the current state of taxpayer education in Africa and its future. The first one relates to the complete lack of rigorous evaluation in this field, and calls for greater efforts to establish effective partnerships between researchers and policymakers. Without evidence of what works and what does not, resources may not be allocated to the most effective programmes, or there may be missed opportunities to improve their impact on compliance, attitudes and, eventually, tax revenue. Second, we argue that the content of educational initiatives in Africa should be expanded to have a more explicit emphasis on fiscal exchange and transparency. While all the initiatives reviewed in Section 1 could in principle affect compliance, those that move beyond the purely technical level are more likely to help build a meaningful and sustainable taxpaying culture. Currently, most initiatives focus more on technical knowledge rather than active citizen engagement. More is needed on the latter.

Our review speaks to both tax researchers and staff of revenue authorities – especially in Africa, but also in low-income countries more broadly. As voluntary tax compliance gains an increasingly important place in tax administration in Africa, both researchers and practitioners should strive to better understand the role of taxpayer education. We hope they can both potentially benefit from the evidence collected in this review.

³ Aggressive enforcement alone (i.e. deterrence) can backfire, crowding out the intrinsic motivation to comply (Slemrod et al. 2001; Frey 1997; Feld and Frey 2002; Torgler 2002; Kirchler et al. 2008).

⁴ This approach is supported by a related literature, e.g. Alm and Torgler (2011); Alm et al. (2010); Alm et al. (2012); Kirchler et al. (2008).

1 What do African revenue authorities do to improve tax education?

There are a wide range of initiatives in Africa that can be labelled as tax education, potentially including: 1) training on the practicalities of taxpaying, such as tax rates, deadlines, as well as characteristics and nature of different tax types; 2) initiatives to inform taxpayers of the importance of paying tax, including their role in funding public services; 3) the promotion of information and discussion around fairness and accountability, in view of greater citizen participation in debates around tax and budgeting. Rather than attempting a conceptual differentiation of categories for the possible initiatives, we discuss the ones we observe in five sub-sections based on their similarities. Our main aim is to provide an overview of the most common initiatives currently being implemented on the continent – not comprehensively, but by way of illustration. Since little is currently known about these programmes, we try to shed light on their key characteristics and implementation.

We focus particularly on programmes implemented by revenue authorities, therefore excluding those that may be run by other actors (e.g. chambers of commerce, universities, civil society organisations). However, the tax education programmes reviewed here often involve a mix of government actors, such as revenue authorities and ministries (e.g. Education in Kenya and Rwanda, Finance in Morocco and Zambia), business organisations (e.g. the Private Sector Federation in Rwanda), civil society representatives and various international organisations (OECD, UNDP, GIZ, Norad, Denmark's DANIDA, European Union). Local media, including radio stations and newspapers, are often close collaborators. A successful example of these partnerships is GIZ's support to the creation of a new taxpayer education unit in Zambia (OECD 2015).

Our review is based on two main sources of information. First, we carried out a systematic search of secondary sources, including policy reports, bulletins, publications and revenue authorities' websites. Among these, one of the main resources is an OECD report that provides a description of interventions in various low- and middle-income countries, including some African countries (OECD 2015). Another key secondary source is Fjeldstad and Heggstad (2012), which focusses on initiatives enhancing voluntary tax compliance in Mozambique, Tanzania and Zambia. Second, we conducted in-depth interviews with officials from the taxpayer services departments of revenue authorities in Rwanda, Uganda, Nigeria, Kenya and Tanzania. Our choice of countries has been dictated primarily by the availability of officials to be interviewed, as well as our ability to successfully contact them through the network of the International Centre for Tax and Development. We used a brief qualitative survey in these interviews; this included questions on existing educational initiatives, with a focus on: programme structure (duration, content, geographical scope, target); available resources for this type of programme (budget, personnel); and the existence of any evaluation of their success. These are largely government views, and we do not claim that they are fully objective. We did not make a systematic effort to collect taxpayers' views on these programmes, as this would have been largely outside the scope of this review. Where available, we report findings from independent evaluations – but we show that these are extremely rare.

