JIMMA UNIVERSITY

SCHOOL OF GRADUATE STUDIES

COLLEGE OF LAW AND GOVERNANCE

DEPARTMENT OF GOVERNANCE AND DEVELOPMENT STUDIES

ASSESSMENT OF THE CHALLENGES AND PROSPECTS OF GOOD GOVERNANCE IN THE REVENUE GENERATION OFFICE OF ASSOSA TOWN ADMINSTRATION: BENISHANGUL-GUMZ REGIONAL STATE - ETHIOPIA

A THESIS SUBMITTED IN THE PARTIAL FULFILLMENT OF REQUIREMENT FOR THE MASTERS DEGREE IN GOVERNANCE AND DEVELOPMENT STUDIES WITH SPECIALIZATION IN GOVERNANCE

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ABSTRACT

The study assessed the challenges and prospects of good governance in the revenue generation office of Assosa town administration. Descriptive research design was used. Quantitative and qualitative approaches of research were employed. Both primary and secondary sources of data were used. Simple random and purposive sampling techniques were used. The study comprised 96 total respondents of business community, and the key informants of revenue generation office. A descriptive method was employed to analyze data collected through structured questionnaire, open ended interview, and focused group discussions. Lack of interest from the side of tax payers to pay the tax and lack of commitment, competent workforce, logistics and facilities (computer) on the side of revenue office as the challenges that hamper the practicability of good governance in the revenue generation office in relation to tax valuation, taxpayer education, tax payer information, tax compliant administration and taxpayer assistance. It can then be concluded that the practicability of good governance in the revenue office is facing challenges. Thus, it is recommended that the revenue office should promote commitment, and fill positions with qualified workforce to ensure the prevalence of good governance, to enhance the voluntary compliance of tax payers, and to build mutual trust between the revenue generation office and the tax payers. Revenue office should implement the opportunities such as BSC, BPR, and formation of groupings like 1 to 5, in order to encourage the success of good governance in the office.

Keywords: Good Governance, Challenges, Prospects, Revenue, Assosa town

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LIST OF ACRONYMS AND ABBRIVATIONS

BGRS: Benishangul-Gumz Regional State

BPR: Business Process Re-engineering

BSC: Balanced Score Card

FAO: Food Aid Organization

FDRE: Federal Democratic Republic of Ethiopia

FGD: Focus Group Discussion

ICPS: Inter Censual Population Survey

JU: Jimma University

MoFA: Ministry of Federal Affairs

OECD: Organization for Economic Cooperation and Development

UN: United Nations

UNDP: United Nations Development Program

UNESCAP: United Nations Economic and Social Commission for Asia and Pacific

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Good governance is an indeterminate term used in the international development literature to describe how public institutions conduct public affairs. However, the effectiveness of public institutions in the management of public affairs could be determined by the availability of competent and committed workforce as well as the accessibility of facilities; moreover effective management of public affairs may require capacity. Taxation can be capacity for public institutions to govern public matters. Governance might have eminent role in shaping tax systems, while how taxes are raised can influence the creation of effective public institutions. Efficient administration and trust in tax service providers can depend on taxation and these might be vital to develop equitable and transparent tax systems. A good tax system can improve tax compliance by increasing taxpayer consent, which in turn can reinforce institutional effectiveness. It is a system which is designed on the basis of an appropriate set of principles, such as equity. The most obvious requirement of equity or fairness is to treat equal people in equal circumstances in an equal way (James, 2000).

Good governance could have a crucial role in ensuring public institutions are working with respect to customers expectation. Meeting the public expectations may require responsiveness, commitment, equity, transparency, and competency. Competency for efficient tax service is imperative. Competency in this case implies tax service providers' job related behaviour. In this respect, what tax service providers say or do would result in efficient or inefficient tax service. Hence, competent work forces are vital for the achievement of good governance in revenue generation office. Therefore, of all the various operating functions of the revenue generation office, the revenue staffs should have the most interactions with the tax payers. They are, in effect, the public face of the revenue generation office. The staff assigned should therefore have true intentions to convey information, to educate, to assist the taxpaying public. The staff should also have a good working knowledge of tax law, office procedures, and the tax obligations (Hodges, 2013)

Good governance can promote fair and efficient tax payer service and responsiveness of revenue administration by establishing a bargain between tax administration and tax payers. However, the way in which a government levies taxes essentially may affects the trust and compliance of its citizens. The process of bargaining/supportiveness between revenue administration and taxpayers can help tax administration get acceptance from tax payers, increases the revenue administration capacity to collect and administer taxes, and strengthens the accountability and responsiveness of tax administration to its tax payers. Increasing tax revenue can also strengthen the relationship between government and its citizens with positive consequences for government capacity and the extent to which governments are responsive and accountable to their citizens (Prichard, 2009; Ross, 2004).

This study focuses on the challenges and prospects of good governance in relation to tax valuation, tax related compliant management, tax payer assistance, taxpayer information and taxpayer education service of the revenue generation office of Assosa town administration.

1.2. Statement of the Problem

Government generates tax revenue from the people/business and supplies the people with social goods and services. However, providing the people with such service might require efficient generation of tax revenue. But efficient generation of tax revenue can be affected by a lack of voluntary compliance from the side of tax payers due to inefficient tax payer service delivery, tax valuation, and compliant handling system as a result of lack of qualified workforce. But efficient tax payer service delivery, can improve the willingness of tax payers. Therefore the achievement of this can depend on the availability of qualified work force that are capable of handling complaints case in a responsive and timely manner, and objective tax valuation, as well as capable of delivering taxpayer assistance, timely taxpayer information, and taxpayer education service.

However, regarding the study area available information shows that there is huge gap between the required and available skilled human resources (Benishangul-Gumz Region Food Security Strategy, 2004). Moreover, as to the survey of Regional Capacity Building Coordination Office (2004) and Benishangul-Gumuz Region/Oxfam Canada (2003) on institutional capacity, the

region has severe shortage in skilled human resources. As well the shortage of qualified staffs, lack of experience in guiding, planning, coordinating and management among appointees' who hold managerial positions has highly affected the performance of service delivery institutions. This has contributed to an operational inefficiency in many institutions of the region (op cit. 2003). Furthermore, according to the survey of the Ministry of Federal Affairs (MoFA, 2007) inefficient service delivery is the number one problem faced in the state of Benshangul-Gumuz. However, the challenges of good governance have not been studied clearly in the revenue generation office of Assosa town administration. Therefore, this study intends to fill this gap.

1.3. Objectives

1.3.1. General objective

1.3.1.1. The study intended to assess the challenges and prospects of good governance in the revenue generation office of Assosa town administration.

1.3.2. Specific objectives

1.3.2.1. To identify the challenges of good governance in the revenue generation office of Assosa town administration.

1.3.2.2. To assess measures that have been taken in order to solve the challenges of good governance in the revenue generation office of Assosa town administration.

1.3.2.3. To assess the prospects for the success of good governance in revenue generation office of Assosa town administration.

1.3.3. Research questions

1.3.3.1. What are the challenges of good governance in the revenue generation office of Assosa town administration?

1.3.3.2. What measures were taken in order to solve the challenges of good governance in the revenue generation office of Assosa town administration?

1.3.3.3. What are the prospects for implanting a system of good governance in revenue generation office of Assosa town administration?

1.3. Significance of the Study

Understanding the challenges of good governance in the revenue generation office would help to address the problems related with good governance in such office. This study will help to identify the major challenges of good governance in the revenue generation office of Assosa town administration. It will also reveal the measures taken in order to solve the challenges of good governance. It is a high time that the government would like to raise revenue generation capacity and the study might help identifying governance related challenges and forward recommendations. It could be a spring board for further scientific studies in the area**.**

1.4. Scope of the Study

This study was conducted in Benishangul-Gumz Regional State, revenue generation office of Assosa town administration. It focused on the factors affecting good governance in the revenue generation office. Moreover, it highlights the prospects of good governance in the revenue generation office of the town. Furthermore, it also focused on business tax payers residing in the town and service providers of revenue generation office of Assosa town administration.

1.5. Limitations of the Study

Initially the key informants were the head of revenue office, team leader of management committee, compliant hearing committee, and assessment committee hesitated to provide information for this study, because they doubt the research is for private purpose. However, the researcher was able to convince them by showing the student identity card and letter given by department of governance and development studies (JU) to assure the respondents' that the information gathered from them is confidential and utilized only for scientific investigation.

1.6. Organization of the Thesis

The study report comprises five chapters. Chapter One introduces the back ground of the study, statement of the problem, research objectives, research questions, significance of the study, the scope of the study , the limitations of the study, and also the second chapter presents the literature review part of the study. Chapter Three discusses the methodology that was used by the

researcher to collect data, in order to achieve the objectives of the study. It describes the study area, research approach, study population, sampling technique and sample size, types and sources of data, data collection methods and tools, and data analysis. Chapter Four, deals with the interpretation and discussion of findings .Chapter five presents conclusions, and recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Concept of Public Service Delivery

Public service delivery is a continuous/recurrent process for developing and delivering user focused services (WMO, 2010:4). By this implication, service delivery is the process by which service delivery institutions delivers customer oriented services. However, public services have regulatory role, law enforcement, and tax collection, maintain peace, order and security, mobilization of people toward common goal, organization of people to common good. As such, they can differ markedly from commercial private-sector services in a number of ways. Public services do not usually work for financial profit or need direct payment for goods or services before to delivery. And even if they are charged for, then they are not usually sold to customers at commercial prices set to produce profits (Flynn [1990] as cited in Humphrey, 1998: 8).

