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NORRAG SPECIAL ISSUE

Domestic Financing: Tax and Education

NSI 05

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NORRAG

Network for international policies and cooperation in education and training

Réseau sur les politiques et la coopération internationales en éducation et en formation

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NORRAG Special issue (NSI) is an open-source periodical. It seeks to give prominence to authors from different countries and with diverse perspectives. Each issue is dedicated to a special topic of global education policy and international cooperation in education. NSI includes a number of concise articles from diverse perspectives and actors with the aim to bridge the gap between theory and practice as well as advocacy and policy in international education development. The content and perspectives presented in the articles are those of the individual authors and do not represent views of any of these organizations. In addition, note that throughout the issue, the style of English (British, American), may vary to respect the original language of the submitted articles.

About NORRAG

NORRAG is a global network of 5,000 members for international policies and cooperation in education and training. NORRAG is an offshoot of the Research, Review, and Advisory Group (RRAG) established in 1976 and at the time funded by the International Development Research Centre (IDRC) and Swedish International Development Authority (Sida). It was charged with critically reviewing and disseminating education research related to the developing world. The current name was adopted in 1986. Since the move to Switzerland in 1992, NORRAG has been significantly supported by the Swiss Agency for Development and Cooperation (SDC)and the Graduate Institute of International and Development Studies, and more recently, the Open Societies Foundation (OSF).

NORRAG's strength lies in addressing under-researched questions of quality and equity in key issues in education and development, and in amplifying under-represented expertise particularly from the South. NORRAG's core mandate is to produce, disseminate and broker critical knowledge and to build capacity for and with the wide range of stakeholders who constitute our network. Our stakeholders from academia, governments, NGOs, international organizations, foundations and the private sector inform and shape education policies and practice at national and international levels. Through our work, NORRAG contributes to creating the conditions for more participatory, evidence-informed decisions that improve equal access to and quality of education and training.

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vimeo.com/norrag

NORRAG
Network for international policies and cooperation in education and training
Réseau sur les politiques et la coopération internationales en éducation et en formation

20, Rue Rothschild l P.O. Box 1672
1211 Geneva 1, Switzerland
+41 (0) 22 908 45 47
norrag@graduateinstitute.ch

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Coordination
Emeline Brylinski

Production
Paul Gerhard, Anouk Pasquier Di Dio

Design concept
Anouk Pasquier Di Dio, Alexandru Crețu

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Domestic Financing: Tax and Education

Guest editor

David Archer,
Head of Public Services, ActionAid, UK

Foreword

Even before the ambitious Sustainable Development Agenda,[1] additional finance for education was needed. Policy discussions addressing the development funding gap first focused on raising additional public money through taxation and levies on individuals, private sector businesses and financial institutions,[2] but after 2005 the debate pivoted to more active roles for the private sector.[3] NORRAG Special Issue (NSI) 04 addressed the topic of tax justice in the global North as part of the debate surrounding new philanthropy in education. Tax justice and domestic resource mobilization in the global South are the focus of NSI 05.

Education researchers and advocates calculate that education receives a smaller share of the public purse than necessary. Tax researchers and advocates calculate that the public purse is smaller than it would be if contemporary tax regimes were more equitable. In this NSI, researchers, policymakers, practitioners and advocates examine the need to increase the size of the public purse, and the share that is dedicated to education. They argue that in order to deliver sustainable and equitable public funding for education, states need to change domestic taxation regimes and international tax frameworks. In addition to quantitative shifts in funding, questions are addressed regarding how domestic financing can foster equality and inclusion in education where policy, programs and local initiatives are carefully designed and implemented in ways that address these concerns.

Questions of financing education are even more pressing as we face the consequences of Covid-19 and the impact of lockdowns globally. This pandemic is radically changing school attendance and learning, as well as the amount of education spending available from a diminished tax base. In addition to the effects on almost 1.2 billion schoolchildren[4] and their teachers[5] worldwide, Covid-19 is predicted to affect both international and national educational resources, such that UNESCO GEM (2020) warns that “squeezed budgets could translate into a fall for aid to education of up to US$2 billion by 2022”.[6] With global economic growth projected to decline by 4.9 percent in 2020,[7] a reduction in the funding earmarked for education is predicted. Where the size of the public purse is reduced, so is the amount spent on education. Tax justice questions are therefore critical in research and knowledge production on financing education, and also in negotiations between governments, international organizations, the private sector and civil society.

David Archer, Guest Editor for NSI 05 has gathered contributions from 25 practitioners, researchers and stakeholders from different corners of the world that address domestic financing with a special focus on tax and education. NSI 05 highlights global and national level experiences and perspectives and calls for greater attention to issues that influence national resource capacities for education and how that funding may be used. This issue was developed during the upheavals of the 2020 pandemic, thus some papers call for caution in these uncertain times. **Part 1** features global perspectives on tax and education, why tax matters – particularly in times of a global health crisis – and the role of international instruments and actors. **Part 2** sheds light on progressive and regressive national tax reforms with specific case studies from Ghana, India and Pakistan. **Part 3** salutes local movements and activism to reform tax for equitable education provision, and **Part 4** calls for global reforms and greater attention to the impacts of corporations and philanthropic actors on tax justice. **Part 5** addresses concerns regarding the increasing trend of privatization of education, illustrated by three case studies from the Dominican Republic, Peru, and Uganda. Finally, NSI 05 concludes with Part 6, outlining the social movements and struggles surrounding education and tax.

NSI 05 showcases global perspectives as well as local case studies, discussing the links between tax justice and domestic financing for education from different standpoints. The guest editor, David Archer, is the Head of Civic Participation, Tax Justice and Public Services with ActionAid, and holds extensive experience in education. He co-founded the Global Campaign for Education, is the Board Chair of the Right to Education Initiative, Chair of the Strategy and Impact Committee of the Global Partnership for Education and is a trustee of the UK Education and Development Forum (UKFIET).

Two years ago, in 2018, NORRAG Special Issue was launched with the ambition to be an open-source periodical giving prominence to authors from a variety of countries and with diverse perspectives. Each issue focuses on current debates that frame global education policy and international cooperation in education, seeking to bridge the gap between theory and practice, in line with NORRAG's mandate. The first NSI was on the *Right to Education Movements and Policies: Promises and Realities* (January, 2018), the second edition on *Data Collection and Evidence Building to Support Education in Emergencies* (Spring 2019), the third edition focused on *Global Monitoring of National Educational Development: Coercive or Constructive?* (Fall 2019), and the fourth edition examined *New Philanthropy and the Disruption of Global Education* (Spring 2020).

Moira V. Faul
Executive Director
Geneva

Gita Steiner-Khamsi
Professor and Director
New York & Geneva

Émeline Brylinski
Research Associate
Geneva

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Contents

Domestic Financing: Tax and Education

David Archer, Head of Public Services, ActionAid, UK

David.Archer@actionaid.org

Over 1.5 billion children have had their schooling interrupted by the health crisis of Covid-19 and as schools struggle to re-open they are likely to be profoundly affected by the economic crisis that has been triggered by the pandemic. UNESCO estimates that a cut of US$210 billion in education budgets next year is almost inevitable owing to declines in GDP around the world. Pressure to reallocate scarce resources to health and social safety nets might cut education budgets further – cuts which may range from 5% according to UNESCO or 10% projected by the World Bank. Education systems face a serious financing crisis that could affect the life chances of a whole generation of children.

In this context, this NORRAG Special Issue could not be more urgent or timely as we collate 25 articles on the domestic financing of education, focused on tax[1]. As far as we know this is the first compilation of its kind ever attempted, laying out the complex ways in which the financing of education is critically dependent on tax revenue. It is surprising that this issue has not been higher on the global agenda before – because tax revenues have always been the most important source of funding for education provision and the capacity to expand education budgets sustainably without taking action on tax are profoundly limited.

Whilst Covid-19 presents major new challenges for public finances, it would be wrong to assume that we simply need to return to pre-Covid levels of education spending. In many countries, there has been a chronic underfunding of education for a generation or more. The international community repeatedly committed to ambitious goals to transform education, setting the six Education For All goals first in Jomtien in 1990 and reaffirming them ten years later in Dakar; making education the focus of two of the eight Millennium Development Goals in 2000; and reasserting education as critical to the Sustainable Development Goals in 2015. These bold political commitments have built on decades of elaborating and developing what the human right to education means, from UN Declaration of Human Rights in 1947, through to the International Covenant on Economic, Social and Cultural Rights, to the Convention on the Rights of the Child in 1989, the Convention on the Elimination of Discrimination Against Women and most recently in 2008, the Convention on the Rights of Persons with Disabilities. But all these commitments, pledges and declarations have never been backed up by adequate resources.

Plenty of projections have been made about the financing needed to achieve education goals but these projections have rarely triggered action. For many years, the focus of most debate was purely on the "external financing gap" – estimated to be around US$39 billion (UNESCO, 2017). But behind this calculation lies a range of assumptions around ambitious growth in domestic financing which are rarely scrutinised. The Education Commission in 2016 helped to redress the balance by asserting that 97% of additional resources for education in the coming years would need to come from domestic sources. However, having made this crucial point, the Commission proceeded to focus most of its own efforts on addressing the 3% gap in external resources.

Perhaps it is unsurprising that in international meetings, fora and institutions the global education community focuses attention on what it can do through the provision of aid and loans. However, this risks falling into problematic donor-centred narratives. The assumption is that international efforts will be central to transforming education systems and that we simply need more heroic and ambitious efforts to make a difference. There is rarely any examination of the extent to which developing countries lose more revenue in illicit financial flows than they gain in aid and no acknowledgement of international culpability in the setting of tax rules globally that make aggressive tax avoidance so easy for the biggest companies.

When aid and loans are harmonised and given without conditions to the countries in greatest need, they can make a useful contribution, but even then, they are of limited value for financing education because they are inherently short-term and unpredictable. Education systems require long term and predictable financing because the biggest single item on any education budget is teachers – often constituting more than 90% of the budget. The provision of education is basically labour intensive. Indeed, having good quality trained teachers in sufficient numbers is the most crucial ingredient to ensure the quality of learning. Fortune magazine considers the contribution of teachers cannot be replaced through automation. And yet there is a desperate shortage of professional teachers – at least 69 million more teachers are needed worldwide (and 17 million more in Africa alone) if we are to achieve SDG4. This is the key financing challenge for education.

It is problematic for Ministries of Finance to fund a long-term recurrent commitment with short term funding; it is unwise to recruit teachers with 3-year project-based aid funding and then run the risk of having to sack them when aid money runs out. So aid money tends to support interventions such as classroom construction, school feeding programmes, teacher education, girls' scholarships, programmes to reduce student drop-out, curriculum development etc. (Riddell, 2016). Many governments only look to employ new teachers when they have a secure, predictable source of revenue – and that almost invariably means tax revenue.

When education stakeholders have focused on domestic financing, the initial focus has almost invariably been on getting a fair share of tax revenues allocated to education (GCE, 2016). The benchmark of 20% as an indicator of good practice which originated with the Fast Track Initiative (Bermingham, 2011) is now used by the Global Partnership for Education (GPE) and the Incheon Framework for Action suggests "at least 15-20%" of national budgets should be spent on education, with the proviso that low-income countries will need to invest at the higher level or above. This is a good start – and countries that fall short of this should be pressured to increase the share of government revenues spent on education. However, there are many countries that achieve or exceed this percentage but still have a shortfall in meeting their citizens' education needs and rights. The reason is simple: a 20% share of a small pie is a small amount. The real challenge is to talk about increasing the size of the pie – and that is determined more than anything by the overall tax revenue collected by governments.

But tax has an image problem. Indeed, multiple image problems. It is seen as too technical and complicated – so best left to expert economists. Or it is seen as plain dull and boring. Or it is instinctively disliked – few people feel good about paying tax and many would like to pay less. Efforts to make tax more attractive (such as the book, The Joy of Tax) have not had the kind of breakthrough needed to shift public perceptions. However, it is curious to note though that the citizens who pay the highest tax in the world – in Scandinavian countries – are the biggest supporters of tax.

Four decades of neoliberal economics have normalised the idea that big states are bureaucratic and inefficient – and that there should be a preference for small, non-interventionist states that allow the market to thrive largely unregulated. Within the more extreme logic of this ideology, tax is seen as a form of theft of income or wealth that properly belongs to people or corporations. In this view, taxes should be minimised – and the state should get out of the way. Services ought to be privatised – and the state should only play a safety net role. In July 2020, in a phone conversation with me to discuss a recent report (ActionAid, 2020), a senior IMF official made the statement: "the public sector should only do things where the private sector cannot make a profit." With this worldview there is no need for the state to collect more taxes to provide public services.

The global financial crisis of 2007/8 appeared to be a moment for change but in the end, did little to shift the ground. However, in a post-Covid context, there are signs of a shift away from market fundamentalism. Many governments have been boldly interventionist, and in many countries, there has been a revaluing of a public sector ethos. Public spending in OECD countries has been rising rapidly and it is widely expected that taxes will need to rise over the coming months and years. Most developing countries have less fiscal space to respond so boldly but there are mounting calls for debt cancellation, for radical reforms to tax systems, and for renewed investment in public services. The 2015 Sendai Framework's demand that we 'build back better' has gained considerable momentum.

Increasing public spending is then very timely indeed. Building back better from the 2020 pandemic must surely involve ensuring that national and global sustainable development goals are adequately financed. The backbone of that financing can only credibly come from tax revenues. And the heart of spending priorities must surely be public health and education systems, so that we are all better prepared for any future pandemics and we invest in the next generation of citizens who can work towards building a more sustainable future.

This unique collection of articles on tax and education offers a rich range of vantage points. Every article explores the connections between tax and education in a different way. Some offer a global perspective, and some are firmly rooted in particular national contexts – with articles from Brazil, Cambodia, The Dominican Republic, India, Malawi, Pakistan, Peru, Sierra Leone and Uganda. The authors offer multiple vantage points: we have some senior professors and some early career academics, some from think tanks, others from human rights organisations, some from NGOs and others from teacher or student unions, some from civil society movements on tax and others from movements for education. All the articles have been written in recent months, so many touch on the context of Covid-19 and the challenges and opportunities that lie ahead.

In Part 1, we start with **Professor Keith Lewin** offering some fundamentals of how education systems are financed and some basic arithmetic about what needs to happen to finance SDG4.

This is followed by an article from **Liz Nelson**, **Alex Cobham** and **Miroslav Palanský**, who all work with the Tax Justice Network, articulating the links between tax and education, emphasising the importance of progressivity in tax and spending, and outlining an agenda for transformative tax reforms post-Covid.

Erica Murphy from the Right to Education Initiative places the connections between tax and education within human rights frameworks, outlining the obligations on states to mobilise the maximum of available resources and considering the implications of the recently developed Abidjan Principles.

Soren Ambrose draws our attention to the critical role of the International Monetary Fund (IMF), arguing that the IMF has an important influence on the design of tax reforms in developing countries (and has tended to support regressive and unambitious reform) as well as influencing spending on education (through imposing constraints on public sector wage bills that directly affect teachers).

Following this, Part 2 comprises a group of articles about **"progressive and regressive tax reforms"** at a national level. **Assistant Professor Pradeep Choudhury** from Jawaharlal Nehru University offers an overview of the tax system of India charting the trajectory of low tax-to-GDP ratios and how this connects with education financing, observing that in the end it, is all about mobilising political will. **Anjela Taneja** from Oxfam India then critically examines India's example of an earmarked tax for education, the famous "cess", which has proved effective at raising additional revenue for the government but not at increasing spending on education. Many people who first explore the links between tax and education jump on the idea of earmarked taxes, so this article acts as a timely warning about the limitations and dangers of such an approach.

The design of tax systems is crucial and too often the need to pay falls more on those least able to pay. **Asim Jaffry** from Oxfam Pakistan shows that the present system of tax and spending in Pakistan exacerbates inequalities in the country. **Peter Kwasi Kodjie** from the All-Africa Students Union adds another dimension to the analysis of what progressive tax systems should look like, arguing that gender responsiveness is a crucial dimension, both in the design of tax reforms and in allocations to education.

One of the challenges in connecting tax and education is to bring awareness of these connections to the local level. The slogan "no taxation without representation" has a powerful resonance dating back to the 1700s – connecting the payment of taxes with the demand for a democratic voice. The fact that many people are not aware of being taxpayers (because of invisible taxes such as VAT) acts as a huge constraint on people's confidence to hold their government to account for delivery of public services, so awareness raising on tax can be transformative. For this reason, Part 3 looks at **"local level activism"**. It starts with the innovative work conducted in Malawi, reported by **Yandura Chipeta**, using participatory adult education methods inspired by Paulo Freire to raise awareness on tax. This is followed by **Maria Ron Balsera** reporting the story of a teacher in Pakistan who mobilised a whole community by calculating the tax that everyone paid and the (lack of) services they received in return.

Continuing the theme of local engagement, **Swetal Sindhvad** reports from efforts in decentralised tax collection in Cambodia, flagging the positive opportunities from local ownership, but equally the challenges and inequities involved when richer areas can raise more revenue than poorer ones. **Vanessa van der Boogaard** shares the latest insights from her work in Sierra Leone, showing that charging user fees for access to primary school acts as a de facto regressive tax, passing the costs unfairly on to those who are least able to pay.

From that local perspective we sweep back out to the global view in Part 4, with three articles that make the case that national action alone will never be enough: we need **"global reforms"**. First, we have **Professor Steve Klees** arguing for a move from global charity to global taxation through the introduction of global taxes on wealth, and the reform of global decision-making by replacing the OECD's role in setting rules with a more representative and empowered global body. **Vernor Munoz** from the Global Campaign for Education focuses on some of the biggest multinationals in the world who have signed up to the Global Business Coalition on Education to argue that the first step should be for those companies to show that they are paying fair taxes in countries where they make their profits. Thirdly we have **Will Brehm**'s exposé of big philanthropy and the connection between philanthropic generosity and tax avoidance.

In the penultimate section, Part 5, we explore the links between **"tax and privatisation of education"**. Lena Simet reports from Uganda where the maintenance of a weak tax system has gone hand in hand with privatisation of education in recent years. **Elisabeth Robert** in the Dominican Republic charts a similar trajectory of privatisation and public-private partnerships (PPPs) in an apparently better-resourced system. **Sergio Hernandez** and **Laura Adriaensens** offer a slightly different perspective from Peru, showing how the failure to build a strong tax base has undermined aspirations to deliver quality bilingual intercultural education for Indigenous peoples.

In the final section, we look at **"social movements and struggles on education and tax."** First, we have an article from **Amy Paunila** arguing that mobilisation on tax and education has to go hand in hand with action on anti-corruption: when people believe the tax that is collected disappears into the pockets of corrupt officials, politicians or elites, they will not support the case to expand tax revenue. **Jo Walker** argues that a connection has to be made with the renewed movement on debt justice, as the new debt crisis is taking hold and accelerating since the onset of Covid-19. When revenues collected in tax disappear first in debt servicing (sometimes over 50% as is the case of Ghana) then people do not see the equation between raising taxes and increasing spending on essential services.

The struggle for connecting tax and education is a highly political one and this is recognised in the article by **Andressa Pellanda** and **Daniel Cara** who report on the power struggles in the Brazilian parliament to renew the financing for Brazil's Basic Education Fund. The role of youth in these struggles is highlighted by **Beathe Øgård** and **Peter Kwasi Kodjie** who reference the struggles of university students to demand free higher education in the "Fees Must Fall" mobilisations.

We then conclude with three articles from key actors in the global movements working on education and tax justice. First, we hear from **Dennis Sinyolo** from the federation of teacher unions, Education International, who argues that growing awareness of the connections between tax and the financing of education within the union movement worldwide could be transformative. Then **Caroline Othim** from the Global Alliance for Tax Justice lays out some of the ways in which the tax justice movement sees connections with education. Finally, we conclude with **Maryline Mangenot** from the Global Campaign for Education who articulates how the education justice movement sees connections with tax justice.

At some point in the future, I expect that the issues and debates outlined in these pages will become a normalised part of every discussion about the financing of education. Indeed, it seems remarkable that over the many decades of "development" discourse, tax has been left largely at the margins. Those countries that have achieved key development goals have done so largely through well-financed public services that deliver on people's needs and rights – and these have been financed through tax systems. Why, then, isn't tax the first module for everyone studying development? Why have generations of people who are committed to universalising access to education or other services not engaged in discussions about how to finance their aspirations? Perhaps this points to a deeper problem with the dominant discourse of development, which remains caught up in a North-South frame that struggles to escape its colonial origins and that gives donors a dominant voice. The focus on aid plays into a white saviour mentality – and fails to address the real economics of how countries will finance education and development goals. Donors who are committed to ending the supposed "dependency on aid" could harmonise their efforts behind strengthening tax revenue authorities in developing countries (OECD, 2013) – and yet only 0.1% of aid is presently spent in this way.

A new Tax and Education Alliance has recently been formed between ActionAid, Education International, the Global Campaign for Education, the Tax Justice Network and the Global Alliance for Tax Justice. Together we recognise that in the end it will be citizens and governments in developing countries themselves who will need to make the breakthrough: to recognise that you cannot sustainably finance education and other development goals without being ambitious and progressive in pursuing tax reforms. Perhaps Covid-19 will mark a turning point in this regard, a moment when the crucial role of public services will be reassessed, and countries will be more open to looking for new ways to finance them. This would be timely. With ten years to go to the 2030 SDG deadline, action on financing now could enable accelerated progress. Since the onset of Covid-19, the movement for debt cancellation is gathering pace (allowing countries to have instant access to revenue already in their coffers). If this is done hand-in-hand with ambitious and progressive expansion of tax systems, the revenue could be available to deliver on most of the SDGs. Of course, this can never on its own be a guarantee: because tax revenues could be misallocated. For this reasons, we need education advocates to demand not only an increase in the **size** of government revenue - but also an increase in the **share** spent on education, an increase in the **sensitivity** of spending (driven by equity concerns) and an increase in the **scrutiny** of spending in practice to make sure money arrives and is properly used even in the most disadvantaged schools. This 4S framework (size, share, sensitivity and scrutiny) is clear recognition that action on tax alone will never be enough. However, action on tax justice is a necessary and fundamental step towards achieving education justice – and this simple fact has been overlooked for too long.

Endnotes

1. See also, David Archer's interview for the FreshEd Podcast (coor. Will Brehm). Financing education through domestic taxation. Retrieved from : https://freshedpodcast.com/davidarcher/

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Part 1

Global Perspectives

Taxing Matters: Fiscal Reform, Public Goods and Aid

Keith M Lewin, Emeritus Professor of International Development and Education, Centre for International Education, University of Sussex, UK

k.m.lewin@sussex.ac.uk

Summary
Fiscal policy lies at the heart of educational development. At least 6% of GDP is needed to provide universal access to formal education. Grant aid cannot provide reliable recurrent financing and nor can loans that generate high levels of debt. Fiscal reforms, coupled with investments in efficiency and effectiveness, can fill gaps in financing not once, but indefinitely.

Keywords
Education
Tax
Finance
Aid
Public goods

Introduction
Fiscal policy lies at the heart of sustainable development. This was true before Covid-19 and will be true when the pandemic abates. Fiscal states are able to finance public goods which benefit all citizens and are especially protective of the rights and vulnerabilities of those most unable to help themselves. This is possible because of the social contracts that exist between those who govern and citizens. These anticipate public services that deliver education, healthcare, social welfare and other public goods in exchange for taxes. This expectation is true for states of the ideological left and of the right. Both agree about the necessity for taxation and public goods but often disagree about which public goods should be supported and the extent to which taxation should be progressive and designed to redistribute wealth. The need to understand that development depends on fiscal states was true before coronavirus dislocated strategies for financing development and will be true after the current crisis recedes.

This article first presents the basic arithmetic of educational financing that leads to the conclusions that most low-income countries need to spend more than 6% of Gross Domestic Product (GDP), more than 25% of government revenue on education, and collect 25% of GDP in revenue to achieve the aspirations of Sustainable Development Goal 4 (SDG 4). No imaginable amount of grant aid or lending could provide the additional volume of funding needed in a sustainable way. Second, the discussion identifies various sources of domestic revenue and indicates where collection could be greatly augmented. This would expand capacity to deliver education services without inducing unsustainable levels of debt and sub-prime lending. Fiscal reform to increase the tax-to-GDP ratio is now at the heart of universalising access to quality education.

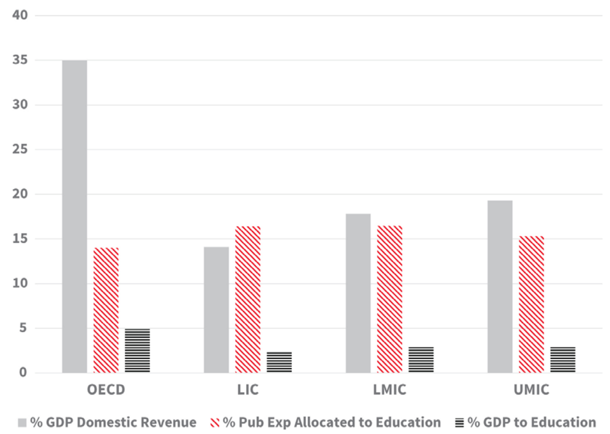
The Basic Arithmetic of Educational Finance
Financial and demographic modelling shows that at least 6% of GDP needs to be allocated to education to achieve the goals set by the Sustainable Development Goals (SDGs) (Lewin, 2017). The amount of GDP governments spend on education is determined by the amount collected in revenues to finance public expenditure[1] and the proportion

of the government budget allocated to education. The equation is:

Amount of GDP for education = Revenue as percent of GDP x % of public budget to education

Educational financing looks very different in different groups of countries. Figure 1 shows typical values for the Organisation of Economic Cooperation and Development (OECD), Low Income Countries (LICs), Low Middle Income Countries (LMICs) and Upper Middle Income Countries (LICs). OECD countries average revenue of 34% of GDP and allocations to education of about 14% of public expenditure. They therefore spend a little under 5% of GDP on education (34% x 14% = 4.8%). LICs, LMICs, and UMICs allocate much less than the OECD. On average they commit less than 3% of GDP to education excluding grants and loans[2]. This is mostly because their revenue collection is much less than in OECD countries not because they allocate a smaller proportion of public expenditure.

Figure 1: Domestic Revenue, Education Budget and Education as % of GDP Using Average Values



Source: Author's Infographic using averages from World Bank database 2019 or latest available data

The amount of spending on education as a percentage of GDP is determined by the proportion of GDP raised in tax to finance government multiplied by the proportion of this revenue allocated to education (excluding grants and loans). To achieve spending of 6% of GDP LICs, LMICs and UMICs in Sub-Saharan Africa would have to increase domestic revenue substantially to between 20% and 30% of GDP and would simultaneously have to allocate up to 30% of the public budget to education as shown in Table 1.

There is a long way to travel. As many as 43% of countries allocate less than 15% of government budgets to education and only 26% allocate more than 20% as suggested by development partners. About 48% of countries in Africa spend less than 4% of GDP on education and only 22% spend more than 6% including contributions from aid.

Table 1: Domestic Revenue, Education Budget and Education as % of GDP to achieve 6% of GDP on Education

	% GDP Domestic Revenue (1)	% Allocated to Education (2)	% GDP to Education (1x2=3)
OECD	35	14	4.9
LIC	20	30	6.0
LMIC	25	24	6.0
UMIC	30	20	6.0

Source: Author's Table using averages from World Bank database 2019 or latest available data

Shortfalls in financing are therefore much larger than current disbursements of aid to education which are unlikely to amount much more than US$ 4 billion per annum for Sub-Saharan Africa, or about 0.3% of GDP of SSA (Lewin, 2019).

There is a debate about whether there really is a new low "learning trap" leading to a low learning equilibrium (WDR, 2018). Notwithstanding this, there is evidence of a low-income country public expenditure equilibrium for investment in education. Over the last 35 years, finance has been a core constraint. According to Coombs (1985) in the 1970s and 1980s "developing countries" were spending around 4% of GDP on education and allocating about 15% of public expenditure. In 1990 at the time of the Jomtien Conference our analysis for UNICEF showed low-income countries were still allocating between 4% and 5% of GDP to education and about 15% of public expenditure including grants and loans (Colclough and Lewin, 1990). From then until 2020 UNESCO Institute of Statistics data show that the averages for education in LICs and LMICs countries have remained at these levels despite much advocacy.

The key point is that low-income countries have not moved far away from spending 3.5% to 4.5% of GDP including aid, and 14% to 16% of their public budget on education. Whatever their political economy, this is the level at which many systems have equilibrated. Setting arbitrary targets for expenditure on education that are much higher ignores the obvious. Investment in education arises from a political economy of preferences and is subject to limits in the room to manoeuvre. The main constraint is the willingness and ability of governments to raise domestic revenue and allocate it to education.

If there is a learning crisis it needs a theory that explains the "resistance to change" to finance learning at higher levels. To date, the proportion of resources allocated to education has not been shifted by hundreds of billions of dollars of external assistance from development agencies over the last four decades. What is needed is a more realistic understanding of the political economy of national budgeting and the inhibitors to the development of fiscal states that can finance their own public services.

Refinancing Education

The bulk of financing for education in Sub-Saharan Africa (SSA) will need to come from domestic resources and from efficiency gains (Lewin, 2008). Critically the financing shortfalls for education are recurrent and replicate every year. Grants from bilateral and multilateral donors are not useful for medium term recurrent financing and do not produce a predictable flow of funds to pay the largest costs i.e. teachers' salaries. Loans create long term debt that has to be serviced from revenue and are limited by the level of repayments that can be sustained. Debt servicing that accounts for more than 5% of GDP per annum is likely to represent a third or more of public expenditure and creates dependence.

Fiscal reform is the core issue for educational aid policy especially in periods of recession. Good governance links taxpayers to those who govern with a social contract to provide public goods that cannot be supported by fragmented markets (ActionAid 2018). Sustainable education systems depend on the development of fiscal states that can make their own choices on how to invest in their education systems.[3]

How might fiscal reform be achieved? The opportunities to increase revenues are evident from reviewing collection in several domains.

Personal Income Tax

The best estimates suggest that African countries as a group collect less than 10% of all revenue in personal income tax. This compares to over 25% in OECD countries. More particularly income tax is only paid by about 5% of all people who live in Africa, compared to 50% in the OECD. Most of the personal tax in Africa is paid by mid-level employees of government and large companies. In one East African country research indicates that only 5% of company directors, few top-ranking government officials, most of the highest earning lawyers, wealthiest officials, and many billionaires paid no tax (Moore et al, 2018). Public officials should be required to publish tax returns and declare assets as a condition of public office. Unexplained wealth orders should be used to challenge those whose assets are inconsistent with their income. Pay as you go (PAYE) should be used for all employees. "Nudging" should be used to encourage cooperative compliance.

Property Taxes

Property taxes are not a major source of revenue in many SSA countries but are substantial in high-income countries. Property taxes can be highly politicised in countries where surplus income is translated into land and property as a safe haven. Yet property taxes are cheap to collect, linked to visible assets, and generally socially progressive. They can be linked to access to services and collected by agencies that have local knowledge. Remote sensing makes it easy to see physical assets and who uses them. Land registries are a high priority for fair revenue generation.

Corporate Taxation

Corporate taxation on large businesses is uneven and small in volume. Transnational companies make use of transfer pricing between subsidiaries in different tax domains, transfer of intellectual property rights and royalties, cross charge management fees and pay dividends and capital gains[4] to ensure most value is added in low tax domiciles. Companies should be required to declare turnover within each country and pay taxes validated by independent auditors. Taxes should be levied where assets are located, and revenues generated.

Value Added Tax (VAT)

VAT is a tax on the supply of goods and services that allows production costs to be tax deductible so that the cost falls on the end user. VAT can be regressive if it is applied at a flat rate independent of income, so the poor pay proportionately more of their income in tax. This may be mitigated by making essential products consumed by poorer households VAT free. VAT receipts are increasing as more transactions are electronically logged. Collection is efficient and recovery rates can be increased in many ways e.g. by attaching lottery scratch cards to receipts for services to ensure revenue is declared.

Customs and excise

Duty is collected as products and services cross borders and substantial revenue is generated from taxes on alcohol, tobacco and other luxury goods. There is a public welfare case to increase rates on products that damage health. In many countries, cross-border transactions are being depersonalised and digitised with benefits for collection rates and fraud reduction.

Avoidance and Evasion

Some estimates indicate that over US $500 billion may be lost annually through corporate transfer pricing, money laundering and straightforward tax evasion. Data leaks suggest that about 5,000 Africans hold assets of over US $6 billion in just one Swiss Bank. This implies that large amounts of income and assets are diverted offshore and are likely to remain untaxed. Thus, fiscal reforms and better compliance could greatly increase revenue collection within existing legislation and generate more resources than aid provides. Money laundering tracking, tax identification numbers, cross-border transfer reporting, and unexplained wealth orders will have an increasing effect.

In Conclusion

This narrative explores issues in educational finance and taxation. The events associated with Covid-19 have displaced tax and development issues from the headlines and are rewriting economic forecasts. However, the underlying realities have not changed. The most likely future is that education systems will regenerate with recognisably similar institutional forms albeit with more social distancing. In the medium term it will remain true that at least 6% of GDP will be needed to finance universal access to education to grade 12 in low-income countries. Poor countries currently allocate less than 4% of GDP to education and collect less than 15% of GDP in revenue to finance public services. About 10% of SSA countries receive more than 20% of GDP from external finance. Half receive more than 5% which may represent as much as a third of public expenditure. Revenue will need to rise towards 25% of GDP as a result of fiscal reforms.