1.1 National taxpayer days and annual campaigns

Held in almost all African countries reviewed, National Taxpayer Days are nationwide celebrations that combine a diversity of elements: from self-recognition of the revenue authority's staff to general moral appeals and awareness-raising campaigns on the importance of paying taxes. In addition, these initiatives sometimes involve more specific

educational inputs, for example:⁵

- Since 2011, in Burundi sessions have been held to increase tax literacy of citizens, together with a parallel annual event on taxpayer identification number (TIN) registration.
- Since 2010, in Mozambique the main objective of the annual campaign 'Together We Make Mozambique' has been to ensure that all citizens become familiar with tax matters, specifically targeting the informal sector, and encouraging businesses to register for a unique TIN.
- In Senegal, various activities are planned on campaign days to target mainly the informal economy: conferences, information stands where citizens can get in contact with tax officials, articles in national newspapers, and radio and TV announcements.

One important feature of these events is to involve the highest political figures in the country to emphasise the importance attached to taxpayer compliance. For example, in Rwanda and Senegal the president often attends the main campaign event, or sends another high official in his place. Taxpayers' contributions to development are recognised during the ceremonies, with special awards for the country's most compliant citizens. As expressed in an informal interview with officials from the Tanzania Revenue Authority, the idea behind these initiatives is to 'give something back to compliant taxpayers'.⁶ By offering this official and high-level recognition of the value of taxpaying, these events are also meant to strengthen social norms on compliance.

On the implementation side, a key factor for success of these initiatives is the involvement of a range of actors who are closer to the target audience than the government, and thus better placed to communicate the importance of paying tax. They include local administrators and market managers (Burundi), educational institutions and various civil society organisations (Mozambique), media (Senegal), and, more generally, representatives from various sectors and business organisations. In Ghana, for example, patriotic campaigns are held in local communities in collaboration with faith-based organisations, trade associations, local radio stations and community information centres at the district level. Along these lines, a national-level campaign called 'Our Taxes, Our Future' has recently been launched.⁷

Information on the impact of these initiatives is rather scant, although we know that they usually benefit from extensive media coverage and are well known in most countries. OECD (2015) reports that Burundi experienced an increase of 7,000 new registrations during the TIN registration campaign in 2011-2012, and a positive, but not documented, five-year trend in compliance. Similarly, Mozambique saw a five-fold increase to 2 million registrations from 1999 to 2012, attributed to the 'Together We Make Mozambique' campaign (OECD 2015). However, without a rigorous evaluation it is hard to isolate the impact of these programmes and to make any causal claim. Many factors other than the campaigns, such as a general positive economic trend or parallel tax reforms, could have also led to the large increase in formalisation, and thus contributed to the observed positive outcomes.

1.2 Tax education in schools

The orientation towards education in this type of programme is clear. Revenue authorities in different countries have designed strategies to foster tax knowledge among the youth, and to encourage future generations to be compliant taxpayers. The relevance of tax education in schools was stressed in most of our interviews with revenue authority officials, and all of them agreed on the need to proactively focus on youth to build a solid culture of tax

⁵ The source of these examples is OECD (2015).

⁶ Source: interview with Tanzania Revenue Authority on 10 August 2017.

⁷ Source: website <<http://www.ghananewsagency.org/economics/ghana-revenue-authority-launches-national-tax-campaign-124377>>, accessed 3 November 2017.

compliance. For example, Kenya, Mauritius, Rwanda and Tanzania have established tax clubs in schools that promote discussions on tax amongst students (OECD 2015). There is often a competition between tax clubs from different schools, and final exams at the end of the year.

Tax education programmes in schools share several features across countries. They usually target secondary school students – or sometimes university students, as in Rwanda. Often events are run by staff from the revenue authority, who visit schools and have direct contact with students. The content typically covers basic issues, such as various taxes that citizens must pay, including VAT, taxes on liquor and tobacco, fuel tax, income tax, and corporate and/or property taxes. In some cases, like Mauritius, the programme also provides insights into how tax revenue is spent and the detrimental effects of evasion.

More details on these programmes are provided by OECD (2015), although there is very little information on official websites and no evaluation of their effectiveness on knowledge, attitudes or actual compliance. The following provides a sense of the reach of these programmes:⁸

- In Kenya, from the launch of the programme in 2012 to 2015, 25,000 students and 400 teachers have been involved in the programme. Perceptions towards the tax system reportedly changed: the programme helped to clarify some basic issues around taxation and stimulated a positive tax culture among students.
- In Mauritius, from the launch of the initiative in 2012 to 2015, 17 schools have been covered reaching 1,500 students.
- For Rwanda, in 2016 seventeen Tax Friends Clubs were operational in different secondary schools throughout the country, and tax lectures were organised in fourteen national universities.⁹
- In Tanzania, 184 tax clubs were created up to 2014, reaching 10,200 students.

