Identifying the problem and developing the strategy

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To the

International Tax Justice Academy.

Africa is losing money at the expense of quality public services.

Honest Accounts, 2017 report. Global Justice Now

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PUBLIC SERVICES INTERNATIONAL

INFLOWS	Latest available annual figure
Net private grants	$11.8 billion
Decrease in international reserve holdings	$20.7 billion
Loans to governments	$32.8 billion
Loans to private sector (FDI and non-FDI)	$20.6 billion
Net portfolio equity	$7.2 billion
Net FDI equity	$15.8 billion
Inward remittances	$31.2 billion
Official aid from OECD	$19.1 billion
Official aid from non-OECD countries	$0.6 billion
Debt interest received	$1.8 billion
TOTAL	**$161.6 billion**

OUTFLOWS	Latest available annual figure
Debt payments by governments	$18.0 billion
Debt payments by private sector	$9.8 billion
Increase in international reserve holdings	$0.0 billion
Multinational company profits	$32.4 billion
Illicit financial outflows	$67.6 billion
Outward remittances	$3.8 billion
'Brain drain'	$6.0 billion
Illegal logging	$17.0 billion
Illegal fishing	$1.7 billion
Illegal trade in wildlife/plants and poaching	$10.0 billion
Climate change adaptation costs	$10.6 billion
Climate change mitigation costs	$26.0 billion
TOTAL	**$202.9 billion**

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- $202.9bn -$161.6bn= $41bn (Loss).
  - Debt repayments.
  - Brain drain’ effect.
  - Illegal logging.
  - Fishing and poaching
  - Costs associated with climate change
  - Multinational Companies.
    - Profits -$32.4bn
    - IFFs (under reporting of exports) – $67.6bn.

What does the lost mean:

1. Dwindling government expenditure in health; education.
2. Private sector taking over public service delivery, through PPPs.
3. Poor working conditions and low wages.
4. Government losing political and economic power to corporations and international financial institutions.

Onslaught of Privatization

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- Governments, under the guise of ‘no public funds” keep privatizing public services through PPPs.
  - A private company gets a long term contract to build and /or manage all or a significant amount of a public facility.

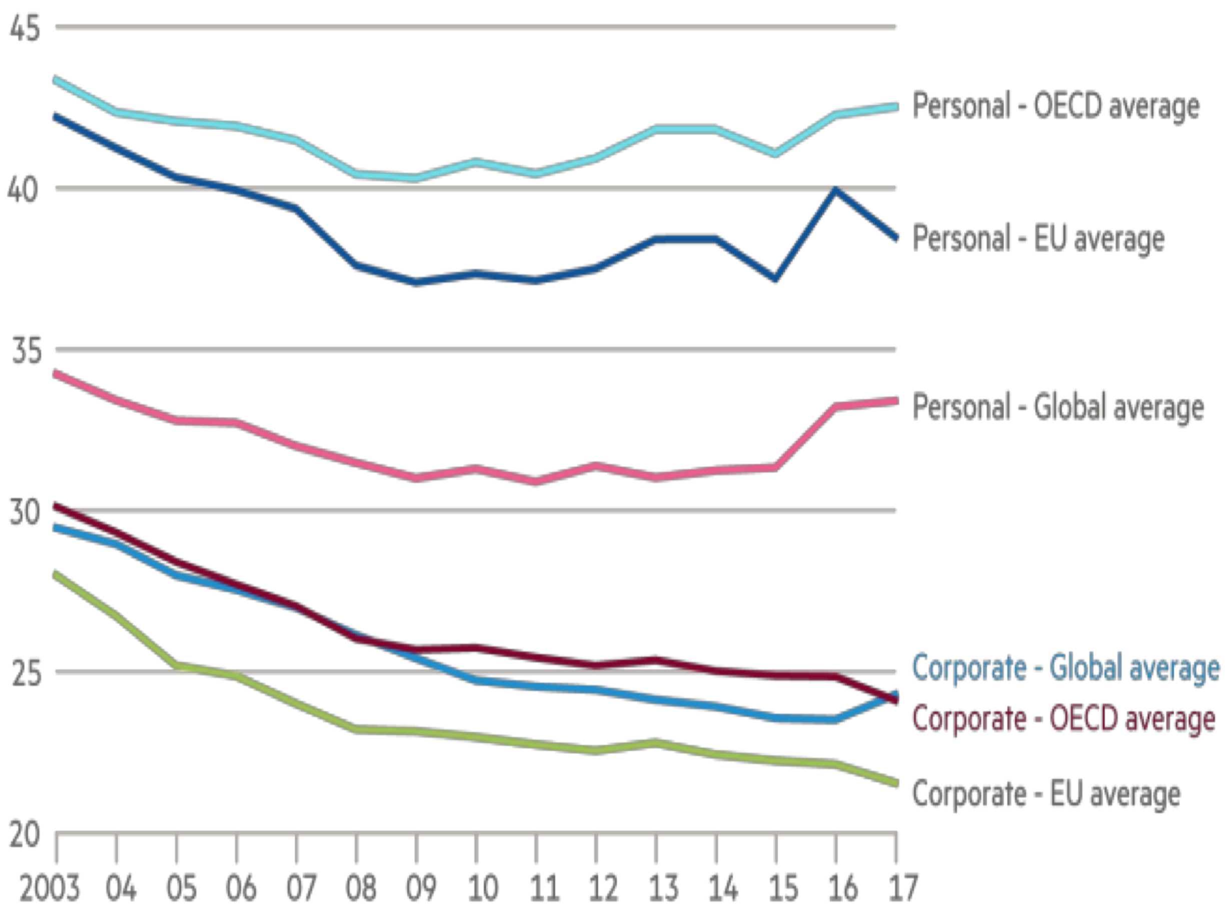
  - In return, the government guarantees to pay to use the facility or to make up for any shortfall in revenue for user fees, ensuring that the financial risk remains with the public sector.