Sustainably financing education depends on adequate domestic revenue, not aid (Lewin, 2015). Progressive and fair taxation is the only way to build fiscal states that can finance public goods indefinitely without the need to borrow or seek disproportionate amounts of grant aid. It is the only way to finance mass education systems that can mitigate pandemics. Now is the time to invest in endogenously financed development which can shape resilient education systems. After over half a trillion dollars of aid to education in SSA over the last fifty years, new forms of aid are needed. These should be focused on catalysing the development of fiscal states able and willing to finance their own development. This could break cycles of the kind of gap filling aid that generates dependence, undermines resilience, and engenders systemic risk.

Endnotes

1. Including borrowing and grant aid.
2. If grants and loans are included the average expenditure on education increases to about 4% of GDP.
3. For more detailed discussion of tax see Lewin, K. M. (2020) Beyond Business as Usual: Aid and Financing Education in Africa. International Journal for Education and Development. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7395592/
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Tax for Education in the Time of Corona

Liz Nelson, Director, Tax Justice & Human Rights, Tax Justice Network, UK
liz@taxjustice.net

Alex Cobham, Chief Executive, Tax Justice Network, UK
alex@taxjustice.net

Miroslav Palanský, Researcher, Tax Justice Network, UK and Charles University, Czech Republic
miroslav@taxjustice.net

Summary
Tax raises resources for public services and underpins the state-citizen relationships. This article explores key elements for realising the right to education and challenges of these in practice, looking at: the overall level and progressivity of revenues; the share allocated to education; and the inclusivity of the resulting public education expenditure. It concludes with recommendations on urgent reforms in the light of Covid-19.

Keywords
Right to education
Tax revenue
Inequalities
Redistribution
'Build back better'

The "Right to Education"

The right to education is uncontested.[1] It is enshrined in international and regional and, sometimes, domestic law, and forms part of special international "rights" instruments. Each of the 170 States Parties to the International Covenant on Economic, Social and Cultural Rights have committed that the right to education be delivered "to the maximum of its available resources, with a view to achieving progressively [its] full realization… without discrimination of any kind". The obligation to resource education is also enshrined in international law, specifically, the Convention on the Rights of the Child which sets out that:

> *States Parties shall undertake such measures to the maximum extent of their available resources and, where needed, within the framework of international cooperation.*
> Convention on the Rights of the Child, Article 4

More recently the Abidjan Principles (2019) set out, in response to a growing reliance on private actors to supply education, normative standards and a framework for realising the right to education.[2] Constitutional law, too, directs governments and is a point of reference especially at times of crisis and conflict, so ensuring that 'rights' are not lost (Equal Education, 2020).

But at times of crisis such as now, how resilient are countries – especially those that are debt ridden or have felt political or institutional pressure to adopt policies of austerity?

Progressive Revenues and Systemic Weaknesses

There are numerous intergovernmental initiatives and private-public partnerships (PPP) to support the ambition of Sustainable Development Goal (SDG) 4. Initiatives such as Better Teaching for Quality Learning (BTQLP) in Eastern European countries which aim to supplement or fill shortages in teaching capacity, or with a different focus the School Education Quality Assessment Project (SEQAP) aims to fill gaps in developing countries where there is "insufficient capacity" in the development of technology and educational tools. Outsourcing to the private sector or through PPP arrangements is arguably the dominant model for the supply of educational infrastructure, teaching and connectivity, and increasingly so in low-income countries. But the optimism of the rewards yielded by PPP may be misplaced or overstated (Singh, 2014, para. 81).

In 2014, the United Nations Special Rapporteur referred to a misalignment of interests and described the problem quite plainly – "The persistent underfunding of public education coincides with the rapid rise in the scale and scope of private actors in education, putting at risk the commitment to leave no one behind" (Singh, 2014, para. 122).

Alternatives are available which can boost the public spending pot. These require sustained political will and long-term vision both at the international level and within domestic fiscal policy design. At the time of the Covid-19 pandemic, radical and progressive tax policies which can support equalities in education have more than come of age.

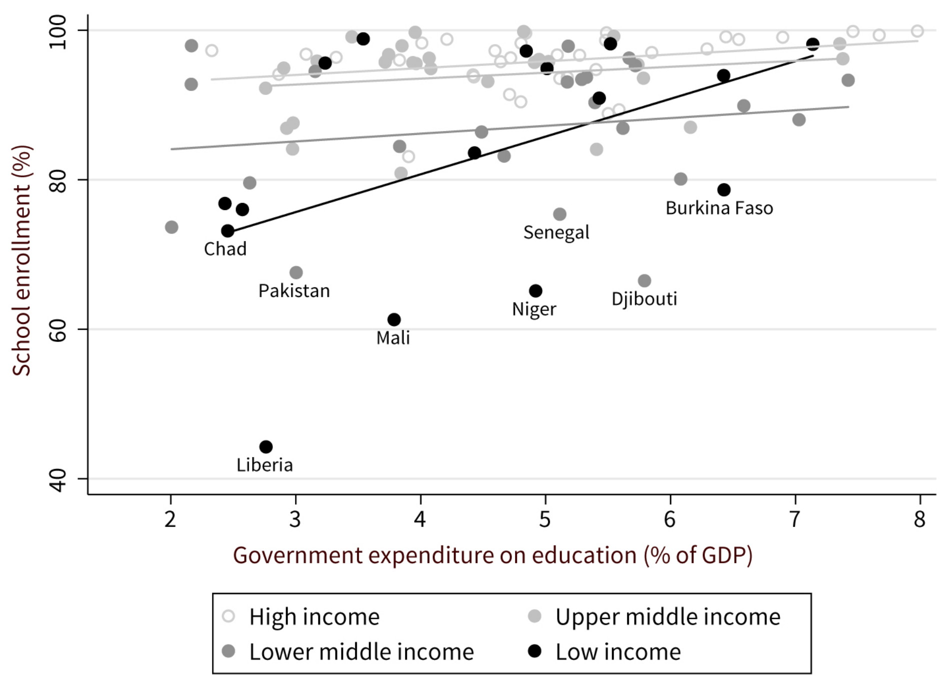
A progressive tax agenda should design policy on the basis of affordability to pay. First, this requires those on higher incomes or with greater wealth to contribute more. Second, there needs to be a commitment to prioritise direct and progressive taxes – that is, taxes on profits, income and capital gains rather than for example, regressive taxes on consumption such as Value Added Tax (VAT). Children living in lower-income households, where a higher percentage of incomes or transfers are used to purchase daily necessities which attract VAT, will have less spent on their educational needs including transport and connectivity devices (ActionAid, 2018).

Given the predominance of women and historically disadvantaged groups among lower-income households, the focus on direct taxation is also necessary to militate against further gender and intersectional inequalities. The range of tax policies must support the most marginalised and vulnerable, be that girls for whom 'the challenges of accessing education are exacerbated by responsibilities of care for family members or other community members" (Chopra and Zambelli, 2017, as cited in United Nations Economic and Social Council, 2020, para. 56); or indigenous children, children from ethnolinguistic minorities, children with disabilities and those facing intersectional inequalities.

Share of Allocation of Tax Revenue for Education

In November 2015, in South Korea, 160 countries met to adopt the Incheon Declaration for Education 2030 (UNESCO et al, 2015, Para.14). The Declaration called upon signatories to commit to a determination "to increase public spending on education in accordance with country context and urge adherence to the international and regional benchmarks of allocating efficiently at least 4 - 6% of Gross Domestic Product and/or at least 15 - 20% of total public expenditure to education."

Figure 1: School enrollment and government expenditure on education as a share of GDP, by income group, 2017 or latest available year



Source: Authors based on data from the World Bank

Financing gaps in basic education are significant. A recent review from the UN Secretary General noted that "43 countries still invest less than what is needed to achieve inclusive and equitable quality education for all" (United Nations Economic and Social Council, 2020, para. 27). As Figure 1 illustrates, the level of spending tells part of the story. While high-income countries are largely able to achieve near-comprehensive school enrolment despite a wide range of spending levels, among lower-income countries, in particular, the failure to achieve inclusive education tends to be associated with the allocation of lower shares of GDP to education.

Inclusivity of Redistribution and Covid-19

During the Covid-19 pandemic, multiple aspects of poverty and deprivation have both deepened and been magnified in the public view. This in turn has sharpened both public and political concerns about entrenched inequalities. Illustrative examples affecting education include the simple lack of physical space during enforced 'home schooling' in lockdown, where focus on educational activities is unfeasible; the absence of childcare and educational support for those who need to work or who are considered 'essential'; and the lack or loss of infrastructure through absence from school which highlights a digital divide – only fifteen percent in some of the poorest communities have access to the internet or the devices necessary to provide some continuity of learning during lockdown arrangements (Flowers, 2020).

Underlying this, however, is a more substantive and systemic problem: the absence of revenue to support a full range of public services including the critical right to education. Establishment of a fairer, inclusive tax regime based on the 'ability to pay' principle can create opportunities for more progressive public expenditure to emerge that can meet obligations to the most marginalised and vulnerable.

Part of 'building back better' – a mantra widely used post-Covid invoking a different vision of rights realisation – involves designing a landscape that goes further than revenue raising. The critical role of improving governance and accountability and subsequently strengthening the contract between citizen and state can flow from a progressive tax regime (UNICEF, n.d.). Three principles should govern the process to raise the much-needed public funds to fight the pandemic and its socioeconomic fallout – including for inclusive achievement of the right to education.

First, and to repeat, the raising of additional revenues must be progressive. Where the pandemic itself has actively exacerbated inequalities, the response must mitigate these by ensuring that those most able to contribute more, do. Second, tax revenues should arise in the same place as the underlying economic activity – which is to say, in the same place that health needs arise. The pandemic highlights the iniquity of allowing value to be captured far from where it is generated. Third, the additional revenues should be raised above all from those who are profiting most in these strange times, not from their own ingenuity or hard work but based largely on sheer luck that enables them to benefit from the unprecedented state interventions in the economy. Enormous, unearned rents are undoubtedly accruing to the owners of a business like Amazon, purely because most of their physical competition has been closed by order.

These principles can be met by an immediate policy package made up of two main elements: a pandemic excess profits tax, assessed against global profits to circumvent problems of profit shifting, coupled with a one-time wealth tax. The additional advantage of such an approach is that these elements are also consistent with the longer-term reforms that would ensure more progressive tax systems in the future, with the potential to underpin the comprehensive achievement of the right to education.

The longer-term reforms will necessarily include the delivery of fully multilateral mechanisms for the ABC of tax transparency: the automatic exchange of financial information, beneficial ownership transparency through public registers for companies and other legal vehicles; and country-by-country reporting by multinational companies. The A and B, fully delivered to include lower-income countries as well as Organisation for Economic Cooperation and Development (OECD) members, will make possible the application of wealth taxes, and draw a line under offshore tax evasion which is estimated to cost around US$ 200 billion globally in lost revenues (and a disproportionately high share of tax revenues in lower-income countries). The C, fully delivered rather than the current provision of data privately to OECD tax authorities, will ensure accountability for the tax avoidance behaviour of both multinationals and the jurisdictions that procure or benefit from their profit shifting. This is estimated to cost US$ 500 billion to US$ 600 billion a year globally, and again accounts for a disproportionately high share of tax revenues for lower-income countries (Cobham and Jansky, 2018).[3]

The concentration of losses outside the OECD, where the assembly of rule-setting power lies, is, of course, no coincidence. Ultimately, full progress will depend on shifting the global governance of tax into a genuinely representative forum at the United Nations (Tax Justice Network, 2020). As a 'club of rich countries' the OECD's rule-setting project has become increasingly discredited. The failure of the original Base Erosion and Profit Shifting (BEPS) process, which ran from 2013-2015, led directly to the need for 'BEPS 2.0', which began in January 2019. But with the OECD secretariat having excluded the proposals of the G24 group of developing countries to impose a bilaterally negotiated US-French position, and the US then having withdrawn its support anyway, BEPS 2 also seems set on the road to failure – even for OECD member countries (Cobham, 2020).

More positively, the high-level UN FACTI Panel (Financial Accountability, Transparency and Integrity) is now considering proposals for a UN tax convention which could ultimately lead to a fully global intergovernmental body to take on the long overdue re-design of international tax rules. But individual governments should not, cannot wait for this. They must actively promote such a move at the UN, while taking the immediate steps outlined here, even in the teeth of the pandemic, to deliver on the right to education.

Endnotes

1. A fundamental human rights principle is that education, at least primary education – the elementary and fundamental stages – should be "available free for all" (Universal Declaration of Human Rights, Article 13 International Covenant on Economic, Social and Cultural Rights, Article 28 The Convention on the Rights of the Child. Retrieved from https://www.ohchr.org/EN/Issues/Education/SREducation/Pages/InternationalStandards.aspx. In addition states' obligation to maximise available resources is set out in Guiding Principle 16 of the Abidjan Principles Online at: https://www.right-to-education.org/sites/right-to-education.org/files/resource-attachments/The%20Abidjan%20Principles_En_2019.pdf. This is elaborated on by the United Nations Special Rapporteur on the Right to Education in the Annual Report on Right to education: the implementation of the right to education and Sustainable Development Goal 4 in the context of the growth of private actors in education, pointing out that Guiding Principle 16 of the Abidjan Principles restates "the wide range of measures States must consider for mobilizing resources, including taxation and the elimination of tax evasion and avoidance." (para. 45) Retrieved from: https://ap.ohchr.org/documents/dpage_e.aspx?si=A/HRC/41/37.
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Obligations Under International Human Rights Law to Resource Public Education Through Tax

Erica Murphy, Project Officer, Right to Education Initiative (RTE), UK

erica.murphy@right-to-education.org

Summary

This article provides an overview of the obligation to devote the maximum of available resources for the realisation of the right to education. It draws on the Abidjan Principles to show that states must prioritise free, public, quality education in allocating available resources, and argues more guidance is needed for states on how to design and implement fiscal policies to ensure the right to education.

Keywords

Right to education
Maximum available resources
Education financing
Fiscal policy
Tax

Introduction

Prior to the Covid-19 pandemic, UNESCO (2015) estimated that in order to achieve universal pre-primary, primary, and secondary education by 2030, low- and middle-income countries would need an additional US $39 billion per year. That figure has increased to $77 billion over the next 18 months due to the adverse effects of global school closures (Save the Children, 2020, p.94). These projected funding gaps, if not filled, will have serious human rights implications and compound existing educational inequalities. But with a global economic recession looming, it seems that governments will face huge challenges in committing the necessary resources required to realise the right to education. Save the Children (2020, p.60) forecasts that governments may actually reduce national spending on education by up 10%.

But whatever the situation, states must prioritise education as a matter of legal obligation, in ensuring just and sustainable recoveries. Human rights law provides a normative and legal framework for states to ensure the full realisation of the right to education, which remains applicable during emergencies and periods of resource constraints. This includes an obligation to take measures “to the maximum of its available resources”(International Covenant on Economic, Social and Cultural Rights [ICESCR], 1966, article 2 (2)) to progressively realise the right to education, where ‘resources’ is construed broadly to include: financial, natural, technological, organisational, informational, and administrative resources. Which measures a state chooses to take, whether administrative, educational, judicial, or legislative, is the state’s prerogative. But states must take appropriate measures and they must adequately resource these measures.

Traditionally the wide discretion afforded to states has meant limited attention has been paid to fiscal policies (or at least the revenue-raising side of fiscal policy), which play a determinant role in states’ ability to mobilise domestic resources for the realisation of rights. But increasingly, and ever since the imposition of austerity measures post-2008, fiscal policies have come under scrutiny from key human rights bodies, particularly the United Nations (UN) Committee on Economic, Social and Cultural Rights (CESCR). In its concluding recommendations to Ecuador, for instance, CESCR (2019) noted the connection between high levels of inequality, a low tax-to-GDP ratio, and a tax base mostly made up of indirect taxes. CESCR (2019) recommended that Ecuador, "adopt a progressive tax policy in order to reduce inequality and ensure greater enjoyment of the Covenant rights, using the maximum available resources" (para. 21). CESCR (2019) also recommended that austerity must not lead to reduced, 'social spending in the areas of health and education from the levels achieved in 2018' (para. 21). There is also recognition that financial malpractices and the tax policy frameworks that incentivise them (such as tax abuse, corruption, and illicit financial flows) can lead to and facilitate the violation of human rights, because these practices divert resources that could otherwise be used to fund essential services that undergird economic and social rights.

This heightened concern about the human rights impacts of fiscal policies warrants an examination of what human rights law says about the resourcing of education, particularly through tax (although this isn't the only way to mobilise domestic resources), which is considered a source of sustainable financing, and which is, for the majority of states, the largest source of domestic revenues, central to maximising resources for the realisation of human rights.

Legal Basis of the Obligation to Devote Maximum Available Resources for the Realisation of the Right to Education

International human rights law (IHRL) imposes a legal obligation on states to give full effect to economic and social rights,[1] most prominently in article 2 (1) of the International Covenant on Economic, Social and Cultural Rights (ICESCR, 1966), the meaning and application of which has been developed by CESCR, the body mandated to provide authoritative interpretations of, and monitor compliance with, ICESCR provisions. Article 2 (1) reads:

> *Each State Party to the present Covenant undertakes to take steps, individually and through international assistance and cooperation, especially economic and technical, to the maximum of its available resources, with a view to achieving progressively the full realization of the rights recognized in the present Covenant by all appropriate means, including particularly the adoption of legislative measures.*

This provision recognises that the right to education, and other economic, social, and cultural rights, can only be realised over time, given that states start from different points in terms of their existing education systems, and have varying levels and types of resources available to them. ICESCR, therefore, does not impose an obligation of immediate effect to realise the entirety of the right to education. Rather it establishes an incremental approach that incorporates obligations of immediate effect, which must be resourced, that contribute to the progressive realisation of the right to education, whilst setting a floor below which states must not fall.

In interpreting articles 2 (1) and 13 (on the right to education), CESCR have delineated different types of obligations, principally: A. An obligation to progressively realise the right to education, and B. Immediate and core obligations.

A: the right to education is to be realised progressively, which means that states have to 'move as expeditiously and effectively as possible' (CESCR, 1990, para. 9) towards the full realisation of the certain elements of the right to education, for example, free secondary and higher education. The presumption that states will progressively realise the right to education implies that states should not take deliberate backward steps, known as 'retrogression', by adopting measures that will repeal or restrict existing guarantees of the right to education (for instance, unjustified year-on-year reduction of resources allocated to education). CESCR (1990) states that any deliberate retrogressive measure requires the 'most careful consideration' (para. 9) implying that states must look for credible alternative measures and cannot arbitrarily decide to limit enjoyment of human rights.

B: CESCR (1999) have also clarified that some aspects of the right to education carry immediate or core obligations that are not subject to resource constraints. That is, a state prima facie violates the right to education if it fails to provide resources for the following:

- ensuring non-discrimination in access to and quality of education (para. 9)
- taking 'deliberate, concrete, and targeted' (para. 43) steps to progressively realise the right to education, including, at a minimum, obligations to monitor the right to education (para. 52) and to develop national education strategies for secondary, higher, and fundamental education (para. 52).

CESCR also specifies that certain elements of the right to education carry immediate obligations, such as ensuring free and compulsory primary education (1990, para. 51), although article 14 of ICESCR recognises that states may not be in a position to do so immediately and obliges them to develop a detailed plan of action – which is not subject to resources and must be achieved within two years.

"Core" obligations largely overlap with "immediate" obligations, however, confusingly for the former, states may invoke a lack of available resources, which they cannot for the latter. However, if resources are low, states must still "strive to ensure the widest possible enjoyment of the relevant rights under the prevailing circumstances" (CESCR, 1999, para. 11). And when there are severe constraints, "vulnerable members of society… must be protected by the adoption of relatively low-cost targeted programmes" (CESCR, 1999, para. 12).

Resources and the Right to Free, Quality, Public Education

The relationship between resources, tax, and the right to education has been further explored in the Abidjan Principles (APs) on the human rights obligations of States to provide public education and to regulate private involvement in education. The APs compile existing international law with the aim of guiding states and other stakeholders in ensuring that IHRL is implemented in a way enhances the realisation of the right to education, whilst also addressing prevailing problems experienced by states. A novel feature of the APs is that they emphasise the primary role of states to provide education and the importance of public education in ensuring the widest possible enjoyment of the right to education.

Article 16 of the APs specifies that available domestic resources must be allocated to public education and identifies measures that can be utilised to mobilise additional domestic resources, such as fair and progressive taxation and other domestic income-generating mechanisms; expanding the revenue base; reallocating resources from other public sectors; the elimination of corruption and tax abuse; the use of fiscal and foreign exchange reserves; and the adoption of an accommodating macroeconomic framework. Resources generated from these processes, the APs (2019) state, must be put towards the prioritisation of "free, public education of the highest attainable quality" (article 34) including during periods of constrained resources (article 37).

Article 35 (c) requires that public education is provided for in "domestic budgetary laws or policies" and that national education strategies are fully costed and funded.

Human Rights and Tax

IHRL sets the legal parameters, briefly explained above, within which states must operate regarding the resourcing of the right to education. However, for many countries the failure to progressively realise the right to education is because maximum available resources are low as a result of political choices and/or low capacity. For example, a state may fail to close known tax loopholes, resulting in foregone tax revenue. Or, a state may want to dedicate additional resources to education, but it may be unable to do so because it has weak tax collection infrastructure.

Lack of political will and capacity impair states' ability to meet their human rights obligations and therefore must be subject to a human rights-based analysis. However, IHRL provides very little guidance on how, and from which sources, states should mobilise the Maximum of Available Resources (MAR). IHRL also does not prescribe nor proscribe policy measures in mobilising maximum available resources (Sepulveda & Dommen, 2017). Although CESCR consistently reviews states' fiscal policies and asks states to provide information on tax, including data for indicators such as tax-to-GDP ratio, corporate tax rate, income tax rate, VAT rate, etc., and also asks states about their spending priorities, CESCR has not developed a systematic framework or guidance to assess when state practices and policies breach obligations to devote maximum available resources to the realisation of economic and social rights. However, key elements are emerging, particularly through periodic country reviews.

In 2018, in its concluding observations to Bangladesh, CESCR (2018a) held that tax systems must not be designed in a way that discriminates against marginalised groups. It told Bangladesh that it was concerned about, 'growing income disparities… and about certain aspects of the State party's tax system, including the very low ratio of tax revenue to gross domestic product, the effects of the value-added tax system on poor households and the low level of tax collection'(CESCR, 2018a, para. 19). Value-added tax is a regressive tax that has a disproportionate impact on people living in poverty because it constitutes a bigger share of their income.

In 2018, CESCR commended Mexico's efforts to, "increase resources and make the tax system more equitable", however, in its opinion, the reforms did not go far enough, and the impact was "not sufficiently progressive" (CESCR, 2018b. para. 14). It recommended that Mexico: "Redouble its efforts to achieve a more socially equitable fiscal policy" (CESCR, 2018b. para. 15).

CESCR has also highlighted that IHRL also applies to policy processes. Thus, fiscal policies should facilitate the realisation of rights, and also the way they are designed, implemented, and evaluated should centre rights-holders by ensuring that affected constituencies can freely participate in the policy process, that the process is itself transparent, and that there are accountability mechanisms through which affected communities can seek redress. For example, in its concluding observations to Mali in 2018, CESCR asked the government to: "ensure that all budget proposals are prepared in a transparent and participatory manner" (CESCR, 2018c, para. 13).

Much conceptual work in connecting human rights and tax has been done by UN special procedures (independent experts on specific topics or countries), particularly the former UN Special Rapporteur on Extreme Poverty and

Human Rights, Magdalena Sepulveda Carmona, who published a key report on the topic in 2014. She argues that states can strengthen revenue-raising by applying a human rights-based approach and recommends measures such as widening the tax base and improving tax collection efficiency, tackling tax abuse, and enhancing international assistance and cooperation on global tax reform.

To accompany this increasing recognition of tax as vital to the realisation of economic and social rights, more work is needed on assessing tax policies and practices in line with IHRL but also on defining specific measures that states can implement that would be conducive for the realisation of the right to education.

Endnotes

1. And other provisions of IHRL including Article 4 of the Convention on the Rights of the Child (1989) and Article 4 (2) of the Convention on the Rights of Persons with Disabilities (2006).

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Challenging the International Monetary Fund on Tax and Public Sector Wages

Soren Ambrose, Policy Advisor, Fiscal Justice, ActionAid International, Kenya

soren.ambrose@actionaid.org

Summary
Developing country governments need increased resources to provide their citizens with quality gender-responsive public services. However, IMF guidance on tax policy influences the revenue that they can raise and how they raise it – and standard IMF conditions/advice on public sector wage bills profoundly influences how governments can spend that revenue.

Keywords
IMF
Tax
Public sector
Wage bill spending

The International Monetary Fund (IMF) is sometimes thought to have little influence on education – and yet its policy advice profoundly influences the revenue countries can raise through taxation and how they can spend it on public services, particularly in relation to education. In their recent analysis of financing the Sustainable Development Goals (SDGs) (Gaspar et al, 2019), the IMF suggests that many countries could increase their tax-to-gross domestic product (GDP) ratios by 5% in the medium term (around five years) through a combination of tax policy and tax administration measures. In some countries even more ambitious goals are plausible: the IMF recently suggested that with well-targeted reforms, Nigeria could increase its tax-to-GDP ratio by 8% in the medium term (IMF, 2019).

Regressive Policy Advice on Tax

Unfortunately, for most of the past 30 years the IMF, which has long wielded enormous influence over Ministries of Finance in developing countries, encouraged developing country governments to adopt the regressive (because everyone pays the same rate) consumption tax known as value-added tax (VAT) as the main means to increase revenue. Even today the IMF continues to focus heavily on refining VAT, mostly through limiting or eliminating exemptions on basic goods essential for impoverished people (Buenaventura, 2017). Generally, because women are overrepresented among the poor, these regressive tax policies advanced by the IMF disproportionately affect women.

A review of IMF country documents[1] reveals that although tax advice is not given in standardized formats, 9 of 25 low-income countries and 14 of 25 middle-income countries have been told to reduce VAT exemptions. In some cases, the IMF pushes for the overall VAT rate to be raised. Both of these measures make VAT more regressive and harm those least able to pay. We have found no instances of the IMF recommending more exemptions or reduced rates to make the tax less regressive. In many developing countries, dependence on VAT has increased, so that it is the source of over 50% of all tax revenues.

Recent research has shown that IMF tax policies over many years have not generally raised tax revenues for countries, but rather shifted their composition from direct (those taxes paid directly to the government such as income or property tax) to indirect (those collected by intermediaries. retail businesses in the case of VAT) (Reinsberg et al, 2017). In general, direct taxes are considered much more likely to be progressive than indirect ones.

The Potential of Progressive Tax Reforms

New research on progressive tax reforms in Malawi, Mozambique and Nigeria has shown there is considerable space for a significant revenue increase. The proposed reforms, focusing on personal income tax, corporate tax incentives, property taxes and luxury goods, could translate into an increase in the tax-to-GDP ratio of 1% in Nigeria, 2% in Malawi and a staggering 6% in Mozambique (ActionAid, 2020, Table 8 page 76). Out of the proposed measures, in all three countries revising or eliminating corporate tax incentives has by far the largest revenue potential, capturing more than half of the prospective increase. Improving property taxation and increasing taxes on luxury items can also provide significant gains.

Harmful Corporate Tax Incentives

Harmful tax incentives for corporations represent the biggest leakage of revenue from countries' potential tax take. Despite numerous studies demonstrating that most incentives are to a high degree "redundant" – that is, not necessary to attract investment – governments that are focused on getting more foreign investment continue to pile on such incentives. They also enter into tax treaties with richer countries for the same reason, usually losing out in that process as well (though lack of information makes it difficult to calculate the revenue lost owing to dodgy treaties).

In its general discourse on tax, the IMF identifies such tax incentives as a problem that requires urgent attention. But when it comes to specific country conditions or policy advice, recommendations on eliminating such incentives are relatively scarce. It is not clear why. The scale of the use of incentives – and what could be realized if the lost funds were rather spent on education – was explored in a 2017 ActionAid report, *Tax, Privatisation and the Right to Education.* The findings are sobering:

Table 1: Tax incentives and spending on education

Ghana	Kenya	Uganda	Pakistan
Proportion of household income spent on education 19.5% in public schools 48.7% in private schools	**Proportion of household income spent on education** 23.6% in public schools 69.2% in private schools	**Proportion of household income spent on education** 33.7% in public schools 173% in private schools	**Proportion of household income spent on education** 6.9% in public schools 25% in private schools
Estimated annual revenue foregone from tax incentives $1.2 billion	**Estimated annual revenue foregone from tax incentives** $1.1 billion	**Estimated annual revenue foregone from tax incentives** $272 million	**Estimated annual revenue foregone from tax incentives** $4 billion
20 per cent of this sum would amount to: $240 million	**20 per cent of this sum would amount to:** $220 million	**20 per cent of this sum would amount to:** $54.4 million	**20 per cent of this sum would amount to:** $800 million
This money could pay for: A place in a primary school for the 319,000 out-of-school children + An extra 10,000 qualified teachers + Free school meals for 1 year for 557,892 children	**This money could pay for:** A place in a primary school for the 956,000 out-of-school children + An extra 10,000 qualified teachers + Free school meals for 1 year for 300,999 children	**This money could pay for:** A place in a primary school for the 477,000 out-of-school children + An extra 20,000 qualified teachers + Free school meals for 1 year for 412,047 children	**This money could pay for:** A place in a primary school for the 5,612,000 out-of-school children + An extra 100,000 qualified teachers + Free school meals for 1 year for 1,796,632 children

Source: ActionAid, 2017

Table 2: The impact of a 5% increase in tax to GDP ratios on financing essential public services

Country	Extra revenue in 2023 with 5% increase (compared with 2017 levels)	Could double budgets from current levels across social sectors…	…and still be left with
Afghanistan	$ 1.5bn	Education, health and social protection	$371m
Bangladesh	$32bn	Education, health and social protection	$ 17bn
Benin	$1.3bn	Education, health, social protection and WASH	$556m
Burkina Faso	$1.8bn	Education and health	$410m
Central African Rep	$172m	Education, health and WASH	$70m
Colombia	$30.8bn	Education, health and social protection	$3m
Congo, Rep	$1.9bn	Education, health and social protection	$1m
DRC	$8.2bn	Education, health, social protection and WASH	$6m
Ecuador	$6.3bn	Educationπ	$963m
Ethiopia	$11.6bn	Education, health and WASH	$5.89bn
Gambia, The	$156m	Education and health	$19.9m
Ghana	$7.8bn	Education, health, social protection and WASH	$3bn
Guatemala	$6.2bn	Education, health and WASH	$2.7m
Haiti	$1,8bn	Education and health	$1.3m
Jamaica	$1.2bn	Health, social protection and WASH	$218m
Jordan	$3.2bn	Education, health and WASH	$2.8m
Kenya	$10bn	Education, health, social protection and WASH	$3.8m
Lesotho	$283m	Education∑	$62m
Madagascar	$1.2bn	Education, health, social protection and WASH	$547.4m
Malawi	$732m	Education, health, and social protection	$97.6m
Mali	$1.8bn	Education, health, social protection and WASH	$620m
Mozambique	$1.3bn	Education and health	$0Ω
Nepal	$4.4bn	Education, health, and social protection	$2.3bn
Niger	$979m	Education, health, social protection and WASH	$121.6m
Rwanda	$1.3bn	Education, health, social protection and WASH	$697.5m
Senegal	$7.6bn	Education, health, social protection and WASH	$5bn
Sierra Leone	$380m	Education, health, social protection and WASH	$56.2m
South Africa	$27.9bn	Education≠	$3.5bn
Tanzania	$6.4bn	Education, health, social protection and WASH	$3.3m
Togo	$598mn	Education, health and WASH	$201.5m
Uganda	$3.1bn	Education, health, social protection and WASH	$1.5bn
Zambia	$6.2bn	Education, health, social protection and WASH	$3.7bn
Zimbabwe	$2.4m	Education, health, social protection and WASH	$3k

Source: ActionAid, 2020

The IMF on Raising Tax-to-GDP Ratios

IMF country documents generally report on the tax-to-GDP ratio, including projections five years into the future. These are probably more aptly described as a mixture of projections based on context and trends, and expectations based on the country following IMF advice. In many cases the anticipated rise in the ratio is quite gradual: Ethiopia, for instance, is expected to improve upon its 2017-18 figure of 11.1% to reach 12.2% in 2022-23; Tanzania is expected to increase by 0.3 percentage points in a similar period. In a smaller number of cases, it is more ambitious; Mali is expected to move from 11.8% in 2018 to 16.6% in 2021; Niger is expected to make the same sort of gain over seven years. Pakistan, a lower-middle-income country with a history of low tax payment rates and now a wide-ranging IMF bailout program, is expected to increase by 4.7 percentage points between 2018 and 2023. Meanwhile, Ecuador, with one of the harshest IMF bailout programs, is only expected to raise its ratio from a relatively low 14.3% in 2018 to 14.9% in 2023.

The calculations in the table below show what a transformative difference a 5% increase in tax to GDP ratios could mean for spending on education and other public services. In most cases, governments could double their spending on key public services and still have money left over.[2]

IMF Strictures on Public Sector Wage Spending

The lack of emphasis given by the IMF to progressive taxation and, to an extent, to raising tax-to-GDP ratios, contrasts with the IMF's zeal when it comes to its conditions or policy advice on amounts spent on public sector wages. This has serious consequences for the capacity of developing countries to invest more on public services, deliver on basic rights and achieve the SDGs.

