

# WHAT DOES “STATE-BUILDING” IMPLY FOR TAX POLICY AND PRACTICE

A Developing Country Perspective: Kenya

# The Approach

- The Resource Dilemma
- The Historical Dilemmas
- The Current Position
- Linking Tax and Development
- The Resultant Building of the State

# 1. The Crisis of the Fiscal State

- the lack of available resources in countries,
- the current financial crisis
- issue of limited resources includes every citizen in the world.
- relative poverty=poor everywhere
- absolute poverty=benchmarks retain the same problem: poor everywhere.

# 1. The Crisis of the Fiscal State

- the nation state
- Life with human dignity
- the benchmarks of dignity
- where the resources come from
- what resources can be used for
- Competing use of resources
- the success and or failure in realising the development
- the alleviation of poverty

# 2. Developing and Developed Countries

1. Historical Basis: Social contract

## **The French Declaration on the Rights of Man 1789**

- 13.** A common contribution is essential for the maintenance of the public forces and for the cost of administration. This should be equitably distributed among all the citizens in proportion to their means.
- 14.** All the citizens have a right to decide, either personally or by their representatives, as to the necessity of the public contribution; to grant this freely; to know to what uses it is put; and to fix the proportion, the mode of assessment and of collection and the duration of the taxes.

# 2. Fiscal Dilemmas in Developing Countries

1. Globalisation: Debt, Aid and Trade
2. Corruption
3. Illicit fund flows
4. Public Finance
5. Collection and Distribution
6. Human Rights and Social Welfare
7. Participation

# 3. Tax revenue and tax expenditure and its link

- Has there always been a link or are we presuming it
- the evolution of society is reflected in the way states tackle the challenges of raising revenue and managing spending (Schumpeter)
- The colonialism 'tax break' and its effect in Africa
- The abandonment of the development of the welfare state in Africa
- Communal life

# 4. The Current Dilemmas

- Linking revenue to expenditure
- Transparency, accountability, responsibility, efficiency, effectiveness, just and fair
- Developments: the East African Community



# 5. Recommendations and Conclusion

- strengthening public finances
- Accountability , responsibility and transparency
- Equity in redistribution
- Constitutionalisation of participation
- Financial crisis: break the globalisation trend
- Develop more regionalism
- Selective decoupling of economies
- Exploring homegrown ideas: the CDF