However, for the purpose of this paper, the term service delivery is conceptualized as the relationship between revenue generation office staffs and tax payers. It comprises services and their handling system that regards as the responsibility of the revenue generation office. It includes services such as good information, support and guidance, awareness creation together with clear avenues for complaint and redress.

2.2. The Concept of Governance

The concept of governance and its meaning have gone through changes over time, particularly, to its resemblance to the word 'government'. At first, the concept was closely tied up with that of government and its utilization for a long period was limited to the traditional conceptualization of government (Jose, 2010).At the moment, the global understanding of governance is broader than that of government. Stoker (1998:17) explained the governance approach as a "new process of governing; or a changed condition of ordered rule; or the new method by which society is governed". However, government is an executive arm of the state, which carries out legislative

and executive activities, and organizes and mobilizes people toward common objective while standing on the behalf of the people. Hence, government relies on many institutions to achieve its goals and objectives and to provide the public services. For that reason, good governance is therefore essential for ensuring that government is serving for the public interest in an open and transparent manner which in turn is essential for building and maintaining citizens' confidence in the public service delivery institutions.

Though, the terms: government, governance and good governance are related, yet they are different. Heywood (2002:6, 26) explains government as all apparatus that enables well-organized rule, make joint decision and implement them.

Governance is described differently by various people and institutions. Some simply say that governance is the system in which a society is administered and conflicting interests resolved (Grover and Grover 2012:88). But others go into details to indicate that governance is the expanded term of government (Heywood 2002:6, 26). However Heywood's depiction of government as ambiguous and leaves wider room for grounding. But the former definition denotes that the exercise of authority to manage the socioeconomic and political affairs of a society.

2.3. Good Governance

Governance is better understood as a process. 'Good governance', therefore, refers to processes that work well. Good governance is defined as 'well managed, inclusive and results in desirable outcomes' whereas 'weak governance is ineffective, incompetent and inefficient' (FAO, 2007). In this regard, a lack of good governance may lead to informal modes of service delivery, corruption...'Good governance as consisting of public participation in decision making, accountability, efficiency and equitable governance and rule of law (UNDP. 1994:2-3) while the (FAO, 2007), take account of avoidance of corruption, accountability, political stability government effectiveness, regulatory quality and rule of law in its definition. According to these various definitions, good governance denotes both processes and outcomes.

Governance can be said good when customers have access to reliable and timely information on decisions and performance in unfettered way, and when public servants are accountable for their failure to fulfill their obligation. Governance is good when resources are used efficiently; public servants discharge their duty honestly, subject to the law, and when customers are served in accordance with law, and when service providers and receivers are subject to the law. Good governance plays an essential role in the formation of customers' trust on public service delivery institutions. The needs to the valuable elements of good governance to be disclosed in daily work practices of every public sector employee is of significant importance (MohdSidek, 2007). The valuable elements of good governance in service delivery institutions ensure that service providers perform in the interest of customers. Acting in the interest of customers requires the performance of the valuable elements of good governance in service delivery institutions. These valuable elements of good governance indicators such as transparency, accountability, efficiency and effectiveness, rule of law, commitment and integrity are able to improve the employees' behaviors towards well-performed public service delivery institutions (MuhamadNizam, 2009).

Service delivery is based on either public or private provision depending on a variety of factors like political and economic structures, interest or capability of private providers, local finances, consumer/societal preferences, geographic dispersal of service beneficiaries, equity and properties of the service itself (Barlow, 1981). For the purpose of this paper, only one public service delivery institution—i.e., a revenue generation office is taken into account. Thus, public service delivery institutions are expected to meet the demand of customers through quality service. Poor service due to poor governance would result in inefficiency and ineffectiveness of public service. Gilbert &Parhizgari (2000) point out that the characteristics of efficiency and effectiveness have obviously contributed to the quality of service. Good governance in service delivery institution encourages efficient and effective service delivery. Both efficiency and effectiveness are able to improve delayed service and eventually fighting corruption mainly in public service working environment (The New Straits Times, 5 July, 2012; U Myint, 2000). Thus, for the accomplishment of goals and objectives of service delivery institutions effective leadership is essential (Akinboye, 2005). Effective leaders use their authority responsibly to meet their obligations while providing essential public services to all citizens. Effective leader is, who accept responsibility for outcomes, who truly invests his /her effort in the success of customers,

who responds to the problem rather than stay cool, who are exhausted by dealing with pity issues (what is truly important and merely interesting),and who communicate his/her message to customers effectively.

According to Vogelgesang & Crossley (2006) transparency has been proposed as a descriptive construct that relates to whether or not relevant information is made known to all interested parties. Service providers (Leaders& employees) of public service delivery institutions in their relationships with customers have duty to disclose relevant information. Kernis (2003) described transparency as representing the valuing and striving for openness in one's relationships with others. Here, transparency is taken to mean information is freely available to customers; informed decision making or making clear/open how and why decision is made so. Transparency of service providers in their action and decision is significant for building the trust of customers. Since, transparency deters corruption and helps to reduce customers' mistrust of the service delivery institutions governance system. So, operating with integrity is important for the success of good governance in service delivery institutions. Good governance is vital for building the trust of customer through effective and efficient service delivery.

Building the trust of customers in service delivery institutions refers interacting with customers in a way that gives them confidence in service providers' intentions and that of the service delivery institutions. To maintain the success of good governance and thereby to enhance effective and efficient service delivery, service providers are expected to operate with integrity. Integrity is viewed as the extent to which a trustee is believed to adhere to sound moral and ethical principles, with synonyms including fairness, justice, consistency, and promise fulfillment (Mayer, Davis, & Schoorman, 1995; Rousseau, Sitkin, Burt, & Camerer, 1998).

Public servants who operate with integrity demonstrate fairness, honesty, and keep commitments, thereby playing vital roles for efficient service delivery. Integrity is a way leading to effective delivery of services to service users in service delivery institutions as well they are entitled to receive service from service providers reasonably. Failure to operate with integrity paves a way for rent-seeking behavior. UNDP (2004) asserts that integrity is a key element that completes the notion of accountability and transparency. With regard to this, integrity refers to

blamelessness, and honesty. It requires that public servant should not place themselves under other obligations that may influence them in the performance of their public duties. It is away leading to effective delivery of services which the people is entitled to receive from service providers (public servant). The service delivery process of public servant need to be open for customers, and they are also expected to be accountable for their failure to meet the customers demand in a reasonable manner. Mere presence of accountability may not mean that the negative attributes of service providers is minimized. Wood and Winston (2005) note that managers may develop compartmentalized accountability: accepting certain behaviors in one instance while in other instances displaying markedly different actions. To make practical the idea of accountability operating with integrity is indispensable. To operate with integrity public servants have to be motivated for their own action through a sense of honesty, as well commitment is imperative to realize motivation through performance. Commitment to make practical good governance in service delivery institutions is essential, as well as for building the trust of customers. Building the trust of customer can be possible by developing the capability of service providers. Building the trust of customers may require competency in service delivery institutions. The bases of trust are competence or ability, which captures the knowledge and skills needed to do a specific job (Gambaro, 1978).

Therefore, commitment to put on ground good governance in service delivery institutions requires competency. For the purpose of this study, competency refers to job-specific competencies. They are "behaviors and skills" of public service providers required for service delivery institutions. Competencies are service providers' job related behavior or what service provider says or do that result in poor service delivery or efficient service delivery. The roles of public servants are to provide services for citizen. Whereas, citizens are also expected to discharge their duties by paying taxes to their government who provide them with necessary services, because as they enjoy their rights, they are also expected to discharge their duty by fulfilling what their government required from them in a reasonable manner. However, imposing a tax on customers without taking into accounts their income is unfair and against their advantage. Decision makers within public service delivery institutions have a duty to pass decision on the basis of objectivity regarding tax payers matter. Lack of judgment on the basis of fairness/equity would result in poor governance that leads to poor service delivery. Poor service

delivery due to poor governance would leads to loss of trust on the side of customers to the institution and service providers. Hence building the trust of customers through effective and efficient service delivery is imperative, and it may require competency, motivation and commitment of service providers.