1.3 Tax edutainment

Initiatives that try to reshape tax as an enjoyable topic and use the media to reach and engage the general public come under the label of tax edutainment. It is well documented in literature on financial literacy that the opportunity cost of acquiring education is usually high, and training programmes often suffer from low attendance rates (Sonobe et al. 2010; McKenzie and Weber 2009; McKenzie and Woodruff 2013). Initiatives that bring tax education into people's homes and adopt a more relaxed and non-confrontational approach may therefore improve take-up. The fictional aspect of these programmes, where episodes are drawn from real life and presented in a popular and comic way, is intended to make tax matters more understandable to the general audience, who often have limited knowledge on the topic.

Tax edutainment is well developed on the African continent, and other countries can learn from their experience of engaging citizens in a creative way. For example, a Nigerian television tax soap opera, 'Binding Duty', has been watched by 80 million citizens (OECD 2015). Along similar lines, 'Tax Matters', a 30-minute television show also in Nigeria is available to view freely on YouTube; it is in its fifteenth season.¹⁰

Radio programmes dealing with taxes are also widespread. In Rwanda, a weekly tax programme has been broadcasted since 2010. In Zambia, the revenue authority organises a weekly one-hour radio programme on a popular radio channel. The first half of the

⁸ Source: OECD (2015) unless otherwise indicated.

⁹ Source: interview with Rwanda Revenue Authority (RRA) officials on 18 July 2017.

¹⁰ According to the YouTube channel, accessed on 20 March 2018, an episode has an average of 250-300 views.

programme is specifically aimed at tax education, while the second half is a debate with live call-in, where taxpayers ask questions, raise concerns or give feedback. As such, it seems to include an element of political dialogue and accountability.

In addition, social media is often used to boost citizen engagement and tax compliance. One of the best examples is the Kenya Revenue Authority's (KRA's) Twitter account, KRA Care. KRA launched a campaign called Mkenya Mtrue, with the hashtag #LipaUshuru, which provides information on how to file taxes online. It also created a series of tax stories where people from different professions speak about taxes – for example, a Kenyan doctor recommending online filing to simplify the tax declaration process. Another Twitter thread is dedicated to KRA officials who explain what they do – for example, KRA call centre staff highlight the importance of paying taxes in order to improve Kenya public services, including roads and hospitals. KRA also organise short interviews with celebrities promoting proper tax filing.

In terms of evaluation, the only consistent qualitative evidence is a study run by the Zambia Revenue Authority (ZRA) in 2012. The Research and Planning Division conducted this study to shed light on taxpayers' perceptions of the fairness and clarity of information provided by the ZRA. The results, not published but reported in OECD (2015), reveal that 73 per cent of respondents feel that they are treated fairly by ZRA staff. Similarly, out of a sample of seventy-five taxpayers, 96 per cent stated that information on tax matters provided by ZRA was clear. However, a causal link with the tax radio programme cannot be clearly established. Unfortunately, no other evaluation has been conducted to specifically look at the impact of these programmes in Zambia or elsewhere. However, researchers willing to engage in this area could learn from related literature that investigates the effects of the media on social and political outcomes, looking at the role of newspapers and radio as a way of making politicians accountable (Besley and Burgess 2002; Stromber 2004) and to shape voting behaviour (Gentzkow 2006; DellaVigna and Kaplan 2007).

1.4 Tax training and seminars

Tax training and seminars are perhaps the most widespread activity that revenue authorities organise to improve tax education. These initiatives provide knowledge on how to navigate the tax system with a more traditional 'classroom' approach. Training is sometimes organised with specific groups of taxpayers, to better target their specific needs. There is a wide range of initiatives in this area, which share many of the same characteristics. The following are only a few examples; others are found, for instance, in Zambia (Nalishebo and Halwampa 2014) and Tanzania (Lubua 2014; Fjeldstad and Heggstad 2012).

- In South Africa, from January to March each year, the South African Revenue Service (SARS) provides free tax education sessions for small businesses. Their website reports the exact dates, location and general training topics, which vary depending on the SARS branch, and provides contact details for relevant officials.¹¹ The website does not report any relevant statistics on attendance or the impact of this training.
- In Uganda, the Uganda Revenue Authority (URA) organises tax clinics that are essentially workshops for specific groups of taxpayers. Information on tax is distributed through presentations, flipcharts and brochures. The main goal is to ensure registered taxpayers know their compliance obligations. There are about 250 tax clinics around the country, and each session is attended by an average of 70 taxpayers.
- In Rwanda, the Taxpayer Service Department implements year-round training sessions specifically targeting newly-registered taxpayers in each district, who are believed to need more information to navigate through the system and abide by the law. Training covers

¹¹ Source: SARS website <<http://www.sars.gov.za/ClientSegments/Individuals/Need-to-pay-tax/Pages/Learn-about-taxes.aspx>>, accessed in July 2017.

various topics, from registration and declaration, to VAT and other fees, with specific attention to penalties and fines for late or missing declarations. The Taxpayer Service Department also organises specific training sessions with existing taxpayers, for example from a specific sector or on a particular issue.

