Tax Justice Advocacy: A Toolkit for Civil Society

Origins of the toolkit

This toolkit was produced as part of a three-year project 'Towards Tax Justice: Raising Awareness, Building Capacity, Supporting International Coordination and Policy Dialogue to Make National and International Tax Systems More Supportive of Development', implemented from 2009 to 2011 with funding from the European Commission.*

The toolkit is the result of a collaboration between Christian Aid, SOMO and an international reference group consisting of the Tax Justice Network (TJN), TJN Africa and Action for Economic Reforms. The first draft was produced by Christian Aid and SOMO and was reviewed by the reference group. It was later piloted during a two-day workshop held in Manila, the Philippines on 7–8 August 2010, hosted by Jubilee South/Asia-Pacific Movement on Debt and Development and attended by civil society representatives from Kenya, Zimbabwe, Vietnam, the Philippines, Indonesia, the Netherlands, France and the United Kingdom. The toolkit was revised following the feedback from the pilot. Although the toolkit is the outcome of a collaborative process involving all project partners and workshop participants, any errors or oversights remain the responsibility of the authors.

In 2011 and 2012, an online version of the toolkit will be launched to create an interactive tool that can be revised and improved according to new findings on tax justice issues. This process will also be part of a global collaborative project.

* 'Towards Tax Justice' is coordinated by the Netherlands-based Centre for Research on Multinational Corporations (SOMO) and implemented by a team of partner organisations from Kenya (Tax Justice Network Africa), Zimbabwe (AFRODAD), Ghana (ISODEC), the Philippines (Action for Economic Reforms and Jubilee South/Asia-Pacific Movement on Debt and Development), Argentina (Poder Ciudadano) and the United Kingdom (Christian Aid). Christian Aid and SOMO implement the global aspects of the project and fulfil coordination and research roles. The global Tax Justice Network is closely involved in implementing activities as associate partner.

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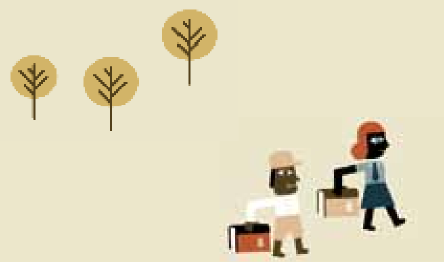


Introducing the tax advocacy toolkit

'Taxation is not an exclusive domain of economic planners and administrators. It is more importantly the concern of the people. The people should be involved in the process of deciding what to tax, whom to tax, and how to tax, as well as in collecting and spending tax revenues.'

Citizens' Review of the Tax System, the Philippines, 1994

'[We] recognise the common threat to political progress, economic development and to poverty eradication that results from the unacceptable domestic and international obstacles to effective taxation for development… [and] commit to work together for reform in the areas of domestic taxation, revenues from natural resource extraction and international taxation.'

Nairobi Declaration on Tax and Development, March 2010

While some pioneering civil society groups have long been campaigning for fairer tax systems, the critical role of tax in achieving development and social justice has often been neglected by civil society in the North and the South. For many, tax is a complex topic, best left to 'experts'. But this need not be the case.

Tax may appear technical, but it is an issue too critical to bypass. Fair and effective tax collection is essential for raising the revenue to deliver services that citizens need. It is a powerful tool for redistributing wealth within society to address poverty and inequality. And tax is the glue that builds accountability of governments to their citizens.

For these reasons, engaging with tax policy is increasingly considered essential for the achievement of the wider aims of many organisations. Whether you are working on issues of poverty and social exclusion; access to essential services; aid, debt or trade; governance and accountability; or the impacts of mining or other foreign investors on local communities, there are strong reasons for you to consider integrating advocacy on tax justice into your strategies. Many have already done so.

In recent years, new tax justice networks have emerged, or long-standing coalitions have expanded their reach, across Africa, Latin America, Asia, Europe and North America. There have been some great successes, many of which are documented in this toolkit. But there's a need for many more organisations to take on tax justice if real, long-lasting progress is to be made on the issues outlined above.

This publication is designed to introduce you to key tax topics of relevance to civil society organisations in simple terms, in order to break down the complexity of the issue. We hope the stories of tax justice campaigns around the world will inspire you to action. In addition, we provide detailed guidance, tips and tools on how to go about developing an advocacy strategy on tax; conduct tax-focused research; and lobby, communicate and campaign on tax.