Therefore, service providers' decisions concerning customers' matter should be on the basis of objectivity rather than on the ground of bias/prejudice or favouritism for improper reasons like greed, political support or familiarity. The purposes of public service delivery institutions are to maintain the advantage of customers by treating them fairly, but failure to do so, is against their advantage. Good governance depends on the extent to which the general citizenry perceives a government to be legitimate, i.e. committed to improving the general public welfare... deliver public services ... and equitable/fair in its conduct, favouring no special interests or groups. Good governance promotes customers satisfaction by using information in their decision about customers on the basis of rational ground or by not ostracizing information or the issues of other customers. According to the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), bad governance includes governments that are ineffective and inefficient, not transparent, not responsive to the people, not held accountable for their actions, inequitable and exclusive to the best, non-participatory; do not follow the rule of law.

The success of good governance in service delivery institutions may require the responsiveness of service providers to the needs of customers. However, being indifferent toward the matter of some customers would result in poor governance. Hence, public servants have to respond the requests of service users in a timely and careful manner, and show respect for customers, maintains a respectful and inclusive work environment where decisions and communication are transparent and objective, and hold themselves accountable for their decisions and actions. They have to give proper concern for customers, and treat them with dignity and fairness. Therefore commitment of service providers to make practical the valuable elements of good governance in public service delivery institutions have substantial value for the achievement of good governance and efficient service delivery. So, developing the capability of service providers through training is significant for enhancing their commitment to good governance. Moreover, empowering them is also vital for achieving their commitment because empowering them would

enable service delivery institution to be more responsive and improve its performance, and would enable them to be in position to make quick decision and respond quickly to the needs of customers. Empowered employee ,who plays role responsibly while providing effective and efficient services to customers; who have feeling of control over the job to be performed and awareness of the context in which the work to be performed, and who have accountability to the personal work out put. So empowered employee can be developed through training, to increase their skills, knowledge and abilities through empowerment. Empowered employees take the responsibility for their own development and performance by practicing the valuable elements of good governance within an enabling framework provided by the public service delivery institutions (Anuarzaini, 2000).

As service providers' capability is developed through job specific training and upgrading, remuneration will also scale up corresponding to their academic status. The increment in the amount of incentive or payment can increase the motivation of service providers to perform good governance in public service delivery institutions. Through empowerment, the process to perform good governance at work will be more easy, inclusive and realistic since the employees at different levels take part to succeed it. Employees' empowerment in good governance is parallel to the concept of governance that emphasizes the distribution of rights, obligations and power that underpin the public service delivery institution (OECD, 2000).

To this end, the necessity for empowering employees is to encourage them to deliver public service in the general public expectation, and thereby to build the trust of citizens in government. Therefore, trust might be determined by transparency, fairness, responsiveness, and commitment of public servants in conducting public affairs and delivering public services to the people. In this regard, good governance can have vital role in fostering service providers to act in a line with public anticipation.

2.4. Governance in the Context of Revenue Generation Office

In attempting to increase voluntary compliance, perception of fairness and trust are essential tools for a tax administration. The key to establishing trust is to frame the valuation system of taxes to the taxpayers in a transparent manner and give emphasis to the perceived fairness of the criteria employed. Norms and the motivation to pay taxes may be influenced by fairness both in how taxpayers are treated by the administration individually, and perceptions of fairness of the valuation system in general or whether other people are also paying their fair share. A service and customer approach by the tax administration is more likely to encourage trust than a cops and robbers approach based on sanctions (Kirchler, 2007). The more respectfully taxpayers are treated by the tax administration, the less likely they are to avoid and this contributes to the desire to do the right thing (New Economic Foundation, (NEF), 2005).

Information can help tax payers to fulfill their tax obligation; it can encourage transparency and deter tax service providers from wrong doing. Acquainting tax payers with tax rules and regulations and with their tax right and obligations could have deserving impact on their compliance. Failure to know tax rules and regulations would result in non tax compliance as a result of which they may be liable to tax penalty. Tax payers' familiarity with their tax right and duty is vital because it would increase their compliance to the tax laws. And also it would enable them to discharge their duty, for example, observance of tax law/paying tax on due date, and it would enable them to exercise their right, for instance when they are forced to discharge unfair tax liability, they can forward their grievance to the compliant hearing body. Therefore, education and information programs on specific tax issues can be arranged with taxpayers to enhance their awareness; and it's worthwhile to allow taxpayers to voluntarily reveal their tax situation. And tax administration also expected offer clear, understandable and current tax information, and make this information available to tax payer through various media timely (Asian Development Bank, 2001).

Responsive and timely management of complaints issue can have role in enhancing tax payers' voluntary cooperation and trust. Moreover, the accessibility of tax payer assistance for those who are in need of support is vital. Providing assistance for customers in a responsive, respectful and

professional manner up on their request can have significant value in enhancing their willingness to pay tax. Finally, for the achievability of good governance in revenue generation office, and efficient tax payer service, and to obtain the voluntary compliance and trust of tax payers, there should be commitment from revenue office and competent workforce, so as to deliver proper tax education, tax assistance, tax valuation, tax payer information, and clear avenue for compliant and redress. In addition to this, accessibility of facilities (computer) for computerized filing system is crucial for effective and efficient tax payer service in revenue generation office.

2.4.1. Tax payer services

Taxpayer service is the support which the tax administration provides to taxpayers; a fair guideline that tax administration gives to tax payers; the assistance which tax administration offers to tax payers in areas in which the taxpayer might not even have realized that compliance could be facilitated through taxpayer service so that they can fulfill their tax obligations (Grampert, 2001). However, in the context of this paper the term taxpayer services can be defined as the manner in which taxpayers are treated considerately; and it can also be characterized as a set of activity undertaken by the revenue office to assist taxpayers in complying with the tax law. With effective tax payers' information, taxpayers' education, and taxpayers' assistance, taxpayer service can promote voluntary compliance and trust. Helping taxpayers understand their tax obligations and rights; managing of tax complaints request in a responsive and timely manner; equity/fairness in imposing tax burden on individual tax payers, and transparency in the matters of tax valuation could have positive impact on their voluntary compliance.

2.4.2. The Dimensions of Governance In revenue generation

2.4.2.1. Transparency

Transparency requires that decisions taken and their enforcement are done in a manner that follows rules and regulations of revenue generation office. It also means that information is freely available and directly accessible to tax payers, particularly to those who will be affected by such decisions and their enforcement. In this paper, transparency of tax service providers can

be described as representing the extent to which they exhibits a pattern of openness and clarity in their behavior toward tax payers by sharing the tax information needed to make tax decisions.

Taxpayers' compliance is shaped to a large degree by whether or not they believe that other taxpayers are paying; how effectively they believe that revenue is being used; whether or not they believe that tax administration is honest and fair (Fjeldstad, 2004;Berenson, 2006). Trust can be undermined by a lack of transparency around tax collection, and the use of tax revenue. Improving transparency could improve tax compliance while facilitating customers' engagement in discussions of taxation and public spending. Lack of transparency and accountability in the use of public funds contributes to public distrust both with respect to the tax system as well as the administration. This, in turn, increases the willingness to evade taxes (Kirchler et al., 2007).

2.4.2.2. Accountability

Good governance requires accountability of tax officials for their decisions to the tax payers. Accountability is hard to achieve especially in the absence of access to information. To ensure accountability, information sharing and transparency should be promoted in revenue generation office. Gholee Pour (2008) defined accountability as the realization of authority by service providers while fulfilling their duty given to them. In this regard accountability is the need for justifying or defining a decision against those who poses reward or sanction and that these sanction or reward are contingent to accountability condition (Frink and Klimoski, 1998).

2.4.2.3. Efficiency and effectiveness

Good governance requires revenue generation office meets the needs of customers while making the best use of competent work force. Hence, efficiency is the best use of human resources to further the aims of the revenue generation office with a commitment to evidence based strategies for the improvement of tax service.

The effectiveness of revenue generation office can be determined by the extent to which it meets the aspirations of the customers and responsiveness of service providers to the felt needs of customers. The effectiveness of revenue generation office may depend on the role of tax service

providers. Hence, institutional ineffectiveness could result from service providers' inefficiency or weakness and it is relevant to note that effectiveness might subsumes efficiency because efficiency is the means to achieving effectiveness. In this regard, effectiveness can be defined as the extent to which revenue generation office realizes its goals. In this paper, the goal of revenue generation office is providing efficient tax payer service, fair tax valuation, and responsive compliant management.

2.4.2.4. Equity

Good governance requires equity; and equity implies offering fair treatment for taxpayers. However, weak governance paves way for unfair treatment; as result getting voluntary tax compliance will be difficult. Hence, tax systems should be transparent as possible, and be generally accepted as just. However, due to weak governance taxpayers may unlikely to improve trust and obedience to the tax law and the existing taxes can be also enforced unfairly. Therefore, tax equity can be defined as the distribution of burden among taxpayers in a manner regarded as fair.

Furthermore, improving governance in revenue office may require tax bargaining. And tax bargaining may depend on tax payers trusting government to improve governance; Taxpayers will engage in collective action if they are all affected by taxes in similar ways. When a few privileged individuals receive special treatment, either explicitly or unofficially, this can undermine trust in the system. Where trust is low tax payers are more likely to simply evade and resist taxes than enter into a tax bargain with government. In general, tax payers may expect some kind of service or benefit in return for the taxes paid. If the government fails to meet the expectation of citizens/tax payers, they may not be willing to pay taxes and tax evasion and will be the consequence (Pashev, 2005; Everest- Phillips, 2008; Lieberman, 2002; Brautigam et al., 2008).