Limiting, freezing, or cutting the public sector wage bill has two direct impacts: reducing the capacity of the government to offer public services, and rising unemployment rates. Both have disproportional impacts on women, who generally fill in for absent services and who make up a substantial percentage of those workers subject to layoffs, outsourcing or reduction of benefits (Bohoslavsky, 2019). Eurodad's Gino Brunswijck (2018) notes that in his survey of 26 countries' programs with the IMF, 21 had wage bill reform included in the policy advice, but "only seven have explicit safeguards in the programme to protect priority sectors (health, education) from cuts." Even those safeguards are often insufficient, as "protect" is often interpreted to mean "don't reduce," rather than allowing increases to at least keep up with increased demand resulting from population growth or the need to recruit more nurses, doctors and teachers to achieve the SDGs.

In ActionAid's 2020 review of IMF documents, we found that of 23 LICs with sufficient information to identify trends, only five of them (22%) were expected to see any increase in wage bills, seven (30%) were expected to see wage bill cuts, with eleven (48%) holding steady. For countries in clear need of expanded public services, the news that nearly 80% will not be seeing any increases in public sector workers is deeply disturbing. And of course, with growing populations in developing countries, "holding steady" is more accurately thought of as losing ground, a de facto reduction.

Constraints on public sector wage bills have a disproportionate impact on education for two clear reasons. Firstly, teachers are usually the largest single group on the public sector wage bill so any overall constraint on the wage bill will have a particularly harsh impact on either teacher salaries or the capacity to recruit new teachers. Secondly, of all public services, education is perhaps the most labour intensive. Teacher salaries are the largest item on any education budget – often exceeding 90% of the overall education budget. In contrast, health personnel often constitute about 60% of overall health budgets, and water and sanitation budgets have low personnel, but high capital costs. The effect of this is that it is not easy to increase overall spending on education when you have constraints on what you can pay for teachers. UNESCO (2016) estimates that 17 million new teachers will need to be trained and recruited in Africa alone by 2030 if SDG4 is to be achieved. This is the biggest challenge facing education budgets – the cost of textbooks, learning material, even school buildings is insignificant in comparison. In short, whilst the IMF impose constraints on wage bills, overall spending on education is unlikely to increase.

In the light of these findings, ActionAid recently requested the IMF's own Independent Evaluation Office to do a comprehensive review of the IMF's policy advice on public sector wages, arguing that there is an acute group think and unconscious bias around the public sector running through the IMF that will undermine the achievement of the SDGs.

Conclusion

The IMF should be placed at the heart of any discussion on the intersection between education and tax. IMF policy advice is more influential than any on shaping the tax systems of developing country governments – and IMF advice is equally creating constraints on overall spending on education. To change this, we need developing country governments to stand up to the IMF. They should:

- Immediately institute well-planned programs of progressive tax reforms, with ambitions to raise their tax-to-GDP ratio. Not all will be able to raise it 5% in 5 years but setting the ambition will get them closer to that goal. This could lead to massive increases in education budgets

- Refuse IMF conditions and policy advice that prevent them from spending adequate funds for the most important component of education: qualified teachers. It will not help countries to have more tax revenue to spend on teachers if the IMF continues to block their recruitment by constraining the overall public sector wage bill.

It is very difficult to escape the influence and demands of the IMF, but governments need to put the interests of their population ahead of the austerity standards of the IMF.

Endnotes

1. Document review conducted as research for Who Cares for the Future: Finance Gender-Responsive Public Services!
2. See Note 363 of the Who Cares for the Future report for methodological detail, page 99.

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Part 2

Progressive and Regressive National Reforms

Taxation and Domestic Financing of Education in India

Pradeep Kumar Choudhury, Assistant Professor, Zakir Husain Centre for Educational Studies, School of Social Sciences, Jawaharlal Nehru University, India

pradeepchoudhury@jnu.ac.in

Summary

This article aims to discuss the major policy measures that have been (or should be) taken by the government of India to increase the tax to GDP ratio, and thereby ensuring that it translates into more spending on education. As evidence suggests, widening the tax base of the country is the need of the hour – to mobilise sufficient domestic resources for education.

Keywords

Taxation
Domestic financing
Education
Public expenditure
India

Introduction

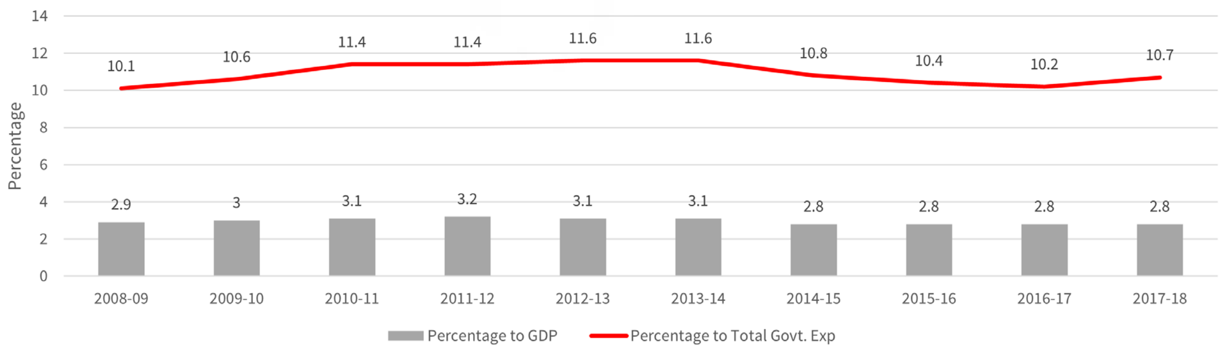
The provision of good quality basic education is clearly an important social objective. It is increasingly recognised as an essential motor of economic growth and a powerful tool for social progress, reducing inequality and in generating human capabilities (Sen, 1999). The strong linkage between education and development reinforces the case for larger public investment in education. The Education for All Global Monitoring Report 2013-14 emphasises the need to raise domestic resources particularly through raising taxes. It specifically underlines the importance of strengthening tax systems in low and middle-income countries, in which spending is significantly lower on education than economically better-off countries in the world. In this context, this short paper aims: (a) to discuss the major policy measures that have been (or should be) taken by the government of India to increase the tax to Gross Domestic Product (GDP) ratio; and (b) efforts that have been made (or could be) to ensure that the increase in tax to GDP ratio translates into more spending on education.

India has achieved several milestones in education in the last 50 years. Currently, more than 97 per cent of all children in the age group of 6-14 years are enrolled in schools; more than 37 million students are accessing higher education in close to1,000 universities and 45,000 colleges (UDISE, 2018; AISHE, 2019). However, India still needs to go a long way, particularly, to achieve the Sustainable Development Goal (SDG) 4 that aims to provide access to quality education and lifelong learning to all. For instance, the observed growth in enrolment rates has not been matched by comparable improvements in learning outcomes. Even after several years in school, millions of students in India lack basic reading and numeracy skills, and therefore attending school does not guarantee learning. It is widely observed that India needs to make substantial additional public investments to provide better quality education to its citizens. And more funding to education requires either reallocating resources from other sectors or by raising more resources for the common pool of government funds – or by both (Tilak, 2006). Generating more revenue through taxation is an important way out to achieve these targets. What are the major policy measures taken by the Government of India to achieve higher tax to GDP ratio and also spending more on education? This is a critical question that is largely unanswered in the context of India.

What Does Data Tell Us?

The Draft National Education Policy (DNEP) 2019 has mentioned that the gap in public spending (required versus what has been made available) in India eventually manifests itself in the compromised quality of educational outcomes and lack of improvement, and it suggests increasing spending on education from the current 10 per cent of the total government expenditure to 20 per cent by 2030 and also to spend at least 6 per cent of GDP (MHRD, 2019). However, contrary to this, the public expenditure on education in India is either declining or stagnant over the years. According to the recently released Economic Survey 2019-20 (Government of India), public expenditure on education (centre and states combined) as a percentage to GDP is only about 2.8 per cent in 2017-18, and surprisingly, it has remained the same since 2014-15. Similarly, public expenditure on education as a percentage to total government expenditure is showing a declining trend since 2014-15 apart from a marginal improvement in 2017-18 (figure 1). Public spending on education (both as a percentage of GDP and as a percentage of total government expenditure) in India is significantly less than most developed nations, and also lower than the world average.
As per the latest available data from World Bank, average expenditure on education as a percentage of GDP is 4.4 per cent and average public expenditure on education as a percentage of total government expenditure is 14.6 per cent. These figures are 2.8 per cent and 10.7 per cent respectively in India. Globally it is recommended that countries should allocate at least 4% to 6% of GDP and/or 15% to 20% of public expenditure to education (UNESCO, 2016, p.67). The target of spending 6 per cent of GDP on education remains unfulfilled in India even though it was recommended in the education commission report in 1966 and reiterated in the policy of 1986 (Draft National Education Policy 2019, Government of India: 402).

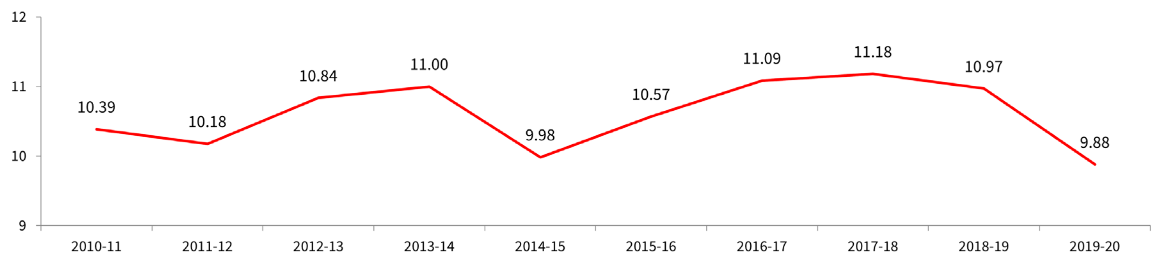
Figure 1: Public expenditure on education as a percentage to GDP and total government expenditure



Source: Economic Survey (Various Years), Government of India

One of the most effective ways to increase public spending on education would be to improve the tax to GDP ratio, which is a marker of how well the government controls a country's economic resources. But tax to GDP ratio in India is reported at 10.9 per cent in 2019, far lower than the Organisation for Economic Co-operation and Development (OECD) average, which is 34 per cent, and ever lower than the average for low-income countries, which is 17 per cent. The tax to GDP ratio in India (shown in figure 2) declined to 9.88 per cent in 2019-20, the lowest in 10 years. The decline in the mobilisation of domestic resources through taxation has the effect of reducing overall public expenditure on education in India. Therefore, measures are necessary to increase tax revenue so that spending on education is improved. The continuous decline in the public expenditure on education has given greater space to non-state sectors in India. Close to half of the school-going children in India are accessing private schools while around 70 per cent of students in higher education are enrolled in private colleges and universities. The massive expansion of private schools and higher education institutions has resulted in inequality in educational opportunity for many.

Figure 2: Tax to GDP figures in India



Source: World Development Indicators, World Bank & Economic Survey reports, Government of India

Measures to Improve Tax to GDP Ratio in India

It is surprising to note that even with higher economic growth rates, India's tax to GDP ratio is declining. There are several reasons for this, and the major ones that are often discussed include – the large informal economy, the widespread black economy, tax litigation, unhealthy direct to Indirect tax ratio (direct taxes constitute around 54 per cent of gross tax revenue), narrow tax base, tax exemptions, tax evasion etc. For example, as the Economic Survey 2017-18 has pointed out, India's tax system has a significant number of litigation cases (where a tax payer dissatisfied by the tax officer's assessment order may approach the Appellate Tribunal, High Courts, Supreme Court) pending in the court that constrained the tax-raising capacity of the state. There were approximately 137,000 direct tax cases and 145,000 indirect tax cases pending with various appeal authorities as of March, 2017. Combined together, the claims for indirect and direct tax stuck in litigation (appellate tribunal and upwards), amounted to over 4.7 per cent of GDP. Similarly, the revenue lost to tax exemptions in India came to the equivalent of 5.7 per cent of GDP in 2012-13 (UNESCO, 2014b). Further, more than 90 per cent of workforces are employed in the informal sector (Economic Survey, 2019-20) which limits the possibility of building a broader direct tax base in India. Overall, the Indian tax system suffers from both low productivity and significant distortions – and urgently needs reform (Rao and Kumar, 2017).

In recent past, India has taken several steps to try to increase revenue generation through taxation, an important one being the implementation of the Goods and Services Tax (GST) in 2017. On-going reforms in the GST (e.g. rationalisation and moving towards a two-rate structure) can help in compliance and minimising tax evasion in India. Though in a few cases it is claimed that this has helped to widen the tax base in the country, this is still in the infancy stage and the outcome of this is not clearly visible. We need to wait for a few more years to assess its true impact. Similarly, the Government of India announced the demonetisation policy on 8 November 2016 with the aim of reducing black money, increasing formalisation of the economy, and thus achieving higher tax revenue. But even after three and half years of its implementation, the impact of this in terms of generating more revenue remains unclear to many. While the Government of India claims that demonetisation has resulted in an increase in tax revenue, particularly due to the lifting of tax buoyancy and adding many new return filers into the income tax net (Economic Survey 2017-18), this is being heavily questioned in the academia and opposition political parties of the country (Prasad, 2018), and therefore, needs further scrutiny. It is also expected that the introduction of the new Direct Tax Code (DTC) can help in greater tax compliance and will help to increase the tax to GDP ratio in India. The Economic Survey 2019-20 has mentioned that the recent reforms in both direct and indirect tax and the increase in the individual income tax filers are the main hopes to improve the tax base of the Indian economy.

The on-going Covid-19 pandemic has been and continues to hit India's fiscal space and is likely to affect the availability of domestic resources for education. Revenue generation through tax in India is being squeezed as many economic activities are stopped due to the extreme lockdown and chaotic re-opening. In this context, the importance of higher economic growth cannot be ignored. Bringing back the Indian economy to the higher growth trajectory is a priority need of the hour, along with making efforts to reduce tax exemptions, tackle tax evasion and diversify the tax base to improve the tax to GDP ratio in India.

Relating Tax to GDP Ratio and Spending on Education?

Does an increase in revenue through taxation bring more money for the development of education? There are a few instances where the countries have a high tax to GDP ratio, but do not then spend a sufficient proportion of the resources in education. For instance, Angola has tax revenue representing 42 per cent of GDP, but it only spends 9 per cent of these on education (UNESCO, 2014a). Therefore, along with increasing tax to GDP ratio the target should also be to allocate more resources to education. Interestingly, not much is said about the best mechanisms to ensure that additional revenues generated through the improvement in overall tax to GDP ratio in India are allocated to education. Perhaps too much focus in recent years has been on earmarked taxes (the education cess) to fund education in India, which in effect was only meant to be an additional source to the existing budgetary commitments. As Jha (2018) finds, approximately 65 per cent of public funding for Sarva Shiksha Abhiyan (SSA), a major central government-sponsored scheme for elementary education, was done through the education cess in 2017-18(see article by Taneja on page 40 of this NORRAG Special Issue). The over-emphasis on cess money to fund education is found to be quite problematic in India. As cess itself has become the main way of funding education, overall budgetary support for education has reduced. Where earmarked taxes are used for education, there is a particular need to ensure that this is ***in addition*** to the existing allocations from the overall tax revenue of the country (Archer, 2018). India has failed to set clear benchmarks so the increase in tax revenue from an earmarked tax does not translate into more spending on education. Indeed, there is a decline in public spending on education in India over the years, and more importantly, this trend continues even after declaring elementary education as a fundamental right in 2009. This seems to reflect the serious political apathy towards education in India. Education is found at present as uninteresting stuff for political parties and therefore does not figure as a serious election issue. To reverse this, an attempt should be made to bring education issues to the attention of political parties, arguing that they ensure a dedicated budget for this. One recommendation could be that India should pass legislation which will specify the allocation of a given proportion of all tax revenues for education rather than just depending on the cess.

Conclusion

Improvement of the education system in India will require more public expenditure, and one powerful way to make this possible is through increases in overall government revenue through taxation. Widening the tax base of the country is the need of the hour to mobilise sufficient domestic resources for education and other public services. Despite several measures taken by the government of India, the tax-to-GDP ratio is declining over recent years. In fact, this is found to be falling even in the period when India has achieved faster economic growth. There is far greater potential for India to improve its tax base, and consistent effort and policy measures are required to achieve this. Along with this, effort should also be made to spend more on education from the existing tax revenue – which needs more than anything a renewed and strong political will.

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Tax Earmarking in India: A Cautionary Tale

Anjela Taneja, Lead Specialist – Education, Health and Inequality, Oxfam, India

Anjela.taneja@gmail.com

Summary
Earmarking taxes has been seen as one strategy for leveraging additional and stable revenue streams for financing public services, including education. The education cess in India is an example that has gained international interest. The paper looks at its effectiveness against its stated objective and identifies some of the unintended consequences of following this path.

Keywords
India
Cess
Tax earmarking

Earmarking of tax revenue for specific purposes is one potential means of ensuring availability of funding for education. Proponents contend that earmarking provides a guarantee of funding for high-priority programmes, ring-fencing them from cuts resulting from political changes in priority and corruption, and providing predictability in budget planning. It provides for consistent availability of at least minimum revenue for the issue. At the same time, the existence of such earmarks depoliticizes funding decisions providing legal cover to make investment in some key sectors. Earmarking funds for “good causes” like education are also potentially less politically difficult than its alternative, a hike in overall taxes. On the flip side, it introduces rigidities in budgeting, may tie funds to inappropriate priorities, merely substitute existing revenues, reduce scrutiny, and increase tax administration and compliance costs (Michael, 2015).

Few developing countries promote earmarked taxes for education; Ghana, Nigeria, Brazil, and India have been cited as examples of this practice in the literature (e.g. Archer, 2016). Some of the design elements recommended for earmarking to work for raising revenue for education include ensuring that this remains only one of many sources of funding and that funding is supplementary to existing allocations. One recommendation to ensure this is to set a benchmark on existing tax allocations or spending on education, before introducing a new earmarked tax – so that earmarked tax can be tracked to ensure that it provides additional revenues.

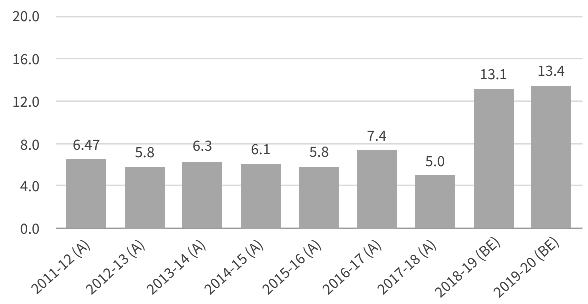
This paper looks at the experience of earmarking revenue through the introduction of the education “cess” (a tax overlaid on an existing tax) in India, examining this policy’s intended and unintended consequences. We return to the above recommendation in the light of these findings.

Cesses in the Indian Context

India’s constitution is quasi-federal in how financial and taxation matters are managed. Both union (the federal government) and state governments can raise revenue through taxes, fees and duties with their own areas of competences; the number of domains, however, is wider for the central government. In India, the term "cess" is used to denote an earmarked tax and not only a tax on other taxes. There have been approximately 39 Union "cess" taxes in India since independence (Kotha, 2017), earmarked for a range of issues including research and development, clean energy and labour welfare among others. A cess on education is, therefore, not unique.

Indeed, the last decade saw a rapid increase in the quantity of resources raised through central union cesses (Graph 1). This is at least partly because of the political consequences of the fact that increasing the tax rates could have leveraged resources that would be shareable with the states. Increasing central cesses, in contrast, generates funds for the centre, but not the states, which could then be spent at the centre's own discretion. This is significant given that the majority of expenditure obligations lie with the states. Levying of cesses and surcharges exacerbates the vertical imbalance between the centre and states (Chakravarty, 2019). Indeed, resource sharing has been one of the bones of contention between the national and state governments over this period in the absence of mechanisms for cess distribution.

Figure 1: Cess and surcharge as proportion of gross tax revenue



Source: Chakravarty, 2019

Education Cesses in India

The education cess, introduced in 2004 with an earmark of an additional 2% on existing taxes, was aimed at raising additional revenue for improving primary education. In 2007, an additional cess of 1% was introduced to fund secondary and higher education (SHEC). The 2019 Union Budget, introduced a 4% health and education cess which incorporated the previous 3% education cess as well as an additional 1% to provide for the health of rural families. This is collected via corporation and income tax, but was earlier also levied on customs, excise and service tax (Sikdar, 2018).

The proceeds of these cesses are first credited into the Consolidated Fund of India and then credited to a dedicated and non-lapsable fund created for the purpose. The dedicated fund for primary education is the 'Prarambhik Shiksha Kosh' (loosely translated, Elementary Education Fund), or PSK, (created in October 2005, a year after the cess was introduced). This was created to finance elementary education and the midday meal scheme and is maintained by the national Ministry of Human Resource and Development. Cess for higher and secondary education went to the 'Madhyamik and Uchchtar Shiksha Kosh' (MUSK, translated as Secondary and Higher Education Fund). Surprisingly, this was set up in August 2017 – almost a decade after the SHEC was introduced. This remained un-operational through Financial Year (FR) 2018. With the introduction of the "Health and Education Cess", the SEHC is no longer being collected, but revenue from the education strand of the health and education cess go into the respective funds.

Quantity of Revenue Raised

The quantity of resources and their scope have expanded over time. It is undeniable that significant funds have been leveraged. Primary Education Cess collected from the period 2004-05 to 2016-17 is INR193,828 crores (approximately 23.4 billion euros at today's rate of exchange); the utilisation from PSK towards SSA during the above mentioned period is INR120,239 crores (14.5 billion euros) and towards MDM is INR 58,503 crores (approximately 7 billion euros).[1] 169,964.7 crores (20 billion euros) were raised between 2007-08 and 2017-18 as SEHC. This revenue has allowed funding for India's flagship central schemes for education including Sarva Shiksha Abhiyan (for elementary education), Madhyamik Shiksha Abhiyan (for secondary) and their successor programme Samagra Shiksha (covering early childhood to secondary education) and the Midday Meal Programme.

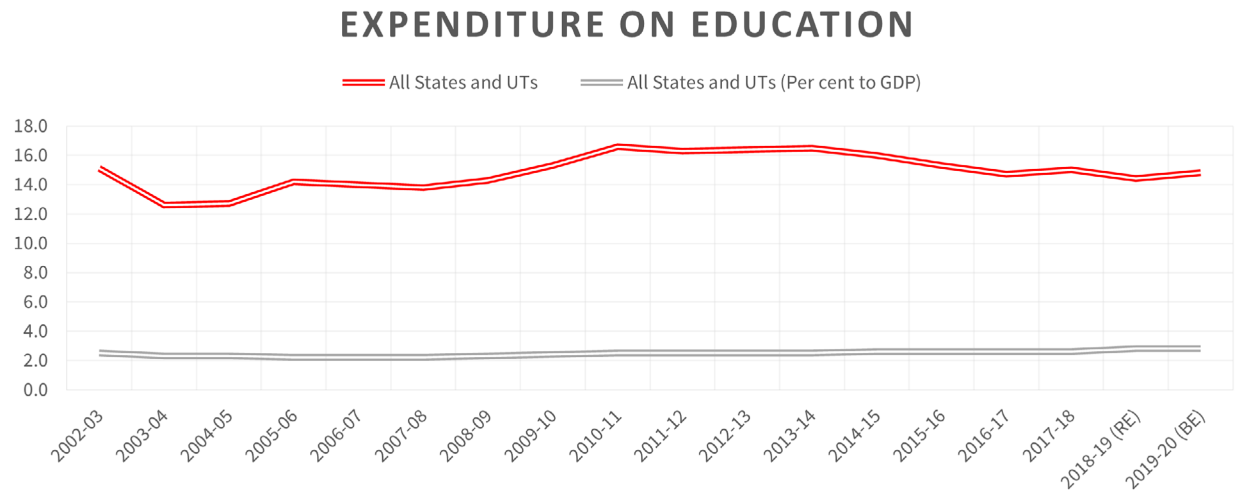
The midday meal program alone has been instrumental in providing hot-cooked meals to 116 million children (Sharma 2020). The newly leveraged funds have financed a new truly national push in education, bringing more children into school, laying down a minimum floor of quality of education across the country, creating structures for community participation in education, and putting in place mechanisms for teacher training and academic support. It has given India an unprecedented push towards universalization of education.

New Revenue or Pushing Out Existing Allocations?

However, it is questionable whether this is truly new revenue. No significant quantitative jump in overall funds for education is visible as a result, either as a share of GDP or as part of overall government spending after the introduction of the cess (Graph 2).

It would appear that allocations from existing funds of the exchequer have been withdrawn with the cess becoming the biggest source of funding for education nationally. About three-fourths of the total central government expenditure on elementary education now comes from the cess. In 2020-

Figure 2: India's spending on education[2]

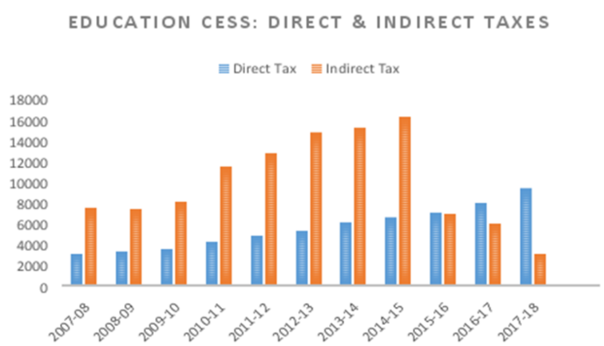


21, 74 % of the SMSA budget is estimated to be financed through education cess (Centre for Budget and Governance Accountability, 2020). The cess has accordingly become a permanent source of revenue for the government, not a pool of funds used to supplement expenditure from existing tax revenues as it was intended to be.

Cess Has Made Taxation More Regressive

As Graph 3 shows (figures in "crores"; 1 crore rupees = 10 million rupees), the lion's share of education cess collections have until recently been through indirect taxes. This made India's taxation system relatively more regressive and risked exacerbating its already high levels of income inequality. The process of fiscal reforms introduced by the present government has, however, to a considerable extent corrected this historical concern.

Figure 3: Education cess share of indirect and direct taxes[3]



Failure to Distribute Revenue Generated

As per the Report of the Parliament Standing Committee, the Primary Education Cess collected from 2004-05 to 2016-17 amounted to INR192,770 crore (23.2 billion euros), out of which INR179,656 crore (21.6 billion euros) had been spent in the corresponding period, implying that 6.8 % of the total collection remained un-utilised (Centre for Budget and Governance Accountability, 2020). The Comptroller and Auditor General of India (CAG) had pointed out in its audit report for the year 2018-19 that NR 94036 crore (11.3 billion euros) collected as Secondary and Higher Secondary Education Cess since 2007-08 remained unspent in the Consolidated Fund of India in violation of established procedure, despite the existence of the fund (Dutta, 2019).

Given that the education cess has been introduced with a specific purpose, it is unjustified to retain funds in the Consolidated Fund of India for long periods, particularly given the amount is equivalent to a full year's allocation on education.

Overall Status of Financing of Education in India

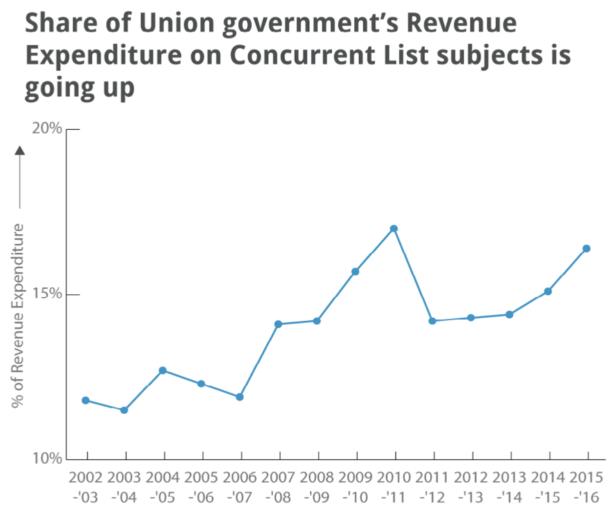
According to the latest edition of the national economic survey, India spends 3.1% of its GDP on education or 10.6% of its budget on education (Government of India, 2020). Both are significantly below the global benchmark allocation of 6% GDP and 20% of the budget for education. India's own policy commitment to allotting 6% GDP to education dates back to 1964 when this was recommended by the Kothari Education Commission. It was subsequently endorsed by India's 1968 Policy, the National Policy of Education in 1986 and the draft New Education Policy 2020. Unfortunately, the existence of a clear and actionable spending benchmark has not resulted in action to meet the same. The education cess introduced after this benchmark was already in place only led to a decline in the government's spending from existing sources of revenue, with the overall spending levels only fractionally improving in the short run. A government without political will to spend on education could find ways of working around any legal obligations resulting from earmarks.

Impact on Centre-State Relationships

India's legal framework suggests that central cess taxes fall outside the divisible pool of resources that the government has to compulsorily share with the states (Kotha et al, 2018).

Thus, in education the funds are used to support centrally sponsored schemes where the centre distributes funds to the states at its own discretion, using these resources to shape the agenda on education (despite this being technically a shared responsibility – known as a "concurrent issue") (Graph 4). The education cess is one among several cesses being imposed and contributes to a gradual expansion of the policy space through which the central government has been expanding its mandate.[4] Between 2002-03 and 2015-6, the expenditure on concurrent list subjects in India has gone up from 11.8% to 16.4% (Chakroborty, 2019).

Figure 4: Central government's spending on concurrent subject[5]



State governments, especially poorer states, often lack revenues needed to fund effective development programmes. The loss of revenue through imposition of cesses, therefore, makes a dent on their revenue and becomes difficult politically. This becomes even more problematic when central government schemes contain provisions that insist on states providing co-financing to receive their earmarked state share. At the same time, despite the above-mentioned financial limitations, approximately 85% of the spending on education in India is made by the states. Accordingly, the reliance on the cess (and failure to disburse that amount fully) has impacted centre-state relationships.

What is to be Done: Lessons for India

The introduction of the education cess was expected to leverage new funds for elementary education. It succeeded in creating the necessary conditions for the creation of India's national flagship education programmes that changed the face of India's education system. However, it is not clear whether this revenue was truly additional or whether this centralization of decision making through the imposition of central taxation was always an unequivocal force for good. It might be time for India to reconsider its reliance on the education cess as the backbone of its national funding of education. As far back as 1983, the Sarkaria Commission established to examine the centre-state relationships in India recommended that cesses "should be for a limited duration and for specific purposes only." Accordingly, it is time to reconsider the need for an education cess. At the very least, the unspent resources accumulated in the dedicated funds created for the cess should be disbursed to fund education in India's educationally lagging states. Research suggests that educationally lagging states like Bihar, Jharkhand, Orissa and Madhya Pradesh have funding requirements many times the present levels of expenditure; the burden of additional requirements falls disproportionately on these poorer states (Bose et al, 2017). An additional release of funds to these states could have a historic impact in correcting regional educational inequalities in India.

Conclusion

India's complex federal system and specific history may place limitations on the extent to which this experience can be generalized. However, the historical trajectory of the education cess in India is one cautionary tale of how the introduction of tax earmarking for education, even in the face of existing policy provisions requiring allocation of funds, may not have the desired result.

Earmarking taxes for education may prove very effective at raising more taxes, but not so effective at actually raising spending on education. It may also shift the balance of power over who controls education spending.

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Education and Citizens' Plight for Fair Taxation in Pakistan

Asim Jaffry, Manager, Strategic Partnership Programme Finance 4 Development, Oxfam, Pakistan

jaffry05@gmail.com

Summary

Public spending on social sector development remains largely ignored in Pakistan. Pakistan's complex tax system depends mostly on indirect taxes that hit the poor hardest as they end up paying a larger share of their total income in taxes. Unprecedented tax concessions given to the wealthiest companies deprive the government of the revenue that is urgently needed for spending on public services such as education, health and social protection.

Keywords

Education
Education inequality
Tax
Out of school children
Public sector

For the past three decades, Pakistan's taxation system has failed to collect sufficient revenue to finance key national development goals and has been tilted in the favour of the politically and economically privileged sections of the population. Pakistan recorded one of the lowest tax-to-GDP ratios in the world at 12.4% in 2016. The International Monetary Fund (IMF) argues that Pakistan has the potential to double its tax revenue (IMF, 2016) and pinpoints the capacity and policy gaps in the present complex tax system that need to be addressed.

An analysis of the contributions to tax regimes made by different sectors of Pakistan's economy does not paint a bright picture. Some economic sectors that make a significant contribution to Gross Domestic Product (GDP) make relatively little contribution to tax revenues. Umair (2019) highlights a few clear examples: the agriculture sector contributes 19% of GDP whereas it pays only 0.6% of taxes; the service sector contributes around 61% of GDP but pays only 29.4% in tax collection; the automobile sector contributes 2.3% to GDP but pays effectively no tax; and the wholesale and retail sector has a 18.7% contribution to GDP but pays only 0.5% in tax. In sharp contrast, the industrial sector contributes only 19% of GDP but pays an estimated 70% of the total taxes in Pakistan. This uneven pattern means that the tax system actively contributes to distorting the economy. This is exacerbated by the complexity of the system. Despite its name, the Pakistan Income Tax Ordinance, 2001, does little to tax incomes and is focused instead on making provisions for indirect taxes, such as presumptive or minimum taxation and withholding taxes on transactions for consumption, expenditure and even investment. In essence, the tax system is overly complex and unfair. The burden of taxes is hardly felt by privileged classes but falls heavily on the middle-class and the poor.