The toolkit is not intended to be read from cover to cover in one sitting. It is designed to allow you to dip in and read the sections that are most relevant to your level of experience and knowledge, your interests and your context. We hope there's some useful material here for everyone and that it inspires you to take forward, or start, your tax justice advocacy. Around the world, organisations and networks are demanding tax justice in growing numbers. Together we can create a sea change in tax policy that genuinely benefits those living in poverty and creates a more equitable distribution of resources, North and South.

About this toolkit

Why this toolkit?

The purpose of this toolkit is to strengthen the capacity of civil society organisations to:

- understand and analyse the issues surrounding tax in a given country
- develop advocacy strategies for tax justice
- do tax research
- plan and undertake different advocacy activities (for example lobbying, campaigning and media work)
- learn from the experiences of others already doing tax advocacy.

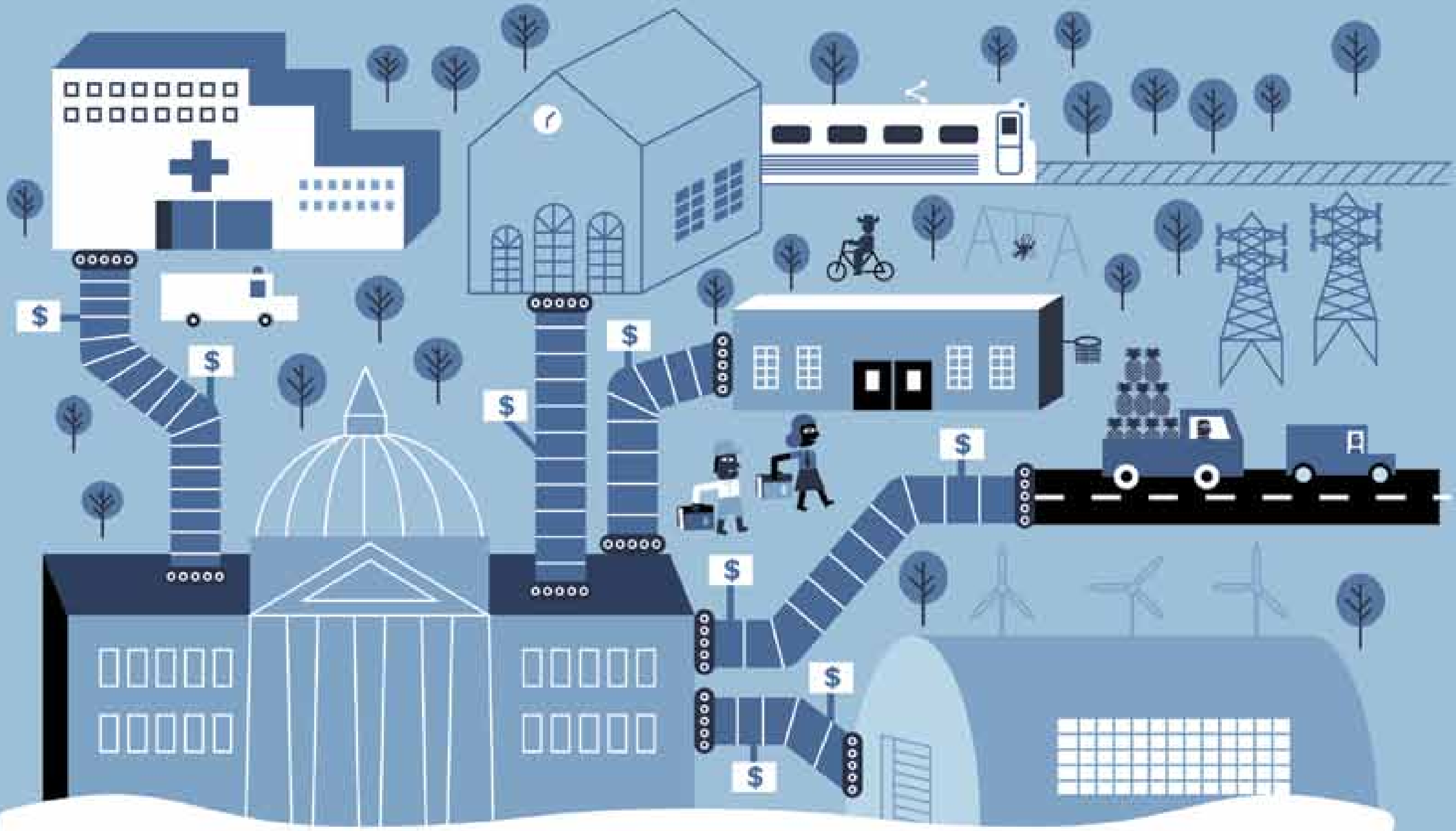
How to use the toolkit

Each chapter forms its own building block. You can work through the toolkit chapter by chapter – or select those chapters that interest you most.