- In Tanzania, tax workshops and large stakeholder forums are held twice a year and provide a venue for discussion and an opportunity to share tax knowledge with some specific groups, such as importers, exporters and business representatives.¹²

Similar to initiatives reviewed in the previous sections, there has been no rigorous impact evaluation of the training and seminars organised by revenue authorities. Our interviews with tax officials revealed a general perception that this training is useful, and they often receive positive feedback from taxpayers. We collected some evidence of this in a related study, where we show that the vast majority of taxpayers who attend RRA's training would attend a similar event again, and will implement the lessons learned (Mascagni et al. forthcoming).¹³ The same study shows that training organised by RRA has a large impact on taxpayer knowledge, and significantly improves taxpayers' perceptions of the complexity of the tax system. However, despite the large number of participants on some of these programmes, attendance and outreach remain a problem. For example, many taxpayers in Tanzania and Zambia are reported to have never received any tax training (Nalishebo and Halwampa 2014; Lubua 2014).

Our interviews reveal two factors that seem to matter for successful tax training. First, according to informal discussions with URA staff, tax clinics are more effective if the audience is clearly segmented and targeted (e.g. farmers, traders), without mixing them up in a general pool. The workshop can then clearly respond to the knowledge gaps of a particular client group. Second, in line with the findings from related literature, it seems that training is more effective with smaller groups, say below 100 people.¹⁴ Moreover, Fjeldstad and Heggstad (2012) reports some qualitative success stories from Tanzania, where tax workshops are implemented by actors closer to the target audience: churches, in particular, are seen as effective partners to reach broader segments of the population, since they are present all over the country, enjoy a high degree of legitimacy and are able to communicate in a way that is closer to the general public.

1.5 Mobile tax units

Mobile tax units are an innovative strategy, where the educational services provided by the revenue authority are brought in to the taxpayers' local area. An example of this type of programme are SARS's Mobile Tax Units (MTUs), through which offices reach taxpayers where they live, especially in rural areas. MTUs offer to help citizens when paying taxes, and explain why taxes should be paid. The goal is to increase filing and tax compliance, as well as citizens' tax literacy. More specifically, as indicated on the website, the services offered by MTUs include completion and submission of tax returns, submission of PAYE statements of account, general queries, and changes in banking and registration details.¹⁵ After a trial run in 2009, three MTUs were launched for the filing season of 2011, and an additional six have been provided since 2013 (OECD 2015).

To our knowledge, SARS's initiative is one of the few of the programmes reviewed here for

¹² Source: interview with a Tanzania Revenue Authority official on 10 August 2017.

¹³ These preliminary results, from Mascagni et al. (forthcoming), are unpublished, and they are currently being supplemented with a more comprehensive analysis of the impact of training on actual tax compliance. The paper reporting the full set of results will be published in the ICTD Working Paper series in 2018.

¹⁴ Source: interview with URA officials on 17 August 2017.

¹⁵ An example of an MTU service can be found at <<http://www.sars.gov.za/AllDocs/Documents/TaxEducationWorkshop/MTU%20March%202017/Eastern%20Cape%20-%20%20Mthata%20%20%20%20MTU%2016.pdf>>

which more detailed information is available – for example, on how the programme is implemented and its outreach. We report some of these details below.¹⁶

- A total of 350 staff with varying skills have been involved since the launch of the programme, and they are provided with online training.
- SARS estimate monthly operating costs (satellite, fuel, equipment, maintenance) to be around USD30,000.
- A total of 77,367 taxpayers have visited the MTUs at 601 centres over a two-year period (2011-2013), with an average of 128 taxpayers per location. Those visiting the MTUs did so to register as taxpayers, submit tax returns, check their tax status and reconcile companies' PAYE accounts.
- According to SARS's website, even if a causal claim cannot be established, in 2015 '5.94 million declarations were submitted to SARS, an 11.52 per cent increase with respect to 2014. Compliance for taxpayers filing on time exceeded 90 per cent for the third consecutive year' – since 2013, the year in which the programme started to run at its full capacity.

