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Why tax is a human rights issue: empowering communities living in poverty to hold governments to account for public services

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Tax pays for public services

Sitting on the floor the villagers are drawing a map of their area. They're marking all the essential services they use, including those that are provided by the government and those that are private. The community map they're creating has little on it. There is no public school, nor public health clinic. The

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water borehole they use was built by an NGO. As the women and men discuss, the sense of the government as a provider of public services is almost non-existent. The access to the local government with the power to make decisions is a district official, in the nearest district town, which is a long distance.

For many decades the centre of the conversation between communities such as this one in Uganda, civil society and governments around the world has been that the state needs to give money to build a classroom, and pay the teachers' wages, and build a road, for this village. For each interest group, the conversation has been that the government needs to give more money to particular sectors, often competing, such as education, health, agriculture, roads, and security.

A lot of important work has been done by civil society and activists, both to increase national budget allocations to public services, and to ensure via participatory community budget tracking that the money is well-spent on things that help communities living in poverty, and not lost on corruption. This article is about an important third part of the triangle: not how money is allocated, or how money is spent, but how money is raised. It is about the slippery heart of economic, social and cultural rights: that the government must progressively realise them according to 'maximum available resources' (International Covenant on Economic, Social and Cultural Rights, Article 2.1). Fundamentally, it is about when governments point to empty budgets, about being able to point to reforms in fiscal policy that could provide fairer resources, and about the necessity and challenges of supporting communities living in poverty to be part of this to ensure it is well spent on public services that have a huge impact on people's rights.

At the time of writing, the world is getting ready to pat itself on the back for a new round of global anti-poverty targets, the Sustainable Development Goals. While the goals are successful as a way of building globally agreed indicators on the progressive realisation of economic, social, and cultural rights, one question becomes increasingly pertinent: to make them a reality, where will the money come from?

As development aid budgets come under pressure, two new watchwords are emerging in financing for development conversations, both in opposition to each other, and representing a wider trend: domestic resource mobilisation and private finance. For instance, at the 2014 Global Partnership for Education (GPE) funding replenishment conference, developing countries pledged USD 26 billion to spending on education, committing to help fund it by increasing their domestic resource mobilisation. This was ten times more than the USD 2.1 billion pledged by donors, and represents a dramatic shift of focus for development financing.

The money pledged by developing country governments is basically coming from national taxation. Currently, according to the World Bank, 'tax revenues accounted for 10–14 per cent of GDP in low-income countries in 2009 and just under 20 per cent of GDP in middle-income countries. This compares to about 33 per cent in OECD countries, rising above 40 per cent in some European countries' (ActionAid 2015, 7).

A 2014 Education for All Global Monitoring Report looked at increasing tax revenues to bridge the education financing gap. They showed that if governments in 67 low and middle income countries modestly increased their tax-raising efforts and devoted a fifth of their budget to education, they could raise an additional US 153 billion for education spending in 2015, increasing the average share of GDP spent on education from 3 per cent to 6 per cent by 2015 (Education for All Global Monitoring Report 2014, 1).

One study gives a glimpse of the potential impact of a government's revenue raising on the achievement of the previous set of goals, the Millennium Development Goals (MDGs) (Waris and Matti Kohonen 2011). The research found that in almost all cases, the more tax a country collected in relation to its GDP, the better their realisation of the MDGs. Whether it was the number of children dying before their fifth birthday, or the number of teenage girls giving birth, or the number of young people that can read and write, the more tax a government collected, the better the development results. This could of course be a correlation, rather than a cause (governments that are organising better to collect tax also may be organising better to achieve the MDGs), but it is likely that some of this is because more money is also being spent on essential public services that help realise the MDGs. Clearly more research is needed.

Lost tax revenue

Unfortunately, many developing countries have fairly regressive tax systems that depend too much on indirect consumer taxes as a way of increasing the tax take, adding pennies to every purchase made by a poor household. This means that it is national citizens, including people living in poverty, who are behind a significant part of the money that is spent to finance essential public services. This increases the case for national citizens, including those living in poverty, to hold national governments to account for delivering on rights.

A large potential contributor to the tax system is not being captured. Over the last two decades, foreign investment has grown considerably as a share of the economy of low-income countries, from around 7 per cent in the 1990s to over 20 per cent in 2010, but tellingly, corporate tax paid in the same period has meandered along in a dishearteningly flat line (ActionAid 2015, 9). In short, countries' budgets are not benefiting much from all this investment.

One of the reasons is that governments are simply giving the tax money away. An ActionAid International and Tax Justice Network-Africa study (2012) found that in 2009/10, the Government of Uganda gave multinational companies USD 272 million in exemptions on their tax bill. To put this in perspective, it is enough money at the time to have doubled the health budget overnight. Alternatively, with average teacher wages at about USD 1,800 a year, it could have paid for 150,000 extra teachers a year, or it could have built around 10,500 extra classroom blocks. Remembering our village without a public school or health clinic, the amount of tax money being given away could be transformational.

Tax can be seen as a technical or economic issue but ActionAid's focus is on justice – on how big companies not paying their fair share of tax and governments not spending it on public services negatively impacts communities living in poverty, financing for development, and the fulfillment of human rights. Globally, ActionAid revealed that USD 138 billion is lost to corporate income tax breaks given by poor countries to multinationals every year (ActionAid 2013). The amounts are so large, they are enough to school all 57 million children who currently don't go to primary school, provide the agricultural investment (USD 42.7 billion) needed to achieve a world free from hunger, and meet international goals to reduce ill health more than twice over (USD 58.9 billion). This only represents the tax money that governments are *choosing* to give away, and not what multinational companies are *avoiding* through exploiting loopholes in weak tax laws. When we think about maximum available resources for the Millennium Development Goals, it becomes clear the impact a few simple reforms to create more progressive tax systems could have on financing for development. Ironically, the evidence shows that these tax giveaways have very little impact on foreign investment in poor countries, and that indeed, what foreign investors actually want is access to consumer markets, infrastructure and educated workforces – the very things created by tax-funded development.