In every chapter, you will find:

- information – either on different aspects of the tax issue or on how to develop the skills needed for tax advocacy
- case studies from different countries
- practical tools for learning and analysis on tax within your group or organisation
- interaction pages containing ideas for group exercises in a workshop or training setting.

Contents



Chapter 1:
Why bother with tax?

Contents

Chapter 1: Why bother with tax?

The link between taxation and development is fundamental. A functioning state that can meet the basic needs of its citizens must rely ultimately on its own revenues to meet development objectives. Using the tax system, the state can mobilise domestic resources, redistribute wealth and provide essential services and infrastructure. Effective tax structures can also create incentives to improve governance, strengthening channels of political representation and reducing corruption.

However, governments across the world struggle to collect enough taxes to fund essential services in a fair way. Southern governments in particular face serious challenges as a result of weak and under-resourced revenue authorities, large informal sectors, pressure to offer overly generous tax breaks, and the exploitation of tax loopholes by unscrupulous companies and rich individuals. Too often tax systems are heavily skewed against the interests of the poorest.

This chapter provides:

- an introduction to tax justice issues, with explanations and definitions of key tax terms
- an overview of why tax matters for economic and social justice; and of the ways in which governments are often deprived of vital tax revenues
- case study examples to illustrate the range of campaigning by citizens and organisations across the world for fairer tax systems, for tax justice. These examples show that – whether you are working on poverty and social exclusion; access to essential services; aid, debt or trade; governance and accountability; or the impacts of mining or other foreign investment on local communities – advocacy on tax justice can help you achieve your objectives.

The chapter ends with an interaction page which suggests an exercise to facilitate a group discussion on the main themes raised in this chapter.

Why tax matters

It is often assumed that tax is a bad thing: that governments want to deprive citizens of their hard-earned money. But from an economic justice and human rights perspective, taxes are crucial for four reasons, which can be summarised as the four 'Rs':

- Revenue: funding to deliver the services citizens need
- Redistribution: to address poverty and inequality
- Representation: building accountability of governments to citizens and reclaiming policy space
- Repricing: limiting public 'bads'; encouraging public 'goods'.

Below we explain the importance of each in turn and their links to economic and social justice issues.

'Taxation funds the lion's share of the education budget, particularly the salaries of teachers, and so requires more attention if countries are to meet the Education for All Objectives by 2015.'

ActionAid and Education International, 2009[1]

Revenue: funding to deliver the services citizens need

Tax is a vital source of revenue for most governments enabling them to fund essential services and infrastructure for their citizens. Of course, revenues will not automatically be used for such social goods. But when governments get revenue from tax, citizens are in a far stronger position to exert pressure that it be spent on the services to which they are entitled.

Taking education as an example, in 1995 the Ghanaian government introduced a new value added tax (VAT) of 17.5 per cent, which initially led to widespread protests. The government was forced to revoke the policy and in 1997 VAT was introduced at 10 per cent, accompanied by an intensive government campaign to create awareness among citizens about what the revenues from the tax would be used for. Subsequently the level of VAT was raised to 12.5 per cent, with the revenue from the added 2.5 per cent ring-fenced for education through the Ghana Education Trust Fund. With education being key to everybody, it caught on well.[2]

ActionAid has stressed that 'governments prefer to use tax revenue, rather than aid or loans, to cover the salaries of teachers, because it is relatively secure and predictable. They do not want to hire teachers with aid money and then find they cannot pay the salaries two or three years later, as making teachers redundant is politically very sensitive. So, the best way to get more money for more teachers is to expand the national tax base.'[3] When aid contributions have enabled governments to improve provision of services, domestically raised revenue tends to also be an important factor. In Kenya the

CASE STUDY Tax justice leads to improved social services in Bolivia[4]

Bolivia's oil and gas industry is the most dynamic sector of the Bolivian economy and receives by far the most foreign investment. However, Bolivia has struggled to benefit from its vast underground wealth since the sector was privatised in 1996 as part of its structural adjustment reforms. With privatisation, the royalties for the vast majority of companies were lowered from 50 per cent to only 18 per cent. There was great national concern over the reform. Research showed that the government was capturing less and less revenue from the sector (37 per cent of the turnover in 1999 was reduced to 27 per cent in 2004), in a context of huge increases in investment, production and exports with corresponding increasing prices.