A broader tax base is urgently needed in Pakistan in order to contribute to national development. Pakistan ranks in the bottom ten of 189 countries in the latest Human Development Index (HDI). The Constitution of Pakistan (Article 25A) has declared education as one of the fundamental rights that every citizen is entitled to, but at least than 22 million children are out of school (UNICEF, 2019). That is 44% of the total population of children and includes 5 million in the 5 to 9 age group. There are regional and gender variations with 78% of girls out of school in Balochistan.

This can come as no surprise given that Pakistan's public expenditure on education as a percentage of GDP is estimated at just 2.4% in the fiscal year 2018-19, which is the lowest in the South Asia region. The total spending on education in Pakistan (including federal spending and the four provinces) is just US $4.8 billion – which compares very poorly to the US $23 billion spent on debt servicing and the US $4 billion given away every year in tax incentives to multinational companies. If these tax incentives were removed, the education budget could effectively be doubled.[1]

Decentralisation has not, in practice, helped. The 18th Constitutional Amendment provided an impetus for decentralisation, with Pakistan's provinces allocated powers for the provision of public services. However, the realisation of this in practice remained largely dependent on the availability of resources. In effect, Pakistan followed a federally planned and provincially executed system of development, and social services fell between the gaps. When development budgets are allocated, they are often under-utilised and many provinces have turned to unpredictable donor aid to support basic services.

The complexity of the education system has also not helped. There exist in effect four different education systems namely the Public sector, Private sector, Non-formal Basic Education system and Madrasas in the country. This fragmentation leads to education inequality in the country with the poorest children in madrasas often receiving a very limited education. The public system is the most comprehensive, with 196,998 public institutions accommodating 28.68 million students[2] in Pakistan. However, even the public system is becoming fragmented with public-private partnership (PPP) models being supported by the World Bank (Oxfam, 2019). Pakistan's most populated state Punjab is no longer building new public schools but instead invests in public-private partnerships which may appear to be a good deal in the short term but which often present increased costs in the longer term (Eurodad, 2019).

The lack of investment in public education has led to the rapid spread of low-cost private schools which are now reaching about 42% of Pakistani children. Faced with an under-resourced local public school, aspirational parents opt for a private school where at least teachers will be present, and discipline will be enforced. This means that even parents living in relative poverty are forced to pay out of pocket for education, sacrificing other household priorities. Inevitably when forced to pay, they end up prioritising boys over girls.[3] The most vulnerable children, including those with disabilities, end up out of school (Afridi, 2018). Another layer of discrimination also comes into play. In an interview with principal, School No. 22, Oxfam worryingly noted, "Before admission we give a test. If the child performs poorly, we don't admit them into the school. We do not want weak children because we have to pass the QAT…" (Afridi, 2018).

Alif Ailan in its 2016 report titled 'Who Gets the Good Jobs', finds that Pakistan's education system is reproducing existing patterns of distribution of wealth and well-being where if one does not have the privileges needed to enjoy good economic opportunities, the education system does nothing to help change that for the next generation. New analysis by Oxfam, using data from UNESCO, shows that in developing countries, a child from a poor family is seven times less likely to finish secondary school than a child from a rich family.[4]

The solution to Pakistan's education problem is complex. A better planned, coherent system giving equal opportunities for all children is urgently needed. But nothing will change without action to increase the financing of education. Until there are reforms to expand tax revenue and collect it more fairly from across the economy, the government will not have the resources to invest in a quality public education system. Action on tax is thus an absolute prerequisite for Pakistan to make progress towards its education goals.

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Understanding the Gender Dimensions of Tax and Education

Peter Kwasi Kodjie, Secretary General, All- Africa Students Union (AASU), Ghana

secgen@aasuonline.org / freekodjie@gmail.com

Summary
In many countries present tax systems and policies pass an unfair burden onto women. Indeed, women are often doubly disadvantaged, affected both by how taxes are raised and how they are spent. Further research into the gender dimensions of taxation is crucial in tackling development challenges.

Keywords
Gender
Tax
Education
Women
Africa

Taxation has been the main source of revenue for public services in most countries, but in almost all countries, the development of taxation systems has been gender-blind (Lubnije, 2018). The provision of public infrastructure and social services by governments is a key factor for social-economic development, and revenue from tax remains a key source for funding government expenditures but expenditures are also often gender-blind. There is a need for more gender-conscious policy-making on tax and gender-conscious allocation of resources, including to education, to redress these injustices. This will be crucial to achieving equitable national development which cannot depend on unpredictable sources of external finance.

Tax systems in developing countries are made up of different categories of taxes. For instance, in Ghana, the tax system is made up of three main categories of taxes. These include direct taxes such as income taxes (personal and corporate), trade taxes (import and export duties) and indirect taxes (Value Added Tax, National Health Insurance Levy, Ghana Education Trust Fund Levy).[1] Though these are rarely examined through a gender lens, there are gender implications for the balance of taxes that are used – and for the design of each specific tax.

Value Added Tax (VAT) is perhaps the most widely used form of indirect tax. It is a cost-efficient method of collecting taxes, which explains why many governments and international institutions are usually in favour of it (Oxfam & Tax Justice Network, 2019). Indeed, in recent decades many countries have been advised by the International Monetary Fund to institute VAT systems because they are relatively easy to administer and can raise a considerable amount of revenue. However, VAT is often regressive because it applies equally to everyone, regardless of income. Women tend to earn less than men, so a tax that treats everyone the same will mean women are paying more as a share of their income than men. Moreover, because women tend to spend more than men on buying basic necessities such as food, clothes, school items and medicines, women can be actively disadvantaged by the widespread use of VAT. This can change, for example through the extensive use of exemptions for essential daily products and by using elevated rates of VAT for luxury items (which are likely to be purchased by wealthier people who are more likely to be men), but this is rarely used.

In terms of direct taxes, personal income tax is a major source of revenue in richer countries but less so in developing countries. If introduced in a progressive way, so high earners pay a higher rate and lowest earners are exempt, this can be progressive and gender-just – but most personal income tax systems in Africa are very flat, in part because those with higher incomes tend to have louder voices in decision making affecting tax policies. This disadvantages women. Owing to patriarchal attitudes and the burden on unpaid care and domestic work, women tend to be less able to pursue their education to a higher level and are less able to secure decent formal jobs. Women tend to end up in lower-paying occupations like caregiving and nonprofit jobs, but are poorly represented in production, transport, and managerial jobs (ILO, 2015). If the focus of raising revenues moved towards introducing progressive income tax, with those earning more paying more, that would be much fairer for women as men would pay more. That is not the norm in most present tax systems (ActionAid, 2018). Indeed, tax relief policies are often introduced to personal income taxes which further benefit men who are concentrated in formal employment.

There are similar challenges with other forms of direct tax, such as Corporate Income Taxes. When women are business owners they tend to be concentrated in small and micro-businesses: only 5 per cent or less of Chief Executive Officers (CEOs) of the largest global corporations are women (ILO, 2015). Yet tax systems often target small business owners more than large corporations. The biggest multinationals can use their corporate weight to negotiate tax holidays or other tax incentives and can set up elaborate systems to export their profits to tax havens. This gives large corporations an unfair tax advantage over small and medium-sized domestic businesses – and again there is a gendered dimension to this.

Around the world, women are concentrated in the informal sector. Indeed, informal employment is a larger source of employment for women than for men. For example, out of the total population of employed women in Sub-Saharan Africa, 84% are informally employed with the remaining 16% working in the formal sector (compared to 63% of the men in the informal sector and 27% of men in the formal sector). Within informal employment, women tend to concentrate on street vending, home-based work and as industrial outsourcers who work at home (Otobe, 2017). These might be thought to be tax-exempt – as they will not paying formal business rates or income tax. However, recent research suggests informal workers and businesses are often taxed quite heavily through numerous types of fees, charges and licensing costs, which may be levied locally, nationally or both – with informal market traders often being charged multiple times, whether formally or informally (ActionAid, 2019). In Ghana, 80% of women and only 50% of men work in the informal sector and a 2011 study found that 95% of informal women traders paid some kind of tax, whether national tax or local taxes including market fees. Half of these women paid both national and local taxes, and a higher proportion of taxes was paid by those earning relatively less (Carroll, 2011).

Another critical dimension to look at relates to wealth, land and property taxes.[2] These are used remarkably little in Africa, and where property taxes are used there is little variation between the rates charges on larger properties and smaller ones. As men are more likely to be property and land-owners and more likely to have inherited wealth, the failure to use these forms of tax more widely benefits men over women. This happens nationally but also globally. In his landmark book Capital in the Twenty-First Century, Piketty (2014) proposed a global wealth tax (at 1% on wealth between €1 million and €5 million, and 2% on wealth above €5 million). The lack of action on such proposals perpetuates gender injustice.

Overall, it is clear that most tax systems are unfair to women and further marginalize them economically (Tax Justice Network, 2019). Women bear a disproportionate share of overall tax burdens and men are more likely to benefit from tax exemptions or inaction on progressive tax reform. But women are also doubly disadvantaged when looking at what happens with the tax revenue that is raised. How tax is allocated and spent also has significant gender dimensions, not least in education. For example, many education budgets in Africa continue to allocate a significant share of revenue to higher levels of education. Spending per learner is relatively low at primary level, higher at secondary level and highest at university level. But in most systems, girls drop out more than boys as they pass through the system and fewer girls get enrolled in higher education. More than 49 million girls are out of primary and secondary schools in sub-Saharan Africa, with 31 million of those out of secondary education, undermining their rights and limiting their opportunities to secure better jobs (Human Rights Watch, 2017).

Tax reform initiatives in recent years, in both developed and developing countries, have focused on simplifying tax structures, broadening the tax base to raise more revenue via VAT and reducing personal and corporate tax rates to stimulate investment and production. Such reforms have adversely affected the poor, particularly women, and these adverse effects are often reinforced on the expenditure side. Most of the time this is not as a result of an explicit bias (where policies are introduced deliberately to treat men and women differently) but rather arises from an implicit bias

– failing to consider the existing inequalities in income or ownership between women and men. Unless there are more gender-conscious policies introduced, the default is often to reinforce and exacerbate existing inequalities. There ought to be a gender impact analysis attached to each new tax reform – to determine the direct and indirect impact that new policies will have on women and men. The same should be considered on the expenditure side, with each allocation of tax revenue being considered for its gendered impact. There is a growing body of work on gender-responsive budgeting[3] but not yet enough on gender-responsive revenue collection.

Whilst it is important for African countries to rapidly raise additional tax revenues in order to invest in development, taxes should be raised more progressively and gender-responsively, prioritising direct taxation of income and wealth – and investing this revenue in gender-responsive public services. Education should be a priority on the spending side as retaining girls through secondary and into higher education is such a powerful means of redressing historical injustices and inequalities. If society were more equal, then a tax system that treats people equally would make sense – but until that time, we need to use tax systems to help us advance towards greater equality.

Endnotes

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3. See for example: https://policy-practice.oxfam.org.uk/publications/gender-and-taxes-the-gendered-nature-of-fiscal-systems-and-the-fair-tax-monitor-620868

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Part 3

Local Level Activism on Tax and Education

Raising Tax Awareness as an Education Process: The Case of Malawi

Yandura Isobel Chipeta, Programme Specialist, Accountability and Public Services, ActionAid, Malawi

Yandura.Chipeta@actionaid.org

Summary
This article explores practical educational methods used to raise awareness on tax as part of a wider human rights-based approach linked to citizen mobilization. It outlines the development of manuals and toolkits, and how they were used in Reflection Action Circles in Malawi to increase knowledge on tax and demands for accountability of public services.

Keywords
Adult education
Popular education
Participatory methods

Governments worldwide committed to an ambitious development agenda through the Sustainable Development Goals (SDGs) aiming at leaving no one behind. Sustainable financing is key to achieving SDGs, reducing poverty, achieving equality and better livelihoods for all. But the Financing for Sustainable Development Report (United Nations, 2019) indicates that reaching Agenda 2030 may be hampered by poor finance mobilization. The United Nations Tax Committee (2018, page 2) argues that taxation plays a fundamental role in the achievement of SDGs through financing, reducing inequalities and promoting gender equality. It also notes that, "the mobilization and effective use of domestic resources are central to the pursuit of sustainable development."

But who engages in tax policy discussions? In Malawi, the Revenue Authority is the key government agency responsible for tax and very few people feel confident to engage with it or with public debates on tax in general. There is a knowledge gap among citizens on tax, tax laws, the role of tax in development, and the links with provision of public services.

Malawi is one of many African countries that has over a long period been donor-dependent. Despite receiving debt relief in the early 2000s as one of the heavily indebted poor countries (HIPC), Malawi has not been able to ensure debt sustainability with the trends indicating that in the last 5 years Malawi's debt payment has risen from 12% to 17.3% signifying that the country is slowly getting into debt distress.[1] In September 2013, the government of Malawi was embroiled in a scandal dubbed "cashgate" where an estimated US $356 million was misappropriated when public officers manipulated the Integrated Financial Management Information System (IFMIS) by making payments to private contractors on the pretext that they had supplied goods and services to the government when in fact, they had not. This led to the withdrawal of donor direct budget support consisting of approximately 40% of the national budget (approximately US $150 million). As such, since 2015, the government of Malawi has operated on a zero-aid budget, with donors only providing off-budget support. As a result, the government has had to depend on domestic revenue and the annual budget deficits have been covered through domestic debt which has increased the debt burden for the country. In this context, raising wider awareness about tax has become a priority.

But how do you raise awareness on an issue as complex as tax? Many people are intimidated, seeing tax as too technical and difficult requiring specialist expertise, or simply too boring to discuss. Yet tax is fundamental to any development discussion. To make a breakthrough the key is not just to build passive awareness in terms of delivering messages about the importance of tax. Rather we need to build critical awareness, an awareness that can inspire action – a process of reflection and action that Paulo Freire (1972) called a process of conscientisation. This process guided our work in taking tax issues to some of the most marginalised communities in Malawi.

As part of Malawi's tax justice campaigning, a priority was placed on mobilizing youth, through a network called Activista. The aim was to build the capacity of the next generation on progressive taxation using a social justice lens. The capacity building aimed at raising critical consciousness among youth on revenue losses and the plight of public service delivery in the country. A range of participatory tools were used, drawing on Reflection Action methodologies. After initial training, the international Tax Power Toolkit was translated into the local language for use at the community level in Malawi.

This toolkit was used to train 40 local facilitators in Neno, Ntchisi, Lilongwe and Chitipa districts – one male and one female facilitator for each of 20 communities where youth activists wanted to raise tax awareness. The aim was a participatory education process that would raise awareness on tax in three main areas: (i) local problems on tax (ii) local problems on public services and (iii) the effects of international and national tax on local public services.

The starting point was for communities to understand how government generates revenue. This of course included the fact that everyone pays taxes, directly or indirectly, so every participant should see themselves as a taxpayer. This often included having to explain how every time they purchase basic products in a local shop, they are paying Value Added Tax (VAT). Indeed, calculations were done to enable participants to estimate the amount of tax they pay and to relate that to the provision of public services. This essential step was done through using role plays, Q&A sessions and specific tools called Tax Stones and the Shopping List.

Tax Stones is a simple but powerful tool. The facilitator asks for volunteers to be: a woman farmer, a teacher, a local businessperson and a big company boss. Another volunteer is the tax collector. The facilitator then gives out stones: the woman farmer is given 3 stones, the teacher 5 stones, the local business-person 6 stones and the big company boss 10 stones. The facilitator then asks everyone: who is the poorest and who is the richest and how much difference is there. At this point, the tax collector arrives and takes 2 stones off each person, which makes up 8 stones. The facilitator then asks participants: is it fair? The stark reality of the woman farmer being left with just 1 stone, while the richest businessman has 8, hits home very powerfully. There are many ways to extend this discussion in terms of exploring what would be fair, but this method invariably acts as a powerful educational tool for people to understand that a flat rate tax which treats everyone equally can, in fact, be deeply unfair. The discussion can extend to who should make decisions about who to tax and how much, and who should decide how the tax is spent.

The Shopping List is an equally simple education tool. Participants bring in products they recently bought, and these are laid out on the floor in front of the group. For each item, the facilitators ask how much it costs. Then they ask, are you aware that when you buy this item you are paying tax? Various calculations can then be made on how much all the products cost and what the VAT is, or calculate the purchases of an average family and how much of that is VAT. Based on the VAT rate in the country, the exact amount can be calculated simply. (e.g. 15% or 20%). The facilitator can then extend the discussion by asking, who gets all this money? It is not the seller but the government. And why do they get it? To provide basic services. Discussion can then be extended to explore the idea that governments make some products exempt from tax because they are so important. Which ones are exempt and which ones should be? The facilitator can also introduce the idea that some things that only richer people buy could be taxed at a higher rate of VAT. What should that be? Essentially, a very detailed discussion can ensue, that gets into critical issues about the design of taxes and the political choices that are being made.

Other education tools that were used from the same toolkit, include the Market Mountain – where a market seller talks through all the taxes, informal and formal, local and national, that they have to pay in order to sell their produce. On the spending side, the groups also used Public Service Maps to identify all the public services that they have access to, and Tax Body Maps to identify the impact that not having public services has on different people (e.g. in terms of increased unpaid care and domestic work for women). An Ideal School Map was also used for people to articulate what they felt should be priorities if increased investment in education was possible following tax reforms.

The final part of the process was for communities to understand the global context in relation to taxation and how national tax policies often fail to raise sufficient revenue, leaving communities deprived of much-needed public services. The tools used for this included the national cow, the leaky pot, the tax scale, the tax biscuit and force-field analysis (all spelt out in the Reflection-Action toolkit 2015).

These diverse participatory tools give a range of means for exploring the choices that governments have to make to distribute taxes (milk from the cow in different buckets) and the problem of resources going astray (the leaky pot which explores corruption, tax avoidance and poor tax allocation). The tax scale explores issues around tax incentives and holidays for big companies and the tax biscuit explores what benefits big companies do or do not bring to the economy.

This is the essence of a popular education process inspired by Paulo Freire (1972) in which the key is to start with a simple image or tool that people can connect with and then to build the analysis with people. An experienced facilitator is important but there is no need for a tax expert to be in the room. Over time, everyone builds their confidence and they are ready to take on any tax experts who do turn up!

In Malawi, Reflection Action Circles (RACs) met in 20 communities with about 25 people in each of them. They met on a fortnightly basis, each time using one of the above tools during their discussions. Once every month, community meetings were held with all local leaders present to inform communities on the discussions held at the RACs and together find solutions for the problems identified and identify the relevant stakeholders to engage. As a result of the groups meeting and engaging with communities and their leaders, we began to see communities taking action in Chitipa by lobbying for progressive taxation to improve education services in the district through the Local Government Ward Councilors. Communities started challenging the District Councils on transparency and accountability regarding the local market taxes paid by the villagers and traders. The community members collaborated with the District Education Network (a local civil society group working on education) to engage with the Education Service Committee of the District Council. This advocacy led to the allocation of 5% of the District Council's local revenue to improve education service delivery.

In Lilongwe, at M'bobo Primary school, the communities with the support of their Chief and other local leaders engaged their Member of Parliament and the Ward Councilor and this led to the construction of two classrooms using the District Development Fund (DDF) easing the infrastructure challenges at the school. Additionally, at Makunje Primary school, they were allocated funding from the Constituency Development Fund (CDF) which led to the construction of a temporary shelter for learning and finishing works for a teachers' house. In Ntchisi, communities collaborated with district level civil society to influence transparency on local revenue generated. This led to the development of local by-laws on District Council Revenue so that it benefits communities by directly financing public services and reporting periodically to communities on revenue generated and how it has been utilized by the Council.

Through the Reflection Action Circles, we have noted the empowerment and organisation of community members towards achieving a common goal. Communities have mobilized other like-minded stakeholders to work together in engaging duty bearers. This process has enabled the coordination and strengthening of local government structures and above all enhanced the knowledge of communities concerning the social contract between citizens and the government and the need to see demonstrated improvements in the delivery of public services resulting from progressive or fair tax (ActionAid, 2018).

To continue generating interest in taxation and public services and take the messages even further, youth activists set up tax caravans to tour around different communities performing role plays and dramas and sharing insights. These caravans are timed to link with key budget decision moments in local government. This then is a complete popular education process led by youth activists, building critical awareness through a conscientisation process along the lines conceived by Brazilian educator Paulo Freire (1972). The education process is linked to direct action, engaging with government officials and seeking change.

After working on this in Malawi we can confidently say that if we want to link education and tax, we should start with an education process about tax. It is not complicated; it is not scary – but it is essential for enabling people to claim their rights.

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1. All figures are taken from Malawi Government Budget Estimates Financial Years 2014/15 to 2019/20.

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Why a Progressive Tax Reform is Essential to Reach SDG4 in Pakistan?

Maria Ron Balsera, Research and Advocacy Coordinator on Tax, Privatisation and Education, ActionAid, UK

maria.ronbalsera@actionaid.org

Summary

This paper argues that Pakistan's low enrolment and performance rates in education are intimately linked to the continued underfunding of education. The paper proposes progressive tax reforms to raise the tax-to-GDP ratio and increase the education budget in order to fill the education financing gap. It also shows that tax awareness can enable communities to mobilise and hold the state to account to provide free, quality education.

Keywords

Pakistan
Tax justice
Tax incentives
SDG4
Education

Pakistan has one of the highest number of out-of-school children in the world[1]. The latest available data from the Pakistani government (Pakistan Education Statistics 2016-2017) estimated that 22.8 million between the ages of five and sixteen are out of school, with girls representing more than half. Those in school show low-performance levels, with only 41% of children in grade 5 being able to read a simple story in Urdu or Sindhi or Pashto, with this percentage being even lower at grade 8 (ASER, 2019, p.9). Similar to the overrepresentation of girls among the out-of-school children, there is a significant gender gap in learning for those actually attending schools: 46% of boys compared to 38% of girls could read at least sentences in Urdu/Sindhi/Pashto and 43% of boys were able to do at least subtraction whereas only 36% girls could (ASER, 2019, p.10). Gender is compounded by wealth and location, with 71% of the poorest rural girls out of school compared to 52% of the poorest rural boys or to 13% of the richest urban girls (WIDE database, 2020).[2] Likewise, just 17% of the poorest girls completed primary school in contrast with 91% of the richest girls, showing stark social inequalities amplified by the lack of educational opportunities.

Pakistan's low enrolment and performance rates are intimately linked to the continued underfunding of education. Pakistan's combined federal and provincial budgetary allocation to education is the lowest in South Asia, at 1.84% of Gross Domestic Product (GDP) in 2014/15 and 2.17% in 2015/16.[3] Although this percentage increased to 2.9% in 2017 (UNESCO Institute for Statistics database, n.d.), it is still considerably lower than those of its neighbours. Given the country's huge bill on defence spending, interest payments and energy needs, fiscal space only allows constrained expenditures on remaining sectors particularly on social services such as health and education. As such, the education budget has remained around 11% of the national budget between 2010 and 2014, significantly increasing to 14.5% in 2017 (UIS), but still behind the recommended 20% threshold. The Education For All Global Monitoring Report (EFA GMR) 2009 estimated that the financing gap for Pakistan to achieve the Education For All goals was US$ 17,028 million between 2008-2015 and US$ 27,462 million between 2016-2025, leaving an annual average deficit of US$ 2,128 million and US$ 2,746 million respectively (EFA GMR, 2009, p.85).

Together with a low share of the budget, Pakistan has been suffering from chronically low tax-GDP ratios of around 10% (Pakistan's Federal Board of Revenue). The International Monetary Fund (IMF) calls for this figure to reach at least 12.6% this year and the WB warns that this ratio should be 15% to cover basic expenditures.[4] This austerity in education spending contrasts with the government's generosity towards corporations, offering them unaffordable tax incentives. The IMF stated that tax incentives and exemptions in Pakistan amounted to 1.9% of GDP in 2013/14 and 1.5% in 2014/15, which was equivalent to US$ 4 billion at that time (IMF, 2016).[5] Taking this conservative estimate of US$ 4 billion lost to tax incentives annually, allocating 20% for education (in line with the recognised benchmark) would amount to US$ 800 million. This could have paid for: 5,612,000 extra school places at primary schools, plus 100,000 additional qualified teachers, and 1,796,632 children could enjoy free school meals (Ron Balsera, 2017; Ron Balsera, Klees and Archer 2018).[6]

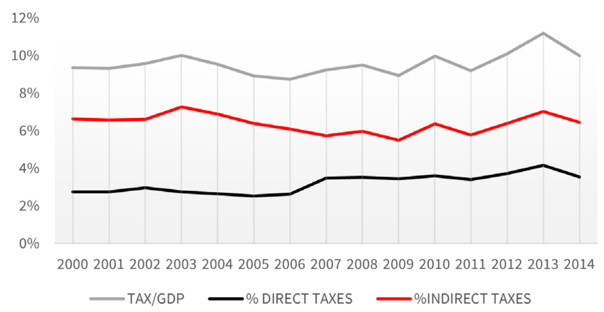
The connection between the inadequate financing of education and the revenue gap resulting from a narrow tax base and regressive tax measures, such as wasteful tax incentives, was highlighted by the Committee on Economic Social and Cultural Rights (CESCR) when reviewing Pakistan's performance in 2017. The CESCR voiced concerns at

> *"the very low level of public funding allocated in the areas relating to the Covenant rights, particularly […] education, which cannot be justified by high levels of defence expenditure. CESR is also concerned at the large portion of funding allocated for education remaining unspent in some provinces. Furthermore, it flagged that the tax-GDP ratio of Pakistan is very low, and that the tax regime of the State party, characterized by the limited tax base, non-progressive tax system and heavy reliance on indirect taxes, may not be effective to significantly increase spending on Covenant rights from the tax revenue (art. 2(1))".*[7]

In fact, as can be appreciated in figure 1, the tax-GDP ratio has been around 10% (a low level by the global standards of lower middle-income countries, considering that India, Kenya or Ghana are all around 16%, China around 19% or Nepal over 20%). Moreover, indirect taxes, which are more regressive than direct taxes, represent two-thirds of the tax revenue.

Together with inadequate financing, research has found that weak governance in education is a major constraint, related to the lack of expertise of district and provincial education planners and managers and the need for good quality training to effectively implement education policies and plans in their respective regions (Ron Balsera, 2017). There seems to be a shortage of school supervisory teams, partly due to financial constraints and partly due to recruitment policies, which has resulted in irregular and low-quality service delivery by teachers and support staff across schools. Community participation in school matters is also not effective, thus monitoring educational quality suffers.

Figure 1: Pakistan tax mix



Source: UNU-WIDER database[8]

One particular experience in ten villages in the Thatta district (Sindh) led to a remarkable innovation that connects tax and education. This was part of an NGO project designed to raise awareness about the right to education and tax justice. A series of appraisal meetings were held, reaching over 185 school management committee members and 300 community members. These revolved around mapping present education provision and financing against the right to education – making the link to how education is funded through the collection of taxes. A range of issues was highlighted, including overcrowded classrooms, lack of safe drinking water and damaged school buildings. These meetings were followed up by supporting the development of School Improvement Plans in 20 schools. Training was also provided to School Management Committee members on how to develop effective improvement plans.

Those who received training went back to their communities, spread their knowledge and mobilized men and women around the issue of increasing financing for education through tax. One participant at the training was able to make community members understand how much they paid in tax and how little they got in return. When several participants told him that they do not pay any tax due to low income, he showed them a cigarette pack and pointed out the sales tax written on it. He explained that there is a 25% sales tax on every tobacco product – and a slightly lower rate on most other products. Following this meeting, they went to local shops to calculate the amount they were paying in Value Added Tax (VAT) on basic household products and how many of each item was sold locally. They then reviewed all the other taxes paid by people in the village. This data was collated and analysed by the headteacher and on this basis they started calculating the amount of tax paid and found that the community, consisting of 680 families, pays around US$ 300,000 in indirect taxes each year. The public services they received in return did not approach anything like the same value. Although these calculations might not be entirely accurate, this was a powerful illustration for local people and made them feel powerfully vindicated in demanding more from the government.

This motivated the community to approach a local politician and claim their right to education in a safe environment. The local school had needed repairing for some time and students had been injured due to the unsafe construction of the school. But now the community had arguments as to why the repair of the school should be funded: because every community member pays tax! In the end, the local government approved US$ 16,244 for repairing the school so that children could be educated in a safe building. Because local people are aware of the tax they pay and the link to public services, they are now better equipped to claim their rights.[9] This may only be a first step but it is illustrative of the power that comes from raising local awareness about tax.

Conclusion

Despite its constitutional and policy commitments to provide free compulsory and good quality education, public education in Pakistan still suffers stark gender disparities, millions of children out of school and low levels of learning. SDG4 will not be reached unless we see some dramatic changes to improve the availability, accessibility, acceptability and adaptability of public education in Pakistan (Tomasevski, 2001). These changes can only be adequately funded by increasing the share, size, sensitivity and scrutiny of the education budget. Pakistan requires a progressive tax reform to expand its tax base, increasing the revenue collected through direct taxes and stopping the haemorrhage of revenue through tax evasion and avoidance, particularly reviewing the estimated US$ 4 billion lost to tax incentives every year. To achieve this change, people need to be aware of the injustices: aware that they are paying tax and not receiving services; aware that the richest elites are paying close to nothing whilst landless labourers are paying invisible taxes such as VAT. This awareness is critical for building a justice movement that links tax and education.

Endnotes

1. The estimated number of out of school children at primary school age in Pakistan was 6,005,978 in 2018; followed by Tanzania 1,895,125 in 2018 (UIS). The UIS database did not have these estimates for Nigeria, which is reported to have the highest number of out of school children, the latest figure recorded was 8,615,770 in 2010 (https://data.worldbank.org/indicator/SE.PRM.UNER)
2. https://unesco-wide-production.herokuapp.com/indicators/eduout_prim/countries/pakistan/sexes#?dimension=sex&group=|Male|Female&dimension2=community&group2=|Urban|Rural&dimension3=wealth_quintile&age_group=eduout_prim&year=2012
3. Rs75,580 million or US $711million, out of the total expenditure of Rs 3,482,239 million or US $33billion; in comparison to defence 22.43%, with Rs781,162 million or US $7billion in 2015/16 (Pakistan Federal Budget 2015/16).
4. https://tribune.com.pk/story/2004148/2-tax-gdp-ratio-sinks-lowest-five-years-9-9/
5. International Monetary Fund (IMF). Options for low income countries' effective and efficient use of tax incentives for investment. October 2015. Page 12.IMF (2016) , Pakistan: Staff Report for the 2015 Article IV Consultation, January 2016, para 16, http://www.imf.org/external/pubs/ cat/longres.aspx?sk=43540.0.
6. ActionAid. (2017). Tax, privatisation and the right to education: Influencing education financing and tax policy to transform children's lives. https://actionaid.org/sites/default/files/tax_privatisation_report_online.pdf
7. CESCR Concluding observations: Pakistan, E/C.12/PAK/CO/1, para. 15 and 16 (23 June 2017) http://bit.ly/2upyfoP
8. https://www5.wider.unu.edu/#/country/PAK
9. As part of the Tax Privatisation and Right to Education project activities, ActionAid Pakistan produced a video about this case study: https://www.youtube.com/watch?v=XyHKndQQAco

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Potential to be Realised: Financing Equitable Education in Cambodia

Swetal Sindhvad, Executive Director, i3Development, Cambodia

ssindhvad@i3development.org

Summary

Tax has not yet become a significant revenue producer in Cambodia; however, a system exists with the potential for continued improvement of property tax collection. In turn, this system may provide the foundation for progressive school financing. Issues of decentralization of education must be addressed to operationalize key structures of the system to realize sustainable financing while prioritizing social equity.

Keywords

Cambodia
Fiscal decentralization
Education
Equity
Community support

Over the past 20 years, Cambodia's economic performance has been exceptional, leading it to reduce its poverty rate from 48% in 2007 to 14% in 2014, and to attain middle-income status in 2016 (Fung & McAuley, 2020). Education has been a critical sector for realizing Cambodia's national growth strategies and for granting better opportunities to the poor. Decentralization reforms have been critical to the development of the education system. A central premise for greater decentralization of education is that those closest to the school have a better understanding of local conditions to support decision-making about educational processes that best serve local needs (Chapman et al, 2002). However, education is a very challenging sector to decentralize. If devolution of responsibilities is not matched by adequate devolution of funds, then schools, particularly in poor areas, can be forced to ask parents and community members for an increased contribution. In this case, vulnerable groups could be further disadvantaged (Brosio, 2014).

As Cambodia continues to make strides, financing that contributes to equity in education is critical. Tax is a major source of financing for the education sector (Archer, 2016). Cambodia has had an impressive track record in revenue collection with a tax-to-GDP ratio that has steadily risen from 16% in 2016 to 19% in 2018. Under its Revenue Mobilization Strategy for 2019-2023, Cambodia seeks to further improve its revenue administration and tax collection through various policy and administrative measures, including a reform to improve the productivity of its property tax system (Fung & McAuley, 2020). The education community acknowledges the importance of action on tax as it can be a source of financing that is sustainable and predictable for long term investment. This article discusses the need for Cambodia to increase its support for non-wage expenditures in education, the realities of community support for schools, and the need for further fiscal decentralization to enable equitable education.

Need for Supporting Non-Wage Expenditures

Government expenditure on education is only 2% of Gross Domestic Product (GDP). However, the budget of the Ministry of Education, Youth and Sport (MoEYS) as a share of the total national budget has increased from 16% in 2013 to 18% in 2016 following increases in the wage bill (World Bank, 2020; Asian Development Bank, ADB, 2018). Schools across Cambodia receive government financing in the form of School Operating Budgets (SOBs), which are devolved through provincial and district level education authorities. SOBs account for only 3.3% of government expenditure on education to cover school operating expenditures. It is equivalent to less than 20% of all non-wage expenditures which is viewed as insufficient for general operation of schools (ITAD, 2016 as cited in World Bank, 2019). SOBs are determined by school type (“typical” or disadvantaged), size and the number of students (MoEYS, 2013). Though schools in remote, rural areas may receive larger budgets following such a formula, their physical condition often requires greater funding to complete infrastructure improvement (World Bank, 2019).

