Case Study

Tax justice initiatives to maximise domestic resources mobilisation for quality education

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Introduction

The lack of financing for public education is caused by a variety of factors, whereby a notable issue is the lack of adequate investment by national and local governments (ActionAid, 2018). Tax justice initiatives encourage governments to improve taxation in order to increase revenue, to allocate more funding to social services, and implement mechanisms of transparency and accountability in tax collection and spending. Tax justice initiatives can be designed in a variety of ways, but they tend to include progressive tax schemes and multinational corporate taxing efforts. The cases of Tanzania, Bangladesh, Ghana, Uganda, Kenya and Pakistan illustrate different tax justice advocacy strategies, involving a variety of stakeholders with the goal of improving tax revenue and allocation for education.

Why is tax justice necessary?

The Sustainable Development Goals (SDGs) have postulated ambitious international goals for global access to high quality primary and secondary education. However, one of the biggest challenges for developing countries in achieving those goals is the insufficient public financing for high quality public education. Although development aid initiatives by supranational, international, and non-governmental actors seek to provide the lacking funds to developing countries, their effort can only be complementary to domestic financing.

Part of the challenge of financing social services stems from harmful international dynamics around taxation, including tax havens, unnecessary tax incentives in developing countries, and multinationals that find taxation loopholes in diverse countries. The Corporate Tax Haven Index, published in 2019 by the Tax Justice Network, revealed that USD 500 billion in corporate tax is dodged globally every year (Cobham, 2017). In Africa, estimates suggest that as much as USD 50 billion is lost annually through illicit financial flows (UNECA, n.d.). Across the continent, multinational companies are extracting resources, selling products, and using labour, but they often pay far too little tax in the countries where they do business. Bangladesh is another example of this situation. The Washington-based Global Financial Integrity (GFI) report evidenced that in 10 years (between 2003 and 2013), a total of USD 18.41 billion had been diverted out of Bangladesh through trade miss-invoicing, corruption, bribery, and tax evasion. This means that the Bangladesh government could have earned about BDT 360 billion (approximately USD 4.2 billion) as additional revenue which could have been invested in development activities (Global Tax Justice, 2015).

The Corporate Tax Haven Index identifies the most corrosive corporate tax havens which include countries such as the UK, the Netherlands and Switzerland. The UK, with its network of overseas territories and crown dependencies, is responsible for over a third of corporate tax avoidance. In general, the Index identifies that a handful of OECD countries' tax havens are disrupting a fair tax revenue stream to governments through schemes that make it virtually impossible for governments to tax multinational companies (Global Tax Justice, 2015). These are the same countries from which developing countries are forced to borrow money or rely on expensive aid packages. Therefore, tax justice initiatives are an efficient and equitable way of guaranteeing the implementation of high-quality public education programmes in developing countries since they address tax avoidance as one of the root causes for the lack of funding from national governments.

Tax justice initiatives also alleviate developing countries' local population from a heavy tax burden. When there is insufficient funding for government spending, ordinary citizens in developing countries have to pay more taxes on personal income, services and basic food items (Global Tax Justice, 2015). This shifts the biggest burden of taxation onto the shoulders of the most vulnerable, which in turn makes high quality education programmes more difficult to implement because of the low socio-economic conditions of parents and students. Effective taxation on multinational corporations is a mechanism to avoid this as it can significantly increase available revenue for public spending. To address the systemic problem of tax avoidance by multinational companies, increased accountability for tax collection is often addressed as a priority in tax justice initiatives.

Tax justice initiatives also focus on progressive taxation whereby higher taxes are paid by those with higher incomes. By increasing tax rates on higher income brackets government revenues can be increased, which consequently leads to income redistribution where wealthier citizens pay a higher contribution to public services.

Finally, increased transparency of government spending is also necessary to ensure effective and efficient use of tax revenue in improving educational quality. This often requires community led budget control and estimations for schooling costs to ensure the money is effectively spent.

How did Tanzania's tax justice initiative work?

The tax justice initiative implemented in Tanzania relied upon a complex multi-stakeholder effort that mobilised civic action and coordinated strategic institutional action. ActionAid, a global civil rights organisation, played a leading role in its implementation (ActionAid, 2016). The objective of the initiative was two-fold. First, the initiative aimed to reduce tax evasions and ensure fair tax revenues to increase public spending by local governments. Second, it aimed to guarantee that the public spending implemented high quality education with equal access for all. To attain these objectives the initiative worked with knowledge dissemination, trainings and networking with civil society, national coalitions, as well as international networks to put pressure on decision-makers.

Regarding civil society, the initiative implemented participatory trainings on taxation, as well as local level advocacy to improve funding for education through fair taxation. It also organised activities to raise awareness about the importance of high-quality education for all. Finally, to estimate and regulate the costs of high-quality education spending, the initiative empowered local groups to take a strong role in school governance with trainings on financial management and community-led research on quality and cost of local education.

Concerning national coalitions, the initiative helped to organise teacher unions and civil society at large to hold governments accountable regarding progressive tax reforms which in turn would lead to increased spending on public education. Some of their activities included:

- National level research on fair tax revenue for quality public education
- Production of materials to engage teachers, parents and children
- Citizen engagement to demonstrate widespread support
- Media work to drive the public and political debate on funding quality public education through fair tax
- National movement building between education and tax justice civil society, and participation in key influencing moments
- National level advocacy with decision-makers to hold governments accountable (Action Aid, 2016).