Civil society organisations such as the Centre for Labour and Agricultural Development (CEDLA) took the lead in researching and educating the population about the impact of the reforms, which contributed to popular discontent and a series of mobilisations and protests led by indigenous groups. As a result of the pressure, the Bolivian Congress finally passed a law in May 2005 which provided – among other things – for a new royalties and tax structure on oil and gas extraction. All reserves became subject to the 18 per cent royalty rate, as well as to a new direct tax of 32 per cent on the value of all oil and gas production. The reforms to the sector since 2005 have generated a huge increase in revenue for the Bolivian government (from an income of around US$173 million in 2002 to an estimated US$1.57 billion in 2007).

As a result, the Morales government has increased spending on social programmes. Three major cash transfer programmes have been developed: an expansion of public pensions to relieve extreme poverty among the elderly; a grant for poor families to increase primary school enrolment; and, most recently, a grant for uninsured new mothers as an incentive for them to seek medical care during and after their pregnancies, in order to reduce maternal and infant mortality. School breakfasts are also provided for primary school children to guarantee all school children at least one meal a day. None of these programmes would have been possible without the reforms to oil and gas taxation.

declaration of free primary education in 2005 led to the realisation by the state of the need to improve fiscal resources to maintain the president's electoral promise. This, together with other societal needs, has led to increased tax targets and collection in order to improve education and other services.[5]

What is true of education is true of many other services that rely on government support and funding. Millions of small farmers in southern countries rely on governments to provide training, research and credit and to develop markets for inputs and outputs; yet governments in Africa tend to spend far too little in this area, and donor support to agriculture has been woefully inadequate over recent decades. Increased earnings from domestic tax would enable governments to provide more of these services or at least provide citizens with the scope to argue the case for this spending to take place. Addressing high maternal and infant mortality rates, successfully tackling HIV, reducing the blight of malaria and other tropical diseases all require reliable long-term funding from governments. Of course, financing through taxation is not the only factor that will drive the provision of such services. Other factors such as political will are crucial. But tax is an important part of the solution. For this reason, citizens in many countries have sought to influence tax policies in order to get the services to which they are entitled.

So, if you are campaigning for the provision or improvement of education, health or other services, engaging in tax issues should be a central part of your efforts.

Tax and human rights

Every government in the world has certain responsibilities regarding its citizens. The human rights legal framework spells out those responsibilities.

However, human rights encompass not just social and political rights, but also economic and social rights. The minimum requirements for the fulfilment of economic and social rights include the provision of available foodstuffs for the population, essential primary healthcare, basic shelter and housing, and the most basic forms of education.

Groups working on human rights should be concerned about how rights are realised through the budget, and how they are violated when states are unable to meet their obligations through weak or unfair taxation.

In 1986 the United Nations made explicit the link between this right and the resources required to fund it. More recently the millennium development goals (MDGs) are an attempt to create a practical benchmark for states to work towards implementing human rights.

MDG campaigners often focus on pushing countries to fulfil their aid pledges, aimed at meeting the MDGs. While this is important, there is an increasing recognition that the progressive realisation of rights, in the long term, requires domestic resource mobilisation through tax. Indeed, a recent analysis by the Tax Justice Network showed a strong relationship between African countries with high levels of tax collection and those making progress with regard to the MDGs.[6]

Are resources being mobilised to ensure that governments fulfil their responsibilities towards the progressive realisation of rights? If not, a government may be failing in its human rights obligations and may be held to account for doing so.

'It is hardly possible to speak of the struggle for an equitable society and for social justice unless the agenda of progressive taxation is concretely articulated.'

