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**Founding Partners**

- African Tax Administration Forum (ATAF)
- Christian Aid, UK and in-country offices
- ActionAid UK, and in-country offices
- Chr. Michelsen Institute (CMI), Norway
- The Institute of Development Studies, University of Sussex (Lead Partner)
- Institute of Security Studies (ISS), Cape Town
- Centre d’Études et de Recherches sur le Développement International (CERDI)
- Institute of Governance Studies, BRAC University, Dhaka, Bangladesh
- National Institute of Public Finance and Policy (NIPFP), New Delhi, India
- University of Oxford Centre for Business Taxation
- Zambia Revenue Authority (ZRA), Research and Planning Department
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- Prof. Oliver Morrissey, (Department of Economics, University of Nottingham)
- Prof. Stephen Petersen (Kennedy School of Government, Harvard University)

Mission
If governments of poorer countries were to tax better, there would be substantial positive effects on private enterprise, economic growth, the legitimacy and effectiveness of public authority, equity and social cohesion. These messages are now widely appreciated. The mission for the International Centre for Tax and Development is to help translate them into practical, effective and concrete programmes and policies. The ultimate objective of ICTD is to contribute to welfare in the poorer parts of the world by mobilising knowledge that will help make taxation policies more conducive to pro-poor economic growth and good governance. The operational objective is not only to generate and disseminate knowledge to policymakers. It is also to mobilise knowledge in ways that will widen and deepen public debate about taxation issues within poorer countries. Taxation can go in two very different directions. If grounded in organised political processes based on openness, deliberation and compromise, it can generate trust, compliance, legitimacy and effectiveness. There can be mutual gains for individuals and society collectively. The potential synergies between the tax system, economic growth, equity and political legitimacy are likely to emerge. Conversely,
the potential for coercion, corruption and self-seeking that exists in any tax system may come to dominate, especially in an environment where decisions about policies and practices are made covertly or without wide public or professional scrutiny. For a range of historical reasons, many tax systems in poorer countries are of this latter type.

Reforms in tax policy and tax administration motivated by notions of professional ‘best practice’ have been widely implemented in poorer countries in recent decades. Many have had good results. The prospects for building on success seem good. But they will be much enhanced if taxation issues are taken out of the policy closet and debated more widely so that reforms can be grounded in transparency, informed argument, serious scrutiny of competing positions, and greater understanding of relevant experiences in similar countries. Stimulating and feeding these public debates is our objective. While the roots of the deficiencies in existing tax systems may run deep, there are potential large economic, social and political benefits from reforming them. Current levels of interest in and enthusiasm for tax reform are unusually high in many poor countries. The returns to investment in well-managed, supportive research are likely to be high.

There are four distinctive features of the strategy for achieving the operational objective of the ICTD:

1. We have a clear understanding of the historical and political roots of contemporary tax systems in poor countries and a corresponding research agenda designed to generate the kind of knowledge that can be used to stimulate wider, deeper and more informed public debate.

A range of historical factors contributes to the deficiencies of contemporary tax systems in poor countries. They include a colonial legacy of highly coercive and centralised systems of taxation; deeply-entrenched socio-economic inequality that leads to the imposition of high tax burdens on the poor and weak tax compliance by elites; the limited incentives for some governments to develop robust, stable domestic revenue systems because they benefit from large alternative income sources; the inconsistent pattern of business taxation, varying from tax exploitation of some enterprises to tax exemption for others, reflecting politicised relations between government and business; and the lack of experience in effectively taxing large, growing informal sectors. The principal challenge is neither to raise more tax revenue nor to
tax more equitably across income groups, although both are urgent needs in many contexts. The overall challenge is to tax better, i.e. more consistently, simply, transparently, fairly, predictably, efficiently and honestly. Addressing this challenge requires research that points to feasible reform goals and strategies but, more importantly, informs stakeholders so that reform strategies emerge – with a high degree of societal ownership – from processes of open public debate.

The research agenda of the ICTD will be targeted to help fill knowledge gaps in ways that will contribute to this debate. It comprises five primary research areas, each of which addresses gaps in the existing literature and builds on the prior contributions and strengths of the Centre’s members:

- **Understanding Taxation in Developing Countries: Data, Incidence and Perceptions**
  
  This research area will identify, reconcile and aggregate empirical data about tax collection, incidence and perceptions which will feed directly into research being done in the other four research areas, while also generating new research findings of its own.

- **Extending the Reach and Inclusiveness of Taxation**
  
  This research area focuses on two connected and neglected issues – ineffective, arbitrary and coercive taxation (a) of the informal sector and (b) by local governments in low-income countries – that are particularly important for equity considerations, for the growth of small scale enterprise, and for forging improved governance through tax bargaining.