As a consequence, school leaders leverage the autonomy granted to them to generate income to supplement government budgets in order to cover critical non-wage expenditures (MoEYS, 2019). Some schools are able to generate income from renting space on the school grounds for bicycle parking and food stalls, but this is very uncommon in remote, rural areas where populations are largely disadvantaged (Ashida & Chea, 2017). Schools are also able to supplement budgets through fundraising for which they rely on School Support Committees (SSC). SSC members include the school leader, community leaders such as senior monk and village and commune chiefs, as well as parents. SSCs support schools with the construction of new school buildings and the renovation of existing ones, and in emergency situations (such as following floods) they help with the rehabilitation of school grounds.

In a study by To (2016), it was found that most school leaders relied on SSCs to gain community support for resources mainly in the form of materials for school building maintenance and school ground improvement, which is how Cambodian communities have traditionally supported schools following the civil war. However, SSCs were able to gain support for substantial cash donations only within higher socio-economic communities. Cash donations varied from as high as 77% and as low as 9% of school budgets received from the government (To, 2016; Ashida & Chea, 2017). SSCs do not seem to function under any compensatory policy in distributing funds across rural, remote schools. Fundraising is an insular activity, benefiting only schools located in higher socio-economic areas where stakeholders can afford to make contributions.

For schools unable to raise funds, the government relies on financing from development partners. Infrastructure improvement, including construction of schools, quality improvement programs and teacher training are commonly supported through budget support or project financing. In fact, the latest public expenditure review for Cambodia by the World Bank indicated that development partners fund 69% of all non-wage expenditures in the education sector. As a middle-income country, external funding to Cambodia is expected to diminish and it is all the more necessary for the government to increase its oversight and management of non-wage expenditures. Cambodia has made some progress in this regard, especially in terms of taking over the provision of scholarships from development partners (World Bank, 2019).

Potential to be Realised

Since 2008, Cambodia has been able to boost its revenue collection significantly following a series of tax administration reforms, particularly in terms of strengthening capacity for tax auditing and taxpayer services which led to improved compliance. However, further increases in revenue collection are necessary given the rapid increase in the wage bill, as seen in the education sector (World Bank, 2019).

Fung & McAuley (2020) state that property tax is regarded as one of the best forms of taxation because it contributes to social equity and economic efficiency while providing a stable and predictable revenue source for governments. However, property tax has not yet become a significant revenue producer for Cambodia due to policy design and administrative issues. The statutory tax rate is low and the scope of tax is limited to properties located in the capital city of Phnom Penh and in provincial cities. In addition, a large number of properties, particularly those in the provinces, are exempted from taxation. Based on the revenue forecast by the Ministry of Economy and Finance, the property tax in Cambodia was expected to produce $27.8 million in 2019 or only 0.10% of GDP (Fung & McAuley, 2020). Fung & McAuley postulate that increasing the property tax revenue to 1%-1.5% of GDP would be beneficial in terms of establishing a context for continuous improvement of the system and administration of property tax in the long term.

While the potential for an increased tax base over time exists, allocating the funds to meet local education needs is a major challenge. As is common practice with property taxes, revenue collected locally is allocated to subnational administrations for their development. Theory and practice suggest that devolving revenue to subnational administrations can be beneficial in terms of improving accountability to the community by funding local services such as education (ADB, 2018). A recent review of fiscal decentralization in Cambodia by the Asian Development Bank indicated that while Cambodia has made progress in designing mechanisms for inter- governmental fiscal transfers; to date, the flow of funds has been limited. Apart from Phnom Penh, other larger municipalities are poorly resourced. Revenues outside Phnom Penh flow to provinces and not municipalities or districts (ADB, 2018). The review emphasizes that limited progress in devolving functional responsibilities has slowed the progress in devolving revenue powers. Since functional responsibilities are unclear, administrations are often reluctant to assign revenues to services. For that matter, while the tax base grows, any potential for it to be allocated to finance education is likely to be unrealized due to the limited ability of provincial and district level education authorities to make independent revenue and expenditure decisions for school financing. In Cambodia, subnational administrations have low levels of tax revenues directly allocated to them. Most revenues are directed to the central government, which indicates a low level of actual decentralization in Cambodia (ADB, 2018).

Conclusion

The development of Cambodia has come a long way. Now as a middle-income country, critical milestones lie ahead to enable equity in education. What happens with fiscal decentralization will be crucial. While any increase in property tax revenue could set the context for systemic improvements over the long term, attention must be paid to increasing intergovernmental funding flows through a reassessment of subnational functions to enable greater delegation of decision-making and financial autonomy. Decentralization has yet to be fully realized in Cambodia. A system has been built with the potential for progressive school financing that is sustainable and predictable for long term investment in education. However, time is necessary for the government to fully operationalize it and promote greater equity in education. In the meantime, vulnerable groups remain at risk of further disadvantage as schools continue to seek community support which leaves schools in poor areas underserved. The key must be to realize sustainable financing whilst also delivering social equity.

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Equity Implications of the Co-provision of Public Education in Sierra Leone

Vanessa van den Boogaard, Research Fellow, International Centre for Tax and Development, Canada

v.vandenboogaard@utoronto.ca

Summary

With inadequate domestic revenues, public education in Sierra Leone is financed in part through informal contributions, taxes, and fees paid by households and communities. This informal financing has significant negative implications for equity. A more progressive national tax system, with an emphasis on taxing high-net-worth individuals, would result in a fairer distribution of fiscal burdens.

Keywords

Informal revenue generation
Taxation
Education
Equity
Sierra Leone

Though education is a core duty of the state, public education in Sierra Leone is financed not only by the formal government budget and off-budget aid, but also by informal contributions, taxes, and fees paid by households. Since independence in 1961, the state has consistently supported the ideal of universal free primary education, though in practice has remained reliant on non-state actors for both the delivery and financing of primary public education. Formal and informal user fees may be officially abolished, but with insufficient domestic revenue mobilization, informal levies have emerged to fill the significant gaps in service provision. This reflects a broader trend across low-income countries, with negative equity implications. As described by UNESCO (2015, pp. 260-261), "The issue in many countries is not an insufficient national effort on education spending but that a large part of that effort is by households."

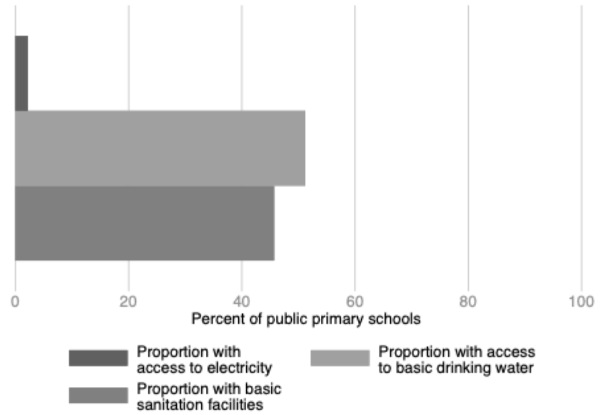
Drawing on over three years of qualitative and quantitative data collection in northern and eastern Sierra Leone, I find that, given inadequate public financing, the delivery of public education is only possible through informal financing by parents and communities – with significant negative implications for equity (van den Boogaard, 2020). Households contribute to the financing of primary public education in a variety of ways, with contributions organised and collected through parent-teacher associations, school management committees, mothers' clubs, or school administrations, often with the enforcement backing of the local chief. Demonstrating their widespread prevalence, in a survey of households conducted in eastern and northern Sierra Leone in 2017, only 5 percent of households made no informal payments to access "free" public primary education, with communities explaining, "we tax ourselves" to look after community needs (van den Boogaard, 2020).

Informal Financing of Public Education in Sierra Leone

This localized financing of public education takes several forms. First, as government-assisted schools consistently receive insufficient per pupil subsidies from the government, informal fees help fund the running costs of government-funded schools. As described by UNESCO (2018), *When trying to make up for the revenue lost in school fees [by the universal free education programme introduced in 2010], the per pupil subsidy was set too low at USD 2.20. Schools' operating costs were not adequately covered, and schools' differing needs were not taken into account. Fees were [unofficially] hastily brought back in many parts of the country.*[1]

Second, given poor-quality infrastructure and classroom crowding, households are also often required to contribute to improving government-financed school infrastructure. By the end of 2010, 60 percent of classrooms in all primary schools nationwide were in need of repairs (GoRSL MEST, 2012), while access to electricity, water, and sanitation facilities is lacking in the majority of public schools (see Figure 1). Rural areas have even lower rates of access. The need for more space and improved basic infrastructure has led many schools and communities to informally fund classroom expansion and general school improvements.

Figure 1: Quality of school infrastructure, public primary schools, 2017



Source: (UIS, n.d.)

At the same time, students and parents are commonly expected to contribute time and labour for regular activities such as the sweeping of school compounds, cleaning toilets, and collecting water and firewood. A teacher explained, "Since the school is integrated with the community, parents should be involved in some minor work for the school" (cited in Nishimuko, 2009, pp. 154-155), while community members in a focus group explained that the community "works to develop itself" (van den Boogaard, 2020). Meanwhile, community members are commonly called on to support bigger building or improvement projects, providing labour, collecting local materials (i.e. sand, stones, and water), or providing food for labourers (Photo 1).

Photo 2: JSS community school built by community

Source: Author's photos, 2017, Koinadugu district

Photo 1: Schoolchildren collecting local materials to contribute to school building project

Source: Author's photo, Koinadugu district, 2017

Third, with limited or no government financing, some areas of the country have relied heavily on self-built, self-funded, and often unapproved "community schools", which make up approximately 19 and 14 percent of all schools in Northern and Eastern provinces, respectively. Given the lack of government funding, a Community Teachers' Association chairman in a community school explained that he collects informal school charges to run the school, while it is communities themselves that organised the building of the school. In Koinadugu district, meanwhile, a town chief showed how a community raised funds from community members to "raise a school", though the community had not yet been able to receive approval for the new school from the government (Photo 2).

Fourth, as a result of a severe shortage of teachers relative to student enrolment, many schools -including both government- and community-funded schools – rely on "community" teachers that are not on the government payroll but are paid through community contributions (Universalia, 2018, p. 25). In the three relatively rural and remote districts under study in Northern and Eastern provinces, the prevalence of community teachers was almost universal, with 94% of individuals reporting living in a community reliant on community teachers, with little variation between regions (van den Boogaard, 2020). For community teachers to survive without a government salary, focus group participants explained, "we tax ourselves to help community teachers". A School Management Committee chairman described that "it is the responsibility of government to pay teachers; if the government doesn't have that ability, and teachers are not on the payroll, it is our responsibility as parents to do that [pay them]".

Finally, as teacher salaries remain low in absolute terms, with payments often delayed, there are also incentives for teachers on government payroll to seek additional financial support from students. While some such payments are akin to bribes, serving to corrupt the system, other payments are so institutionalised or heavily sanctioned as to be effectively mandatory and thus part of the real cost of financing public education. For instance, it has been "suggested that some teachers deliberately do not teach the full syllabus thereby forcing students to attend private classes", particularly where students are required to take state exams to advance (Bennell, 2004, pp. 3-4; see also UNESCO, 2015, p. 202). Thus, in order to get the complete "free" public education, students need to pay extra.

Equity Implications of Informal Financing of Public Education

Based on survey data of in-cash, in-kind, and labour contributions, I estimate that households contribute on average US$ 25 annually for public education (van den Boogaard, 2020), with government funding estimated at US$ 24 annually per pupil in 2017 (UNESCO Institute for Statistics, n.d.). While imperfect, this estimate illustrates the importance of informal financing in delivering "free" universal primary public education in Sierra Leone. To put these amounts in perspective, the most common formal tax paid, the local poll tax, is only US$ 0.67 per adult annually, highlighting that informal contributions are both a significant expense at an individual level and effectively making up for limited formal tax efforts.

The distributional and equity implications of revenue generation outside of the state are significant. My research shows that the individual distribution of informal revenue generation in Sierra Leone is regressive, with the lowest income quintile paying significantly more in informal user fees to access public goods relative to the highest income quintile (van den Boogaard et al., 2019).

More fundamentally, household and community-based financing of public education amount to the state shifting the financial responsibility for essential services onto citizens with negative equity effects. When public goods are financed locally, access depends on the ability to pay, while quality depends on the relative wealth of a particular area. Where informal taxes and fees are required to access public goods, access is by definition exclusionary. Insofar as public goods are funded locally and directly by users, the fiscal system is far less equitable; where the state abdicates its redistributive role by relying on informal fees to fund public goods provision, it accepts and reinforces the reality of inequitable tax burdens and unequal access to quality public goods (van den Boogaard, 2020; see also Cansunar, 2019; Moskowitz, 2017; Trefon, 2009).

Progressive Taxation for Quality Education For All

Governments, however, cannot eliminate informal fees for education without replacing the revenue from those fees (see e.g. De Souza & Wainaina, 2009; Haambote & Oxenham, 2009). Encouraged by international donors, low-income governments have repeatedly made declarations supporting universal fee-free education, though donors have not committed to funding the full costs of education and governments have often not sufficiently increased their domestic revenue mobilisation capacity. As a result, informal taxing continues to contribute to essential public goods. As noted by Thomas (2015, p. 162), "In the absence of an alternative source of financing, abolition [of user fees] does not mean that the poor receive [services] free of charge". In contrast, funding education through a more progressive national tax system, with an emphasis on taxing high-net-worth individuals and international extractive companies, would result in a fairer distribution of fiscal burdens.

In Sierra Leone, the government of Julius Maada Bio, which came to power in 2018, has re-prioritised free universal primary education. While it is too early to assess the impacts of the government's new education programme, preliminary anecdotal evidence suggests that there has been a reduction in informal taxes and fees for education in at least some parts of the country. This outcome may be possible through the exceptional steps taken by the government to raise domestic revenues so that the state does not have to tacitly rely on household and community contributions. Indeed, the state has undertaken structural reforms of the tax administration, resulting in unprecedented increases in tax revenues. It is on track to raise domestic revenue to 16.5% of Gross Domestic Product (GDP) by 2022 (International Monetary Fund, IMF, 2019) and, in part as a result of this increased fiscal capacity, has almost doubled the amount of the budget allocated to education.

While these are positive indicators, deeper changes are needed to address systemic issues in the delivery of public education, such as the processes of approving unregulated schools, absorbing qualified teachers into the payroll, and ensuring a sufficient supply of qualified teachers to ensure that communities do not have to rely on untrained and unfunded community teachers. If domestic revenue mobilisation and donor aid are insufficient to meet the ambitious target of universal fee-free education, informal taxes and fees will continue to supplement the public education system across the country.

Moreover, even with recent improvements, tax revenues will remain below the target of 20 percent of GDP that was recommended to achieve the Millennium Development Goals (UNDP, 2010, p. 26). Sierra Leone still has a significant opportunity to raise revenue in a more progressive manner to better finance public goods and services. Rather than passing the costs of funding basic public goods onto households and communities, a greater emphasis on taxing wealth and high-net-worth individuals – through taxes on income, property, and capital gains – would go a long way in making the tax system more equitable while providing the necessary foundations to publicly finance quality education for all.

Endnotes

1. See also Pôle de Dakar et al., 2013; UNESCO, 2015, p. 88

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Part 4

The Need for Global Reforms: Corporations and Philanthropy

Global Taxation is Needed to Finance Education and the Other SDGs

Steven J. Klees, Professor of International Education Policy and Distinguished Scholar-Teacher, University of Maryland, USA

sklees@umd.edu

Summary
The failure to achieve EFA and Millennium Development Goals is liable to be repeated with the Sustainable Development Goals. At present, we rely on the vagaries of self-interest in the Global North to finance the development gap in the Global South. This charity model must be replaced by enforceable global taxation.[1]

Keywords
EFA
SDGs
Finance
International aid
Taxation

At the moment it is difficult to talk about anything other than the pandemic. As I am writing this, Covid-19 has hit the Global North hard and is beginning to upend things in the Global South. It is unclear how long this will last or how bad it will be. Naomi Klein (2014) called climate change a civilizational wake-up call. So is Covid-19! If we are to survive, let alone thrive, we have to do things very differently. One key element in this is the redistribution of national and global resources which is the focus of this NORRAG Special Issue and this contribution to it.

None of the Education for All goals nor the Millennium Development Goals (MDGs) were achieved by 2015.[2] The new Sustainable Development Goals (SDGs) have expanded the Education For All and MDG targets and moved the goal post to 2030. While some argue that we are making progress and that the SDGs represent an enhanced commitment by the international community, I am afraid that the commitment is not there and that we will get to 2030 with none of the goals achieved yet again.

While domestic financing is the focus of this NORRAG special issue, a huge problem has been and continues to be an unwillingness by the international community to put in the resources required to close the gap between what domestic taxation can provide and what is needed. It is estimated that an additional $39 billion is needed each year to meet just some of the principal SDG education targets (UNESCO, 2017). The Global Partnership for Education (GPE), the big multilateral effort to finance the EFA shortfall, has only been able to come up with $0.5 billion a year; 80 times more resources are needed! Moreover, the education SDG is competing with 16 other SDGs. The additional financial requirement for achieving all the SDGs has been estimated at $1.4 trillion annually overall. The most optimistic assessments of the potential for domestic revenue mobilization to contribute still leave a gap of $150 billion each year – and that is likely to be a significant underestimate (Cobham and Klees, 2016).

A major reason that this shortfall has continued and is likely to continue is that the world is relying on the "charity" of the Global North to fill the gap in the Global South. Contributions are completely voluntary. Every three years GPE begs for "pledges" to fill its coffers. Overseas Development Aid (ODA) rests on the whims of donor countries. International agreements, like that made at the United Nations (UN) in 1970, set a voluntary goal of rich nations contributing 0.7% of Gross Domestic Product (GDP) for ODA. Despite repeated exhortations and renewed "commitments" to it, only a handful of countries achieve it and most fall far short. The U.S. spends about 0.13% of its GDP on ODA, less than one-fifth of what has been promised.[3]

One answer to this challenge is to stop relying on global charity – which too often these days is also the neoliberal response within nations to funding domestic social services. What is needed is global taxation, some of which can be implemented within existing national tax structures and some of which need new global structures. Working with ActionAid International and Oxfam International, I helped put together a background paper on this topic for the International Commission on Financing Global Education Opportunity, aka the Education Commission. Its principal author, Alex Cobham, Chief Executive of the Tax Justice Network, and I examined the potential of corporate taxation, a tax on individual wealth,[4] and a financial transaction tax to not only finance the education deficit but all of the SDGs (Cobham and Klees, 2016; also see Cobham, 2017).

Our report considers both global reforms to support domestic taxes and globally levied taxes. Of the former, reforms can help to address the major losses due to international tax evasion and avoidance. Globally, revenue losses due to multinational corporate tax manipulation are estimated at or above US$ 500 billion annually. Revenue losses on income taxes due to undeclared offshore wealth, meanwhile, are estimated to approach US$ 200 billion. Progress in these two areas – which will depend in large part on global counter-measures – can make a vital contribution to closing the domestic revenue gap.

Of globally-levied taxes, a financial wealth tax, as suggested by Thomas Piketty (2014), has major revenue potential. Levied at 0.01% annually, revenues could cover the estimated requirement for additional public financing of all the SDGs. Levied instead at 1%, revenues might plug the entire incremental financing gap. A global financial transactions tax, as initially proposed by James Tobin in 1972, could potentially contribute revenues in a range of US$ 60 billion to US$ 360 billion. In each case, international measures to ensure greater transparency could alternatively support the levying of such taxes at the national level.

There are technical and economic problems that must be faced in moving ODA from a charity-base to a tax-base, but these can be resolved. The biggest barriers are political. For example, the Organisation for Economic Co-operation and Development (OECD) has been working on corporate tax reform, but its scope is much less far-reaching than what is needed. Politically, what is needed is shifting that effort to the UN and expanding it. An appropriately resourced and fully representative, intergovernmental UN-based tax body was a central demand of the G77 group of developing countries, and of many civil society organizations from the Global South and North, at the Addis Ababa Financing for Development summit in July 2015. Unfortunately, this effort was blocked in Addis by a number of OECD governments. The establishment of such a body at the UN was a key recommendation of our report to the Education Commission. Unfortunately, the Commissioners chose not to revisit the Addis debate. Nonetheless, the idea still has broad support and momentum; the chair of the G77 is very much in favour and has made it a priority. The UN has recently established the FACTI (Financial Accountability, Transparency and Integrity) panel.[5] Activists are hoping that they will recommend a UN tax convention which would, in turn, establish a global tax body.

Charity cannot and should not be relied upon to meet the needs of public policy as manifested in the SDGs, as well as in national goals. Relying on charity, as we have historically, is an abrogation of our collective social responsibilities. International assistance to countries in need should eventually be looked in the same way as transfers within the U.S. from the federal government to the States are seen – as a normal part of financing needed social programs. If further justification for global taxation is needed, other than our common humanity, then the talk in the U.S. about reparations for slavery, getting momentum from the Black Lives Matter movement, can be extended internationally. We have lived for a long time in global structures of colonialism and neo-colonialism and reparations from the Global North to the Global South are way overdue. If we want a just world and want to ensure that the SDGs will not be mostly empty promises, the international community must make an enforceable commitment to put its money where its mouth is (also see Klees, forthcoming).

Endnotes

1. This is a revised version of a NORRAG blog post published in 2017.
2. While some claim that the MDG of cutting extreme poverty in half was met by 2015, this is only true if one continues to use the absurd, outdated, cutoff of $1.25/day (Alston, 2020).
3. It is worth noting that in the late 1940s and early 1950s, as a result of the Marshall Plan, the U.S. was spending as much as 3% of its GDP on ODA – over 20 times the effort it puts in today – in order to help war-torn Europe. Such an effort is not on the table today.
4. A tax on individual wealth is made urgent by what I can only call obscene statistics. Oxfam (2016, 2017) reports that the richest 1% own more wealth than the rest of the world combined and that 8 billionaires own as much wealth as the bottom half of the world's population, 3.6 billion people.
5. https://www.factipanel.org/about

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Learning from Philanthropy: Tax Avoidance Strategies by the Ultra-Wealthy

Will Brehm, Lecturer, Institute of Education, University College London, UK

w.brehm@ucl.ac.uk

Summary

Philanthropy has been used as a tax avoidance strategy since its inception. This article details the history of such strategies, which have evolved as tax law changed, primarily in the USA. The contemporary era of philanthropy is dominated by strategies that further the privatization and financialization of public goods, such as education.

Keywords

Philanthropy
Tax avoidance
Chan Zuckerberg initiative
UBS Optimus

Navigating domestic tax regimes through philanthropy has long been a feature of wealth management for the ultra-rich. Andrew Carnegie blazed the trail during the Gilded Age (1870s-1900s). Although a proponent of progressive inheritance taxes in the USA, Carnegie opposed federal income taxes. He believed he was better suited to allocate funds to charitable causes then either the government (through social services such as education) or the recipients of his aid (through higher wages; see Carnegie, 1901, p. 12-13). In the decades before the federal income tax was enacted by Congress in 1917, Carnegie pledged to give away his wealth, similar to the contemporary "Giving Pledge" signed by Warren Buffet, Bill Gates, and Mark Zuckerberg (among other billionaires).

Philanthropy by ultra-rich individuals funded social services the government could (or would) not provide at the time. For instance, although public schools were funded by state taxes as early as the late 1800s, it was not until 1965 with the passage of the Elementary and Secondary Education Act that the Federal government began funding public schools. When the federal income tax was being debated in the early 1900s (primarily to fund war efforts), Senators worried that taxing the wealthy would reduce philanthropic contributions, which had funded myriad private educational institutions after the Civil War. If people such as Carnegie had to pay income tax, Senator Henry F. Hollis opined, then "wealthy men will be tempted to economize, namely in donations to charity" (Congressional Record, 1917). The logic was simple: a reduction in charity because of taxation would increase the burden on the government to finance public services it had until that point not funded. This logic has persisted over time (see Eleanor, 2000, p.21).

The solution to the perceived problem of what I call "philanthropic loss" was to create tax exemptions on income for money donated to charity. For every dollar donated to charity in 1917, a 15 percent deduction could be claimed on one's income taxes. The deduction rose to 30 percent by 1954 and – for taxpayers who contributed over 90 percent of their taxable income to charity (easy to do if one includes capital gains) – unlimited deductions were allowed in 1964, which decreased to 50 percent by 1974. Today, cash donations receive a 60 percent deduction on one's gross income while appreciated assets fetch an additional 30 percent deduction. The message was clear: if philanthropy reduces the fiscal burden on the government, then the government would reduce the tax burden on those who donate.

Tax exemption for donations allowed for new wealth management strategies. Carnegie is again exemplar. Despite his pledge, he was unable to donate all his money before death. Although a verbal supporter of inheritance taxes, he nevertheless made specific decisions near the end of his life to avoid the 40 percent tax that awaited his estate the moment he died. At the direction of lawyer Elihu Root, he founded the Carnegie Corporation of New York, a charitable trust, where all of his unspent money (save a few tens of millions of dollars that went to his family) could be invested for eternity (Nasaw, 2006, p.800-1).

Little did Carnegie realize that starting a charitable trust was an opportune strategy to protect family fortunes generation after generation. Carnegie's friend, John Rockefeller, followed suit by starting his foundation in 1913. In 1938, Henry and Edsel Ford opened theirs. By donating to a foundation, wealthy individuals "avoided more in taxation than they would have received in proceeds for selling shares of stock" (Duquette, 2019, p. 560). As one retired philanthropy adviser recounted of the time:

> *[Taxes] were extremely important because I could give away securities and end up with the same amount of money, after tax, as if I sold them. And if I gave them away, they went where I wanted. If I sold them, they went to the U.S. Government (Cited in Odendahl, 1990, p. 63).*

Receiving a tax break was not the only benefit from giving to charity. Here the Ford Foundation is a case in point. Henry and Edsel Ford not only started the Ford Foundation to avoid taxes, but also to protect their interests in the Ford Motor Company, which Henry had founded in 1903. By donating Ford Motor Company stock to the Ford Foundation, Henry and Edsel (and later their children) maintained voting power in the company, a new reason for the ultra-rich to "give" to charity. Taxes were avoided and corporate power maintained.

Arguing philanthropic donations serve the interests of the rich more than the poor is admittedly a cynical position to take, especially when considering the good works of charity worldwide (see NORRAG Special Issue 04). The argument finds purchase, however, when considering donations in eras when tax benefits for philanthropy no longer matter. President Ronald Reagan's tax reforms in 1981 and 1986 reveal just that: the self-interest of those who give. As taxes were lowered, especially for high earners, the incentive to donate stock (and claim an income tax exemption) instead of selling it (and pay capital gains taxes) evaporated. It was financially prudent not to donate. Between 1980 and 1990, donations by the top 0.1 percent decreased by 50 percent. Overall, donations by 1993 decreased to their lowest point since 1971. When income taxes are so low that the charity exemption is no longer valuable, the ultra-wealthy stop giving.

What then can we learn from the current era? In the world after the 2008 global financial crisis, economic power rests in the hands of financial institutions and the disruptive potential of Silicon Valley tech companies (see Hudson, 2015). These two groups have, like their predecessors, altered philanthropic giving and tax avoidance strategies. With low taxes on ultra-rich individuals and rising inequality, a Second Gilded Age has arrived (Piketty, 2020). There are two recent trends connected to education worth mentioning.

First is the rise of social impact bonds, which finance projects that aim to solve various problems facing society. Often these bonds fund private sector solutions at the expense of public services such as education. The logic is decidedly financial and captures the outcomes attitude of Silicon Valley: investors provide capital for a given project with agreed-upon targets by which to measure success. If the project meets the targets, investors are repaid the principal with interest by an outcomes funder, typically a charitable organization or government. These bonds supposedly reduce the risk on governments and charitable organizations because they only pay for outcomes, not the up-front capital investment of social programs. But the price for the outcomes is expensive because the investors earn a financial return. Moreover, the anti-government attitude is clear: financial instruments better solve social problems than government services. Social impact bonds have therefore furthered the privatization and financialization of public goods such as education.

The Swiss multinational investment bank UBS has pioneered these bonds in the field of education. In one such Development Impact Bond, UBS investors earned a 15 percent return on an investment that funded a non-governmental organization, which operates low-fee private schools, to enrol more girls in Rajasthan, India. The first bank to include a philanthropic arm (UBS Optimus) inside its corporate governance structure, UBS has created a wealth management strategy for the wealthy of today who treat international development like a tech problem: focused on impact, financial returns, and the prestige of supposedly disruptive solutions. "We want to be most things to wealthy people," said John Mathews, head of private wealth management and ultra-high-net-worth individuals for UBS Wealth Management Americas, "not all things to all people" (quoted in Sorvino, 2016).

The second trend is more nefarious. Here the non-profit status of philanthropic foundations is abandoned for designation as a limited liability company. The Chan Zuckerberg Initiative (CZI), established in 2015, has done just that (Reiser, 2018). Built on the fortunes earned from Facebook, CZI has pioneered a disruptive philanthropic strategy that maintains much of the tax benefits of traditional charities while forgoing the legal public disclosure requirement of non-profits. Power is thus concentrated in the hands of Facebook founder, Mark Zuckerberg, and his wife, Priscilla Chan, with limited public oversight. These undemocratic legal manoeuvers within the world of philanthropy are telling, especially coming from a billionaire whose 2010 donation to support Newark public school bypassed public oversight by channelling money through a foundation where then-Newark Mayor Cory Booker was a board member. Russakoff (2015) called this "one of the thornier questions surrounding private philanthropy in public education" (p. 65).

Wealth management strategies by the ultra-rich provide important insights into different eras of taxation and attitudes towards public education. Carnegie is emblematic of the Gilded Age's rapid economic growth, limited tax regimes, and vast inequality. The Fords symbolize the golden era of philanthropy tied to American corporate prowess during and after World War II when taxes were high. The relative absence of well-known philanthropic families in the 1980s captures the neoliberal turn where trickle-down economic theory proved supreme. Finally, UBS Optimus and CZI capture the current moment dominated by finance, disruption, and the search for impact. Despite these changes, the logic of philanthropic loss continues. Government intentionally forgoes tax revenue by allowing charitable tax deductions, hoping wealthy individuals donate not in self-interest, but out of the goodness of their heart. History teaches otherwise.

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How the West Was Won: What Corporates Who Care for Education Should Do

Vernor Muñoz, Head of Policy, Advocacy & Campaigns, Global Campaign for Education, Costa Rica; Former UN Special Rapporteur on the Right to Education (2004-2010)

vernor@campaignforeducation.org

Summary
This article examines the role of the Global Business Coalition for Education (GBCE) in the implementation of SDG4. It analyzes the legal and moral obligations of corporations to contribute to the financing of public education systems, through paying fair taxes in the countries where they profit and proposes that compliance with this payment be adopted as a requirement for membership in GBCE.

Keywords
Corporate
Business Ethics
Tax Justice

This article shares some reflections on the role of the Global Business Coalition for Education (GBCE) in the implementation of the Sustainable Development Goal (SDG) Agenda and specifically its Goal 4: "Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all".

For mysterious reasons, the first reference that came to mind when I decided to write about this was the Metro-Goldwyn-Mayer's (MGM) Western (1962), whose title this article has, which tells the story of four generations determined to conquer the wilderness, triggered by the Gold Rush and ready to subdue or exterminate the original nations under the Whites so called "law and order", supported by the US federal troops.

Perhaps we will not find a modern John Wayne in the GBCE, although some coincidences emerge, when we observe how the occupation of territories is naturalized and how some entrepreneurs understand progress as good businesses, on a framework of opportunities that in the film are set in the Wild West and in our era in education.

Education: Another Gold Rush

Extrapolating the old MGM language, for business seekers, education is the new market's golden territory, where everything is consumable, including learning. However, for many civil society advocates, including the Global Campaign for Education, education is a right that opens the door to other human rights and is the key to sustainable development. That is why education needs state funding in the first place and not charity or philanthropy.

Human rights law includes these aims in several binding instruments, in which education financing is established as a central state obligation. As the Incheon Declaration and Framework for Action states, there is a US $39 billion external financing gap – but this calculation ignores the much bigger domestic funding gap. The only realistic way for countries to deal with this domestic gap is to maximize the revenue available by building progressive and expanded domestic systems of taxation, reviewing tax and royalty agreements in the corporate sector, and closing loopholes, which enable tax avoidance and evasion by the private sector (Global Campaign for Education, 2016). By increasing the share and the size of the budget going to education, countries will have the possibility to expand their education systems, train more and better teachers, improve the quality of teaching and learning, and provide the resources that families need so that their children successfully complete their education cycle.

Tax Obligations: the Wagons of Solidarity and Social Justice

Taxes are usually set through exhaustive legal frameworks, but many companies work very hard to find legal loopholes to avoid paying corporate tax. Aggressive tax avoidance in order to reduce paying taxes and maximise profits may not be moral but it is legal. In contrast, tax evasion is illegal – but this is rarely needed when companies can recruit the best accountants and legal advisers to find their way around existing laws. It is particularly alarming that many big accountancy firms are actively involved in advising governments around putting in place new laws – and then help their clients to find their way around those very same laws. But something has to give if we are to build progressive and expanded domestic systems of taxation so as to deliver on the right to education. The private sector, including multinational corporations, need to pay a fair share of taxes in the countries where they profit.