Freedom from Debt Coalition, the Philippines[7]

? Definition

'Progressive' or 'regressive' taxation?: A tax is progressive if it represents a higher share of income for higher-income individuals than for those with lower incomes. This way richer individuals pay proportionally more of their income on tax than poorer people. Conversely, a tax is regressive if poorer people pay proportionally more.

Redistribution: to address poverty and inequality

Tax policy can play an important role in redistributing wealth within an economy. The provision of services discussed in the previous section is one way of addressing poverty and inequality through taxation – as it is the poor who tend to depend more on key services such as publicly funded health and education. As we saw with the Bolivia case study on page 2, tax policy has the potential to redistribute a country's riches from the wealthy (in this case oil and gas companies) towards the poorest and most vulnerable (old people, and children who would otherwise lack education). This is an example of 'progressive' and equitable taxation.

Tax systems can include progressive or regressive elements. For example, a country could rely on taxation of resource wealth, corporate taxation or taxation of property while collecting less tax from those on low incomes. Or income taxes could be differentiated between those on lower and higher incomes. These would generally be considered progressive policies. Conversely, a reliance on consumption taxes (levied on food, fuel and other goods) would be considered regressive.

In reality, tax systems the world over are often regressive. This is even more likely to be the case in many southern countries, which tend to have particularly low levels of taxation on income and an over-reliance on consumption taxes. For example in Latin America individual income taxes contribute only 4 per cent of the overall tax collection. Some southern countries fare better. In Bangladesh direct taxation comprises 20 per cent. In Ghana the figure is 22 per cent, but this is much higher than most of its regional neighbours and is still far below the developed country average of 35 per cent.[8] A regressive tax system can do a lot of damage and can even contribute directly to increasing the concentration of wealth – as it has been shown to do in Latin America where inequality is greater after tax than before taxes are paid.

The 'tax consensus' pushed by the International Monetary Fund (IMF), World Bank and others over the last two to three decades has tended to contribute to furthering the 'regressive' nature of many tax systems. While countries have been strongly encouraged to minimise the taxation of foreign investors as well as to reduce trade taxes that were previously important sources of revenue for social spending (both of these trends are explained in detail later in this chapter), governments have meanwhile been encouraged to increase taxes on purchases – generally known as 'value added tax' (VAT) or sometimes referred to as a 'goods and services tax' (GST) or 'consumption taxes'. These policy recommendations are based on the premise that taxes should be economically neutral and should focus on raising revenue only, ignoring the potential for tax to challenge inequality.

VAT unfair on the poorest

Most southern countries have very large informal sectors and significant rural populations, from whom it is difficult for governments with weak tax administrations to collect income tax. Even if governments had better systems in place, these are often the citizens least able to afford to pay tax. In response to this problem as well as to pressures from international financial institutions (IFIs) and donors, many southern countries have increasingly relied on an expansion of VAT for their tax revenues. While developed country economies tend to rely on VAT for about 30 per cent of total tax revenues, in southern countries it is often dramatically higher. In Latin America consumer taxes account for almost two-thirds of tax revenues, with VAT being the most important of these.

Yet consumption taxes such as VAT or GST are usually regressive taxes. Unless a comprehensive set of exemptions is applied to the basic goods and services consumed by poor people, they will spend a much higher percentage of their minimal incomes on the goods and services that carry this tax than those with large disposable incomes. So too much reliance by a government on VAT for its revenue can end up deepening inequality in a country. For this reason VAT has been a focus for tax justice protests in countries around the world.

CASE STUDY VAT campaigns in the Philippines and Sierra Leone

The Philippines

In the early 1990s, the Filipino Freedom from Debt Coalition (FDC) protested against the Philippine government's plans to expand VAT on a range of items, including on pesticides, which would have raised production costs for small farmers who were powerless to pass on the burden to traders and millers.[9] Citizens argued that the VAT violated the Philippine constitution, which states that 'congress shall evolve a progressive system of taxation' (Article VI, Section 28). However, despite a strong campaign against the tax, the VAT law was passed in Congress. Initially the FDC's focus was mainly on the debt problem and how the government should address it in a just and efficient manner. But the introduction of VAT, which was in response to IMF, World Bank and Asian Development Bank loan conditions, triggered the FDC to get involved in tax campaigns – as they saw that the unjust tax and the debt problem were inseparable. The FDC launched a Citizen's Tax Reform Seminar, and since then has been actively involved in engaging the government in tax reform campaigns.