2.4.2.5. Legitimacy

Legitimacy might influence customers' willingness to pay tax, and institutional legitimacy could emerge from the quality of governance, and the extent to which they deliver accountability. A

lack of transparency over taxation, seemingly arbitrary behavior by tax officials can be the manifestation of weak governance, as well as cause for tax dispute. In fact, building trust can depend on efforts to provide better services and education to taxpayers, and increasing awareness of the tax system. Most likely, the importance of the link between better tax services and tax compliance has always been difficult to prove, but is widely accepted among tax experts and is a regular feature of tax reform programmes (LeBaube and Vehorn, 1992).

2.4.2.6. Responsiveness

In the context of this paper responsiveness denotes balancing of discretionary power of the revenue staffs with taxpayer rights, a customer service attitude to taxpayers and a better appeals process to improve trust. Apparently, taxation can expand responsiveness and accountability by providing incentives for citizens and government to enter into a "tax bargain" or a "fiscal contract" such as citizens accepts and complies with taxes in exchange for government providing effective services, the rule of law and accountability (Moore, 2007, 2008). Such tax bargains are mutually beneficial, as citizens receive improved governance while the government receives larger, more predictable and more easily collected tax revenues (Levi, 1988). Contrary to this weak governance discourages tax bargain by depleting responsiveness, accountability, transparency; it encourages indifference or lack of concern to the request of customers, and such incidence can contribute to the loss of confidence to the revenue governance by tax payers.

2.4.3. Components of Revenue Generation in light of Good Governance

2.4.3.1. Compliant administration

Responsive complaint management system could promote tax payers trust and encourage voluntary compliance of tax payers to the revenue generation office. Moreover, it could help to consider tax payers right from the side of revenue office by building their system responsive to the concern of customers.

2.4.3.2. Tax valuation

The rationale of tax valuation is to offer the basis for distributing tax burden and make payers pay fair amount of tax. Tax valuation should ensure equity/fairness to avoid tax dispute from the side of tax payers. The supply of public goods and services can be effected when tax payers pays taxes for its government on the basis of their income. Since, fair taxation system can contribute to good governance, by establishing a bargaining process between the government and its citizens. When people feel they have been treated fairly by the institution will be more likely to trust that institution and be inclined to accept its decisions and follow its directions (Murphy 2002). In this regard, so as to get the compliance and trust of tax payers revenue office should ensure and implement that whether taxpayers are paying their fair share or not, as well as transparency in communication of decided tax, since the risk of lack of transparency and unfair tax valuation would result in loss of tax payers cooperation and trust to the revenue office.

2.4.3.3. Voluntary compliance

Voluntary compliance is the desire or willingness of the taxpayers to act in accordance with the tax law and the voluntary effort they exercise to pay their tax liability on timely basis. The tax system must be fair to promote equitable distribution of tax burden and to assure continued voluntary compliance by the taxpayer. Successful tax administration may require taxpayers to comply willingly. Bad governance can negatively affect voluntary compliance. Bad governance in this context implies that lack of equity/fairness, as well as a lack of transparency in taxation system. To this end, taxable income, profits liable to tax or other taxable activities are concealed, the amount and/or the source of income are misrepresented, or tax reducing factors such as deductions, exemptions or credits are deliberately overstated (Alm &Vazquez, 2001 and Chiumya, 2006).

2.4.3.4. Taxpayer education

Taxpayer education is familiarizing taxpayers with their right and obligation, and with general background to the payment of taxes and the mission of tax administration. It is important to consider that taxpayer education can improve voluntary compliance of tax payers. It is helpful to make use of appropriate mass media: Radio, TV with the assistance of communications

professionals and adapted to the needs of taxpayers to convey tax payer education. Taxpayer education can bring to the public's attention the penalties livable for failure to discharge tax duty on time. It is one of the effective tools to induce tax payers to comply more (Park & Hyun, 2003).

Therefore, to improve taxpayer education, and to enhance the practicability of good governance in the revenue office there should be constructive interaction between taxpayers and the revenue office; and taxpayer services of the revenue office should focus on familiarizing the public/tax payers about the tax rules and regulation, and of their duties and rights under the tax laws in a way that is easily understandable by even the less educated taxpayers.

2.4.3.5. Taxpayer information

Taxpayer information can be characterized as the provision of the specified detailed information about tax matters that taxpayers to comply with as well as to complete their returns fully, accurately on due time. Tax payer information service can enhance transparency and overcome the liability of tax payers to tax penalty due to information gap. Transparency in this case implies clear administration assisted by dissemination of all the necessary information, about when and where tax payment can be effected. Therefore, it is helpful to issue advertising materials on various aspects of the tax matter, designed for the general public or taxpayers. Information dissemination can make use of the proper mass media through carefully designed and targeted programmes. Tax payer information services can have a vital role in raising tax awareness and reducing compliance gap. The reason for providing taxpayer services is to raise tax awareness and enhance the level of voluntary tax compliance and this can be done by providing taxpayers with precise and timely tax information (Jenkins and Khadka, 2000).

2.4.3.6. Taxpayer assistance

Taxpayer assistance can defined as the provision of specific information in response to taxpayers request and of general assistance to taxpayers on their request. The assistance would cover all tax matters and the preparation of tax returns, including the resolution of questions and adjustments that may arise after the tax returns have been submitted to the tax administration. Taxpayer assistance might involve personal contacts between revenue office staff and taxpayers, and can

do much to build the positive image of revenue office and enhance voluntary compliance, provided that the assistance is given in an efficient and considerate manner.

2.5. Taxation in Ethiopia

Taxation can be defined as a system that the government uses to collect taxes from people and business, based on their income. It is ‘earned income’ which depends on the state’s bureaucratic efforts to raise revenues; the degree of reciprocity between citizens and state or services in exchange for tax payment (Moore, 2004). By this implication government generate tax revenue from the people and provide them with the social services.

Different stories and suggestions indicate that Emperor Zeria-Yakob has started taxation in Ethiopia during the 15th century. However, the earliest constitutional bases for all the tax proclamations were the 1931 Constitution of Ethiopia which was later revised and become revised Constitution of Ethiopia. As to the historical background, it was pointed out that there was no authentic or reliable data as to how and when taxation started in Ethiopia. However, some authors believed that there was some form of taxation during the 12th and 14th centuries in the form of giving some amount of one's produce (like agricultural crops), cattle and direct labor contribution in serving the local chiefs. Elements of modern taxation were introduced around 1941, during the reign of Emperor Haile Selassie, and all taxation in kind was abolished and the monetary form introduced (UNECFA, 1995).

In 1974 Haile Selassie regime was replaced by a Marxist junta led by Mengistu Haile Mariam. Derg government changed the tax structure in 1976, replacing taxes on agricultural income and rural land with a rural land-use fee and a new tax on income from agricultural activities. The government partially alleviated the tax collection problem that existed during the imperial period by delegating the responsibility for collecting the fee and tax on agriculture to peasant associations, which received a small percentage of revenues as payment (Gebrie, 2008).

After the fall of the Derg in 1991, the Transitional Government of Ethiopia took power, and served until 1994. In 1995 FDRE constitution was effected. According to this constitution

territorial decentralization and functional division of power was put into effect. And the form of government has been introduced by a Federal Constitution that established a Federal Democratic Republic, consisting of nine Regional States. Mean while, the current government of Ethiopia has made a major economic policy shift since 1992/93, from command economy to market oriented economic system. With respect to this change, a series of tariff and tax reform measures have been taken (Geda & Shimeles, 2005).

As a result, the1995 constitution of the Federal Democratic Republic of Ethiopia, while stipulating the powers and duties of the Federal Government in Article 51 clearly states that the levying of taxes and the collection of duties on revenue sources is among the duties of the government (Article 50(10), FDRE Constitution).In addition to this, Article 52 goes on and specifies the powers and functions of state governments, amongst which is the levying and collection of taxes and duties on revenue sources reserved to the States (Article 52(2)(e), FDRE Constitution). However, the main target of this study was to deal with the challenges and prospects of good governance in revenue generation office of Assosa town administration; hence it mainly emphasized on identifying the factors that impending the success of good governance in revenue generation office as well as the prospects for the implanting of good governance in revenue generation office.

CHAPTER THREE

METHODOLOGY

3.1. The Study Area

Benishangul-Gumuz Regional State (BGRS) is one of the nine regional states established by the 1994 constitution of Ethiopia that created a federal system of governance. The region is located in the western part of the country. It shares boundaries in the northern and north eastern with Amhara region, in the east with Oromia region, in the south with Gambela region and in the west with Republic of Sudan (Benshangul Gumuz Regional State Revised constitution, 2002).

