

## MDG summit: messages from the experts

# Tax revenue, not foreign aid, is the key to development in Africa

With aid money limited, African governments must evolve more efficient taxation systems in order to fund development policies

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This year, many African countries celebrated 50 years of independence. And yet, too many African governments fund development policies primarily by using foreign aid and not by mobilizing their own resources. For some countries, there are not yet alternatives. But for many others, it is possible and urgent to develop a fairer and more efficient taxation system. Unlike aid money, which will likely remain painfully limited, tax revenue can make an enormous difference to achieving development goals. In 2008, the combined fiscal revenue in Africa reached over \$400bn - 10 times the total amount of aid money flowing to the continent.

The international community could play a key role. Saying that African countries should rely more on themselves is not the same as saying they should be left to achieve this alone. Development partners could support an international tax dialogue to voice and address Africa's concerns on issues such as tax evasion, fiscal havens and abuses by multinationals.

Meanwhile, the more efficient a country's use of collected taxes, the less tax revenue it will need to collect to provide decent infrastructure and functioning public services. Reforms are needed to improve the public sector's investment capacity and to involve the private sector in partnerships. Monitoring and evaluation of public expenditure should become the norm, and coherence between national and local actions has to be improved.

Long-term, sustainable development will always be contingent on local ownership and domestic resources. These in turn require informed public policies with long-term perspectives. This is the key to African countries' ability to diversify their economies

and take a more central role in the global economy. Aid helps, but it is not enough.

- *Mario Pezzini is the director of the OECD development centre in Paris*

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