Given the large outreach of this type of initiative and the promising results, it would be interesting to carry out a rigorous impact evaluation. More generally, project output measurement of the kind provided for MTUs should be standard procedure for all authorities. However, most of them provide little data on their initiatives, at most basic information on inputs and outputs – without attempting to identify causal impacts.

2 How effective are tax education programmes in Africa?

The previous section shows that there is a wide array of taxpayer education initiatives in Africa, and there are certainly more that we have not covered. Some programmes are particularly innovative, for example tax edutainment (Section 1.2), while others focus on more traditional seminars and training (Section 1.4). Tax education is clearly attracting increasing attention amongst revenue authorities, in line with more modern approaches to tax administration that focus on customer orientation and voluntary compliance (Tanui 2016; Kira 2017). However, the common trait of the initiatives reviewed in Section 1 is the general lack of any evaluation. There is a lot going on, but we really do not know what works. In many cases it is hard to even find basic information about the inputs to the programmes and basic outputs, such as the number of participants – let alone outcomes or impact. There is a clear need for more evaluation in this area, particularly as countries engage increasingly with tax education. There seems to be great scope for peer learning on the continent, but we need to identify the main factors of success and the main challenges.

In the absence of rigorous impact evaluation, we can still make some comments on the effectiveness (current and potential) of tax education in Africa based on two sources. First, impact evaluation literature on financial education can provide some insights into the common challenges and factors of success of similar programmes. Although they do not necessarily apply directly to the field of tax, they are likely to be relevant. Second, we can learn some lessons on the likely elements of success from current initiatives on the continent, with the important caveat that they are not drawn from any in-depth evaluation. Therefore, we avoid drawing any firm conclusion from any of the examples reviewed here.

¹⁶ Source: OECD (2015) unless stated otherwise.

2.1 Key challenges

2.1.1 Little impact and unchanged behaviour

Some studies show a positive and significant association between knowledge and compliance (Lubua 2014; Palil 2010). Despite having a statistically significant relation with tax compliance, the effect of tax education programmes may still be small in magnitude, especially when it comes to actual compliance behaviour. The only rigorous evaluation of tax knowledge that we are aware of, from the US, finds that providing information does not increase reported income (Chetty and Saez 2013). It must also be noted that increased tax knowledge has an ambiguous effect on compliance and tax morale. Although no direct evidence is available, a related study has recently shown that education can have a positive or negative relation with tax morale, depending on individual circumstances and the institutional environment (Rodriguez-Justicia and Theilen 2018). Relatedly, looking at 115 academic evaluations of financial education programmes, Kaiser and Menkhoff (2016) show that these programmes do help, but their impact can be very heterogeneous and small.¹⁷ Moreover, they conclude that financial education has a much stronger impact on financial literacy than actual behaviour, meaning that improved knowledge does not automatically translate into proper behaviour. A similar challenge may be observed in tax, where education could improve knowledge and compliance attitudes, but not necessarily translate into improved behaviour. Related literature has shown that attitudes and actual behaviour are not always in line (Onu 2016).

2.1.2 Low take-up and limited reach

One of the main challenges that emerged from our interviews with revenue authorities is the difficulty of expanding the programmes' reach to taxpayers who do not attend voluntarily. Indeed, many taxpayers remain untrained, even in countries where there is tax training (Lubua 2014; Nalishebo and Halwampa 2014). It may be that these are the taxpayers who could benefit the most from the training – the less educated, those who have not yet registered, or those with the worst perceptions of the tax system. In countries with large informal sectors, one of the biggest challenges is to convince potential taxpayers (i.e. those not yet registered) of the important development role that taxes play in a poor country. Lack of awareness of this priority means that many taxpayers fail to turn up for their appointments to fill out TIN registration cards, or simply refuse to provide any information to the revenue authority (Lubua 2014; OECD 2015; Kira 2017).¹⁸ This attitude may be fuelled by a general aversion to taxpaying, which is often related to widespread perceptions of corruption and lack of clarity over use of public money (Isbell 2017). Tax education could play an important role in correcting these misperceptions if it reaches those outside the tax net. Importantly, low take-up and self-selection are key challenges in related literature on financial literacy training, with important empirical implications.¹⁹ Attendance rates vary in this literature; a recent review provides a figure of 65 per cent, which is far from being universal (McKenzie and Woodruff 2013). Indeed, other studies have shown that attendance can be much lower, between 40 and 50 per cent, even amongst people who have expressed interest in attending the training (respectively Bruhn and Zia 2012 and Valdivia 2012). Similarly, the preliminary results of a study in Rwanda show that, while 97 per cent of invited taxpayers expressed an

¹⁷ On average, the effect of financial education on all reported outcomes is 0.16 standard deviations, while the average effect on financial behaviour is 0.9 s.d., measures that, even if statistically significant, are below the threshold value of 0.20 characterising 'small' effect sizes (Cohen 1977).