- **Re-thinking Tax Administration and Tax Reform: Political Economy and Post-Conflict Reconstruction**
  
  This research area deals with strengthening tax administration, with an emphasis on a variety of post-conflict settings and on inclusive strategies that can address political barriers to reform, overcome barriers to administrative reform and yield broader governance benefits.

- **International Dimensions of Taxation and Tax Evasion**
  
  The aim of this research area is to improve the availability of reliable data relating to international taxation to facilitate research into the role of international tax havens, the impact of preferential tax regimes, and tax-related corruption in natural resource sectors.
• **Foreign Aid, Taxation and State-building**

This research area deals with the appropriateness of internationally supported tax reform trajectories and the impact of aid on incentives for domestic tax collection.

The research programme is motivated by an overarching concern of the state building role of taxation. It is now widely believed that tax policies and practices contribute directly to the legitimacy, responsiveness and accountability of government and indirectly to long term development outcomes. Yet researchers rarely have examined in detail how these relationships play out in specific contexts. By making this the overarching research concern, explicitly linked to each of the ICTD’s five primary research areas, we will ensure that we produce new, concrete, contextualised and policy-relevant insights on how taxation can contribute to broader state building goals.

**2. Knowledge users and knowledge intermediaries play central roles in our knowledge mobilisation strategy.**

Knowledge is information that is contextualised for users. Much of the knowledge produced by the ICTD will be of a specialist character. Some of it will influence policy through normal technical channels and come to the attention of policymakers through journal articles, policy papers, verbal presentations and individual expert consultations. We actively will seek to exercise these kinds of influence. However, we will aim primarily to have influence through less direct but ultimately more important channels by helping improve both the level and the quality of public debate about issues of revenue and taxation in poorer countries. This implies very close engagement with both *knowledge users* (policymakers of various kinds, tax administrators, politicians, NGOs and civil society organisations engaged in tax debates) and *knowledge intermediaries* (journalists, tax consultants and the academic and other specialists who synthesise existing research and present it as knowledge). User groups are more likely to take research findings seriously when their members have engaged with research. They are well represented in the proposed membership of the Centre and on its Advisory Group. In addition to consulting with user groups about the design and progress of specific ICTD research projects, we will encourage and support them to conduct or participate in research themselves. Special funding windows will be opened for tax administrators and for civil society organisations interested in undertaking action research. The Research Directors will
have responsibility for ensuring that these researchers are supported adequately. Helping tax administrators and members of civil society organisations to conduct and disseminate the results of research is our first capacity building objective. The second is assisting and encouraging the journalists who are most likely to connect effectively to poorer people in poor countries - those working in print media and for radio stations - to run more better-informed stories about tax and tax policy. We have a strong base in the existing activities of the Centre’s Partners and some recent experience in raising international funding to cooperate with other organisations in running a taxation workshop for journalists in Kenya. We envisage the Centre as an integrated ‘knowledge mobilisation’ enterprise, rather than a simple combination of research, communication and capacity building activities. We take seriously the ‘other’ dimension of communication: from users back to researchers. We will put considerable energy into the task of synthesising existing and new research for policy purposes as well as presenting it ways that are positively attractive to potential users. The CEO will take responsibility for these synthesis activities.

3. We will pay special attention to comparative research in Anglophone and Francophone Africa.

While the Centre will engage with tax issues in all poorer parts of the world, and with their international dimensions, we initially will pay special attention to Africa. We do so for two reasons. First, the problems are relatively severe in Africa, especially the ‘how-to-tax’ problems, (as opposed to problems of low overall revenue-to-GDP ratios or consistently anti-poor tax burdens). The existing problems, which are rooted in political history, are now being exacerbated by the increasing relative role in the African economy of the extraction for export of oil, gas and minerals, and the dearth of established systems for reliably taxing these kinds of revenue bases. Second, and more importantly, the potential for effective tax reform currently seems high in Africa. A series of recent reforms, supported by international organisations, has helped strengthen professional links among African tax administrators. There is a wider awareness of the risks of relying on development aid to finance long term investments, including health and education investments designed to meet the Millennium Development Goals.

The choice of ICTD Founding Partners and Advisory Group members reflects the intention to work closely with African tax administrations to help realise the reform potential. The Centre
will build on the efforts made by one of our members, the recently created African Tax Administration Forum, to work across the Anglophone-Francophone (and Lusophone) divides. One Centre member, CERDI, is a major source of research expertise on taxation in Francophone African countries. One of the Research Directors is fluent in French. A Moroccan academic will sit on the ICTD’s Advisory Group. The Centre will operate bilingually as far as possible.

4. **ICTD is well-placed to raise additional funding.**

The Centre will actively seek to raise additional funding and to thereby establish a more permanent network for mobilising knowledge on the political economy of taxation in poor countries. The ICTD will be attractive to other funders because:

- The Centre’s membership embodies commitment to this goal. Half the organisations involved are tax specific. Nearly all the social science researchers have chosen to specialise in taxation over the long term. All are policy-focused and have a significant collective record of influencing policy.