  - Government subsidizes for the prices of the services if they are more than the normal price. Ghana, Nigeria, Uganda, Liberia.

    - Eg.Ghana: April. 2015-GWCL>> MESSRS BEFESSA>> Desalination plant
    - GWCL to pay capacity charge $1.4m per month
    - Pay electricity bills of plant – GHc 1.5m per month
    - GWCL buys water – GHc 6.5 per cubic meter
    - Sells it – ghc 1.50 per cubic meter
    - Gap of ghc 5.00……who pays?

While corporate rates fall, personal taxes have gone up.

Headline Tax Rates (%)



Since 2008, countries have cut headline corporate taxes by 5 per cent while governments on average have increased personal taxes by 6 per cent, according to figures from KPMG, the accountancy firm.

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Special Economic Zones for who?

- "Special economic zones are popping up like volcanic islands, forming a low-tax archipelago that stretches across the continent. In Ghana a single factory can be declared a “free zone”, which entitles it to a ten-year tax holiday and exemptions on import duties“

- We are not sure whether the special economic zones have delivered the economic miracles they promised it would.
- What government gives:
  - Access to tax holidays
  - Exemption on import duties
- What are some of the challenges in these zones
  - Working conditions
    - Right to join and form unions
    - Low wages
    - Sub-contractincting

Nigeria, Ghana, Kenya, Tanzania etc.

Governments are engaging to deal with IFFs. Are we involved?

- The OECD BEPs Project.
- The OECD is a 35-member developed-country organization.
- When the OECD launched the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting, it was widely criticised for not being inclusive at the preparatory stage, and developing countries were only called to sign up to the convention.
- The OECD, after criticism of not representing all countries, and non-state actors in their fight against Illicit Financial Flows, enhanced its stance through the G20/OECD BEPs process and opening participation to all States through the Inclusive Framework.
- It has gone further to set up Platform for Collaboration on Tax, to re-enforce cooperation. However, these initiatives have been regarded by ICRICT as disjointed and dysfunctional.

What are the strategies

- Organize (effectively).
  - We should be pragmatic about he tax justice platforms

  - We should understand the strength and capabilities of each and every stakeholder.

  - Collaboration between Unions and CSOs

  - we should re-write the narrative
  - Make it workers issues
  - Simplify the language.

Asante sane

- What and who are we dealing with (stakeholder analysis and power mapping)?
  - Problem---Demand/recommendation:
  - Stakeholders:
    - Which stakeholders are critical to supporting, opposing or staying neutral to the demands/recommendation.
    - Those who will support you are Allies; those who will oppose you are Opponents; and those who will be indifferent or decide to stay on the fence are Neutrals.
    - List as many stakeholders as possible. Where necessary, mention which country.

Allies	Neutrals	Opponents
1... **Etc...**	1... Etc...	1... Etc...

- Now make a list of the stakeholders according to those who have the “most power” to influence the demand/recommendations you have set, and those who have the “least power” to influence.
    - The power of a stakeholder is their ability to influence (positively or negatively), the kind of demand/goal you set.
    - Therefore, the stakeholder can be most powerful depending on how negatively or positively they can influence your demand/goal. In the same vein, they can be least powerful depending on how positively or negatively they can influence your demand/recommendation.

Most Power	**1…**
Least power	1…

- **Take note:**
  - Allies – Must be **mobilised.**
    - Call on them to attend a protest, rally or meeting
    - Get them to put information out through their own networks
    - Get them to engage Neutral Parties and Opponents
  - Neutral Parties – should be **educated.**
    - Give them the information they need.
    - Engage them in crowdsourcing data
    - Engage them in getting information that is needed for the campaign.
    - Actively engaging neutral parties in data gathering is a great way of educating them and turning them into active Allies

- Opponents – **Counter their arguments.**
  - Engage Opponents in face-to-face meetings and Forums. Counter the arguments that they present in debate.
  - Use Allies to engage Opponents
  - Use Neutral Parties to educate and to engage Opponents.

- **Now, what must be done**
  - Out of the list of stakeholders you have provided, discuss one "most powerful" stakeholder and one 'least powerful" stakeholder.
  - What activities can be undertaken with each to influence them as far as your demand/recommendation is concerned.

Most powerful stakeholder	Activities	outcome

Least powerful stakeholder	Activities	outcome