¹⁸ In Mozambique, revenue authority staff faced a number of challenges in carrying out a tax education campaign, mostly related to developing a healthy taxpayer habit. It was difficult to engage with all spheres of society, since Mozambique is a vast, linguistically diverse country that has a low level of literacy (OECD 2015).

¹⁹ Small samples affect statistical power, while self-selection can yield biased estimates of impact.

intention to attend the training, only a third actually did so.²⁰ The reasons for low attendance are unclear, but they can range from practical issues (e.g. cost of transport to reach the training), to low perceptions about the usefulness of the training.

2.1.3 Limited budgets and weak link to revenue generation

Despite the increasing attention they are receiving from African revenue authorities, tax education initiatives remain generally under-budgeted compared to more traditional enforcement functions, such as audit or risk management. Even in the most active revenue authorities, such as the RRA or KRA, education and outreach programmes are entirely managed by a handful of officials who are spread thinly over many initiatives and demands. Lubua (2014) argues that one of the main reasons for the low reach of tax education programmes in Tanzania is the inadequate number of available staff. Generally, revenue authorities in Africa operate under tight financial constraints. When choosing how to allocate these scarce resources, many prefer to focus on activities with more immediate revenue returns. The link between tax education and increased tax revenue, which remains the primary objective of any revenue authority, is often perceived as being weak – partly as a result of the lack of any rigorous evaluation. The limitation in resources is also a significant determinant of the final quality of the service, as discussed in the next paragraph.

2.1.4 Low quality of educational services

Related to the previous issue of limited budgets, the low quality of tax education services, as well as broader outreach services, can be a major obstacle to their effectiveness in increasing compliance and perceptions. Technical glitches and delays are common in many of these initiatives,²¹ while websites are often incomplete and call centres very hard to access even after long waits (Mukama et al. 2017). The issue of low quality is also related to low take-up. Flawed services can fuel negative perceptions among individuals, and in turn decrease attendance. There is some evidence that this happened in Kenya in the case of insurance products (Xu and Zia 2013). Since one of the key objectives of tax education programmes is to improve taxpayer perceptions, in addition to increasing tax knowledge, it is particularly important for revenue authorities to ensure these services are delivered to the highest professional standard.

2.2 Elements of success

2.2.1 Make content easy to understand and actionable

It is well known that simple training content is more effective at increasing knowledge.²² A recent study directly tested two versions of the same training in the Dominican Republic: one the standard version, and the other a simplified rule-of-thumb version (Drexler et al. 2014). Their results show that the rule-of-thumb-based training was very effective in improving the financial management of participants, while the standard version had no impact. A rule-of-thumb approach can be a particularly useful and cost-effective option for tax training programmes in Africa. Indeed, tax problems are often highly specific to the firm or individual

²⁰ These preliminary results, from Mascagni et al. (forthcoming), are currently unpublished. The full set of results will be published in the ICTD Working Paper Series in 2018.

²¹ Technical glitches during implementation are common: in South Africa (Section 1.5), for instance, the main challenge for the MTUs has been technical – the accessibility of the SARS systems through satellite communications. Satellite coverage is not always optimal, especially in some rural areas, resulting in long queues of taxpayers waiting to be served (OECD 2015).

²² The merits of simplification have been proved in settings as varied as retirement savings plan enrolment (Beshears et al. 2010; Choi et al. 2009), Medicare drug plans (Mullainathan and Shafir 2009), weight loss (Mata et al. 2010) and college student loan applications (Bettinger et al. 2009). Research in cognitive psychology offers additional evidence that simpler rules and less feedback may be preferable in certain learning environments (Maddox et al. 2008; Maes and Eling 2007).

who is facing them. Successful tax education strategies should combine training on relatively basic and general issues with more flexible and personalised approaches. An example of the latter is the radio call-in in Zambia (Section 1.3), where taxpayers can get feedback on specific issues that they are grappling with. Since these discussions are broadcast on the radio, they also provide concrete real-life examples for others who may be facing similar issues.