According to Inter censual Population Survey (ICPS) 2013 the total population of the region is 947,000. The population composition of the region has diverse ethnic groups five of which are indigenous. The indigenous ethnic groups are Berta, Gumuz, Mao, Komo, and Shinasha. Significant numbers of other ethnic groups also reside in the region. It is a multi religious region composed of Muslim, Orthodox Christian, traditional religions, Protestant Christian, Catholic and others. According to the current administrative structure, the region is divided in to 21 Woredas that are structured under 3 Administration Zones: Assosa, Metekel and Kamashi. The one woreda (Mao-Komo) are designated as special Woredas, due to its ethnic composition. The capital city of the region is Assosa town, and the main economic activity of the town is trade. According to the 2007 population and housing census of Ethiopia the total population for Assosa town were 24,214 of whom 7520 were households and 12,463 were male, and 11751 were female.

3.2. Research Design

Every research needs a research design that is cautiously adapted to the accurate requirements of the problem under study (Creswell, 2009). The choice of an appropriate research design is, therefore, essential for a scientific study. This study focused on the challenges and prospects of good governance in the revenue generation office of Assosa town administration. It employed descriptive research designs since it was designed to assess or describe the existing governance

practice of the revenue office on the basis of the factors affecting the prevalence of good governance.

Consequently**,** research approach can be regarded as a blue print, a master plan that specifies the methods (Leedy & Ormrod, 2013). Research approach can be quantitative, qualitative or mixed. In quantitative research approach, an investigator relies on numerical data (Creswell, 2003). The advantage of this approach is that data collection is relatively quick and less time consuming and free from bias. In this approach researchers know much about the average experience of research participants, and focus on hypothesis testing rather than on theory generation (Creswell 2003).

Qualitative research, on the other hand, is "an inquiry process of understanding" where the researcher develops a complex, holistic picture, analyzes words, reports detailed views of informants, and conducts the study in a natural setting (Creswell, 2009). It has the advantage of letting the respondents express their feeling freely/with no restriction. However, knowledge produced may not be generalized to other people or other settings and it is also difficult to make quantitative predictions.

By taking in to account the above discussions mixed-method research approach was used in this study. The rational for using mixed method in this study was to get the benefit of both qualitative and quantitative approach i.e., to collect data freely from key informants of revenue office by employing open-ended questions (qualitative) concerning the challenges of good governance, the measures taken to solve the problem and the prospects of good governance, that was not covered by closed ended questions designed to business community; as well as to collect data from tax payers that may have different understanding concerning the efficiency of tax payer service delivery ,tax valuation, and compliant handling process from the aspects of governance by adopting closed ended questions(quantitative); and to get the representativeness of sample size , and to alleviate bias that may result from using only one approach in assessing the factors affecting the applicability of good governance in the revenue generation office.

3.3. Study Population

In this study, the target population was the tax payers of revenue generation office. According to the tax registry document of 2006 of the revenue generation office of Assosa town administration there are a total of 1908 tax payers engaged in different types of businesses activities. Moreover, the target population for this study consisted of the key informants such as head of management committee, assessment committee, and compliant hearing committee and revenue generation office of Assosa town administration.

3.4. Sampling Technique and Sample Size

The sample size for this study was decided by using Krejcie and Morgan model of 1970 in Baingana (2011). Accordingly, the sample size for business community was determined to be114.The114 tax payers were chosen by employing simple random sampling. The reason for using such technique for tax payers was to include individual tax payers from different back ground and to get opinions of them. In addition, The reason for choosing key informants purposively were, to get first hand information for the subject under study, because they are the personnel who engaged in the day to day management activities of the revenue office, as well as who interface with customers of the office.

The sample size was decided by using the following formula for finite population (Baingana, 2011) the computation was made based on the formula:

Where: $-n=z^2.N.p.\ (1-p)= (N-1).e^2+z^2.\ (1-p)$

N=respondents' population
n = sample size
e = acceptable error (The study used 5%)
p = expected proportion of the total population (30% as per Kothari, 2009)
z = the value of standard variation at 95% (1.96)

The sample size was determined from the total sample population of 1908.A total of 114 questionnaires were distributed to the randomly selected respondents and 96 of them filled and collected back, and 18 of them were determined to be unusable because of mutilation. As a result, analysis was made on 96 sample size.

More than 35 types of businesses were identified in the town from which 15 frequently available were chosen. More respondents were chosen randomly from those business types with more frequent occurrence. Selection was stratified by business types because different business types have different set of experiences with the revenue generation office of Assosa town administration.

The distribution of business types in sample selection and respondents' distribution by business type is shown by the following table.

Table 3.1 the distribution of business types in sample selection

Business type	Amount selected
Retail trade	15
Wood and metal work	13
Boutique and Shoe trade	15
Photo	2
Electronics	6
Barberry and Beauty Salon	7
Hotel, Bar and Restaurant	9
Pharmacy	3
Building materials	3
Gold smith	3
Grain and cereals	5
Whole sellers	2
Cosmetics	4
Stationary	3
Music and Video center	6
Total	96

3.5. Types and Sources of Data

Sources of information for this study were both primary and secondary data. Types of information were both qualitative and quantitative data. Primary data is the data that was gathered through structured questionnaire and open ended interviews from members of the target population: key informants, customers of revenue generation office, and FGD discussant. Secondary data was also adopted to achieve the goal of this study such as review of related literature obtained from various sources such as journals, books, and published and unpublished master thesis.

3.6. Data Collection Methods and Tools

The primary data was collected from key informants and customers of revenue generation office of Assosa town administration by employing the following data collection methods and tools

I. Closed ended questionnaire: - This method was employed to collect data from the business community, from whom tax is generated. Closed ended questionnaire was prepared to obtain the data from tax payers' regarding the efficient delivery of tax payer service, tax valuation, and compliant handling system by revenue generation office. Data collection was done by enumerators from 10/07/2008 to 20/07/2008EC. For this purpose two individuals in the town were selected and trained on the questionnaire to help them collect the data properly. Accordingly, enumerators read the questions to the respondents and after the respondents fill out they had collected back the data.

II. In-depth interview: - An in-depth interview for the purpose of this study is defined as an open-ended method to obtain detailed information about the topic understudy from key informants of revenue office: head of revenue generation office, management committee, assessment committee and compliant hearing committee. The key informant interview was conducted from 21/07/2008 to 24/07/2008EC. Open ended interview was used to get data from the aforementioned officials, concerning the factors affecting the practice of good governance, the measures taken to address the challenges of good governance, as well as the prospects for the success of good governance in the revenue generation office. The rationale for using key

informant interview was to triangulate the data obtained from key informant interviewee's with that of the business community in the town.

III. Focused group discussion: FGD's were conducted on 25-07-2008 EC at the stadium of Assosa town on areas that were not addressed by the discussions with key informant interviewee's. FGD contained 1 groups from business community; the group comprising 6 individuals. FGD included both male and female participants who are closely related to the subject matter under study; they were selected by judgment sampling technique. The reason for using judgment sampling technique was to select population members who can provide for accurate information. Data gathered from FGD discussant would enable the understanding of the topic understudy on the basis of common characteristics of the groups. For example, FGD of business community (tax payers) of revenue generation office can be used to understand the factors affecting the practice of good governance in revenue generation office that have impact on their willingness to pay tax.

3.7. Data Analysis

In analyzing data obtained through structured questionnaire from sample respondents, frequency distributions were used to group respondents in to the sub categories in which variables have been divided. This frequency distribution helped in coming up with percentages that are incorporated in to the analysis in the form of tables and simple descriptions as found appropriate.

Data obtained through open ended interview was analyzed after categorizing it in to manageable units. The categories were formed from the same structure that governed the gathering of data. After categorizing the data descriptive method was used to incorporate it in to the analysis.