Sierra Leone

In 2010, following the implementation of a GST in Sierra Leone, a broad range of civil society groups, including networks and coalitions (from health and agriculture to animal welfare, education and mining), met to challenge the imposition of the GST as a regressive government policy and to plan tax advocacy and research. The forum developed and published the 'Freetown Declaration on Tax and Development'.[10]

CASE STUDY Brazil's regressive tax system[11]

Tax collection in Brazil has been increasing and Brazil's tax take now rivals that of developed countries. However, research by both government and civil society shows that the poor pay substantially more of their income in taxes than the rich. It is estimated that very poor families – those earning only up to two minimum salaries a month – spend around 48.8 per cent of their income on taxes. Richer families – those earning more than 30 minimum salaries – are estimated to spend only 26.3 per cent of their income on taxes.

Brazil's income tax is a key part of the problem. Tax concessions are common and the income tax burden on the richest has actually been reduced in the last decade. Various reforms have also brought in new tax breaks for companies. In 1995 the government passed a law reducing the rate of corporate tax from 25 per cent to 15 per cent as well as bringing in a number of exemptions from corporate income taxes. Brazilian civil society organisation (CSO) INESC has calculated that the amount of tax revenue foregone as a result of these generous tax concessions to businesses is around US$15.5 billion annually. In addition, the 5,000 richest families in Brazil own property worth an estimated 40 per cent of the country's gross domestic product (GDP), yet property taxes continue to be neglected as a viable – and equitable – source of tax revenue. Progressive tax reform in Brazil is long overdue.

> 'A tax system should be progressive, meaning that those with higher incomes pay greater taxes as a share of income than those with lower incomes.'
>
> *Taxation and Development in Ghana: Finance, Equity and Accountability*, 2009[15]

Gender inequality in the tax system?[12]

Tax systems can also play a role in addressing or exacerbating economic inequality between women and men. This can either be implicit or explicit.

Implicitly, an identical tax may have a differential impact on women and men because of their differing social and economic roles. For example:

- A high rate of tax on part-time earners is likely to affect women more than men because women are more likely to work part time to accommodate family responsibilities.
- If the tax code treats a married couple as a single unit (combining their earnings for tax purposes), the couple can face a 'marriage penalty' whereby they end up paying more than when they filed their taxes separately as single people. This usually affects women disproportionately because the higher tax is effectively placed on the 'second' earner. Women are more likely to be earning less than their spouses and their earnings are thus usually regarded as 'secondary'.
- A shift from direct taxes to indirect taxes such as VAT can produce greater gender inequalities if taxes are levied on essential goods that are consumed disproportionately by female-headed households.[13]
- Men are more likely than women to benefit from corporate and income tax exemptions as they are more likely to own property and shares.

There are also sometimes explicit differences built into the tax system between how women and men are taxed. In Pakistan, for instance, the tax code allows working women to shield a greater amount of their income from tax than working men. In contrast, in South Africa prior to 1994, married women were taxed at higher rates than married men.

So, it is important for groups working on tax to assess the gender implications of tax structures and to challenge those systems that are regressive along gender lines.

> 'If the government continues to give tax cuts and tax holidays to attract investors, where will we get money to finance primary education, build roads, and reduce infant mortality? We will source it from indirect taxes such as the Value Added Tax which burdens more Filipinos.'
>
> Professor Leonor Magtolis-Briones, Social Watch[16]

CASE STUDY South Africa's Women's Budget Initiative[14]

The Women's Budget Initiative (WBI) began in South Africa in 1995, soon after the country's first democratic elections. It engaged in research, training and advocacy focused on the gender impact of government budgets. In its first year, the WBI examined four areas – housing, education, welfare and work – as well as the broader issues of public sector employment and taxation. The WBI analysis highlighted South Africa's shift from direct to indirect taxation and the implicit gender bias of this shift. The regressive nature of the indirect tax bears disproportionately on women, precisely because the majority of the poor are women. The analysis also examined the impacts on women of a range of other types of tax and recommended that government tax data include gender breakdowns to facilitate more sophisticated analyses of the gender impact of taxation. In the late 1990s, the government followed some of the WBI recommendations and published the number of male and female taxpayers who submit returns. The WBI expanded its work over the years to encompass all sectors of the budget. In its fifth year, the WBI focused on tax issues, conducting a gender analysis of South Africa's customs and excise taxes and examining gender issues in relation to local government revenue.

