



**Taxation and development:  
the work of the Centre for the Future State (CFS)  
and the Crisis States Research Centre (CSRC)  
2000-2009**

The contribution of taxation to development has been a major theme in the research programmes of both Research Centres. This interest was originally stimulated by a range of literature indicating the important historical role of taxation in state-building and a perception that, while the contemporary international aid and development community was directing useful attention to issues of the quality of public spending in poor countries, issues of the quality of revenue management largely were being ignored.

In addition to undertaking research, both Centres from the beginning invested heavily in creating connections and networks with important other actors in the field: other researchers; staff of DFID, the OECD, GTZ, the World Bank and other aid and development agencies; senior tax officials in developing countries and in Britain; and, later, advocacy organisations like the International Budget Program, Christian Aid and the Tax Justice Network. For example, in November 2002, the CFS organised and hosted, on behalf of DFID, the international meeting on taxation that led to the establishment of International Tax Dialogue, a multi-donor forum. The existence of these over-lapping networks has created many synergies, and been invaluable both for orienting research and for dissemination of research results. The trajectory of this work illustrates the value of DFID's long term investment in this research – which parallels, for example, the major investments it has been making in Revenue Authorities in Africa. The level of interest from policymakers has steadily increased. The researchers contributed substantially to the development of a work stream on taxation, state-building and development within the OECD DAC. This has taken root in a major way. A series of meetings in Africa led to a high profile two-day conference on *Taxation, State Building and Capacity Development in Africa* in Pretoria in August 2008, organised by a consortium of African Revenue Authorities, which affirmed the central role of taxation in state building and led to the establishment of the African Tax Administrators Forum. In his speech to the Doha *Financing for Development Conference* in November 2008, the Secretary General of the OECD chose to stress the importance of revenue issues and state-building, using language directly traceable to the CFS and CSRC. The CSRC has produced a detailed survey article on the relationship between taxation and state-building in historical perspective that was one among the initial set of papers accompanying the launch of a new initiative on *Taxation, Governance and Growth* sponsored by DFID and the World Bank. It is available on the FIAS website of the World Bank. CFS and CSRC researchers have made numerous presentations to other international audiences, including UNCTAD, UNRISD, UNODC and the EU. One good indicator of the increasing demand for this work is that in 2008 the Chartered Institute of Taxation of Nigeria invited the Director of the CFS to be the keynote speaker at their annual conference, at their own cost.

The main policy conclusions of the CFS work, originally published as an IDS Discussion Paper, have been reproduced in several other places, translated for publication by a leading Latin American economics journal, and reprinted in *Tax Notes International*, the main global professional journal for taxation specialists.

DFID investment in tax work at the CFS and the CSRC has helped to raise the policy profile of taxation in development and, more important, to raise appreciation of the non-technical dimensions of the topic, while still engaging the attention of the taxation specialists. DFID investment has to date been low: only a fraction of the total funding to the two Centres. Funding for an interdisciplinary centre or network focused explicitly on issues of taxation and development could generate much larger returns in terms of policy impact. Any such initiative should be discussed with other major global stakeholders, including the African Tax Administrators Forum, International Tax Dialogue, and the OECD. The research agenda should be focused on issues that currently receive either little attention or inadequate professional scrutiny. The following are among the more obvious candidates:

1. Taxation of the informal sector. The informal sector is growing absolutely and relatively in most poor countries. It is often under-taxed, and almost always taxed arbitrarily. The last two decades of (generally successful) tax administration reform in developing countries have seen little progress in this area. But there is a wide range of 'indigenous' techniques and experiences to examine, especially in Africa.
2. More work is needed on how production strategies can be linked to tax reform in ways that provide incentives for small (particularly informal) businesses to register as taxpayers.
3. More effective (urban) property taxation in poor countries has great potential as a mode of raising revenue in an equitable fashion and as a mechanism for stimulating the more effective demarcation of property rights.
4. The aid-tax link, to provide the knowledge to help prevent aid from undermining the quality of domestic taxation efforts, and preferably strengthening them.
5. A number of advocacy organisations have recently published estimates of tax evasion and capital flight from poor countries. These work needs to be put on a more professional footing.

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