In this time of profound inequity, in which the richest increase their power at the expense of the poorest, what used to be considered legal does not always qualify as morally responsible anymore. Paying (almost) no tax at all in countries where some of the biggest corporations operate – whilst those same companies make use of public goods and services - is certainly not paying a "fair share" (Gribnau, Jallai, 2017), and, increasingly, civil society campaigners are calling this out as morally reprehensible.

Moral fault turns into hypocrisy when corporations publicize a message of social responsibility; when they declare and market themselves as joyful defenders of education and even participate in deliberative processes on education policies, without first complying with their obligation to pay the taxes necessary to finance education.

The moral faults of big corporates may not be called out in the wild business world, but when companies seek a seat at the education decision-making table, the standards should be higher. Participation in national and international policy spaces on education should depend on companies having a reputation for solidarity, transparency and reciprocity – and paying fair taxes where they make profits is perhaps the most critical indicator of this.

Tax avoidance has a dramatic human cost, as some of the United Nations Treaty Bodies and Special Procedures have shown: "[i]neffective taxation systems, corruption and mismanagement of government revenues from, among others, State-owned businesses and corporate taxation, can limit the resources available for the fulfilment of children's rights" (Committee on the Rights of the Child, 2013), and "business enterprises that knowingly avoid paying tax are purposefully depriving countries of the resources they need to fulfil their human rights obligations" (Sepúlveda, 2014).

Where is the Crisis?

The Global Business Coalition for Education (GBCE) creates a forum where dozen of leading companies can publicise their commitment to education and engage in a range of education policy discussions, without first doing the one thing that could be most transformative for advancing the right to education: committing to pay fair taxes in all countries where they make a profit – without resorting to aggressive tax avoidance strategies. Unfortunately, in the GBCE's initiative on education financing,[1] there is not a single reference to the need for companies to pay their fair share of taxes. There is not a single mention about the impact of this obligation on public budgets, and not even a single commitment to encourage better tax practices by corporates.

GBCE's central framing is about ending "the global education crisis".[2] This is, in fact, a confusing message, since it makes people believe that the obstacles faced by education systems are due to intrinsic problems, that is: the crisis is in education. This is misleading and irresponsible, because it ignores the fundamental factors that underpin the crisis. There is a crisis in education financing and this crisis arises in part from the aggressive tax avoidance by the richest companies that have left public budgets stripped of resources to fund quality public education. There is a tax crisis that the GBCE could play a significant role in addressing – but they have no plans to engage with that crisis.

In face of "the global education crisis", the GBCE nominates its member corporations as "the next generation actionists", in charge of increasing "the skills of employees, the income potential of consumers, and the prosperity of communities where business operates". This proposal seems to be formulated with the intention of undertaking the vision and mission of the GBCE, which aims "to ensure that every child has the best start in life, a safe place to learn, and skills for the future". There is no reference to SDG4 and no reflection of the financing crisis or the real role that the corporate members could play in changing their own corporate practices. They are invited and encouraged to sit at the table and present themselves in an altruistic light without having to change any of their existing practices, without having any bars set or tests to pass. They can present themselves as heroes simply helping to win the West once again.

The GBCE website itself is not very transparent. It mentions the existence of a large number of members, but only the founding corporations and another group called "Member Companies" are cited: 28 in total. After reviewing news and public information available on the internet about these GBCE members, I found that 20 out of 28 are mentioned in serious cases of tax avoidance, tax evasion or other types of legal questioning, and at least one name came up in the infamous Panama Papers database.[3]

Some highlights of the information available from an internet search of the tax affairs of the 28 companies are included below – but I have chosen to remove the names of individual companies as a more comprehensive investigation would need to be undertaken to ensure that quoting specific references would not prompt legal action. Besides, the point is to highlight that this is a pattern of behaviour amongst many companies who are part of the GBCE rather than challenging individual companies. This pattern surely warrants a systemic response from GBCE.

- The companies created "complicated accounting and legal structures that move profits to low-tax Luxembourg from higher-tax countries where they're headquartered or do lots of business".[4]
- The company "has developed a new tax avoidance scheme. This high-interest related party loan, from a Delaware subsidiary, is worth more than AUD$35 billion".[5]
- "…chief prosecutor is investigating a tax structure used by 48 members of … in Portugal, to remit €53 million from Malta companies they used to pay lower taxes"[6].
- "…is close to agreeing to pay between 1.3 billion and 1.4 billion euros ($1.5-1.6 billion) to settle a dispute with Italian authorities over unpaid taxes"[7].
- "…company agreed to pay $586 million and admitted to turning a blind eye as criminals used its service for money laundering and fraud, U.S. authorities said on Thursday"[8].
- "…the massive, $456m fine paid back in 2005 to settle allegations that it promoted illegal tax shelters in the USA – allegations that could well have seen the firm collapse if criminal prosecution had followed"[9].
- "…firms have been accused of "aggressively avoiding" $100 billion (€90.8 billion) of global tax over the past decade"[10].

Conclusion

The most important contribution that most of the GBCE companies could make to education would be to pay fair taxes in the countries where they profit. That would strengthen public systems and set a positive example for mobilizing the private sector towards the realisation of the human right to education. Paying fair taxes is a moral obligation and a prerequisite for those private actors willing to contribute to the debate on education policies. Actively proving that fair taxes are paid and committing to country-by-country reporting should be a requirement to become a GBCE member. Setting this as a requirement would be truly transformative even if introduced now, and even if member companies were given a one-year grace period to review and reform their practices. The time of Covid-19 should be a time for transition and transformation – and this should include a fundamental shift in how the private sector engages with and supports the public sector in education.

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Part 5

Tax and the Privatisation of Education

From Pioneer to Laggard: Disinvestment and Privatization of Education in Uganda

Lena Simet, Ph.D., Senior Researcher on Poverty and Inequality, Human Rights Watch, USA

simetl@hrw.org

Summary

Low investment in public schools can undermine the right to education, especially for children from low-income households. This article presents trends in Uganda, where cuts to public education and the private sector's growing involvement have exacerbated inequalities. It discusses the role of Development Finance Institutions (DFIs) and International Finance Institutions (IFIs), which have long encouraged private sector expansion, and the need to generate more local revenues.

Keywords

Education
Inequality
Privatization
Taxation
Human Rights

Uganda is considered a pioneer in Sub-Saharan Africa in setting the goal to achieve universal access to primary education in 1997. However, in the last decade, progress towards achieving this goal has stalled, and educational outcomes are lower than the regional average in several respects. Only 1 in 4 children who start primary school enrol in secondary school, and less than half of students are literate at the end of primary school (UNICEF, 2015). Low outcomes correspond with low levels of public funding and the subsequent growth of private schools that lack proper regulation undermining the right to education, especially for children from low-income households.

Retrogressive Budgets: A Human Rights Concern

Education is a basic right enshrined first in the Universal Declaration on Human Rights (1948), and then later in both the International Covenant on Economic, Social and Cultural Rights (ICESCR, 1966) and the United Nations Convention on the Rights of the Child (CRC, 1989). It is also in the African Charter on the Rights and Welfare of the Child (UN, 1990). International human rights law makes clear that all children have a right to free, compulsory, primary education, free from discrimination (ECOSOC, 2013). Secondary education should also be available and accessible to every child, and governments need to take appropriate measures, such as the progressive introduction of free education and offering financial assistance in case of need (ICESCR, 1966). Governments also have the obligation to continuously improve conditions conducive to the realization of the right to education and avoid retrogressive measures, which implies that there should be no unjustified reduction in public expenditure devoted to implementing the right to education in the absence of adequate compensatory measures aimed at protecting those who might be affected by the cuts.

In the case of Uganda, the cuts to the education budget that occurred over the last decade were not compensated adequately. Despite a decade of strong economic performance, the share of the national budget allocated to education reduced from 20.3% in 2004 to just 10% in 2019 – well below the regional average of 16% and international standards of 20% (World Bank, 2019). Underfunding has led to a widening of the financing gap in meeting ever-growing educational needs, as the population of school age tripled between 1997 and 2014 (ibid). With already constrained budgets stretched even thinner, teacher absenteeism and the lack of schools in some localities posed severe obstacles to children's access to quality education. Instead of compensating for any negative consequences engendered by the reduction in allocations, the Government of Uganda (GoU) has increasingly relied on the private sector to provide education. According to the government's 2017 school census, about 40% of primary and 66% of secondary schools are privately run (GoU, 2017).

Privatization has not been matched with an adequate regulatory and monitoring framework. In a rush to implement and roll out the Universal Secondary Education (USE) policy in 2007, the government initiated a public-private partnership (PPP) program with private schools to absorb the increasing number of students, without specifying social accountability safeguards or quality standards. Schools received a per-student capitation grant to enrol qualifying USE students, who have a high score on their primary leaving exam, at no additional charge. But the government did not regulate fees in private or PPP schools, which often charge high prices that are out of reach of low-income households. In turn, it reduced investment in secondary schools, leaving children with few options for quality education in public schools (O'Donoghue et al., 2018).

Private Education Exacerbates Existing Inequalities

The rapid privatization and expansion of the USE PPP provoked substantial educational disparities. Evidence by civil society organizations (CSOs)[1] shows that privatization in Uganda discriminates against children from low-income households and especially girls, reinforcing social and economic inequalities (ISER and GI-ESCR, 2014). The probability of completing primary school is higher in urban than rural areas and increases with the relative wealth of the student's household. Only 5% of girls from the poorest quintile attend secondary school, compared to 35% from the richest quintile (UBOS & ICF, 2018).[2]

In Uganda, a high share of education-related costs is borne by parents. In 2014, households contributed 57% to the country's total education financing through fees and other payments, whereas the Government contributed only 34% (World Bank, 2019). Costs are highest in private schools, but even public schools charge considerable hidden fees.[3] For low-income families, even low payments are prohibitively expensive.

Besides, despite the PPP program, access to free secondary school is not guaranteed for all, as it excludes those with low scores on their primary leaving exam. Unless there is a public secondary school in the respective sub-county, children with lower scores need to pay for their place in a PPP school or pay for private school, which effectively excludes most children from low-income families from secondary education. Financial constraints are the most prominent factor for low-enrollment and high dropout rates in Uganda. Nearly one in five of school age children have never been enrolled in primary or secondary school. A 2014 government study found that 81% of households cited a lack of resources as the primary reason for dropouts (Mpyangu et al., 2014).

Private education is thus often not a choice but the only option for parents. This contradicts international human rights law, which defines free and compulsory primary education as a government obligation. Governments should ensure that private providers supplement public education, not supplant it (Singh, 2015). Failing to provide access to all children to free, quality public primary, or not taking measures to ensure the same for secondary education is a violation of the government's obligations.

The Role of Development Financial Institutions (DFIs) and Donors

Uganda has been one of the five top recipients of foreign aid for education, with US$1.6 billion disbursed between 2002 and 2014 (World Bank, 2019). As part of the financial assistance, DFIs and donors, such as the World Bank, the African Development Bank (AfDB), or the United Kingdom's Department of International Development (DFID), have supported the privatization of education with the underlying objective of expanding the provision of education and improving cost-effectiveness.

The World Bank played a central role in advocating for and financing the USE PPP scheme as well as private school expansion. In 2009 it provided a US $150 million loan, with the USE PPP program being one of three components. In 2010, the International Finance Corporation (IFC, the World Bank's private sector arm) and the AfDB launched the Africa Schools Uganda Program to support improvements to private secondary and tertiary schools. The program planned to deliver advisory services and financing to 500 for-profit private schools. Despite the World Bank's commitment to promoting free primary education, the IFC has proclaimed that investment in fee-charging private education is a mechanism for poverty alleviation (Smith and Baker, 2017).

Ugandan CSOs and human rights bodies have raised concerns about the investments in private education and the GoU's ability to fulfil its obligation to provide free and quality education for all children. Evidence from the Initiative for Social and Economic Rights (ISER) (2016) for example shows that fee-charging, for-profit private schools have exacerbated lack of access to schooling and undermined the World Bank's goal of reducing extreme poverty and increasing shared prosperity.

Due to rising pressure from CSOs and human rights groups, the GoU and DFIs have taken the first steps to address some of these concerns. In 2018, the GoU announced phasing out the USE PPP scheme to build public schools instead. And in 2020, the IFC froze investments in private primary and secondary fee-charging schools.

Increase Local Revenues to Meet Growing Education Demand

Shifting education provision back to the public sector requires a considerable increase in public investment in education. To bridge the budget gap, more funds from the national budget will need to be allocated to education, and more public resources will need to be mobilized. Resources are essential for the realization of rights, and resource limitations can inhibit people's enjoyment of their rights. While certain factors shaping resources and budgets are beyond a government's control (such as the current Covid-19 pandemic), others are not. A government's tax policy, for instance, is key to mobilizing resources. As in most countries, the majority of Uganda's budget, 71.5%, is financed through taxes (Alumnia et al., 2015). But tax collection in Uganda is meagre, limiting the overall budget and the public sector's ability to finance its activities. Uganda's tax collection to GDP ratio is 11.7, lower than that of Ethiopia and Tanzania, for example, and well below the Sub-Saharan African average of about 19% and the LIC average of 17% (World Bank, 2019b).

The GoU can do more than it does now to secure adequate resources. For instance, every year, Uganda is estimated to lose about US$ 200 million due to mis- or under-reporting, before counting tax evasion (Jellema et al., 2016). It could collect an additional US$ 272 million by cutting tax incentives for corporations (Archer, 2016). Both figures combined are equivalent to about 4% of GDP, which exceeds current spending on education. However, tax and revenue reforms need to be carefully designed to ensure they do not discriminate against people with low-incomes or informal employment, for example recognizing that regressive taxes, such as user fees, disproportionately affect the poorest.

Conclusion

In Uganda, low and retrogressive education spending and under-resourcing of public primary and secondary schools, exacerbated by inadequate revenue collection to enhance available resources, has led to a situation where inequality in education has increased and educational outcomes have not been improved. The investments in public-private partnerships came at the detriment to public secondary schools and secondary school enrollment, where less than a quarter (24%) are enrolled at this level (UNICEF, 2015). The reliance on the private sector to provide education, which has long been encouraged by DFIs, has undermined the right to education in Uganda, especially for children of low-income households. If Uganda increased its tax-to-GDP ratio to match the regional average of 19% and allocated 20% of that revenue to education (rather than the current 10%), it could more or less quadruple spending on public education, enabling it to put in place a quality system more accessible and equitable for all.

Endnotes

1. In 2014, the two Non-governmental organisations (NGOs), *The Initiative for Social and Economic Rights (ISER)* and *The Global Initiative for Economic, Social and Cultural Rights* (GI-ESCR), in collaboration with seven other NGOs, compiled information for an alternative report on the state of education in Uganda, which was presented to the United Nations Committee on Economic, Social and Cultural Rights at its 54th Session for its consideration of the List of Issues for Uganda.
2. To compare, among boys, 8 % of the lowest quintile and 42 % of the highest income quintile attend secondary school (DHS, 2016).
3. Government schools are not supposed to charge fees, but due to financial constraints, they often charge hidden fees for scholastic materials like pens or notebooks, lunches, or uniforms.

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Allocation of 4% of GDP to Education in the Dominican Republic: The Paradox of Supporting the Private Sector

Elisabeth Robert, Education Officer, Oxfam, Dominican Republic
elisabeth.robert@oxfam.org

Jorge Ulloa, Independent Advisor, Dominican Republic

Summary
Although the Dominican state has allocated 4% of the nation's Gross Domestic Product (GDP) to public education since 2013, the Dominican education system continues to reproduce social segregation. This article shows how the use of public funds contributes to such segregation by supporting private education through transfers to non-profit organizations, grants, tax exemptions and joint management agreements.

Keywords
Capture
Grants
Joint management agreements
Segregation
Tax exemptions
Transfers

Introduction

Why do school segregation and very poor education quality persist in the Dominican Republic when 4% of national GDP has been allocated to public education since 2013? Analysis of the Ministry's expenditure in 2018 shows that a part of that percentage is, in fact, being reinvested in private education. This article explains the tax-related mechanisms used to divert such resources.

A Legal Framework Allowing Tax Incentives and Investments in Private Education

Section 199 of the Education Organic Law of the Dominican Republic (Law 66-97), which is the country's primary document setting the legal framework of education, provides for tax incentives to private education that exempt all donations made by companies to educational organizations of up to 5% of the corporate income tax, and eliminates import tariffs as well as the tax on the Transfer of Industrialized Goods and Services (ITBIS) for materials and equipment for educational purposes.

The Regulation on Private Educational Institutions, introduced in 2000 as an *ordenanza* (i.e., a law) by the National Council of Education, states that such institutions "should receive support and cooperation from official bodies" [our translation].

Finally, the 1954 Concordat between the Dominican State and the Holy See (the Vatican) includes several provisions related to education, such as those under section 21: "The Dominican State guarantees the Catholic Church full freedom to establish and maintain schools of any kind and level under the Ecclesiastical Authority. In consideration of the social benefit they provide to the Nation, the State shall protect them and shall also seek to assist them by means of grants" (Ulloa Morel, 2001; our translation). The 1954 Concordat was followed recently by a series of new joint management agreements between the State and religious organizations that we will discuss later.

Table 1 summarises some of the consequences of these laws and agreements, showing the various ways that private providers benefit in terms of tax.

Table 1: Tax-related arrangements favouring private education in the Dominican Republic

Arrangement	Public policy	Promoters	Effects
Public-private partnerships (PPPs)	Law for PPPs (MEPyD, 2018)	Government, Ministry of Education (MINERD) /National Council of Private Companies (CONEP) / IDB, World Bank	The number of company officers has eventually grown in education-related decision-making processes.
	NEO-RD Project[1]	IDB / Corporate Initiative for Education (EDUCA)	Implementation in 28 polytechnic schools.
Public expenditure	Transfers to non-profit organizations (NPOs)	NPOs	State expenditure: DOP729.5 million (2018)[2]
	Transfers to parishes	Churches and parishes	
	Scholarships to individual citizens	MINERD	800 students benefited in 2017, but at the expense of money transfers to private schools.
School joint management agreements	Conference of the Dominican Episcopate (CED) framework agreement	Conference of the Dominican Episcopate (CED)	Less control by the State over the fulfilment of its education policies. Privileged legal status: the institutions are protected by the public system and get the benefits under the agreements.
	Agreement between the Christian Representation and Round Table (MEDIREC) and the Dominican Confederation of Evangelical Unity (CODUE)	Evangelical churches	
	Other bilateral agreements (including with the Salesians)	Religious organizations not adhering to the framework agreements	
Tax expenditure	Law 179-09	Internal Revenue General Administration (DGII) / Private schools	Incentive to private education. Lower revenue collection and fiscal capacity of the State. More than DOP300 million worth of tax deductions.

Source: Jorge Ulloa, 2020

Transfers from the Ministry of Education to the Private Sector

As summarized in Table 2 below, there are four main types of transfers from the Ministry of Education (MINERD) budget to the private sector: current transfers to Non-Profit Organisations (NPOs) and private organizations, grants to organizations and individual citizens, tax expenditure and joint management agreements.

a. Current transfers to NPOs and private organizations

The total amount of transfers to NPOs (excluding churches and parishes) increased by 4% from 2015 to 2016 and 20% from 2016 to 2017, reaching a total number of 203 NPOs in 2017. Annual allocations per NPO averaged 687,000 DOP between 2015 and 2018. By 2017, the 40 main NPOs out of the 203 on the MINERD list received almost two million DOP per year, compared to 700,000 DOP worth of aid.

In 2018, transfers to private companies were 12 times higher than the investments made in vocational education.[3]

Likewise, transfers to churches and parishes grew by 25% in two years, from 2015 to 2017, reaching a total number of 236 in 2017. The highest quintile averaged almost two million and the general average was 600,000 DOP.

In 2018, parishes received 20 times the amount invested in education for gender equality.[4]

Table 2: Amount of state investment associated with privatization mechanisms

Current transfers from MINERD to NPOs and private organizations	DOP
Private sector (2018)	445,000,000
NPOs and parishes (2018)	729,381,912
Subtotal	**1,174,381,912**
Grants to organizations and individual citizens	
Aid and donations to individuals citizens (2018)	238,200,000
Scholarships and educational travels (2018)	1,266,400,000
Subtotal	**1,504,600,000**
Tax expenditure	
Exemption from the Industrialized Goods and Services Transfer Tax (ITBIS) granted to private education centres	11,830,000,000
Deductions on schools' income tax	73,000,000
Deduction on income tax (ISR) for families that invest in education (2018)	316,000,000
Deductions on excise tax (ISC) and on the use of goods and licences tax	3,100,000
Subtotal	**12,222,100,000**
Joint management agreements	
Church joint management agreements	246,000,000
Subtotal	**246,000,000**
TOTAL	**15,147,081,912**

Source: Jorge Ulloa, based on information from the Dominican Budget General Office (DIGEPRES), 2018.

b. Scholarships to individual citizens
MINERD's 2017 institutional report states that "806 students holding scholarships were supervised in the 94 private education centres they attend within the scope of the Education Regional Offices of Santiago, Santo Domingo 10 and Santo Domingo 15" (MINERD, 2017; our translation). thus facilitating equal access to educational opportunities for the student population (inabie.gob.do).

In 2018, the budget allocated to scholarships and educational travels was 8 times higher than that allocated to research and development in education.[5]

c. Tax expenditure on education
In the Dominican Republic, education at all levels is exempted from the Industrialized Goods and Services Transfer Tax (ITBIS). It was estimated that in 2018 the state waived 11,830 DOP in direct taxes on education due to the ITBIS exemption, that is, 10% of the whole tax expenditure. Next in tax deductions for the education sector is the tax expenditure derived from deductions on schools' income tax, accounting for 73 million DOP (DGII, 2018, p. 22).

As provided for by Law 179-09, the total number of employees, professionals and freelance workers who upon filing their tax returns could include education expenses (on personal education and the education of their direct non-employed dependents) as income exempted from income tax (ISR) has quadrupled in less than ten years. However, the average deduction per capita decreased from 9,900 DOP in 2010 to 7,650 DOP in 2018. Even though as a monthly figure it does not appear to be a large amount (around 630 DOP), it is higher than other education grants such as the School Voucher *Estudiando Progreso* (BEEP), a conditional transfer paying between 250 DOP and 500 DOP per month per student living in extreme poverty (DGII, 2018, p. 22). Among the 10 institutions reporting having received the highest rebates, 6 are private universities and 4 are renowned bilingual schools.[6]

During 2018, the exemptions from ISR for expenses on private education alone were higher than the budget item for opening education centres that required technological tools and equipment. The tax expenditure on education was higher than the investments made in the construction, expansion and restoration of school buildings during the same year (MINERD, 2018, pp. 19 and 98).[7]

d. Joint management agreements
Concerning the privatization of the joint management agreements, the balance is quite ambiguous: on the one hand, the state benefits from private organizations (many of which were wholly public in their origins but were later given away to religious institutions)[8], and on the other hand, it delegates and hands over several administrative functions to individual citizens (Verger, Moschetti & Fontdevila, 2017, p. 46). In any case, it is clear that in recent years a certain framework has been fostered under which both Catholic and Evangelical churches have access to the public budget to support their operations, under the premise that they provide educational services.

The 2018 budget includes an item called "Joint Management Agreements with Churches" (Table 3) with an allocation of 246 million DOP.[9] Far from fulfilling the mandate under the Education Covenant wherein "the State undertakes to promote a nation-wide debate about lay education and/or the inclusion of religion in education" (CES, 2014, p. 12; our translation), these agreements expand the denominational nature of education in the Dominican Republic, which affects the goal that education be also based on the principle of universal access.

Conclusion

In 2018, a total of 15,147,081,912 DOP of the Dominican budget for public education (4% of GDP) was in fact allotted to private education. Such amount equals the cost of the schooling of 261,157 students in the public sector,[10] that is, 54% of the total number of out-of-school children between 3 and 17 years old during 2018.

These transfers and tax exemptions that foster privatization processes are the result of lobbying and legal frameworks that favour those groups that are presented as beneficiaries. In this way, economic elites capture certain financing benefits from education policies that aggravate social segregation (Cañete Alonso, 2018) and make sure that their privileges are maintained or expanded.

In the Dominican Republic, public provision is considered bad quality while private provision is associated with good quality education, and/or with the opportunity for upward social mobility, not because it is linked to good quality education but rather because it represents a socioeconomic differentiating

Table 3: Joint management agreements between MINERD and different religious institutions

Agreements and framework agreements	Date	Term	Enrolment	Management	Education centres
La Vega Diocese, Pontón Centre	2014	25 years	Free of charge	Religious community	1
Santiago Archbishopric/Synergies Cares Foundation	2013	1 year renewable	Unspecified	Mixed	1
Comprehensive Education Centre Padre Fantino	2014	5 years	Unspecified	Religious community	1
Congregation Hermanas Misioneras del Sagrado Corazón	2014	10 years	Free of charge	Mixed	1
Interinstitutional Diocese Nuestra Señora de Altagracia	2014	25 years	Free of charge	Religious community	1
Loyola Polytechnic Institute	2014	4 years	Free of charge	Religious community	2
La Hora de Dios	2014	10 years	Unspecified	Mixed	1
Salesian Community	2014	5 years	Free of charge after 2016	Religious community	11
San Juan de la Maguana Diocese	2014	5 years	Free of charge	Mixed	30
Conference of the Episcopate	2015	Unlimited	Free of charge but not all of them	Religious community	131
Christian Representation and Round Table (MEDIREC)	2017	10 years	Free of charge	Mixed	32
Dominican Confederation of Evangelical Unity (CODUE)	2019	Unlimited	Unlimited	Mixed	Unspecified

Source: Table by Jorge Ulloa, based on information from the Dominican Budget General Office (DIGEPRES), 2018. Colours refer to different religions or religious groups.

factor, that is, belonging to a certain social class that can afford private education. Therefore, reducing social gaps in education requires reorienting state policies related to the private sector and ensuring public investment becomes solely focused on improving the quality of public education.

Endnotes

1. See EDUCA website, http://www.educa.org.do/proyecto/neo-rd/
2. MEPyD. Transfers to NPOs during 2018.
3. 445 million DOP invested in the private sector divided by 35.42704777 million DOP invested in technical and vocational education.
4. 141.8 million DOP invested in churches and parishes divided by 7.1 million DOP invested in gender equality.
5. 1,266 million DOP invested in scholarships and educational travels divided by 156.3 million DOP invested in research and development.
6. 1. PUCMM; 2. Universidad APEC; 3. INTEC; 4. Carol Morgan School; 5. UNIBE; 6. UNPHU; 7. Colegio Bilingüe New Horizons; 8. CE Lux Mundi; 9. St. Patrick School of Santo Domingo; 10. Educación Integral, SRL.
7. DOP180.5 million.
8. Almost all of the larger polytechnic schools are in this group.
9. This figure does not include investment in infrastructure or operating expenses for the upkeeping of those schools under the agreements.
10. DOP15,147 million invested in privatization divided by DOP58,000, which was the average amount per student in terms of schooling in the public sector in 2018. Note that according to the Dominican Initiative for Quality Education (IDEC), in 2018 the total number of out-of-school children between 3 and 17 years old was 483,092.

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Resources Restricting Rights: Fiscal Policy and the Right to Education of Indigenous Peoples in Peru[1]

Sergio Chaparro Hernández, Program Officer, Center for Economic and Social Rights, USA
schaparro@cesr.org

Laura Adriaensens, LL.M. in International Legal Studies, NYU School of Law, USA
laura.adriaensens@hotmail.com

Summary
This article studies the right to education in Peru and argues that recent fiscal policies have placed a constraint on the enjoyment of this right, especially in the case of Indigenous peoples. Focusing on the policy of bilingual, intercultural education, our findings highlight how funding gaps have created significant obstacles to guaranteeing Indigenous peoples quality, culturally appropriate education.

Keywords
Intercultural education
Fiscal Policy
Inequality
Indigenous Peoples

Introduction: Indigenous Peoples in Peru and the Right to Education

In the past few decades, Peru has made significant achievements in terms of reducing poverty and has cultivated an image as a prosperous and resilient economy. However, social progress has not reached everyone equally, which has led to large disparities along gender, ethnic, racial and class lines. While Peru has achieved one of the fastest reductions in income poverty, a comparative analysis of ten Latin American countries shows that the territorial disparities in poverty levels within this country are the highest in the region (RIMISP, 2019). Moreover, there has been questionable progress in human development indicators that go beyond basic access and coverage to consider issues of quality of healthcare and education. As the economic expansion based on the commodities boom grinds to a halt, serious questions arise about the sustainability of the Peruvian economic model and the sufficiency of its investment in rights and services.

Socio-economic inequality in Peru is starkly reflected in profound disparities in the realization of social rights for indigenous people. Peru currently has 55 different Indigenous peoples and 47 original languages.[2] In 2019, poverty in the population with an indigenous first language was nearly double (30.5%) that of those who speak Spanish as their first language (17.6%). In rural areas, speakers of indigenous languages face a poverty rate of 42.5% (INEI, 2020). Indigenous communities face harsh discrimination in the labour market and limited access to educational opportunities. The Peruvian state is also failing to guarantee quality, culturally appropriate education to Indigenous peoples, instead reproducing ethnic and racial segregation and leading to enormous disparities in educational indicators.

Peru has taken steps to close these gaps by establishing public policies for bilingual, intercultural education (BIE), aiming to enable indigenous children to receive education in their native language, with Spanish as a second language. These policies play an important role in repaying the historical debt to indigenous peoples and aim to preserve Peru's diversity of language and culture. However, lack of funding has created significant obstacles to the adequate implementation of these policies. The Covid-19 pandemic will probably exacerbate these challenges.

This article identifies fiscal policy as a key factor in explaining Indigenous peoples' limited access to quality education, and more broadly reflects on the role that tax policy should play in reducing socioeconomic inequality and guaranteeing human rights. In doing so, it first gives an overview of BIE policies, outcomes and challenges. It then explores the role of fiscal policy in guaranteeing the right to education, before setting forth conclusions and recommendations.

The Bilingual Intercultural Education (BIE) Policy

Despite significant progress in ensuring access to education, Peru is facing great challenges regarding both the quality of teaching and the persistence of enormous inequalities in educational outcomes. In the international PISA tests, Peru was one of the countries with the lowest performance in 2015. Less than 50% of students achieved satisfactory levels in reading comprehension, and in the case of indigenous students, only 26% achieved that level (Vegas & Paredes, 2016). Gender gaps in access and quality indicators are enormous, with eight out of ten indigenous women in rural areas not having completed secondary education (INEI, 2007).

Policies supporting bilingual, intercultural education (BIE) are a bold response toward closing these gaps and ensuring that indigenous peoples can live in conditions of dignity and equality. The Peruvian Constitution recognizes BIE as a right, and the General Education Law establishes that the state must guarantee that students are instructed both in their mother tongue and in Spanish.[3]

When policies of BIE are appropriately implemented, they provide superior results compared to Spanish-language education for Indigenous language speakers. The duration of instruction in the mother tongue is the most important factor in predicting successful outcomes for bilingual students (Bonetti et al., 2018). National exam results show important advances in the performance of BIE students in Peru the period between 2012 and 2016, both in schools with multiple teachers and in schools with one teacher for multiple grades (Ministerio de Educación, 2016). In the years 2016-2018, however, there has been a considerable decline in the educational outcomes recorded from BIE. This deterioration, which also appeared in some areas of the general evaluation at national level, has been attributed by the government to external causes such as the devastating socio-economic impacts of the climate phenomenon of "El Niño Costero" in 2017 and the teacher strike of the same year (La República, 2019). However, recent setbacks also need to be assessed against internal causes.

One crucial internal factor is resource allocation, which is far from what is necessary for the fulfilment of Peru's human rights obligations. Indeed, overall educational investment has been persistently low in Peru. While public spending on education constituted about 5.1% of Gross Domestic Product (GDP) for OECD countries and 4.5% for Latin American countries in 2016, Peru spent only 3.8% of its GDP on education (UNESCO Institute for Statistics, n.d.). For Indigenous communities, the investment in their education is even lower: while it is estimated that a quarter of the Peruvian population identifies as Indigenous, in 2017 the budgetary allocation for intercultural bilingual education was only 0.6% of the budget for education, and 0.1% of total public spending. Since 2017, the state's budgetary commitments to BIE have further weakened, and these cuts have heavily compromised the sustainability and quality of BIE, as well as the right to education of indigenous children.[4]

The Covid-19 pandemic will likely further widen the ethnic gaps in terms of both access to and quality of education, as a consequence of the lack of adequate alternatives to in-person classes for communities with little internet connectivity. In 2018, only 15.9% of Indigenous women and 24.3% of men had internet access in 2018, compared with 56.7% non-Indigenous women and 61.2% men (INEI, 2019). While the Peruvian government provided access to tablets to more than 840,000 rural households (Ministro de Educación, 2020) and launched the "Learning from Home" strategy (Aprendo en Casa) aiming to reach Indigenous children through TV and radio lessons in Indigenous languages (Díaz, 2020), the accessibility and quality standards of this strategy are far from those that non-Indigenous households in urban areas have access to (Lechleiter & Vidarte, 2020).

The Role of Fiscal Policy in Guaranteeing the Right to Education

The gap in funding for BIE reflects a deeper structural problem. Fiscal policy is a key factor in explaining Indigenous people's limited access to education, as it determines the extent of available public resources and consequently defines the scope of existing policies in combating socio-economic inequalities. Peru has weak state capacity for collecting sufficient resources to invest in policies that guarantee human rights and, particularly, economic, social and cultural rights.