In some cases WBI's analyses led to tangible policy results on tax issues. For instance, pressure from the WBI and other groups led the government to remove the VAT on paraffin, which is consumed heavily by the poor – this had a positive impact on women in particular, given that there are more women than men among those living in poverty and paraffin is largely bought by women.

Who holds the money – central or local governments?

In many southern countries, local taxation accounts for only a tiny share of total tax revenue. In Ghana, districts continue to be fiscally dependent on central transfers and donor revenues. However, there is remarkably little coordination between local authorities and the national tax authorities. Citizens are consistently confronted with two distinct and uncoordinated sets of tax collectors and tax demands, while some national tax officials report that local tax officials sometimes seek to increase local collection by encouraging the evasion of national taxes. This undermines the credibility of the system as a whole and may lead to poorly educated or uninformed citizens paying more tax than they should.

The importance of CSOs speaking out directly on tax equity issues is highlighted by recent trends in tax reform. A PricewaterhouseCoopers/World Bank report makes clear that the most popular change to tax systems worldwide between 2004 and 2006 was reducing corporate profit tax rates.[17] The private sector has been effective in ensuring reforms for its benefit. Unfortunately it is less common to hear the voices fighting for an increase in tax collection and equitable tax reforms. Civil society groups can promote pro-poor tax policies by ensuring that crucial equity issues are part of tax debates.

Representation: building accountability of governments to citizens and reclaiming policy space

Building accountability of governments to citizens

If you are working on governance and accountability issues, tax should also be on your agenda. Taxation is about more than revenue-raising; it is also a fundamental part of state-building and democracy. One important study examined the link between democracy and taxes in 113 countries between 1971 and 1997. It found that introducing or increasing taxes without simultaneously increasing and improving service delivery led to citizens demanding their rights and to subsequent democratic reforms.[18]

Campaigners have always challenged governments when they raise and spend public revenue in unfair or corrupt ways. In many countries the imposition of unfair taxes has been an important catalyst of social and political change, from the poll tax in medieval England through the Boston tea party to VAT in 1990s Ghana. The long-term relationship between taxation and the development of more accountable and responsive governments has a number of components:

- Collective bargaining around tax revenue creates a 'social contract' between members of society who are paying taxes and voting for political parties, and officials who are expected to raise and spend those revenues in a manner that benefits the constituents who elected them. Taxes make government more immediate and visible, and ultimately more accountable. Critically, fairness in the tax system is important for building that accountability between governments and citizens – without the perception that the big players are contributing their fair share, the incentive for ordinary citizens to do so is considerably diminished.
- A state that depends on taxes needs a healthy economy to generate them. That requires citizens and businesses that flourish, so the government has an interest in responding to their needs.
- To raise tax reliably, governments need efficient, accountable and honest revenue services (that is good administrative governance).

However, without transparency and access to information, citizens are less able to hold governments to account. Without knowing how much tax is being raised and from where, the people are less able to make proposals about how the money should be spent. Lack of transparency and lack of freedom of information are both issues that are also central to the democratic control that a population holds over its government. The demand for transparency and freedom of information is therefore a campaign

> 'Tax provides people with a weapon: if government doesn't act well, you can withhold tax, particularly when it comes to high-level corruption. Government responsiveness is higher from government to citizen than before.'
>
> Alvin Mosioma, Tax Justice Network Africa

Protests on tax and representation

- In colonial India, Ghandi organised salt tax marches in the 1940s against the unjust taxes that the British colonial administration imposed on Indian people without the right to decide how they were spent.
- In the UK, when women campaigned for the vote they adopted the slogan 'no vote, no tax'.
- During the events that led to the US war of independence in 1776, British colonists who were not represented in the UK Parliament rallied around the cry 'no taxation without representation'. This established the precedent for the right to be taxed only by one's own elected representatives.

In times of independence, some tax justice activists have reversed the slogan of the US independence campaigners to say 'no representation without taxation', recognising that proper representation is unlikely to be achieved without a transparent and fair tax system.

issue in its own right, as well as a central aspect of tax justice campaigns. Many organisations and activists are finding ways of getting governments to share this information and of holding them to account.