Finally, on an international level, this initiative aimed to coordinate a global network of actors concerned with tax justice and quality education to ensure synergies in advocacy. International workshops were organised to enable the sharing of experiences and lessons learnt, as well as alliance building on the topic of tax regulation. Multi-country research also enabled the gathering and systematising of information on the cost of education for all and the effect of closing tax loopholes. This information could then be disseminated in international campaigning through stories, infographics, videos, and online tools.

In 2015, Tanzania's new government declared free and compulsory primary and secondary education by using domestic revenue. This tax justice initiative supported the closure of tax loopholes and removal of tax incentives for multinationals, which enabled the increase of public spending on education (ActionAid, 2016).

How did Bangladesh's tax tribunal work?

Bangladesh has a history of tax justice initiatives led by civil society. For example, in 2015, as a part of the Global Week of Action for Tax Justice in Bangladesh, more than 20 rights-based civil society organisations led by EquityBD (including farmers and labour organisations) organised a human chain to demand tax transparency of MNCs (Multinational Companies) (Global Tax Justice, 2015). In 2018, EquityBD organised another human chain with 20 rights-based civil society organisations including the Bangladesh Agriculture Federation, COAST Trust, Krishak Federation, Arpan and more. The campaign urged the government to "emphasize Income Tax instead of VAT (Value Added Tax)", "strengthen the Central Bank to stop loopholes in capital flight and ensure governance in the financial sector", along with raising "voice on the inefficiency of the bank sector" (Global Tax Justice, 2018). Most of these tax justice initiatives were ultimately geared to ensure increased tax revenue from corporate income tax and increased public spending in areas such as education.

In 2018, ActionAid organised a tax tribunal in Bangladesh together with civil society and critical national and international institutional actors continuing the tax justice effort in the country (ActionAid, 2019a). The tax tribunal aimed to facilitate the expression of citizens' grievances regarding corporate tax avoidance, as well the impact of VAT on their living conditions. The tribunal discussed two topics: the impact of VAT on workers, students, people living in slums and people living in cities; and the impact of tax avoidance on local government finances and basic public services. The participants included people giving testimonies on the direct impact of government taxing, experts who could contribute information and insights on key issues, an audience and the jury. Approximately 400 people gave testimonies, sharing their perspectives and representing government, corporates, academics, CSOs, and the media. Finally, the jury panel analysed the demands and discussions to make recommendations to policymakers and duty bearers (Global Tax Justice, 2018). Due to a collaboration with local journalists, the initiative was able to raise public awareness of skewed tax schemes and its impact on the lack of funding for public services.

How did Ghana, Uganda, Kenya and Pakistan's tax justice initiatives work?

Ghana, Uganda, Kenya and Pakistan are all signatories to the Convention of the Right of the Child (CRC) and the International Covenant on Economic, Social and Cultural Rights (ICESCR), ratified in 1990 and 1976. Under these agreements, the four countries have officially eliminated school fees at a primary level to guarantee access to education for all. According to a report by ActionAid, the elimination of official school fees has led to large increases in enrolment, particularly in rural areas. Nonetheless, there are significant "hidden" costs families need to pay to gain access to education. Therefore, the declaration of free access to education lacks proper implementation, in particular to guarantee access for economically disadvantaged families. According to the report by ActionAid, a myriad of fees hinders access for economically disadvantaged children and requires families to spend a high percentage of their income on school-related costs. The most common charges were "examination fees, development levy, school reports, parent-teacher association fees and uniform fees. Most of these fees were compulsory and children whose families did not pay were sent home" (ActionAid, 2018).

Moreover, the rapid expansion of enrolment in schools has decreased quality. The insufficient financing in relation to the growing demand has resulted in high student-teacher ratios, crowded classrooms, a lack of materials and an expectation that communities will contribute to school costs (ActionAid, 2018). Additionally, due to a perceived decrease in quality of public education, demand for alternative private education has grown, further increasing the income disparity in these countries. Thus, tax justice initiatives have been considered to further education equity in these four countries. They can increase public revenue and improve spending by local governments by improving tax incentive structures and increasing transparency and control of government spending. Thus, some local initiatives have been implemented:

- **Kenya:** In 2013, a group of civil society organisations pulled together to block a 13% increase of VAT on basic goods by collecting signatures (Pambazuka News, 2013). They further curbed costly tax incentives for investment of foreign capital, to increase tax revenues that can be spent on public services (Bashir, 2015).
- **Uganda:** In 2014, the Tax Justice Alliance Uganda was established by a variety of civil society organisations. So far, the alliance has successfully challenged the Uganda government on equity issues with imposing taxes on mobile money transfers, a service highly popular with rural and low-income populations that have lower access to traditional banking. (ActionAid, 2019b).
- **Ghana:** In 2016, the civil society organisation Public International Service organised a public conference on tax justice and public spending restructuring. The conference aimed to inform the public and incentivise activism on running Tax Justice campaigns (PSI, 2016).
- **Pakistan:** In 2019, ActionAid together with Asthan Latif Welfare Society organised multiple local community meetings to raise awareness and incentivise activism for tax justice reforms. With meetings that gathered 300 community members, including 185 school management committee members, participants were trained to understand how public-school education quality can be improved through tax justice efforts (ActionAid, 2019c).

The cases of Tanzania, Bangladesh, Ghana, Uganda, Kenya, and Pakistan exemplify various tax justice strategies aimed at increasing tax revenue and subsequently the finance available for social services, including education.

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