- The Centre is designed for expansion. With strong foundations in (a) leading specialist researchers and research managers and (b) organisations representing the primary potential users of the research – national tax administrations in poorer countries, business and civil society organisations working in those countries and international tax professionals - the Centre will be able to define and implement research and knowledge mobilisation strategies to suit the needs of knowledge users rather than of knowledge providers, and to recruit additional professional expertise as needed.

- The Centre has been created with strong roots in poorer countries, with the objective of steadily transferring to them responsibility for direction and management. Southern organisations are well represented on the Management Group, and a large fraction of communication activities will, from the beginning, be located in Africa.

- From the beginning, we will cooperate closely with the numerous organisations that have expertise on taxation issues in developing countries. In particular, we will not attempt to
rival or duplicate existing web-sites or other dissemination media, and we will communicate and disseminate through existing channels.

- Our approach to taxation issues is very consistent with the broader concerns of a range of organisations with transparency and accountability in the development process – as exemplified by the Open Society Foundation’s new programme Advancing the Next Frontier of the Transparency and Accountability Agenda, which is supported by the Ford Foundation, the Open Society Institute, DFID, the Hewlett Foundation, the Omidyar Network and the Revenue Watch Institute.

- We will use procedures for allocating research resources and supporting researchers that have been found to be very effective by the Centre for the Future State (2000-10), which was also directed by the CEO of the ICTD. The Centre for the Future State was the first DFID-funded Research Programme Consortium to allocate all research funding through an annual competitive process, with decisions taken by a committee on which Southern Partners first held 50% of seats and later became a majority. Competitive bidding helps ensure that all research is peer-reviewed, of high quality, focused on the priority research themes, and coordinated across the programme. ICTD funding decisions will be taken by a representative Resource Allocation Group, with one or two independent external members. The experience of managing the Centre for the Future State revealed that inability to design research projects – and lack of support in learning to do so – is a major obstacle to good research, especially for younger researchers. This issue is all the more significant for the ICTD because we plan to encourage research users, especially from tax administrations, NGOs and civil society organisations, to engage in applied research. Our strategy for dealing with this reflects lessons from the Centre for the Future State. The main components are: giving Research Directors responsibility for supporting the preparation of research proposals; making available small Research Preparation Grants; permitting new research funding proposals to go to the Resource Allocation Group only after a Research Director finds them ready for consideration; and creating special funding windows to support applied research by practitioners without research experience, especially tax officials and civil society activists.

- Our clearly articulated capacity development strategy can be easily monitored and verified. The four capacity development objectives are (a) to motivate and assist people
who normally are mainly knowledge users themselves to become effective co-producers of knowledge about the political economy of taxation; (b) to empower researchers from developing countries to have more professional voice in national and international tax policy debates, by providing greater opportunities for them to gain experience by working comparatively across countries and continents and on international tax issues; (c) to enable more social science researchers located in poorer countries to develop professional competence in tax research; and (d) to assist and encourage the journalists in poor countries to run more, better informed stories about tax and tax policy.

- The core researchers have been recruited to provide an appropriate mixture of disciplinary specialties, which reflect the definition of the policy problems around taxation and development in the operational objective of the Centre - a definition that is in turn likely to be shared widely by other potential funders. Because of the emphasis on the political nature of the policy issues, political science is strongly represented. At the same time, the substantial representation of economists in particular (as well as tax professionals and lawyers) reflects the recognition not only of the need for their skills and of the virtues of multi-disciplinarity, but also of the extent to which economic analysis is central to the credibility of many policy messages. The Research Directors and the CEO each have multi-disciplinary backgrounds, combining economics with political science or public administration.

- The CEO and Research Directors collectively have good records of managing large transnational research consortia, undertaking commissioned work on taxation for national and international aid and development organisations, communicating social science research effectively to policymakers and shaping the current understanding of the links between taxation and governance significantly.

- The lead organisation, the Institute of Development Studies, has considerable experience in integrating the various abilities needed to manage a Centre of this nature successfully. IDS also is committed to playing a bridge-building role by making it increasingly feasible for development funding bodies based in OECD countries to contract more of their research management directly to organisations based in poorer countries.
Our vision is that, within three years, our network will be coordinating and cooperating with many other organisations across the developing and developed worlds. It will be recognised widely for high quality research, for wide and clear communication of evidence-based policy messages as well as for its convening and knowledge-synthesis activities. It will have expanded beyond the DFID funding base. It will be encouraging and supporting successfully a wider range of social science researchers from developing countries to engage with taxation issues. It will be explaining, in clear and exciting terms, to a broad range of stakeholders – especially to politicians, civil society activists and journalists in developing countries – why and how tax policy and administration matter for development, poverty reduction, the Millennium Development Goals and governance.