

Fair Taxation

A civil society led domestic resources mobilization project



More equitable and increased taxation is critical for both poverty reduction and democratic governance. In order to ensure pro-poor economic growth and essential services, such as education and health for all, developing countries need to raise more tax in ways that are progressive and effective.

Oxfam Novib and Tax Justice Network-Africa have developed a project, called "Capacity for Research and Advocacy for Fair Taxation" (CRAFT). Our vision is that fair taxation and domestic resources mobilization will be achieved when active citizens contribute to the design and monitoring of fair tax systems and hold governments to account for implementation.

Realizing the tax potential

Tax revenues in developing countries continually fall short of what realistically could be obtained when analysing these countries' actual productive potential. In many cases rich countries collect as a percentage of GDP more than twice as much public revenue, as developing countries. 18% of GDP comes from tax revenue in African countries compared to an average of 38% in Western European countries. Oxfam research found that improving tax collection could potentially raise \$269 billion annually, which is enough to cover up to 60% of the financing requirements for achieving the Millennium Development Goals.

Promoting pro-poor economic growth

Taxation is the most sustainable, largest and stable source of state income. Tax makes countries less dependent on foreign aid, foreign direct investments, loans, and income from natural resource which are highly volatile. The economic crisis of 2008 has left a \$64.4 billion dollar hole in the budgets of developing countries and is now leading to many rich countries cutting their aid flows. To date, developing countries' tax policies have often been strongly influenced by the advice of the International Monetary Fund (IMF) and the World Bank. The (negative) impact of these policies on the (re)distribution of wealth and the poorest sections of society was not analysed carefully enough.

Achieving domestic resources mobilization

Broadly, African tax systems are biased towards consumption and wage taxes which impose a higher tax burden on poorer households and formal sector employees. To make the system fairer, tax reform is necessary to shift the tax burden to wealthier households and (multi)national companies. Improvements could be achieved by enhanced tax regulations on trade; tackling tax evasion through tax havens; responsibly formalizing part of the informal economy; reducing tax exemptions and raising direct taxes, especially taxes on non-wage incomes. Take, for example, oil in Uganda. Contract transparency and enhanced regulation of the extractives sector can mobilize significantly more domestic resources. Unjust corporate practices and the opacity of company accounts, such as manipulation of intra-group trading prices, artificially depressing profits via tax havens, make a farce of any real attempt to monitor the financial resources that are expropriated from developing countries.

Bolstering democratic governance

Tax contributes to strengthening citizenship and downward democratic accountability. Taxation is at the heart of the social contract between citizens and their government and as such shapes public accountability to citizens. No taxation without representation and No representation without taxation. When citizens become more aware of their rights and responsibilities as tax payers, public scrutiny over revenue collection increases. This goes beyond their role as voter and can result in enriched public debate and scrutiny over the use of public money and ultimately more equitable national and international tax policy environments.

Campaigning for fair taxation

Given the international nature of unfair tax systems, Oxfam is currently prioritizing domestic resources mobilization and will utilize its global campaigning potential for fair taxation. Oxfam's innovative strength lies in solid research, working between and across countries and leveraging local to global advocacy. So we're working getting the voice of citizens heard, challenging decisions by (global) leaders. We also campaign in alliance with other organizations, which makes us part of a global movement. And we use the media to amplify pressure for tax reform. This contributes to fair taxation worldwide and has an impact on millions of citizens and thousands of relevant policy makers, journalists and business people. Tax Justice Network-Africa is uniquely placed to address this issue being the only specialized indigenous Africa-wide network. It gains increasing credibility to address tax policy reform from a rights-based perspective. Together we campaign for change.

Strengthening civil society

Active citizens can contribute to the design and monitoring of fair tax systems and hold governments to account for implementation. The CRAFT project aims to strengthen civil society through training, action research, policy advocacy, civic education and (global) alliance building, to advocate for tax reforms which raise tax in ways that are progressive and effective. Amongst others, countries include Uganda, Mali, Senegal, Mozambique and Egypt. Lead organizations will share lessons learned to act as policy partners of government, using both internal (research based advocacy) and external (media, popular mobilization) strategies. CRAFT is globally aligned to other initiatives and builds upon existing tools and good practices, like the Tax Advocacy toolkit. Overall management will be carried out by Oxfam Novib, while much of the implementation work is coordinated by the Tax Justice Network-Africa and country lead organizations situated within wider alliances. The estimated cost of the project is around 2 million Euros per year for a period of 4 years, from 2012 to 2016. Parts of the project are currently funded by several donors. Co-funding is sought for further implementation of the project. For more information, please contact: Paul Groenewegen paul.groenewegen@oxfamnovib.nl or Alvin Mosioma mosioma@taxjustice.net