2.2.2 Personalise the training

Many training initiatives focus on general topics to attract a wider audience. However, there is clearly a trade-off between maximising reach by covering more general content, and maximising the usefulness of the training by focussing on more specific needs that may only affect a specific group of taxpayers. Some of the training discussed in Section 1.4 is targeted at specific groups of taxpayers, which seems to be an element of success. Recent evaluations have shown how a more personalised training experience yields higher results, as theory becomes more relevant to trainees' lives, who in turn pay more attention and retain more of the content (World Bank 2015). In India, for example, adding coaching on top of the general training, with counsellors visiting the trainees' homes to provide individual instruction, improved financial behaviour more significantly than training alone (Carpena et al. 2015). The RRA is currently experimenting with a similar programme of one-to-one assistance during the tax filing period, to check whether this type of intervention can be effective in improving compliance. The main drawback of these initiatives, however, is that they can be quite expensive and impractical to scale up given the administrative constraints that most revenue administrations in Africa face. However, technology may help to reduce the cost of these initiatives substantially – for example, through computer kiosks and online assistance (Lubua 2014). The Superintendencia des Pensiones in Chile has been implementing such a service. Installing kiosks in several social service offices has provided a personalised experience to users, who can receive projections of their contributions based on their personal financial profile. There are only a few examples in the field of taxation from high-income countries, and they do not yield conclusive results (Chetty and Saez 2013; Liebman and Luttmer 2015).

2.2.3 Make the training timely

Many studies have shown that trainees tend to forget what they have learned fairly quickly (De Mel et al. 2012; Bloom et al. 2012). There is evidence that even relatively intensive programmes have barely any impact after eighteen months (Fernandes et al. 2014). This evidence suggests that educational interventions should be implemented at specific salient moments, providing knowledge near the time of a decision and of immediate relevance for the target group. For example, educational programmes for migrant workers have been shown to have a significant impact on savings behaviour when they are implemented just before they move abroad and get a major boost in income (Barsbai et al. forthcoming). In tax, educational inputs closer to the declaration deadline could have more impact in increasing compliance.

2.2.4 Involve leaders

Tax education is likely to be a lot more effective when it involves leaders who are close to the target audience. An example of this is the involvement of local celebrities in KRA's tax campaign (Section 1.3). Another example is the involvement of local authorities and traders' representatives (Sections 1.1. and 1.4), which has been shown to be particularly useful in sensitising taxpayers and reaching a broader audience (Fjeldstad and Heggstad 2012; OECD 2015). Similarly, the visibility of tax campaigns substantially increases when high-level politicians communicate why it is important to pay taxes. Their participation in national tax campaigns (Section 1.1) can be particularly useful in providing a sense of political

commitment and recognition of the importance of tax.

2.2.5 Target the youth

Targeting the youth has some clear advantages: it sets a solid foundation for a better taxpaying culture in the future, can count on the logistical support of schools, and is relatively low-cost for both trainers and trainees. Despite these advantages, there are relatively few programmes targeting the youth: in a recent review of 188 papers and articles presenting impact results of interventions designed to increase consumers' financial literacy or financial capability, only 18 per cent of the evaluations studied were designed for young people, including high school and university programmes (Miller et al. 2015). Tax authorities in Africa seem to be well aware of the importance of creating a well-informed generation of new taxpayers who can promote a positive culture of tax-filing, as shown in Section 1.2. Our interviews also revealed a lot of enthusiasm amongst tax officials regarding these initiatives. Starting tax education from school-age is particularly attractive for two reasons. First, good tax habits formed at an early age are likely to generate positive side-effects on civic participation, citizen engagement and financial awareness throughout adulthood. A good example of this comes from Rwanda, where a former Tax Club (see Section 1.2) developed into a local non-governmental organisation, advocating tax compliance and spreading knowledge on tax issues. Second, well-informed students can act as agents of change in their households' compliance decisions, as well as their own.

2.2.6 Complementarity matters

Tax education programmes may work better when they are complementary to other efforts, either on related topics or related people. Regarding the latter, targeting both individual taxpayers and business associations might be beneficial. Another example is to supplement training in school with training for the pupils' parents (Karlan and Udry 2012; Gine and Mansuri 2011; Seshan and Young 2014; Doi et al. 2014). Some evidence on the effectiveness of complementarity comes from financial education for migrants in Indonesia, where providing financial education to both the sender (migrant worker) and receiver (family at home) of remittances has much greater impact than only training one of the two (Doi et al. 2014). Moreover, complementarity can occur in terms of the topics or the services provided. Low-income households and small businesses often face an intricate web of constraints. Programmes aiming at alleviating some of these simultaneously can be more effective than individual initiatives. For example, tax training can be coupled with financial training, with existing initiatives to stimulate citizen engagement beyond tax, or to promote budget transparency.