Progressive tax, progressively spent

This is part of a much bigger global trend, with increasing global inequality of private power and wealth negatively impacting on the ability of governments to meet their obligations to fulfill economic and social rights. The problem is compounded as the less that governments progressively raise and spend tax, the more public services decline, and the more appetite it creates for private actors to step into the market and provide privatised essential services. The evidence in the education sector in developing countries supported by the Privatisation in Education Research Initiative (PERI) shows that these privatised services are negatively impacting the accessibility of education rights for all children and particularly for girls. When low income parents have to pay to access basic services they prefer to send boys.

A fair tax system not only raises revenue for human rights. It can also redistribute wealth, reducing inequality and the gap between rich and poor within countries and between countries. Taxes are the most reliable and sustainable source of government revenue, compared to overseas aid, loans or private funding. A fair tax system can increase representation and accountability, of the state to citizens, encouraging better governance and more independent and responsive policy-making.

For ActionAid tax justice is: governments having the ability to raise enough tax to provide quality public services; governments raising and spending tax transparently, progressively, and accountably to citizens; the international community helping create transparent and fair global tax rules which help governments to access all relevant information and establish fair national tax systems; and global companies making fair tax payments where business is transacted, resources are extracted, and profits are made.

Communities holding governments to account for public services

Following our human rights-based approach, ActionAid's campaign signature is of community-led campaigning, particularly by women and marginalised people, in defence of their rights. But if you're from that village in Uganda that we started in, with little access to government and few multinational companies or their products in sight, what does all this mean to you?

Many people do not even know that they are a taxpayer through consumer taxes, and that they have a right to demand a fairer tax system, or accountability for what the government does with the money. Indeed, public services are often seen as a gift from government, rather than a right or even a service. The communities living in poverty that ActionAid works with experience tax injustice directly in two ways. Firstly, through unfair local taxation, such as

high consumer taxes on essential goods, and multiple taxation where different branches of government are taxing the same thing many times. Secondly, through the lack of essential public services, such as schools and hospitals. Women, who often fill the gap where quality public services don't exist through providing unpaid care work looking after the sick, the elderly and the young, pay not only tax, but also pay with their bodies and time, impacting on their ability to seek employment or study.

It is from these starting points that ActionAid seeks to encourage community involvement in building progressive taxation systems. ActionAid recently developed a toolkit of participatory exercises to facilitate discussions in community groups on the relationship of tax to their lives and their rights. Each exercise goes through a few key ideas. One exercise asks community members to play characters, such as a woman farmer, a teacher, a national business, a foreign chief executive, and a tax collector, and then distributing and collecting pebbles to each character asking the group to create a scenario that is most 'fair.' When asked this question, they do the same as most of the world, which is to keep some people richer, and some people poorer, but distribute the pebbles far more evenly, creating greater equality.

ActionAid Uganda and local and national partners working with women farmers recently had a success on reducing unfair local taxation. In 2014, looking for more money, the Government of Uganda proposed to remove a tax exemption on basic farming goods, such as hoes and fertiliser. Analysing the budget, national civil society spotted the negative implications for millions of farmers, particularly poor women farmers, around the country.

They mobilised hundreds of thousands of women small-holder farmers to sign a petition to keep the tax exemption for basic farming items. The petition proposed that if the government needed money it should consider removing tax exemptions from large multinational companies instead. The petition and demonstrations were a success, and the government backed down. This success for the women farmers to assert themselves over tax and budget issues with

local and national government opens a door to continuing to work on tax justice issues with them.

On the issue of lack of public services, one example comes from how ActionAid works with students, parents and teachers to carry out participatory rights-based assessments on the extent to which schools are delivering on ten key education rights, creating citizens' reports. The community then advocate with school management committees and district officials to create rights-based school improvement plans, claiming their rights and deepening local accountability. The plans, however, such as building separate toilet blocks that help girls to keep coming to school throughout the month, have a cost, and the fulfillment of rights can fall down at this stage.

ActionAid is exploring new work to link this evidence from communities seeking better schools to national and international level campaigning to finance education through tax justice. The work will start with ActionAid Malawi, Tanzania, Mozambique and Nepal and nine civil society partners, seeking to bring together teachers' unions, national education, budget tracking, and tax justice networks, to hold governments to account for progressive national tax reforms that will lead to increased local spending on public education.

However, for the villagers in Uganda who want a free quality education for their children, the tax justice journey is a long one. It assumes that if the government is convinced to change tax policy, that the money will be allocated to education, and that the money will reach local government and be well-spent. For women and men struggling for each day's bread, to stop and take action on such issues is a generous use of time. The lifetime of a campaign to achieve this may be longer than their children's education.

One of the challenges for ActionAid is to remain aware and cautious of ActionAid's own relative size and wealth, and that our efforts neither instrumentalise the communities living in poverty that we work with, or remove space from local and national allies. For ActionAid's human rights-based approach to truly empower and walk alongside communities living in poverty to demand their rights, we hope to support stronger local to international links to challenge the power and wealth structures at every level that impact on local provision of rights and to hold governments to account for quality public services over time. Our work with communities for tax justice for quality public services is only just starting.

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