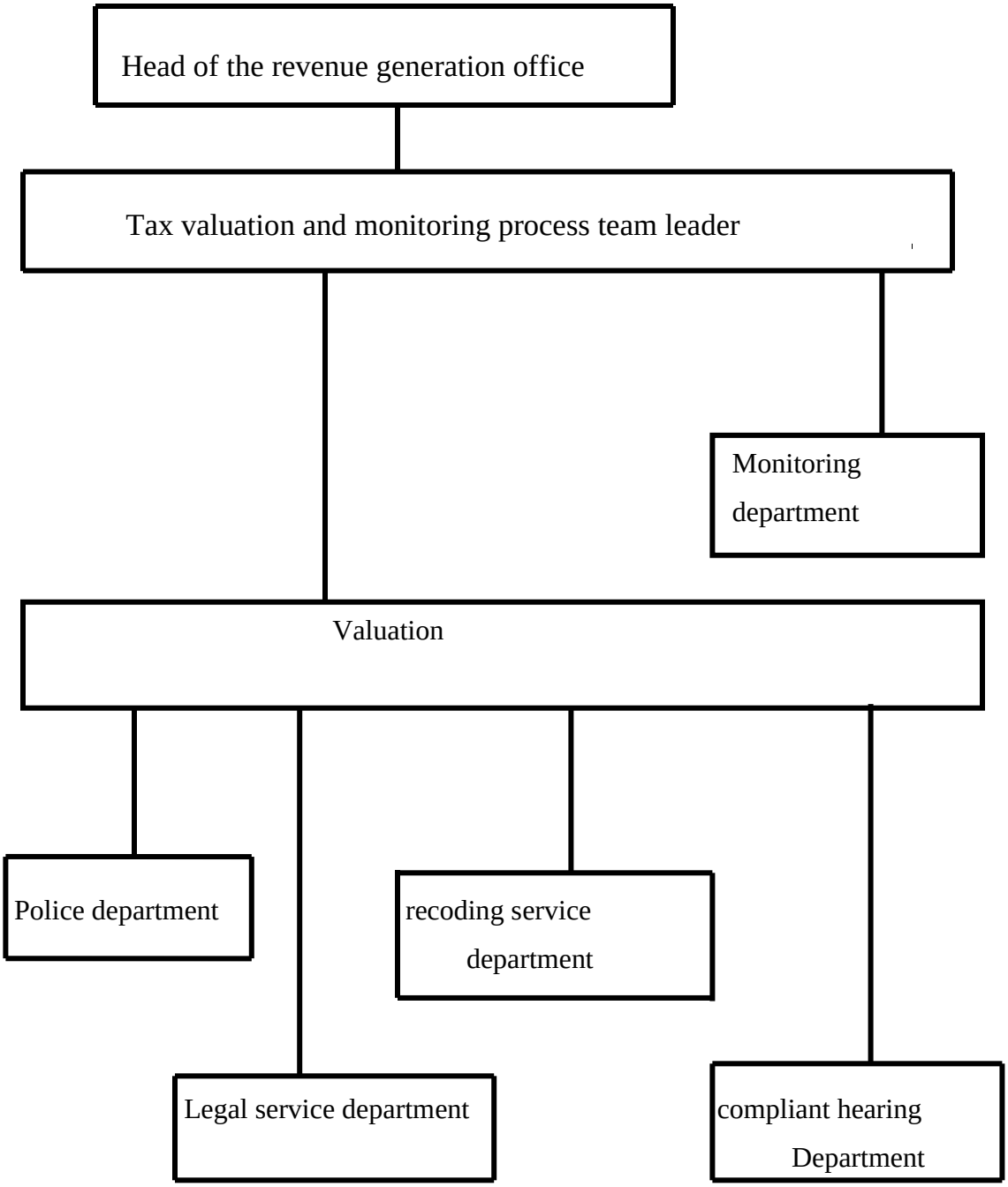
3.8. Ethical Considerations

Permission of respondents was acquired before the study was conducted. For the sake of enabling the understanding of respondents about the researcher in the field, the researcher used admission letter and student identification card to introduce himself as a student researcher in the application. Respondents were informed about the purpose of the study, which is for academic purpose. The response generated in the survey was kept confidential.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND RESULT DISCUSSION

4.1. Organizational structure of the revenue generation office



This chapter focuses on the analysis, presentation and results of the data that were collected through questionnaires, interview and FGD from business community and key informants of revenue generation office. The analysis is conducted in line with the major components of revenue generation activities in light of the elements of good governance

4.1.1. Taxpayer Education

Table 4.1 Respondents' opinion on tax education

Questions	Response	Frequency	Percentage
There is awareness raising on the rules and regulations of tax	Yes	15	15.6
	No	81	84.4
Revenue office is committed in providing taxpayer education to help tax payers exercise their tax right and obligations	Yes	14	14.6
	No	82	85.4

Source own survey: 2016

As shown by the above table, 84.4% of the respondents from the business community responded that there is no awareness raising on the rules and regulations of the tax, whereas 15.6% confirmed the presence of it. Moreover, 85.4% confirmed the absence of education to tax payers about their duties and rights, but 14.6% admitted attendance of such education organized by the revenue office. Furthermore, information collected from FGD discussant revealed that there is no awareness raising education organized by revenue generation office to the tax payers about their duties and rights. As a result, most of tax payers failed to exercises their right when they perceive they are unfairly taxed or required to pay unreasonable amounts.

Similarly, the head of the revenue office of the town admitted that tax payer education is rarely conducted by the office. He further stated that there were no adequate efforts from the revenue office to create awareness within the business community, and he attributed this to capacity constraint in terms of qualified workforce, facilities and logistics from the office. According to him, even if there is shortage of qualified workforce to conduct tax education for tax payers, the office is in use of the existing work force while providing short term training in order to cover the gap; however it is not sufficient to satisfy customer demand. That may be why the majority

of respondents as shown above by the table confirmed the absence of education service on the tax payers right and duties, as well as on tax rules and regulation.

In general, good governance can encourage the benefit of customers. Providing tax payer education is a way of benefiting customers/taxpayers, because it would enable them to use their tax right and comply with their tax obligations. Delivering tax payer education may require dedication and competence. However, the findings indicated that there is a lack of tax payer education due to a lack of sufficient attention, facilities, logistics and capable workforce in the revenue office. Familiarizing tax payers with tax rights and obligations, as well as with tax rules and regulations can have crucial role in enhancing their willingness to pay tax. However, insufficient awareness among tax payers might reduce the level of voluntary compliance to pay tax. Therefore, the revenue office should ensure the availability of competent workforce for the provision of tax payer education, and for the practicability of good governance, as well as to enhance voluntary compliance and build mutual trust.

4.1.2. Tax Payer Information

Table 4.2 Respondents' opinion on tax information

Questions	Response	Frequency	Percentage
Revenue office is committed in delivering information about when tax payments can be effected	Yes	15	15.6
	No	81	84.4
There is information about what penalties would be levied if you failed to fulfill your tax obligation on due date	Yes	5	5.2
	No	91	94.8

Source own survey: 2016

As demonstrated by table 4.2, 84.4% replied that there is no information provided to business people organized by the revenue office about tax payment, while 15.6% admitted that they are well informed about it. Additionally 94.8% of the respondents believed that the revenue office is not committed in providing information to tax payers on what penalties would be levied if tax

payers failed to meet their obligation on the required time frame, while, 5.2% confirmed the appropriate provision of information by the office on the consequences of inability to meet their tax obligation.

Furthermore, the data obtained from FG discussant of business community revealed that, due to lack of information tax payers are not complying tax obligation on time, as a result they will be forced to pay to penalty; and this affects their level of trust over the revenue collection office. They attributed this problem to lack of sufficient effort in disseminating the necessary information to the tax payers from the revenue office on time. By this implication enhancing the dissemination of timely taxpayer information about when tax payment would be effected; as well as noticing the amount that would be levied on late tax payers as punishment would provoke tax payers to be prepared and to discharge their tax duty on due time.

The data collected from key informants indicated the conveying of tax information to tax payers is not beyond the compound of the office. It shows that notice in the written form made available, however the announcement system is limited only around the office boundary. In this regard applying single mechanism to convey information may not help all tax payers from different setting with in the town to be noticed at the same time. This may be the reason that, most of tax payers believed in the absence of tax information. Therefore, enhancing the timely dissemination of taxpayer information about when tax payment would be effected, as well as the amount that would be levied on late tax payers as punishment by the use of different information dissemination mechanism: Radio, TV….' would provoke tax payers to be prepared and to discharge their tax duty on due time. Therefore, this might have vital role: in relieving tax payers from unusual punishment due to scarcity of information and in improving the trust of tax payers to the revenue office.

In general, the accessibility of the necessary information would enable tax payers to comply with tax rules and regulations. To the contrary, unavailability of tax information represent a missed opportunity to reduce burdens, it can also increase those burdens as they lead taxpayers to spend unnecessary time searching for information that may not be available (Richard, 2010), and hence such incidence can lead to a delay of tax payers in discharging their tax duty on time. Therefore,

revenue office should enhance the accessibility of information to meet the governance criteria of transparency and minimizes the opportunity of taxpayers' failure to discharge tax duty on time as well as their vulnerability to penalty.

4.1.3. Tax Payer Assistance

Table 3.3 Respondents' opinion on tax payer assistance

Questions	Response	Frequency	Percentage
Have you requested revenue office to assist you in the resolution of your question regarding tax matter?	Yes	40	41.7
	No	56	58.3
Is revenue office responsive in assisting you on your request?	Yes	10	10.4
	No	86	89.6

Source own survey: 2016

Asked if the respondents of business community ever requested revenue office for assistance to the resolution of their question regarding tax matters, 41.7% replied that they have requested one or another time, whereas 58.3% haven't requested. Moreover, 89.6% of them replied that the revenue office is not responsive in assisting tax payers on their request; conversely, 10.4% admitted that the office renders support to the tax payers on their request.

Head of the revenue office of the town opined that the office is trying its best to assist customers'. He further noted that, there is no sufficient human resource both quality and quantity. As a result revenue office is not in a position to satisfy all customers who are in need of support. Moreover, he stated that the office displayed suggestion box in an open place to understand customers feeling and opinion about the services provided but most customers expressed their dissatisfaction about the support provided to them. He further commented that, this incidence is the result of capacity constraint in the aspects of human resource (quality and quantity). According to him due to shortage of human resource the office is not in a position to support all customers parallel to their demand. He indicated the office is in need of 21 additional

workers, but to overcome such deficiency the office is using the existing workers as alternative in order to fill the gap while running dual task.