2.2.7 Expand the content beyond technical issues

Although without much evaluation it is hard to make any clear-cut conclusions, it seems likely that programmes that go beyond purely technical issues might have a greater and more sustainable impact on tax compliance and culture. This is particularly important because some taxpayers in Africa not only face technical constraints on how to file, but also struggle to see what taxes are for (Tanui 2016; Kira 2017). Although many taxpayers in Africa recognise the importance of taxation to finance development efforts, citizens often seem to lack trust in institutions and in the tax department more specifically (Isbell 2017). The programmes reviewed in this paper seem to focus more intensively on technical knowledge and relatively broad campaigns, rather than deeper engagement on the developmental role of taxes, how they are spent on public services, and other aspects of government accountability and transparency. Still, we found some examples of this deeper approach to education, as discussed in Sections 1.3 and 1.4. Moreover, Nalishebo and Halwampa (2014) show that training on why should people pay tax is quite popular in Zambia.

3 Concluding remarks

In this paper, we set out to answer two questions. First: what do revenue authorities do to improve tax education in Africa? Section 1 provides an overview of current initiatives implemented on the continent; this does not aim to be comprehensive. Second: how effective are tax education programmes in Africa? Section 2 highlights some key challenges and elements of success stemming from this review, including some lessons learned from the related evaluation literature on financial education.

Having reviewed these initiatives, their drawbacks and opportunities, we make two concluding considerations, which are accompanied by two recommendations for policymakers.

The first regards the almost complete lack of rigorous evaluation in this field. While there are many educational initiatives ongoing, with some growing enthusiasm from revenue authorities, at present we do not know what works and what does not – beyond the more general identification of challenges and elements of success of Section 2. Rigorous evaluation can shed light not only on which initiatives have a significant impact, but also how existing initiatives can be improved to enhance their effectiveness. This is particularly important in a context of severely constrained resources, both in terms of finance and staff. Departments in charge of tax education and outreach are typically overstretched, with several initiatives that have to be managed with very few staff and small budgets. They cannot afford to allocate resources to ineffective activities. At the same time, having clearer evidence of the impact of tax education might encourage revenue authorities to invest more in this area as a key pillar of a modern revenue generation strategy based on voluntary compliance. Evaluation highlighting any links with increased compliance and revenue generation would be particularly useful for this. However, as we discuss next, other effects of tax education are equally important – for example, those on perceptions, attitudes and citizen engagement.

The first obvious recommendation for policymakers is therefore to boost their efforts to evaluate their educational initiatives, to better understand the effects of their work and facilitate the exchange of lessons learned across countries. Such evaluations can be conducted either internally or in partnership with academic researchers, which can often bring added benefits in terms of capacity building and sensitisation on the importance of evidence-based policy.

The second consideration relates to the content of existing tax education initiatives and their broader positive spillovers. As highlighted in the introduction, tax education is meant to affect taxpayer attitudes and perceptions, going beyond increasing tax compliance. While improved attitudes and perceptions refer most immediately to taxpaying, there could be positive spillover effects in terms of accountability and citizen engagement more broadly. The potential of tax education to affect these broader aspects depends very much on their nature and content. One can think of a spectrum of possible educational initiatives: at one extreme are those purely concerned with providing technical knowledge on tax types and deadlines; at the other are those trying to make explicit connections between tax payments and public services, highlighting the fiscal contract that lies behind this exchange between citizens and the state. This more political approach to tax education seems to be less prominent in the programmes reviewed here, compared to the more technical approach. Clearly, having a basic understanding of how taxes work is often a precondition to meaningful engagement in debates around tax. Also, programmes that have a purely technical content may still improve citizens' perceptions of the state by showing a friendly and service-oriented face of public

administration, which citizens may not experience in their everyday life. However, a more explicit emphasis on reciprocity, transparency and accountability is more likely than a purely technical approach to generate positive spillovers in terms of state-building and trust in institutions, which ultimately provide a solid and sustainable basis for tax revenue mobilisation.

Our second recommendation is therefore to make greater efforts to link tax education to information about public services, budget transparency and government accountability. Ultimately, these factors are likely to play a crucial role in encouraging taxpayers to voluntarily comply with tax laws – making the modern approach to tax administration a success. Although this paper has focussed primarily on revenue authorities, clearly civil society has a crucial role to play in this area.

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