For decades, Peru has been one of the Latin American countries with the lowest tax revenue collection rates and, relatedly, among those with the lowest investment in social policies. Peru continues to lag far behind the average in Latin America and OECD in terms of tax revenue. In 2017, the average tax burden in the OECD and in Latin America was respectively 14.4 and 2.2 times higher than in Peru. Moreover, IMF studies estimate that Peru's tax efforts in 2013 reached only 53% of the potential collection (Fenochietto & Pessino, 2013). In relation to capital income, dividends for individuals are tax-exempt (Deloitte US, 2019) and only 2.4% of revenue in 2017 came from wealth taxes (e.g. real estate taxes), which is significantly lower than the OECD average of 5.7% and the Latin American average of 3.4% (OECD, 2019). The raw materials boom did not change Peru's low tax revenue collection rates, as the state captured a relatively small percentage of mining revenue in comparison to the regional average, and investment in areas such as education and health resulted in very slight increases as a percentage of the overall GDP placing Peru well behind its neighbours. Notably, Peru has a broad swathe of tax exemptions and other fiscal benefits which largely benefit corporations. Losses due to smuggling, tax evasion and avoidance are estimated at around 7.5% of Peru's total GDP (Castañeda, 2016). With these resources, the State could double the overall education budget. Weak state action in confronting tax evasion and avoidance reinforces the privileged position of actors with greater contributive capacity, further reducing the state's resources and displacing the tax burden on to the rest of the population. Moreover, the country's fiscal management is characterized by serious failures in transparency, participation and accountability that erode tax morale and the people's trust in state institutions (Machado, 2014).

Although several international bodies and domestic actors have underlined the dire need for strengthening Peru's tax revenue collection and the state's redistributive capacity (including the OECD (2016) to which the governments seeks to become a member), vested interests have stood in the way of tax reforms that the country urgently needs (Durand, 2017). Failing to implement these reforms would be prejudicial not only to those who have been left behind by the development model of recent years, but also to those who have so far benefited from it, as the limited progress achieved will not be sustainable over time due to the underlying fiscal weakness of the Peruvian state.

Conclusion

Peru today faces a critical social juncture in relation to Indigenous peoples, who still face deep and disproportionate obstacles to enjoying their rights, including the right to education. In some cases, these disparities put their very existence and the country's ethnic diversity at risk. Despite the progress made to guarantee the right to education of Indigenous peoples prior to 2018, policy efforts and resource allocation are far from meeting the Peruvian state's human rights obligations in an acceptable manner. This article demonstrated that the persistence of high levels of inequality in Peru is explained, to a large extent, by the absence of fiscal policies that allow for adequate and equitable financing of programs that are crucial to the guarantee of social rights. For example, official estimates on the resources lost to income tax evasion indicate that this amount is higher than the total public spending on education (Ministerio de Economía y Finanzas, 2019). The Peruvian case and the issues that arise from it demonstrate the challenges the human rights agenda faces today in addressing fiscal policy and other structural causes of rights deprivations that go beyond minimum essential obligations.

However, the Peruvian state certainly has options available to finance key social policies. The Peruvian state should take steps to more proactively mobilize resources sufficient to provide quality public services to all. Peru should strengthen the redistributive capacity of both the tax system and public spending, to contribute to closing enormous socioeconomic disparities, and make use of innovative, progressive fiscal instruments more broadly, including green taxes and health taxes. The revenue collection potential of direct progressive taxes, such as personal income and wealth taxes, could help to promote sustainable development and reduce the territorial, racial, ethnic, and gender disparities that afflict the country. Lastly, Peru should reinforce a fiscal pact that is more just, transparent and participatory, and contributes to recovering citizens' trust in institutions.

Endnotes

1. This article is based on a report by the Center for Economic and Social Rights, "Un Techo Injusto a los Derechos: Políticas Fiscales, Desigualdad y Derechos Sociales en el Perú". (2019). The full report (in Spanish) is available here: http://www.cesr.org/un-techo-injusto-los-derechos.
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Part 6

Social Movements and Struggles on Education and Tax

How Corruption Undermines Education Financing and Tax Collection: What Can We Do?

Amy Paunila, Independent Consultant, UK

amypaunila@mac.com

Summary

Examining the sensitivities surrounding tax as a domestic revenue source in low-to-middle income countries and the inefficiencies caused by corruption can help to unpack the reluctance to levy and commit tax revenues for education. This paper suggests domestic resource mobilisation through taxation should be supported simultaneously with measures for integrity in practice, and transparency and accountability in financing, in order to rebuild trust in education as a public good.

Keywords

Integrity
Anti-corruption
Transparency
Accountability
Social contract

Education is a driver of social and economic development but underfunding and corruption in the sector weaken its role. In many countries where education suffers from a lack of investment, this is compounded by the loss of available resources through corruption in the form of financial malpractice. At the same time, if ethical values and behaviour are not modelled in the classroom, lack of integrity becomes a social norm and trust in public goods is eroded (Kirya, 2019). This has an impact far beyond the education sector. In the wake of the Covid-19 health crisis, much discussion has taken place on using this moment as a catalyst for countries to reform public service provision and address the inequalities that the pandemic has laid bare. However, the resources to do this are scarce. The recessionary outlook that many governments are taking may mean education budgets will be cut by as much as 10% (World Bank, 2020), as funding is reprioritised towards health, and large-scale external support in the form of international development grants are likely to become unreliable as donor countries scale back. Mobilising domestic revenue through efficient taxing is critical to prevent development progress being reversed, including towards Sustainable Development Goal (SDG) 4; but increasing tax-ratios will be difficult where corruption is evident both in the tax system and in education spending (U4, 2010). Action on tax justice, anti-corruption and accountability in education must therefore go hand-in-hand in order to improve public services and strengthen the social contract between citizens and the state.

The Combined Damage of Underfunding and Corruption

In much of the Global South, systematic underfunding has already led to strains in public education. This has too often resulted in a sector ill-equipped to deliver to growing populations, or to respond to climate change and evolving job skills. Inadequate or poorly resourced accountability mechanisms have allowed both high-level and petty corruption to flourish (Kirya, 2019). This manifests in multiple ways affecting the financial and moral integrity of the sector: from academic cheating to cronyism and nepotism in teaching staff appointments; “ghost teachers” on the payroll; absenteeism of teaching staff working other jobs; bribes offered for school access, or to secure higher grades or to obtain positions of status; abuse of position to exert political influence; bid-rigging in procurement of textbooks and supplies. According to Transparency International's 2015 Global Corruption Barometer, 13% of survey respondents had paid a bribe to teachers or school officials, while other forms of corruption such as fraud, embezzlement and theft are unaccounted for. "Non-compliance" and unofficial "leakages" can happen at many stages in the education financing process, but all place a damaging toll on scant resources. Research in Ghana revealed that out of US $2 allocated per child under the Capitation Grant (school fees abolition policy at basic school level) by the Government of Ghana, only 20 cents eventually reach the child.[1] This means that 90% of the capitation grant money is diverted at various points along the chain.

Diminishing faith in the value of education as a public good will not make efforts to leverage greater amounts of tax from the general population any easier. Accountability and structural reform are necessary – good governance and anti-corruption measures are mutually reinforcing. They are integral to a rights-based approach (Merkle, 2018) and in practical terms, improve value for money (Anderson, 2020). Transforming national tax systems to become transparent and accountable sources of income will not be achieved unless accompanying measures are taken to address the many forms of corruption that can permeate the funding and provision of public services and to re-instil trust where this has been undermined. Yet, establishing trust with education stakeholders while unpacking the reasons why corruption occurs can be a collaborative, constructive learning experience, providing the opportunity for discussions around accountability as well as access and quality.

Examining Underlying Causes of Corruption at Different Levels

To analyse drivers and motivations behind corruption in education, a risk assessment such as the approach developed by the OECD and the Centre for Applied Policy and Integrity (CAPI)[2] Integrity in Education Systems (INTES) (OECD, 2018) can be used. This methodology uses a participatory approach, bringing together education end-users; teachers and other officials involved in education delivery; civil society and unions. Together, in an inclusive, non-confrontational space, they can map power relations and establish weak points in education policy design and implementation. Weak points could, for example, be in the recruitment, remuneration and professional development of teachers. Once identified, weak points can be addressed. To avoid top-down decision-making, jointly developing monitoring systems that include genuine grassroots engagement and legitimacy should be a key outcome of interventions. Involving the local community protects from the unintended consequences of top-down anti-corruption decision-making. For instance, Tanzanian President Magafuli's 2015 directive to abolish all unofficial school fees resulted in the criminalisation of some locally initiated, community-funded school-feeding programs, which impacted negatively on school attendance[3]. Conducting appraisals of different 'value chains', for example, in procurement, helps bridge gaps between petty and grand corruption since there are opportunities for fraud at both levels; many countries are attempting to remedy this by introducing digitised public procurement systems in order to make contracting processes more open and accessible for public scrutiny. This is to be welcomed, however, it is not a quick and cheap route to compliance as it requires infrastructure and training of staff at all levels.

Context is extremely important in addressing corruption – what works in one country does not necessarily serve as a good model to another. Additionally, while risk assessments can serve as a key pillar of a preventive strategy, they are no substitute for good governance, effective management, or appropriate legal and institutional frameworks. Governance reform can be instigated from within the sector itself, but complementary reforms in governance at central level are likely to be necessary. For example, contextual risks could include poor legal frameworks, ineffective law enforcement, a weak judiciary, or a lack of transparency in public financial management. Complaint mechanisms, with guaranteed anonymity and safety for whistleblowers, also need to be put in place, with effective and visible response mechanisms.

Tax Reform and Anti-Corruption Measures Should Be Combined

In response to the funding shortfalls revealed by the Covid-19 crisis, there is a number of short and medium-term options that have been advanced, both internationally and domestically. International support has already been pledged by multilaterals such as the Global Partnership for Education (GPE) with reallocated emergency funds (GPE, 2020). The International Monetary Fund (IMF) has suggested debt restructuring should be considered given that around 40% of countries were in debt distress even before the pandemic (Shalal, 2020). But perhaps most importantly, this crisis provides a strong incentive for countries to move away from aid and to mobilise sustainable domestic resources. Long overdue, taxation reforms increasingly look like viable and necessary alternatives for developing countries to put in motion. To date, taxation across Africa has been ineffective and falls short of the recommended 20% of Gross Domestic Product (GDP). Organisation of Economic Cooperation and Development (OECD) data on tax rates for 26 African countries in 2017 shows an average tax-to-GDP ratio for those 26 countries of 17.2%, compared to the OECD average of 34.2% and the Latin American and Caribbean (LAC) average of 22.8%

(OECD, 2019). These figures indicate that there is room for progressive tax reforms to be facilitated; however, these must be combined with international and local efforts to tackle corruption if these gains are to reap their full benefit.

Unsurprisingly, the presence of corruption in public services negatively influences the public's willingness to pay taxes to finance them. It is often the case that corruption is rampant in the taxation process as well as present in external audits and statistics. Tax administration, in particular, is often perceived to be one of the sectors most vulnerable to corruption: 32% of respondents across 119 countries believe that "most" or "all" tax officials are corrupt (Transparency International, 2017). Ineffective tax levying, tax evasion and loopholes mean public funding potential is not properly realised. In order to build a case for transparent and accountable domestic taxation, strengthening trust in education as a public good must go together with building trust in and legitimacy of the tax system. This forms a virtuous circle: better quality education, leading to a more educated population, means building a wider tax base and thus helps to create 'tax morale'; i.e. the intrinsic motivation to pay taxes (OECD, 2020).

In most industrialised nations, income tax is the recognised means to raise taxes from individuals working in the formal sector, however, this is more complex in much of sub-Saharan Africa, where, for example in Ghana, over 80% work in the informal sector (Offei, 2019). Since trust is a compliance-enhancing 'device' (Kvamme, 2019) it is crucial for the public to see their taxes going into systems for the benefit of the vast majority, and to see links between tax and good outcomes (Carroll, 2011). Tax processes must be clear and accessible, including to those who may be illiterate, and tax officials must be shown to be working with, rather than against the community interests. The independence of statistical offices is good practice to guarantee the quality and reliability of data (OECD, 2019). If rights and responsibilities of rights holders and duty bearers are accepted around taxation, then tax avoidance is minimised. The overall challenge is not only to tax more, but to tax better: making taxation more predictable, transparent, efficient and fair.

The fight against corruption must also be maintained globally. Leakage of funds from developing countries regularly dwarfs the inflows of development assistance they receive and it has been officially recognised (AUC/ECA, 2015) that combatting Illicit Financial Flows (IFFs) contributes to improved domestic resource mobilisation. As these involve cross-border transactions, all countries implicated need to take action, however, obstacles to this come from different definitions of the term. Developing countries consider IFFs to include tax evasion and avoidance, transfer-pricing and profit-shifting, while many developed countries take the position that apart from tax evasion, these practices are not actually illegal (U4, 2020). Donor countries may therefore be taking the ironic step of funding anti-corruption initiatives in a country while their own unregulated fiscal policies are facilitating funds out of them. As the question of financing the SDGs looks increasingly pertinent it is good to see this aspect is being taken more seriously, with the recent launch of the High-Level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda[4] with a view to strengthening international cooperation on IFFs.

Education should be receiving the financing it deserves. Maximising available resources requires both progressive tax measures and anti-corruption measures – and seeing these as hand-in-hand should be integral to national and international efforts. Schools have a pivotal role in establishing and modelling positive social norms and values of fairness, accountability and transparency and this begins with integrity in education. Only then can a social contract around public financing of education as a human right and a public good be upheld.

Endnotes

1. Interview by the author with Action Aid staff on February 20, 2020 in Accra, Ghana.
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3. From the author's discussions with a local NGO and teachers in Tanzania, April 2019.
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Linking the New Debt Crisis to Tax and Education

Jo Walker, Independent Consultant on Financing of Public Services, UK

Jo.walker@gmail.com

Summary

It becomes increasingly difficult to make the case for expanding tax revenue as a strategy for increasing financing on education and other public services when there is a new debt crisis and large percentages of national budgets disappear on paying old debts. Education advocates need to be as engaged on the debt crisis as they are now becoming on tax justice.

Keywords

Debt
Education
Tax justice
Covid-19

Covid-19 is widely expected to trigger an economic crisis, with a dramatic impact on public finances and the capacity to sustain investment in public services. Within weeks of the pandemic taking hold, there was a clamour for countries to be allowed to suspend debt servicing so that they could channel all existing national revenue towards a comprehensive response. This would be quicker than waiting for aid or new loans. In the process, many people became aware of the scale of the new debt crisis for the first time. Indeed, the inevitable debt crisis that the world has been moving slowly towards was suddenly also turned up to warp speed as countries channeled funds to and borrowed funds for Covid-19 response packages.

In recent years developing countries' average annual debt payments have been increasing. After the 2011 low of an average of 5.4% of government revenue being spent on debt service, International Monetary Fund (IMF) statistics show that average debt payments increased to 12.1% of government revenue in 2015 and up to 13.9% in 2017 and they are projected to continue rising through to 17.9% of government revenue in 2022. These are averages and some countries face much higher percentages already. Sudan is most catastrophic, having to use 85% of its revenue to pay back debts – but Ghana, The Gambia and Zambia are all paying over half of their national budget, and Sierra Leone, Congo and Kenya pay over a third of the revenue they raise to service debts.

In 2019, the Jubilee Debt Campaign reviewed 60 countries and found that exactly half of them were spending over 13% of government revenue in paying back debts. This was found to be the cut-off point for when debt servicing impacts negatively on public spending. Countries paying over 13% of their budgets on servicing debt, on average cut public spending per person (taking account of inflation) by 6%. Countries spending under 13% on debt servicing actually increased real spending on public services per person by 14%.[1]

The immediate impact of debt servicing on spending on education can be seen clearly in the following table. In too

Table 1: Debt servicing in 2019

Country	2019 Debt Service as % of Government Revenue	Country	2019 Debt Service as % of Government Revenue
Sudan	85.97	Tanzania	19.54
Ghana	59.00	Senegal	18.43
The Gambia	51.80	Myanmar	16.84
Zambia	50.99	Niger	16.53
Sierra Leone	42.99	Benin	16.19
Congo-B'ville	42.65	Togo	15.68
Kenya	35.97	Chad	14.70
Bangladesh	29.00	Rwanda	14.56
Mozambique	26.54	Ethiopia	12.67
Malawi	20.28		

Source: Who Cares for the Future: finance gender-responsive-public services, based on data supplied by the Jubilee Debt Campaign.

many countries debt servicing was either bigger than, or a sizable rival to, education budgets in 2019 – even before Covid-19 hit. These are also some of the countries that have the furthest to go in the shortest amount of time in scaling up towards the 2030 Sustainable Development Goals.

Table 2: Debt servicing as a percentage of spending on education

Country	2019 Debt Service as % of Education spending	Country	2019 Debt Service as % of Education spending
Congo-B'ville	346%	Togo	84%
Ghana	237%	Central African Republic	109%
The Gambia	216%		
Kenya	156%	Liberia	100%
Zambia	179%	Uganda	79%
Sierra Leone	183%	Haiti	62%
Bangladesh	116%	Mali	46%
Malawi	118%	Ethiopia	46%
Mozambique	113%	Madagascar	44%
Benin	86%	Burkina Faso	43%
Tanzania	94%	Niger	36%
Rwanda	114%	Nepal	31%
Senegal	74%	Afghanistan	13%

Source: Jubilee Debt Campaign and ActionAid, using IMF / World Bank data

If countries were able to bring their debt servicing back down to a manageable level of 12% of national revenue, the effects would be transformative. In Bangladesh, debt servicing currently runs at 29% of government revenues, or 116% of the education budget. If it was at 12% of overall revenue this would yield an additional US$ 5.5 billion to spend on public services. The equivalent step in Ghana would yield an extra US$ 5 billion available, and in Kenya over US$ 4 billion. These are the sort of sums that could transform public education systems and other public services. For instance, in Ghana, if just 20% of that new revenue was then allocated to education, this could generate around US$ 1 billion, and just half of that could pay for: a place to every child (pre-Covid[2]) who was out of primary and lower secondary school;[3] the salary for 50,000 newly qualified teachers;[4] and free school meals for 1 million children (Aulo et al, 2019).

Linking Debt, Tax and Education

The new debt crisis interacts with tax and education in various ways. When such large amounts of money disappear to pay old debts, it can be difficult to justify increases in taxes – because people will not see the benefits in terms of spending on public services. Yet it is in exactly these cases that action to expand tax revenue is most urgent – as without increasing national revenue there is no prospect for getting out of the spiral of debt.

One problematic response has been to try to make debt servicing invisible in calculations of education spending. The main statistic used to measure government commitment to education is the share of national budget allocated to education. In line with the Incheon Framework, this should be between 15% and 20%; the Global Partnership for Education (GPE) makes it a requirement that countries maintain or increase their domestic spending towards or above a 20% share to be eligible for GPE support. However, in 2017 GPE made a quiet shift in the way that they calculated the budget share. For many years, the UNESCO Institute of Statistics collected data on budget shares looking at the share of total government revenue. GPE shifted the goalposts to measure the budget share of total government revenue after debt servicing.

This is wrong in two ways. First, it gives the illusion of rapid progress - making it easier for countries to appear to be spending a good share of their national budget on education, even when they may be cutting back in reality. Secondly, it makes debt invisible - which means that education advocates fail to recognise the extent to which debt is undermining spending on education. Let us take the example of a country that has to spend 50% of its budget on debt servicing. If they spend 20% of the remaining revenue on education, then they hit the GPE benchmark. But actually, spending that amount is spending only a 10% share of the total government budget. That is a dramatic difference.

Causes of the Debt Crisis and Potential Solutions

The reasons for the new debt crisis are complex and vary from country to country. The roots, of course, lie in the long history of unbalanced development owing to the legacy of colonialism. Global institutions who set norms for countries continue to play a role: the terms of trade under World Trade Organisation (WTO) rules tend to exacerbate the situation as do the continuing insistence of the IMF on fiscal consolidation. The collapse of commodity prices since 2014 has left a massive hole in revenues for many countries and the situation has not been helped by the proliferation of public-private partnerships which saddle governments with debt risks in order to incentivise private partners.

The historically low-interest rates in rich countries since the financial crisis have also been a big factor – encouraging lenders to seek higher rates of return in riskier investments in developing countries. Many of these deals were agreed through opaque backdoor deals during the commodity boom, but this has now left citizens shouldering the burden as economics contracted as commodity prices plummeted.

As the United Nations Conference on Trade and Development (UNCTAD) puts it, many governments 'have been sucked into an unstable financial world geared to short-term trading in existing assets, prone to boom and bust cycles, with baleful distributional outcomes and large debt overhangs that act as a persistent drag on the real economy' (UNCTAD, 2019). In short, lenders were too willing to lend, borrowers were too willing to borrow, and everything happened with very little transparency or accountability.

Heavily indebted Mozambique, for instance, highlights this. In 2016, Mozambique admitted to US$ 1.2 billion of previously undisclosed lending, and defaulted on payments to a commercial lender.[5] This prompted the IMF and foreign donors to cut off support, triggering a currency collapse and a default on the country's debt. It also saw an IMF imposed austerity push effectively capping public spending, leading to the cessation of a year-on-year commitment to increase teachers by 10,000 per year.[6] Nigeria also offers a similar story. As oil prices plummeted and debt servicing ate into a tiny but ever-decreasing revenue pot[7] in June 2020, in the midst of the Covid-19 pandemic and economic fall-out, the Nigerian government announced a shocking 54% reduction to the education budget – coupled with a 50% cut in health spending.[8]

There are potential solutions to this new debt crisis. The acknowledgement of 'climate debt' has opened up discussion of a new automatic financing mechanism, including debt relief, to be part of the Warsaw International Mechanism on Loss and Damage within the United Nations (UN) Framework Convention on Climate Change (Sitefane & Belfon, 2019). There is growing momentum around processes to reform debt contracting processes so as to prevent future crises (for example drawing on Eurodad's 2011 Responsible Finance Charter). The demand for action could tilt quickly if heavily indebted countries made credible threats of repudiation or default – which is the only bargaining chip that many countries have. More realistic may be processes to reschedule debts. Eurodad has done exciting work to lay out what a debt workout mechanism may look like.

Opportunities Post-Covid

Following the coronavirus pandemic there is added urgency to address the debt crisis. There is a compelling case for developing country governments to announce an immediate suspension of all debt payments to all creditors (public and private) through at least to the end of 2021. Beyond that date, they should radically renegotiate debt servicing to ensure that they are never paying a total that is more than 12% of their national budgets. Now more than ever, education advocates need to seize this opportunity as well as respond to the threats.

By suspending debt payments immediately, developing country governments gain access to tax revenues already in their treasuries to provide a comprehensive response to Covid-19. This is much quicker than waiting for an international process to provide grants or decide on debt relief. Governments could announce this unilaterally but doing so multilaterally (through bodies such as the African Union), would reduce the chances of retaliation via penalties and the cutting off of future access to capital (though the extreme circumstances alone should prevent most creditors from resisting). Eurodad estimates that the suspensions of payments to all creditors through to the end of 2021 would free up US$ 50.4 billion for low-income countries alone (higher if middle-income countries do so as well).

The IMF and World Bank have already requested G20 leaders to act by suspending bilateral debt payments but much more is needed. New loan and grant mechanisms have also been put in place but worryingly, David Malpass, the President of the World Bank, seemed determined to maintain business as usual, even in late March declaring that to access World Bank support 'countries will need to implement structural reforms … to foster markets, choice and faster growth prospects'.

Unfortunately one of the global financing mechanisms for education that is trying to get off the ground in the midst of the pandemic is the International Finance Facility for Education (IFFED). This mechanism is based on incentivising multilateral development banks to lend money to lower middle-income countries wanting to invest more in education. In the context of a mounting debt crisis that threatens education spending, surely the solution to financing education cannot lie in taking out more loans through mechanisms such as IFFED.[9]

Conclusion

As education advocates engage with strategic financing issues such as the size of the national budget and the importance of action on progressive tax, it will become more important to engage also on the impact of debt. Firstly, because world leaders have a window of opportunity to act fast and decisively. Secondly, because calls from debt campaigners are placing this squarely on the international agenda. But thirdly so our most vulnerable children do not get left behind; they need increased investments now more than ever. Covid-19 created an immediate shock that led to the largest disruption of education ever, with schools closed in more than 160 countries, affecting over 1.5 billion students. The aftershocks will go on for longer: 24 million children are expected never to return to school, and the furthest behind are predicted to fall irrevocably behind.[10] It has never been more important to invest more; yet debt servicing is eating away at budgets in a way which makes that impossible. It is vital that education campaigners and tax justice advocates join forces with debt campaigners to help show the world the urgency of now for this generation of young learners.

Endnotes

1. See Who Cares for the Future: Finance Gender Responsive Public Services, ActionAid 2020
2. This figure is likely to be larger after Covid-19
3. UNESCO Institute of Data shows lower secondary OOS to be 299,372 and primary to be 35,432 in 2018 data (latest year), per pupil spending is US$234.13 at lower secondary and 114.8 at primary this is from 2014 (latest year available). All data downloaded in July 2020. http://data.uis.unesco.org/#
4. We used the official salary scales for all school teachers (provided from gov Ghana based on data provided to AAI Ghana) of Ghana Cedi 18,648 annually converted to average US$ 2018 figures (using World Development Indicator data)
5. Eurodad website, Accessed March 30, 2020: https://eurodad.org/Mozambican-debt-crisis
6. UNICEF (2018). Education Budget Brief
7. Nigeria tax to GDP was just 5.6% in 2017. They also raise 2.5% of GDP from non-tax revenues (such as oil) in 2017. See https://www.oecd.org/tax/tax-policy/revenue-statistics-africa-nigeria.pdf
8. See: https://www.csacefa.org/index.php/education-financing-withdrawn-your-request-to-reduce-education-by-54-immediately/
9. See https://www.campaignforeducation.org/docs/statements/GCE_position_on_IFFEd_Sept_2019.pdf
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Renewal of Basic Education Fund in Brazil: Disputes on Funding and Federal Distribution

Andressa Pellanda, General Coordinator, Brazilian Campaign for the Right to Education, Brazil
andressa@campanhaeducacao.org.br

Daniel Cara, Professor, Faculty of Education, University of São Paulo, Brazil
daniel.cara@usp.br

Summary
The last few years have been ones of intense debate in the Brazilian National Congress about the Basic Education Fund (Fundeb) seeking ways for this temporary mechanism to become permanent and improved. Debates on privatization of education and on tax justice are key elements in these discussions. This article sets out to analyze discussions around the amount of financing for Fundeb, funding sources, federal decentralization, and privatization proposals, presenting the active interest groups advocating on different sides of the agenda.

Keywords
Fund
Tax justice
Privatization
Decentralization

Introduction
Among the main structural policies implemented for basic education in Brazil, the Fund for Maintenance and Development of Basic Education and Valorization of Education Professionals (Fundeb) is the most successful (Pinto, 2015; Cara & Pellanda, 2017). This is the conclusion of research that we presented in 2017 at the Latin American Congress of Political Science (Alacip). In this research, we evaluated the design, implementation and monitoring of three major structural policies for basic education: Fundeb, the National Education Plan, and the Teachers' Salary Floor. Fundeb was the only one of the three policies to be fully implemented (Cara & Pellanda, 2017). The Education Plans that have been provided for in the Federal Constitution since the re-democratization of Brazil in 1988 have always been ignored and only half of all states and municipalities manage to fulfil the Teachers' Salary Floor – today from a minimum of R$ 2,886.24 (~ US$ 525.85) for a 40-hour week.

Fundeb has had some clear success in terms of increasing enrollment but there are some continuing concerns about quality and about its sustainability. The Cost of Quality Education per Student (CAQ) mechanism, which calculates a quality standard in education, establishes the need for a much larger investment by the federal government than is provided today: from 10% of federal contribution to the Fund it is necessary to jump to 40% (BCRE, 2019). This is what is necessary to pay for that Teachers' Salary Floor for all education professionals in a school with a minimum quality structure (BCRE, 2018).

Effective since 2006, Fundeb has an original expiration date in December 2020 and the last few years have been ones of intense debates in the National Congress for the transformation of Fundeb into a permanent fund, which is better resourced and with more effective mechanisms for collection and distribution of resources. The debates have not been easy or harmonious. Vigorous arguments have emerged around the amount of financing, the sources of funds, the level of decentralization, the proposals for privatization, and the means to evaluate this policy. Parliamentarians, NGOs, academics, activists and private actors have all been involved in debating where does the money come from, where does the money go to and how to measure if the mechanism is working. In the process, clear interest groups have emerged that are disputing the final text of the law.

Mapping Actors and the Main Points of Dispute

There are two main groups involved in the fight for the future direction of Brazilian education (Pellanda, 2019; Chamber of Deputies, 2020) – one that supports the expansion of financing through tax justice, and one that opposes extra financing and is premised on a minimalist view of the State, supporting privatization as a solution.

Group 1 is formed primarily by representatives of subnational governments (states and large municipalities), NGOs, social movements, professional associations and research associations, as well as parliamentarians in opposition to the present Federal Government. This group argues for the need to guarantee minimum quality standards, through CAQ, with adequate investments for this purpose (40% of total funds sent from the federal government/union to the states). It also argues for a genuinely redistributive system that takes into account student enrollments and inequalities, avoiding a situation where money is taken from a less poor state to give it to an even poorer one. Another concern of this first group relates to the evaluation system that is used – which needs to go beyond narrow test scores such as Basic Education Development Index (Ideb) that measure a very limited version of quality. Finally, this group asserts the importance of public money going to public education, resisting the use of vouchers that literature shows are not efficient and do not advance quality (Ravitch, 2011; Ball, 2016; Treviño, 2018).

On the other hand, Group 2 is composed primarily of business representatives (such as the Todos Pela Educação, a coalition of hundreds of companies) and deputies linked to Jorge Paulo Lemann (one of the richest Brazilian businessmen today); members of the Federal Government of President Jair Bolsonaro; and representations of small wealthy municipalities in the south of the country. This group argues that federal resourcing of Fundeb does not need to increase much, and that most financing should come from states and municipalities. They are also in favour of reallocating existing funds rather than allocating new funds and they prioritise the distribution of resources based on the results of large-scale evaluations. Some members of this group (especially those connected to right-wing parties – such as Tiago Mitraud from Partido Novo) also advocate the use of vouchers.

This second group represents private sector interests and has a minimalist view of the state and public policy. They promote a vision of education that falls below the standards already established by the low ceiling of existing policies. They are supportive of economic austerity and accept a stratified education system tiered based on the ability to pay, leaving a very poor model for the poorest which would amount to little more than training children to fulfil cheap labour roles. This would violate the right to education and perpetuate the present unfair social system in Brazil, which is already recognised as one of the most unequal countries in the world (World Bank, 2018).

Proceedings of Proposed Constitutional Amendment 15/2015 and Political Route Changes

The first draft of the proposal that Deputy Dorinha – rapporteur for Proposed Constitutional Amendment (PEC)15/2015 – presented, in September 2019 (Chamber of Deputies, 2019), offered some positive signs to the first group who advocate for increased resources for public education. The proposal resonated with those who are seeking tax justice and opposing privatisation and who want to see the government committed to better redistribution of resources. This draft text of course deeply dissatisfied Group 2 which includes the present presidency of the Chamber of Deputies (that is the driving force for the present round of austerity in Brazil).

Group 2 did not wait long to press for major revisions and retreats. Maia, the President of the Chamber of Deputies threatened that "either the discussion of Fundeb in Congress will go to the real world or it will have to be stopped and frozen until 2020", suggesting that the proposed draft was unrealistic (UOL, 2019). He complained about the influence of the teachers' lobby and asked for an "expenses efficiency diagnoses" from Congresswoman Tábata Amaral (PDT-SP), the same person who stated that with ~US $70 per student per month (US $840 / year) it is possible to provide quality education. She is author of the Amendment 03, with deputy Felipe Rigoni (PSB-ES), that argues for a much-reduced Union contribution to Fundeb based on simplistic econometric studies linked to large-scale assessments of financing per student (Chamber of Deputies, 2020). A combination of these actions and sustained pressure from Group 2 led to a second draft presented in March 2020 which reverse almost all the positive elements in the first draft.

Despite all the compelling evidence presented on the need for greater investments by the federal government in basic education, the group arguing for a minimalist state seemed to have won. Even in the context of Covid-19, the Brazilian National Congress maintained a ceiling on social spending – defying national and international recommendations (United Nations, 2020). This reflects a wider setback for human rights and for democracy in Brazil in recent years. Due to his predilection for cutting social spending, President Bolsonaro's Minister of Finance, Paulo Guedes, has the nickname 'scissor-hands' and he is surrounded by many other ultra-conservative politicians.