Generally, providing proper support to the tax payers up on their demand concerning tax matters in revenue office may require the important governance criteria like responsiveness. Because, giving assistance to the tax payers in a responsive manner could be vital for enhancing tax payers' voluntary compliance. However, the finding shows that revenue office is not responsive enough in assisting taxpayers up on their request. As indicated in the finding, this might be the reason that majority of the respondents replied they are not requested revenue office for its assistance, even if they are in need of its support. Therefore, for efficient tax payer assistance, it is necessary to promote the valuable element of governance like responsiveness in revenue office.

4.1.4. Tax Valuation

Table 4.4 Respondents' opinion on tax valuation

Questions	Response	Frequency	Percentage
Is there transparency in the communication of decided tax?	Yes	21	21.9
	No	75	78.1
Is the tax valuation system of revenue office fair?	Yes	9	9.4
	No	87	90.6

Source own survey: 2016

As indicated above by the table, 21.9% admitted the provision of information after the levying of tax by the officials, while 78.1% of the respondents confirmed the existence of information gap in the communication of decided tax. Similarly FG discussant commented that due to lack of prior notification on the amount of decided tax, there is disagreement between tax payers and revenue office with regard to the mismatch of the expected amount of tax liability and the decided tax burden at the time of discharging tax liability. This implies it is necessary to improve transparency in the communication of decided tax. In this case transparency in the

communication of decided tax can help tax payers to get prepared to discharge their duty and appeal if they are dissatisfied with the decided tax burden. Moreover, (9.4%) of the respondents admitted the fairness of valuation, while 90.6% didn't accept the fairness of valuation system. This implies improving the valuation system of tax is an important activity that should be conducted so as to enhance taxpayers' acceptance to the system of valuation.

However, the head of assessment committee suggested that, most of tax payers conduct business traditionally with no record on income and expenditure, as a result it is challenging to be aware of their exact income, and estimation is conducted by negotiation concerning their daily income. Moreover, head of management committee disclosed that, for those who record income and expenditure of their day to day trading, financial records are audited to identify their profit, and tax is imposed based on the outcome from the audited records; and regarding businesses without records of their income and expenditure, tax is decided based on negotiation with tax official.

But, the information collected from FG discussant of business community demonstrated their discontent with the valuation system. They commented whether they have financial record or not about their income and expenditure of day to day trading activity, the impose of tax burden on business doesn't consider their income. As to them tax decision is carried out on subjective estimation. This implies the decision of tax on businesses based on subjective estimation and negotiation might make tax payers doubt the appropriateness of the decided tax; and this may be the reason that most of respondents as shown above by the table disconfirmed in the appropriateness of valuation system.

Therefore, valuation of business based on subjective estimation, and negotiation could pave a way for corruption, and achieving fairness/equity among tax payers would be challenging. In order to meet the governance criteria of transparency, and to get acceptance from taxpayers the revenue generation office should communicate the decided tax to the customers right after the amount of tax is decided, as well as make the valuation system more persuasive by applying objective based valuation. Otherwise subjective based valuation only known by the assessors may pave the way for unethical conduct like bribery, and the governance criteria of equity in revenue generation office would be eroded

4.1.5. Compliant Administration

Table 5.5 respondents' opinion on tax compliant administration

Question	response	frequency	Percentage
Complains are presented to the revenue office	Yes	*65*	67.7
	No	31	32.3
There are sufficient compliant administration system	Yes	17	17.7
	No	79	82.3
Revenue office is responsive in handling taxpayers complain on time	Yes	13	13.5
	No	83	86.5

Source own survey: 2016

Handling of tax payers complaints in a responsive and timely manner may enhance their trust to the revenue office and help to implant a system of accountability in the revenue generation office. However, it may require the existence of sufficient compliant administration system for the proper handling of tax payers' grievance. However, 67.7% have presented their complaints one or another time to the office, while *32.3*% have never filed a complaint. Moreover, 82.3% of respondents viewed that there is no sufficient compliant administration system; while the rest (17.7%) confirmed the sufficiency of compliant administration system. Furthermore, 86.5% indicated revenue office is not responsive in administering tax payers complain on due time, whereas the rest (13.5%) admitted the responsiveness of the office in handling complaints on time. Concerning complaint management system, GD discussant from business community stated that revenue office is not responsive enough to the resolution of tax payers' question. Moreover, they revealed, even if their question is accepted for the time being, it doesn't obtain timely solution. They commented that, taxpayers who perceived the imposed tax burden on them is unfair and those whose documents are lost from the revenue generation office presented their appeal, however revenue office is less responsive to give timely solution to the request.

In this regard, the head of revenue generation office revealed that, revenue office has no permanently instituted compliant hearing committee for the purpose of hearing and settling complaints. As to him this might make the task to be a supplementary concern for other staff

members who are overburdened with other tasks. And this may be the reason why, majority of respondents from business community believed in the insufficiency of compliant administration system.

Generally, absence of sufficient complaint handling system may hinder the exercise of tax payers' right and reduces their trust on the revenue generation office, which may further discourage willingness to pay tax, hence managing of complaints issue in a responsive and timely manner is essential for enhancing the compliance of tax payers. Unresponsiveness in handling complaints issue may decrease tax payers' trust to the revenue office and their voluntary cooperation. Therefore, to overcome the constraints of good governance and to achieve the excellence of governance in revenue generation office, and to convene the demands of taxpayers it is imperative to ensure better complaint administration system

4.1.6. Voluntary Compliance

Table 6.6 Opinion of respondents on voluntary compliance

Questions	Response	Frequency	Percentage
Do you have trust in revenue generation office?	Yes	23	24.0
	No	73	76.0
Do you believe in paying tax?	Yes	19	19.8
	No	77	80..2

Source own survey: 2016

The nature of interactions between revenue office and tax payers may increase/decrease the trust and compliance of taxpayers' to the revenue office. However, majority of taxpayers of revenue generation office shown that they lack trust as well as don't believe in paying tax. As indicated by the table, 76.0% of the respondents stated that they have no trust in revenue generation office, but on the other hand, 24.4% opined that they have good level of trust on the office. Moreover, 80.2% of the respondents confirmed that they don't believe in paying tax while, 19.8% are willing to pay tax. Moreover, information collected from FGD discussants of business community shown that, they are discontented with the system of tax valuation, tax payer

assistance, compliant administration, taxpayer information, and taxpayer education service of revenue office as a result they have no trust in revenue office. And they are not willing and committed to pay tax.

Furthermore, the information collected from key informants about why the business community lacks voluntary compliance shown lack of interest. Further, they disclosed that due to capacity constraint in the aspects human resource (quality and quantity) and facilities like computer, the revenue office is not in a position to operate in a line with customers' expectation, and this might eroded tax payers' voluntary cooperation to pay tax.

In general, good governance is imperative for enhancing revenue office to provide tax payer service in a line with customers' expectation. Operating in accordance with customers' anticipation is also vital for enhancing tax payers' willingness to pay tax and trust. However, the finding shows that there is lack of fairness/equity in tax valuation, lack of sufficient compliant administration system, lack of tax payer information, lack of tax payer education, and lack of tax payer assistance, as a result tax payers have lost the interest to pay tax. Therefore, to improve the compliance and the trust of taxpayers it is imperative to ensure efficient tax payer service, equity, transparency in tax valuation and responsiveness to the felt needs of customers.

Generally, as substantiated from the finding, the revenue generation office has gap in areas such as tax valuation, compliant administration, tax payer information, tax payer education, and tax payer assistance. According to the information obtained from key informant interviewees' of revenue office, such gaps are created due to lack human resource (quality and quantity),material constraint like computer as a result filling system conducted on manual basis and tax payers documents are lost, and lack of determination in using effort to the utmost for efficient tax service delivery. Similarly, they also indicated there is lack of interest from the side of tax payers to pay the tax. And the information collected from FGD discussant of business community supports the information gathered from key informant interview of revenue office. Therefore the finding shows such gaps are hampering the success of good governance in the revenue generation office of Assosa town administration. However, in order to overcome the factors affecting the practice of good governance in the revenue generation office, some measures have been taken by revenue office.

Regarding the measures taken to address the challenges of good governance in the revenue office head of the office suggested employment of qualified workforce, giving training, implementing of the tools of management like Balanced Score Card (BSC), Business Process Reengineering (BPR), and the formation of groupings like 1 to 5 are some of the measures that have been taken by the revenue generation office.

Concerning the prospects in the revenue office for the achievement of good governance, the head of revenue office suggested giving continual training regarding the issues of good governance in relation to tax valuation, taxpayer education, taxpayer information, compliant administration are essential prospects. Moreover, for the sake of disseminating tax payer information he also opinioned using bandwagons, FM Radio, TV are important opportunities. Furthermore, he suggested the implementation of tools of management like BPR, BSC and formation of groupings like 1 to 5, are important prospects. Respondents from key informant interview suggested commitment of revenue office leadership in taking a head to ensure the practicability of good governance is among essential prospects.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1. Conclusion

The finding of this study shows that there is a shortage of facilities like computer, and lack of commitment and shortage of workforces (quality and quantity) from the revenue office for meeting tax payers demand while providing efficient tax payer information, tax payer education, tax payer assistance, and for handling of taxpayers complain in a responsiveness manner, as well as for fair and transparent tax valuation, and thereby to enhance voluntary compliance. However, due to a lack of dedication to the institutional role by the revenue office and shortage of competent workforce, the revenue office of Assosa town administration is facing challenges in the practicing of good governance.

The finding of this study indicated that the majority of taxpayers didn't believe in paying tax; they were dissatisfied with tax valuation and compliant handling system, as well as with the service delivery of taxpayer information, taxpayer education, and taxpayer assistance provided by the revenue office. The study shows that there is a lack of transparency in communicating the decided tax and a lack of fairness over tax valuation; and a lack of taxpayer information on when tax payment would be effected as well as what amount of penalty would be levied if tax payers failed to pay tax on time. Another vital finding in this study hold that revenue office is not committed in doing to the utmost of its ability to educate the business community about their right and obligation. Moreover, it suggests that lack of commitment of the revenue office in handling taxpayers complain. As well lack of assistance to taxpayers' up on their request. Finally, the finding indicates that most of tax payers don't believe in paying taxes.

Therefore, attaining voluntary compliance can be possible through improving the governance criteria like equitability/fairness and transparency in the tax system and responsiveness to the felt needs of tax payers, increasing awareness among taxpayers and enhancing efficient tax service

delivery. However, these elements are given less consideration in the revenue generation office. According to these findings, this is due to lack of human resource both in quality and quantity, lack of facilities and lack of commitment from revenue office.

However, in order to solve the challenges of good governance, the revenue office has taken some of the measures. But it didn't show the required endeavor to solve the challenges of good governance. As to these findings, there were opportunities already existing in the revenue office in order to provide efficient tax services to its tax payers. However, it has not utilized these opportunities in an appropriate way. In this respect, the leadership in the revenue office was not playing a leading role mainly in the process of familiarizing good governance. This has also hampered the practice of good governance in the revenue office. Therefore, it is promising to deduce that by filling positions with a qualified workforce, and providing appropriate trainings and rising awareness on the issues of good governance in relation to compliant administration, taxpayer education, tax payer information, tax valuation, and tax payer assistance is likely to solve the challenges of good governance in revenue office.

5.2. Recommendation

Good governance may not be ensured if there is a lack of qualified work force, a lack of commitment, and a shortage of facilities in the revenue generation office. Commitment and competency can play imperative roles for the application of good governance in the revenue office. But, incompetent and non dedicated workforces may be discouraged to give due concern to customers, with regard to efficient taxpayer services. However, in the case of the revenue generation office of Assosa town administration, the findings show that good governance faces challenges due to capacity constraint in the case of human resource both in quality and quantity, shortage of facilities and a lack of dedication from the side of revenue office in addition to lack of interest from the side of tax payers to pay tax. Therefore, it is recommended that developing the capability of the revenue staffs through training as well as filling position with qualified workforces; as well as improving the interest of tax payers by providing efficient tax payer

service and by being responsive to their demands is essential to solve the challenges of good governance in revenue generation office.

Moreover, the finding shows that revenue office is characterized by lack of taxpayer information, lack of tax payer education, and lack of taxpayer assistance, lack of responsiveness in handling taxpayers complain; lack of transparency and fairness in tax valuation. According to the finding, these problems emerged from lack of determination in exerting effort to the utmost, and lack of competent workforce. Therefore, it is recommended that revenue generation office should implement criteria based valuation; it should ensure valuation system is transparent; it should ensure compliant handling system is responsive; it should ensure tax payer information, tax payer assistance and tax education service is accessible. Thus, the revenue office should make clear the tax rules and regulations to motivate taxpayers to pay taxes. It should increase its duty in awareness raising. The awareness raising should include about tax laws, penalties and justifications for tax, the right and obligations of taxpayers, and the importance of paying tax. The tax payer services provided to taxpayers should enable them to understand better their tax affairs in a way that can enhance their voluntary compliance. The revenue office can use a variety of means to fulfill this obligation: through face to face interaction, information booklets, FM radio, TV. And while doing so, voluntary compliance among tax payers can be achieved. However, as the finding indicated that, most of tax payers are not willing to pay tax. Hence it is recommended that improving the governance criteria such as equitability/fairness and transparency in valuation system and responsiveness to the request of tax payers; and increasing awareness among taxpayers and enhancing efficient tax service delivery are a means to improve voluntary compliance.

Moreover, in order to solve the challenges of good governance, it is recommended that the revenue generation office should ensure the commitment of revenue administration staffs by providing well conceived training because a well-conceived training programme can do much to enhance the efficiency of revenue administration staff and motivate them by giving opportunities for personal development and career advancement. And also it is recommended that revenue office has to conduct employment of qualified work force; it has to provide persistent trainings on the pillars of good governance like equity/fairness, transparency and responsiveness in

relation to tax compliant administration, tax payer education, taxpayer information, tax valuation, and taxpayer assistance to the revenue staffs to provide efficient tax payer services. Furthermore, it is recommended that the leadership of the revenue office has to work hard, and appropriately evaluate its progress to strengthen the implementation of the tools of management. Finally, for strengthening good governance, it is recommended that the revenue office has to ensure the modernization of accounting, bookkeeping, and market practice, as well as the availability of information technology and skilled manpower.

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APPENDICES

JIMMA UNIVERSITY SCHOOL OF GRADUATE STUDIES
DEPARTMENT OF GOVERNANCE AND DEVELOPMENT STUDIES

In-depth Interview and Structured Questionnaire for Assessing the Challenges and Prospects of Good Governance in Revenue Generation Office of Assosa Town Administration Prepared for Employees and Customers of Revenue Generation Office

Dear respondents,

First of all, I would like to forward my sincerely greetings and appreciation to you for your willingness to share your understanding/experience for this interview.

OBJECTIVE

This questionnaire was designed and prepared to collect information from thekey informants of revenue generation officeand from tax payers / business community of Assosa townfor the accomplishment of thesis paper on the title ***Assessing the Challenges and Prospects of Good Governance in Revenue Generation office*: *Case of Assosa Town Administration*.** The study is carried out as a partial fulfilment of the requirement for the master of "GOVERNANCE". The findings of the study will only be used for academic purposes, to make recommendation based on findings, and hence you are kindly requested to forward your views and experiences as carefully as possible. Each of your answer is highly helpful in the preparation and understanding of the title under the study as well as has great contribution for the completeness of the research paper. I would like to thank you in advance for your kind cooperation in responding to this interview questionnaire. The information generated in the study will be kept confidential.

Appendix 1: Interview Questionnaire for Key Informants in the Revenue Generation Office

1. Name of respondent----------

2. Your current position in the office…….....

3. Year of service in the office……..?

4. Do you believe that your office has sufficient qualifiedworkforce for operating its activities----------?

5. If no, how did this affect the work of your office----------?

6. What are the bases for deciding tax on business----------?

7. How do you reveal the transparency of your office in communicating information on decided tax to the tax payers----------?

8. Do you think that tax payers are willing to pay tax ----------?

9. If your answer is no, what is the reason----------?

10. Has your office ever given tax education to business people----------?

11. If your answer is yes, in what ways----------?

12. How do you reveal the commitment of your office in conveying tax information to the tax payers----------?

13. How do you express the commitment of your office in providing assistance to tax payers up on their request----------?

14. Does your office have sufficient complaint administration system----------?

15. If your answer is no, what is the reason----------?

16. What are the main challenges you have been facing from the side of tax payers and from revenue generation office in exercising good governance in relation to tax administration----------?

17. What are the measures that your office used to solve the challenges of good governance in relation to tax administration----------?

18. What are the opportunities you perceive for implanting of good governance in your office ----------?

Appendix 2: Questionnaire for the Business Community

1. Taxpayer education

Questions	yes	No
There is awareness raising on the rules and regulations of tax		
Revenue office is committed in providing taxpayer education to help tax payers exercise their tax rights and duties		

2. Taxpayer information

Questions	yes	No
Revenue office is committed in delivering information about when tax payments can be effected		
There is information about what penalties would be levied, if you are failed to fulfil your obligation on due date		

3. Taxpayer assistance

Questions	yes	No
Have you requested revenue office for assistance in the resolution of your question regarding tax matter?		
Is revenue office responsive in assisting you on your request?		

4. Tax valuation

Questions	**yes**	**No**
The tax valuation system of revenue office is fair		
Is there transparency in the communication of decided tax?		

5. Complaint administration

Questions	**yes**	**No**
There is sufficient complaint administration system in the revenue office		
Revenue office is responsive in handling tax payers complain on due time		
Complains are presented to the revenue office		

6. Voluntary compliance of business people

Questions	yes	No
Do you have trust in revenue generation office?		
Do you believe in paying tax?		