Despite the setbacks in the second draft of the law, the good news is that Group 1 did not give up. Educational movements mobilized on a massiave scale, including four days of intense mobilization on social networks and online pressure on all parliamentarians. This national activism made anyone who opposed more funding to Fundeb to appear to be against education itself – and this shifted the ground. In the Chamber of Deputies, a victory was won that requires 23% of federal resources to be allocated to Fundeb (up from 10%), with the explicit inclusion of CAQ (to determine the costs needed for quality education) and with a hybrid system for distribution of resources for public education.[3] After many struggles, on 25 August 2020 the Fundeb text was finally approved unanimously in the Federal Senate. At last, the fight for sustainable financing of public education has been won and Fundeb is now permanent and established in the constitution. There will be further struggles and intense debates ahead, for example, to ensure effective implementation and regulation and to ensure that there is also action to deliver on tax reform.[4]

Notes

1. Andressa Pellanda is the general coordinator of the Brazilian Campaign for the Right to Education. She is a master's degree student in Science-International Relations at the University of São Paulo (USP), she has a postgraduate degree in Political Science (FESP/SP) and holds a BA in Social Communication with accreditation in Journalism (USP). Brazil. andressa@campanhaeducacao.org.br
2. Daniel Cara is professor at the Faculty of Education of the University of São Paulo (USP) and is a member of the Steering Committee of the Brazilian Campaign for the Right to Education. He holds a PhD in education (USP), a MA in Political Science (USP) and a BA in Social Sciences (USP). Brazil. tojeira.cara@gmail.com
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Movement Building on Higher Education and Tax Justice: Lessons from South Africa

Beathe Øgård, Board Member, Global Campaign for Education (GCE) and the Norwegian Students' and Academics' International Assistance Fund (SAIH), Norway

beathe.ogard@saih.no

Peter Kwasi Kodjie, Secretary General, All-Africa Students Union (AASU), Ghana

secgen@aasuonline.org

Summary

Access to universities is now dependent on tuition fees rather than tertiary education being financed by taxes, and thus available free at the point of use. This article explores how we can connect movements like Fees Must Fall with tax justice movements to show that there are alternative ways of financing higher education. It also discusses how student union voices can align with wider movements to defend public education.

Keywords

Tax
Education
Fees must fall
Student and teacher unions

Education is an inalienable right of every human being: governments across the world have made various commitments in their constitutions, laws and policies to ensure that their citizens get the opportunity to be educated. The benefit of education to both individuals and society as a whole cannot be over-emphasized – from freeing individuals from the shackles of ignorance, poverty, and disempowerment, to endowing them with the capability to take charge of their destinies. Education enables human beings to fulfil their potential as well as contribute to national development, social progress, and the transformation of the world. The capacities, dignity and wellbeing of people are improved through the fulfilment of their right to free public quality education. It is therefore crucial that political leaders of every country fulfil their commitments to provide sustainable and predictable investments in education to ensure equal access, inclusiveness and sustainability of education provided to all citizens.

Effective and sustainable education financing, especially for higher education, is necessary to ensure the sustainable improvement of countries: ensuring human capital in a country can develop to the highest level is key to driving national development. However, financing of higher education has over the last decades become more expensive as there is a rapid surge in demand, meaning more young people than ever before are enrolling in tertiary education, particularly in low- and middle-income countries (SAIH, 2018). Since 2000 the gross enrolment ratio in Eastern and Southern-Eastern Asia and in Latin America and the Caribbean has increased from 25% to 40% (UNESCO, 2018). Costs of financing higher education are also increasing in order to finance the need for more faculty members with salaries to be paid – in addition to supporting ballooning student services (SAIH, 2019). In many countries, the rise in demand for higher education has been associated with a stark fall in state funding with resources increasingly competing with the prioritisation of providing basic education since the Jomtien conference in 1990 and Dakar conference in 2000. This has led to a rapid privatisation of higher education and the charging of high tuition fees. This higher education privatization agenda is increasingly supported by a wide range of international actors such as the World Bank, UNESCO, the OECD, and substantiated through research and policy reports, such as from the Education Commission (SAIH, 2018). The report from the Education Commission issued in 2016 "The Learning Generation Investing in Education for a Changing World" represents the first comprehensive effort to analyse and make a case for increased funding and investment in education. Regarding higher education, the Education Commission makes a strong case for privatization and for a stronger role for non-state providers. All of this profoundly impacts the capacity of citizens to have equitable and equal opportunities to access higher education. Unfortunately, in many countries, the extent to which students are successful in being enrolled in universities is now more dependent on their ability to pay tuition fees than their academic abilities (SAIH, 2019). In these cases, higher education is no longer financed by taxes and available for students free at the point of use.

The dilemma we face now is how to strengthen and further develop a sustainable funding model for higher education as a public good, which successfully can compete with the "private benefit" characterizations of higher education which currently dominates the policy discourse (SAIH, 2019). Currently, tuition fees have been widely accepted as the way forward to finance the rapid demand for higher education and most countries have adopted this cost-sharing structure. In contrast, several countries, such as Germany and the Scandinavian countries, offer a model of higher education that is 100 % financed by the state (meaning having a no-fee or only nominal tuition fees policy), and others such as South Africa offer a partial or subsidized model (SAIH 2019). Some agencies such as Margaret Mcnamara Memorial Fund and International Foundation for Science offer scholarships and research grants for students in higher education from developing countries.

A notable case that shows explicitly the rising cost of higher education and tensions over who should pay for it, is the 2015 riots by university students in South Africa over a proposed increment in fees. The #FeesMustFall campaign was organized by students in South Africa who protested on their university campuses to demand a fee-free education system (Kamden Kanga, 2018). Students adopted radical nonviolent strategies to push forward their demands to government stakeholders (Mavunga, 2018). In some campuses, students shut down the campus and refused to attend the lectures. Unfortunately, elements of the Fees Must Fall movements also resorted to violent tactics such as damaging property, something that risked undermining the legitimacy of the movement and the majority of the peaceful protesters. Throughout the campaign, the protesting university students had come to realize that unless the status quo – the normal functioning of an unequal and colonized educational system – is disrupted with fierce protest, the situation for higher education in South Africa was unlikely to change.

The unrelenting efforts of the protesting students caused the South African President at the time, Jacob Zuma, to meet with the various stakeholders in education, including university leaders, vice-chancellors, and representatives of youth and students to discuss the challenges. A Commission of Inquiry was thus established, which made recommendations to the President on the next steps. To address the gross underfunding in the education sector, the President agreed to implement the recommendations of the commission, key among them being an increment in the government subsidies to universities and public Technical and Vocational Education and Training (TVET) from 0.68% to 1% of the Gross Domestic Product (GDP).[1] Subsidized free education and training was extended to the poor and working-class South African students in all public TVET colleges starting in 2018, phased in over 5 years. These students were funded through government grants and not loans.

The Fees Must Fall campaign was largely successful in increasing the number of students who have fee-free access to higher education in South Africa. It also brought to light the fact that states cannot continue to shift the burden of financing higher education from the state to students and their families without reactions. Equally, states cannot solely fund education.[2] It was made clear in the commission's report that the South African government cannot grant free higher education to all its citizens. Therefore, there is a role of existing and future means-tested loan and grant schemes, but these need to be developed fairly and transparently, to ensure equitable access to higher education (SAIH, 2019).

Student mobilisation was central to the success of the Fees Must Fall protest – and similar mobilisation also emerged with the Rhodes Must Fall campaign which began in University of Cape Town, South Africa in 2015 and quickly spread to Oxford University in the United Kingdom (UK). The Rhodes Must Fall campaign aim was to remove the statue of Cecil Rhodes from the University of Oxford, stamp out racism in British universities and decolonize the educational curriculum (McKie, 2018). The Rhodes Must Fall protest against racism and imperialism has been reignited following the death of George Floyd in 2020. Protesters have made the case that "Black Lives Matter", and that black people across the globe deserve justice and freedom.

There are connections between these movements. When students have to pay directly for their tuition, those from more affluent families (and those whose parents went to university) have the easiest access. Those who come from more excluded groups, including those from black communities, are less likely to access university – and elite practices are thus perpetuated. Ensuring higher education is free at the point of use is crucial to change the profile of student intakes and is thus connected to the demand for decolonization. Ending the elitism of higher education institutions depends on countries making effective and efficient utilization of the country's domestic resources (OECD 2012). Tax remains the main way for national governments to raise domestic revenue and therefore provide services for their population, so how to expand the tax base fairly needs to be a focus of much closer analysis.

There is an added power to the focus on tax: it can embolden citizens to hold their government accountable as taxpayers (UNESCO, 2014). That accountability should include looking at whether taxes themselves are fair. Value Added Tax (VAT) often passes the greatest burden onto the poorest people in a population so there needs to exist a pressure for taxes to be charged progressively, that is, charged proportionately to one's earnings and properties so that the rich pay a larger share. This should apply to individuals and to corporations – which should be taxed according to both their assets and revenues. It also needs to apply across countries, with too many old tax treaties between former colonial powers and developing countries weighted to benefit the richer countries (ActionAid, 2016). In some respects, then, the tax system also needs to be decolonized.

It is through deliberate progressive national taxes that we can raise the funds needed to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all (Archer 2016). Several student movements, such as the All Africa Student Union and The Norwegian Students' and Academics' International Assistance Fund, are taking up these issues – attempting to build new consensus around progressive tax, stopping illicit financial flows and cancelling illegitimate debts to raise funds to finance the fulfilment of the Sustainable Development Goals by 2030.

In order to press home these demands, there is the need for the voices of students, teachers and other youth groups in the education ecosystem to be aligned. Taking our cue from the Fees Must Fall campaign, we need to form a resilient alliance of stakeholders and organizations that are campaigning for tax justice for education financing. The ongoing mobilization of national and regional student unions needs to connect with other organizations to form a formidable global movement demanding both progressive tax and progressive spending. This is central to ensure that public education is adequately funded to ensure the realization of the right to education for all.

Endnotes

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Teacher Unions Advocating for Tax Justice

Dennis Sinyolo, Africa Director, Education International, Ghana

dennis.sinyolo@ei-ie.org

Summary

This article discusses teacher unions' efforts to press for more domestic funding of public education and tax justice. The article illustrates how teacher unions, united under Education International, have been using research evidence, effective mobilisation and coordination to campaign against privatisation and commercialisation of education and to push for more public funding of education, particularly in developing countries.

Keywords

Teachers
Teacher unions
Tax justice
Privatisation
Education financing

Introduction

Teachers matter. Teachers inspire students, nurture and support them to acquire knowledge, skills, values, attitudes, aptitudes, competencies and capabilities to develop to their full potential. They prepare children, youth and adults for both life and work. Research evidence is irrefutable: teachers are the most significant in-school determinant of educational quality (OECD, 2006; Sinyolo, 2018). The global commitment to inclusive, equitable quality education and lifelong learning opportunities for all, encapsulated in Sustainable Development Goal (SDG) 4 of the United Nations' 2030 Agenda for Sustainable Development, cannot be achieved without sufficient numbers of trained, qualified and empowered teachers. It is no wonder that a significant proportion of any country's education budget is invested in teachers – their salaries, allowances, training and professional development, among others.

Many governments are yet to ensure adequate investment in teachers despite their obvious importance. Teacher shortages continue to undermine the achievement of SDG 4 on quality education, with 69 million new teachers needed to make this commitment a reality by 2030. Globally, 86% of primary school teachers are trained, but the proportion is even lower in Southern Asia (77%), the Caribbean (70%) and sub-Saharan Africa (62%). In OECD countries, primary school teachers earn 81% of what other full-time working professionals with similar tertiary education earn in other sectors (UNESCO Institute for Statistics, 2015).

Teacher salaries are significantly lower in many low and middle-income countries and sometimes teachers go for several months without being paid. The situation is even direr in countries that rely on development aid to pay teachers. The paying of salaries cannot depend on short term, unpredictable sources of revenue such as aid. Rather, teacher salaries, the bulk item on any education budget, need the predictable revenue that comes from domestic taxes. Any sustainable investment in teachers requires sufficient mobilisation of domestic tax revenues and ensuring that a fair share of those revenues is allocated to education. Fair and progressive taxation will always yield the most significant resources for education budgets in general and for teachers specifically.

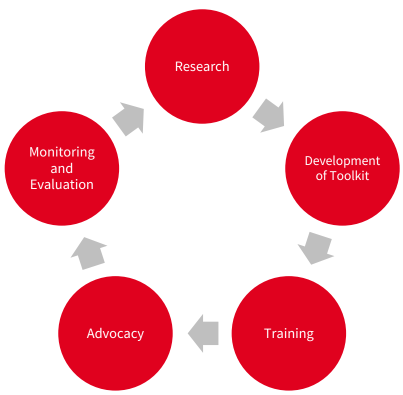
Teacher Unions and Education Financing

Education International (EI), the global federation of teachers' unions, and its member organisations have been advocating adequate domestic resource mobilisation and investment in education and teachers. Through the Unite for Quality Education campaign, launched at the United Nations (UN) General Assembly in September 2013, EI pressed governments to ensure the inclusion of a standalone education goal in the post-2015 development agenda, adequate investment in education and an end to privatisation and commercialisation of education. The third goal of the campaign was further developed into the current Global Response to Privatisation and Commercialisation of Education campaign in 2015. Through Global Response, Education International and teacher unions have been challenging corporations and private providers of education services such as Bridge International Academies to stop 'cashing in on kids' (EI, 2016).

Unions Joining Hands with Civil Society and NGOs

Education International and ActionAid have been collaborating under the so-called 'Parktonian Agreement', adopted at the Parktonian Hotel in April 2006 in Johannesburg. Those recommendations (later updated into a new Partnership Agreement in Cape Coast, Ghana, in October 2019) laid out common positions in relation to education financing, non-professional teachers, gender and education, HIV and education, school governance, privatisation and a code of ethics. Within the framework of the Parktonian Agreement, Education International and ActionAid, developed an Education Financing Toolkit in 2009. The original toolkit was used to support joint capacity building sub-regional workshops in Africa and Asia-Pacific in 2010 and 2011. The workshops were structured around the following cyclical model (Figure 10):

Figure 1: Education financing training model



Source: Based on the author's analysis, conceptualisation and adaptation from Sinyolo (2018)

As illustrated in the figure above, the training model was based on research evidence. The process started with the collection of data on education financing, including an analysis of the education financing situation in each participating country. The research evidence was used to inform the development of the toolkit, the training programme and advocacy activities. The five-day training programme targeted leaders of both teacher unions and the Global Campaign for Education (GCE)'s national education coalitions. The trainees were not only grounded in the basic tenets of education financing, but also in developing and implementing successful national advocacy activities and campaigns. They developed the plans in country teams and went on to implement them jointly. Unfortunately, there was not enough funding to ensure the sustenance of this useful programme.

However, Education International and ActionAid later updated the Education Financing Toolkit in 2018, together with GCE. Although no specific joint training programmes were organised based on the revised toolkit, it has been found to be an invaluable resource by EI leaders, staff and teacher unions, particularly in developing countries. The toolkit is structured around increasing 4 Ss:

Increasing the share of the budget to education
The Education 2030 Framework for Education encourages governments to commit at least 4-6% of Gross Domestic Product (GDP) or at least 15 to 20% of a country's national budget to education. Developing countries are encouraged to commit at least 6% of GDP or 20%. Many countries still fall short of this internationally agreed benchmark (Democratic Republic of Congo (DRC), Eritrea, Nigeria, Pakistan, Zimbabwe).

Increasing the overall size of government budgets
Simple steps to increase the overall size of the budget can massively increase the domestic resources available for education e.g. by increasing tax-to-GDP ratio through progressive tax policies or challenging aggressive tax avoidance, tax evasion, tax holidays and corruption. This is the core of the link between education and tax.

Increasing the sensitivity of the budget to policy priorities
Allocations of education budgets should be sensitive to inclusion and equity. Countries that invest sensitively to make their education systems more equitable make significant progress in improving overall learning achievement (Niemi, Toom & Kallioniemi, 2012).

Increasing the scrutiny of the budget
If people are not confident that allocated budgets will be properly spent it is hard to advocate for more resources. There are many positive examples of national and local budget tracking, of community audit groups tracking education budgets to ensure they reach schools, students and teachers.

Financing Matters offers practical resources for using this 4S framework in practice. This was the first systematic attempt to make practical links between tax justice work (under Size) and education.

Global Response Campaign

Education International recognises that until there is a transformation in public financing of education (to ensure quality public schools) privatisation will continue to be promoted as a (false) solution. The Global Response to Privatisation and Commercialisation of Education campaign has thus played a crucial role in mobilising teachers' unions to challenge for-profit private providers of education and their corporate sponsors such as Pearson and the World Bank (Riep, 2015). Global Response has also targeted intergovernmental organisations and governments, pressing them to regulate the activities of private providers while at the same time taking full responsibility for financing and providing equitable quality public education for all. Global Response managed to work with teacher unions and other partners to challenge the operations of Bridge International Academies in Kenya and Uganda, resulting in government and court action to suspend or terminate its activities, or force it to follow national standards. Global Response has managed to expose the unscrupulous activities of private providers and to raise awareness about the need to finance and strengthen public education. A major victory was achieved recently when the World Bank decided to discontinue funding to Bridge International Academies. Additionally, Education International managed to press UNESCO to remove Bridge from the recently established Covid-19 Global Education Coalition.

Lessons learnt from Global Response indicate that its success has been mainly due to its modus operandi based on campaign development underpinned by strategic research, communication, and unity and solidarity in and through action among teachers' unions and partners. Education International plans to strengthen Global Response by devolving its coordination to the regional offices, which are closer to the ground. Global Response is also being mainstreamed across EI's new strategic plan and integrated with the education financing strategic objective.

The struggle for financing of public education and for resisting privatisation are two sides of the same coin. When public funding is cut, privatisation will have the upper hand. When public funding is properly increased, privatisation should disappear. Education International will thus continue not just to challenge privatisation and commercialisation of education but also to demand more and better financing of education through progressive and fair taxation.

Conclusion

This paper has briefly discussed how Education International and its member organisations (teacher unions) have been pressing for more investment in education and teachers. The paper has illustrated how Education International has used research evidence to inform and strengthen its advocacy and push for tax justice and more domestic resources for education. Union mobilisation, effective coordination and collaboration with like-minded Non-Governmental Organisations (NGOs) and civil society partners have been key to the success of EI's efforts. However, much more still needs to be done to unlock more domestic funding for education in order to ensure equitable inclusive quality public education for all, including the most marginalised. Tax justice is the answer.

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Who Will Pay for Education? The Case for Tax Justice and Connecting Movements

Caroline Othim, Global Policy and Campaigns Coordinator – Africa, Global Alliance for Tax Justice, Kenya

caroline@globaltaxjustice.org

Summary

World leaders have committed to providing inclusive and equitable quality education at all levels. Yet, the world is missing the finances to achieve this essential ambition, in part owing to tax avoidance with resources stashed away in tax havens. Developing countries, vulnerable groups, and women and girls are paying the price of this injustice and will continue to do so until there are global reforms.

Keywords

Tax justice
Education
Gender
Illicit Financial Flows (IFFs)
SDG 4

Where is the Money for Education?

The comprehensive road map of targets and indicators underpinning the Sustainable Development Goals (SDGs) was a milestone for aligning all countries at all levels of development on the path of sustainable development (UNGA, 2015). The SDGs have set the 2030 agenda to transform the world by ensuring, simultaneously, human well-being, economic prosperity, and environmental protection. SDG 4 seeks to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. However, investment in education has been inadequate and inefficient at both domestic and international levels even though education needs globally are immense (Global Partnership for Education, GPE, 2018). The annual external financing gap over 2015-2030 for reaching universal pre-primary, primary and secondary education of good quality in low and lower middle-income countries is US $39 billion (Global Education Monitoring Report, 2015). The Incheon Framework for Action calls for governments to commit at least 4% to 6% of GDP to education and or at least 15% to 20% of public expenditure to education, but 1 in 4 countries do not meet both these targets (EFA, 2015). With less than a decade to reach the landmark year 2030, the world will likely miss its goal of a quality education for all if governments do not harness and maximise all available resources to finance education.

Domestic Resource Mobilization through taxation is the most sustainable source of government revenues to pay for the public services that societies rely on. In 2015 the third Financing for Development summit in Addis Ababa highlighted the importance of domestic resources for economic development and financing of future sustainable development goals (Addis Ababa Agenda for Action, AAAA, 2015). Paragraph 20 of the Addis Ababa Action Agenda states that public policies and the mobilization and effective use of domestic resources, underscored by the principle of national ownership, are central to the common pursuit of sustainable development, including achieving SDG 4 on education.

Unfortunately, a broken international tax and financial architecture that enables illicit financial flows, tax evasion and avoidance by wealthy individuals and multinational corporations (MNCs) costs developing countries billions of US dollars every year. The 2015 Report of the Mbeki led High-Level Panel on Illicit Financial Flows (IFFs) from Africa shows that, at a conservative estimate, IFFs from Africa amount to between US$ 30 and 60 billion per year and have increased rapidly over the past decade (African Union 2015). Related studies suggest that IFFs from Africa exceeded amounts required to cover the continent's external debt in 2008 and may have been equivalent to all Official Development Assistance (ODA) received by Africa between 1970-2008 (Global Financial Integrity, GFI, 2008). This is part of a broken tax system that allows MNCs to minimise their tax burden by shifting their profits to offshore tax havens and secrecy jurisdictions – and lobbying to obtain low or zero corporate income tax rates from governments' growing use of generous tax giveaways and incentives. The IMF estimates that tax havens cost governments between US$ 500 billion and US$ 600 billion a year in lost corporate tax revenue (Crivelli, et al 2018). Coupled with private sector-led growth policies and austerity measures, these have resulted in severely undermining the capacity of the state to mobilise the domestic resources required to invest in social sectors, including education. Currently, many countries do not meet their minimum international commitments in terms of budget allocation to the social sectors, for instance, the international benchmark of 20% of the total budget allocated to the education sector (GPE, 2018).

The resource leakage through IFFs, tax evasion and tax avoidance starves public budgets of the needed resources to fund public services like education. When public services are starved of funding, and when taxes are not fairly collected and spent, it is women and girls who pay the highest price. Around the world, there are 124 million girls and boys out of school today. There is a significant gender gap – with 1 out of 8 girls (63.1 million) compared to 1 out of 9 boys (61 million) out of school (UNESCO, 2018). Many more leave school unable to read or write. Education is one of the strongest tools a government has to reduce inequality, lifting up the poorest citizens and levelling the playing field. If all women completed primary education, maternal deaths are estimated to drop by two-thirds and child deaths would be cut by 15% (UNESCO, 2013). Publicly funded education has the most transformative potential, as high levels of private participation in education worsens social mobility and undermines education's inequality-busting potential (Global Campaign for Education, GCE, 2016).

Gender equality in education remains a priority and needs to be addressed simultaneously on multiple fronts – economic, social, political and cultural. Governments need to prioritize that all girls, no matter how poor, isolated or disadvantaged, should be able to attend school regularly and without the interruption of menstrual periods, early pregnancy, forced marriage, maternal injuries and death, and unequal domestic and childcare burdens. A human rights-based approach is needed when addressing education and tax, one that underlines the need to redress historical and structural inequalities in order to provide access to quality education at all levels with a stronger focus on how different forms of inequality intersect to produce unequal outcomes for marginalized and vulnerable groups. Tax justice is urgently needed if better education is to be achieved – and governments need to take action now. They need to maximise all available resources and allocate adequate resources to the education sector that will enable education systems to deliver the commitment on education for all. A progressive taxation and spending system can raise significant revenue. For example, Ecuador tripled its education expenditure from US$ 225 million in 2003-2006 to US$ 941 million in 2007-2010 through effective tax mobilisation policies (GCE, 2016).

Pro-reform governments, multilateral institutions and civil society are working together to overcome the blockage posed by tax leakages. The tax justice movement and education movements are creating alliances at all levels to challenge the status quo, providing a safe space for advocates to engage directly in campaigns for education financing and to strengthen the global integration of tax and education justice organizations. The two movements are at the forefront of advancing the case for education financing through Domestic Resource Mobilization in the form of progressive taxation, raising these issues in global, regional and national level policy spaces. The Global Alliance for Tax Justice (GATJ) and the Global Campaign for Education (GCE) are jointly calling on governments to fulfil their commitments and bridge the financing gap for education, by scaling-up multilateral cooperation in curbing illicit financial flows, tax evasion and corporate tax abuse. We jointly call on multinational corporations to pay their share of taxes where they do business and we argue for a rethinking and reform of the global corporate tax system, supporting the establishment of a global tax body to set global norms on tax rules.

Movement building on tax and education is taking root and provides a window of opportunity to grow linkages at every level between the tax justice movements and education movements. GATJ, its regional networks and national tax justice coalitions are linking more now with the GCE and its regional and national coalitions. There is recognition of the common concerns and the need to reinforce joint campaigning for similar struggles for justice in tax and education. This is being accelerated and deepened in an innovative project which brings together the tax justice and education movements in Zambia, Senegal and Nepal to collectively strengthen their collaborative advocacy capacity and enable inclusive, innovative cross-sector policy dialogue on tax revenue and education budgets at national, regional and global levels. This alliance between tax justice and education advocates promises to be transformative.

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Broad Alliances on Tax and Education: The Future of Impactful Advocacy?

Maryline Mangenot, Head of Campaigns and Communications, Global Campaign for Education, South Africa

maryline.mangenot@gmail.com

Summary
Improved domestic resource mobilisation through better taxation is essential to ensure adequate financing to realise the right to education for all. Faced with a more and more restricted civic space and the complex issue of tax advocacy, civil society organisations worldwide need to work together in broader intersectoral alliances to increase their advocacy impact.

Keywords
Civil society organisations
Domestic resource mobilisation
Education
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Civil society broad-based alliances

Civil society organisations (CSOs) have often worked in silos. They developed a rich expertise which allowed them individually to gather strong evidence and increase their credibility towards decision-makers, stakeholders and the public, and augment their policy impacts. Though this model has met great success, this is not enough anymore and CSOs need to go beyond their usual ways of working to develop the essential relationships and alliances which would enable and support the delivery of common objectives. A good example of these new networks is the linkages between organisations focused on the complex issue of tax and tax systems, and CSOs specialised in the education sector.

In this article we will explore why it is important for CSOs in education to work on tax, why collaborating in partnership with other networks is crucial, and then look at several examples where broad collaboration led to successful advocacy.

Linking Education and Tax: Why it Matters

The Education 2030 Framework for Action states that:

> *As domestic resources will remain the most important source for funding education, there must be a clear commitment by governments to provide equitable financing commensurate with national educational priorities, needs and capacities [...] This requires widening the tax base, preventing tax evasion and increasing the share of the national budget allocated to education. (page 65, paragraph 106.)*

For CSOs working on education, this global framework means a green light to look not only at how governments spend their resources, but also at how they earn them (Global Campaign for Education et al., 2016). In his Guide to Tax Work for NGOs, Friedman (2006) underlined four main reasons why civil society organisations in general should work on tax issues, which are particularly valid for the education sector:

- Ensure adequate sources of funding for important anti-poverty programmes: taxes should be raised adequately so that they can be spent on supporting the realisation of fundamental human rights and essential public services like education and health;

- Improve the distribution of income and wealth: a fair approach to taxation, or tax justice, aims to ensure revenue is redistributed in an equitable manner, redressing social inequalities instead of increasing them;

- Promote economic growth that can benefit all citizens: the use of tax incentives or tax havens can impact negatively the fair redistribution of resources and encourage corruption; (see also Mwanyumba, 2013)

- Enhance government transparency and accountability: in countries where the majority of governments' revenues come, for example, from extractive industries,[1] governments tend to be less accountable and responsive to citizens.

The Education 2030 Framework of Action indicates that states should spend 20% of their budget on public education. But if we look at a country like Ethiopia, even though it consistently reached this international benchmark, the resources available are far from enough, and the reason is linked to the overall size of the national budget. In 2015, Ethiopia still had a tax-to-GDP ratio of just 8.35%,[2] which is far below the 15% recommended by the United Nations platform for collaboration on debt or 20% recommended by the United Nations Development Programme as necessary to achieve development goals. Accordingly, even though the government allocated 24.2% of its budget to public education in 2015/2016, the actual amount spent on education was still very small (UNICEF, 2016).

Quality education requires long-term, sustained and recurrent financing which depends on predictable resources. 2014 data show that 81% of education spending is recurrent, for example, teachers' salaries. So even for countries who rely heavily on donor aid, tax revenue is the preferred source of education finance, as aid is by nature shorter-term and often linked to external variables.

Campaigning on Tax: A Complicated Issue

Even though tax should be an essential part of education activists' advocacy campaigns, education CSOs are ill-equipped to address alone the complexity of national taxation. Working in partnership can help bring in necessary expertise. Indeed, to effectively campaign on taxes, civil society organisations need a deep understanding of the evolution of citizens' views on taxes, national contexts and the possibilities for increasing tax revenue. For example, in the United Kingdom, years of austerity have recently led to a radical and swift change in public perception. In its 2018-2019 report, Deloitte highlights that:

> *The proportion of people who back tax rises to fund more extensive public services has grown from 46 per cent to 62 per cent, representing a fundamental shift in public opinion. (Executive summary, page 4)*

In other countries, low levels of tax compliance highlight strong taxpayer distrust in public performance. As taxpayers see governments wasting tax money, witness massive tax avoidance, or experience a weak tax collection system or daily petty corruption, they may be reluctant to pay their taxes.[3] Failing to understand these differences and quick shifts in the public mindset can lead to missed campaigning opportunities.

One role increasingly assumed by civil society organisations is to ensure that citizens' fundamental human rights are at the forefront of governments policies and actions. However, the balance of power is very often tilted towards private sector lobbies and wealthy individuals whose vested interests rarely lean in favour of budget transparency and progressive tax policies. To have a chance to be heard, civil society organisations must work together, across sectors, and mobilise citizens, communities and the media. As the current health crisis also demonstrates, strong CSO partnerships will be vital to ensure meagre budgets are fairly redistributed between sectors and towards public investments which will benefit all.

Finally, alliances at national, regional and global levels are more resilient than individual agencies when faced with the restriction of civic space. According to CIVICUS, in 2018, 46% of the world population lived in an oppressed or restricted public space and the trends are worrying for human rights defenders. Alone, activists, CSOs and their employees are more vulnerable to government pressure.

Working Together Towards Achieving Results: Global Initiatives and Concrete Impacts at National Level

The Global Campaign for Education (GCE) was created in 1999 to address the challenge of speaking to power on education issues, realising that civil society was stronger when talking with a unified voice, and that broad-based coalitions presented an added layer of protection in those countries where civic space is regressive. Similar networks emerged, bringing together voices from the national, regional and global level around the issue of fair taxation: in 2003 the Tax Justice Network (TJN) was formed and in 2013 the Global Alliance for Tax Justice (GATJ) who work together to "change the weather" (TJN website, About us section) and build "a global movement to increase awareness and solidarity around tax justice issues" (GATJ website, About us section).

Networks from both education and tax sectors have started working alongside each other. GCE published A Taxing Business (GCE, 2013), a report on taxes and education which draws on the research of the Tax Justice Network. The report also fed into a comprehensive toolkit Financing Matters, published in 2016 by GCE, ActionAid International and Education International. Today, GCE, ActionAid, GATJ/TJN and Education International are collaborating on a common programme in Zambia, Senegal and Nepal to elevate the discussions around tax justice and education over the coming years.

Collaboration has emerged also at the national level, where education coalitions working together with tax justice movements achieved significant victories.

In Brazil in 2007, a broad-based coalition of civil society organisations led by the Brazilian Campaign for the Right to Education successfully campaigned for the creation of an ambitious fund dedicated to financing education (Fundeb) partly by earmarking 15% of VAT revenue. In 2013, CSOs again lobbied the government to pass a resolution to redirect 75% of drilling royalties from new oil fields to education and 25% to health. Both victories are linked with active campaigning and the mobilisation of a wide range of actors and new partnership building, along with careful planning, preparation and expert knowledge of the advocacy landscape, targeting both local and central governments at key moments during the legislative process.[4]

In Palestine, the Palestinian Education Coalition has done important work to identify and link the loopholes in the collection of the education tax to the delivery of the right to education. During the 2018 Global Action Week for Education, they produced a position paper and led a public campaign to raise awareness on this tax, through the media, local hearings, workshops and a national conference. Following the campaign, the government looked into the issue of tax collection and the question of the fairness of this tax. After a series of accountability sessions with the Ministry, the Prime Minister's office started to work on a new draft of the education tax, on which CSOs and Local Councils Union are now collaboratively working.

In Sierra Leone, the Education for All coalition (EFA-SL) and a wide range of partners started at the end of 2017 an important study to investigate the potential of taxation to generate sustainable revenue to improve public spending on education (Global Campaign for Education, 2018). The study served as the basis for a major campaign engaging the public through radio debates and phone-in television programs. At the same time, the partners capitalised on the presidential campaign to make the case to the opposition party at the time – Sierra Leone People's Party (SLPP) – for revenue generation for education through taxation. When the SLPP was later elected to power in April 2018, the coalition tracked evidence that their study influenced the SLPP's positions and proposals for realising free primary, junior and senior secondary education.

Examples of such successes are encouraging, and bear witness to the need to build strong civil society partnerships and alliances across sectors. What we have yet to see is the building of a successful international coalition to address the shortcomings of national tax systems in an interconnected world. As multinational for-profit companies come together to lobby fiercely for their common interests, maybe a time will come where a strong alliance of human rights defenders will raise citizens' voices from tax justice networks, education, health and environmental organisations on the implementation of a global tax which will benefit equally all sectors.

Endnotes

1. See for example: National Resource Governance Institute (March 2015), *The Resource Curse The Political and Economic Challenges of Natural Resource Wealth*, https://resourcegovernance.org/sites/default/files/nrgi_Resource-Curse.pdf
2. Data extracted from the World Bank online database *Tax revenue (% of GDP)* https://data.worldbank.org/indicator/GC.TAX.TOTL.GD.ZS
3. See for example: Björn J., Reinhard A.(2019). *How does petty corruption affect tax morale in Sub-Saharan Africa?* European Journal of Political economy. https://www.sciencedirect.com/science/article/pii/S0176268017303816
4. *See article 21 for a related article on Fundeb by Andressa Pellanda and Daniel Cara*

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Réseau sur les politiques et la coopération internationales en éducation et en formation

20, Rue Rothschild l P.O. Box 1672
1211 Geneva 1, Switzerland
+41 (0) 22 908 45 47
norrag@graduateinstitute.ch

@norrag
@norrag.network
vimeo.com/norrag

www.norrag.org/nsi

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