Citizens campaign for right to information on tax

The counterpart to pushing for fair enforcement of taxation is pushing for transparency and inclusiveness in the tax system. In Sierra Leone, citizens desperately need detailed information about how taxes are assessed, how much tax revenue is collected and how that revenue is used. At the local government level, this is particularly important where citizens complain that tax assessment is arbitrary and that information about how much revenue is collected and how it is spent is unavailable. Transparency can be the basis for encouraging voluntary tax compliance and more broadly building the legitimacy and accountability of government.[19]

In recognition of this importance, a number of civil society campaigns have aimed to ensure greater tax transparency, in conjunction with budget monitoring and advocacy.

CASE STUDY Right to information in India [20]

India has in recent years made a certain level of progress in granting basic rights and entitlements to its citizens. Recent examples include the 'Right to Education' agreed in 2010, and the 'Right to Food' which was discussed in 2010 in the Indian Parliament.

Poor people in India discovered that they are paying taxes on everything from matchboxes to rice, and with the slogan 'we will know, we will live' they demanded to see the government's accounts. Initially the people were declined this access to financial information, but during the 2005 campaign for the 'Right to Information' tax campaigners seized the opportunity to demand clarity on government income and expenditure. With the passing of the Right to Information Bill, citizens in India are now entitled to know how their tax money is spent and they are using this knowledge to challenge existing tax policies. The central government's tax system in India has a plethora of exemptions that have resulted in huge amounts of revenue foregone by the government every year – in 2009/10 this was estimated by the central government's Ministry of Finance to reach more than 5 trillion rupees (approximately US$110 billion) or 8 per cent of India's GDP. Because of the increased transparency that the Right to Information brought about, Indian tax campaigners are now able to call for all tax exemptions to commerce and industry to be justified and for those exemptions that cannot be justified to be withdrawn.

Building tax into budget monitoring

Many organisations across the South are involved in monitoring their government's budget, in order to guard against corruption and to ensure that funds are being directed appropriately and spent effectively. Budget monitoring usually focuses on how government money is spent; but increasingly citizens are recognising that it is equally important to track where the money comes from, as no government programme or policy can succeed without funds to implement or enforce it.

As the International Budget Partnership (IBP) points out in its guide for non-governmental organisations (NGOs) thinking of working on tax,[21] the budget is one of the most important public documents produced by a government, expressing its priorities and commitments. It is the place where a government proposes how much revenue it plans to raise and how it plans to use these funds to meet the nation's competing needs, from bolstering security to improving healthcare to alleviating poverty. Given its wide-ranging implications for a nation's citizens, the budget should be the subject of widespread scrutiny and debate. The IBP rightly points out that groups that are knowledgeable about both sides of the budget – expenditure **and** revenues – will ultimately be more effective.

Unfortunately, expenditure that targets the poor is often the easiest to sacrifice, because the poor tend to be unorganised and politically weak. CSOs may find that they can more easily defend these programmes if they also engage with tax issues and work to ensure revenue adequacy. Moreover, if civil society groups are advocating new expenditure policies that require substantial funding, they can strengthen their case by proposing specific taxes or other revenue sources to pay for them. Knowing how the tax burden is borne by different groups – rich or poor, male or female, urban or rural, employers or workers – can help civil society advocate new, fairer tax policies.

CASE STUDY Budget monitoring in Ghana[22]

A Ghanaian NGO called the Integrated Social Development Centre (ISODEC) had worked on social justice and human rights issues since its start in 1987. ISODEC recognised the importance of monitoring government budgets as part of this agenda so it set up the Centre for Budget Advocacy (CBA). CBA conducts research and analysis of the budget and the economy, including examination of the effects of revenue policies on the poor, at both the national and local levels. CBA also conducts training on budget issues for government officials and civil society organisations in Ghana and neighbouring countries. CBA has organised public meetings in each of Ghana's 10 regions to solicit views from citizens about the budget, to create awareness of the budget as an important development tool, and to foster a budget dialogue among different stakeholders in the country.

Tax work has been a key component of CBA's work since it was founded. One of its first tax-related activities was the publication of a 'Taxation in Ghana Made Simple' guide, which was widely disseminated among civil society organisations engaged in budget advocacy and analysis as well as to ordinary citizens. The guide is now used by the Ghana Institute of Management and Public Administration as a textbook for a first degree course in Taxation.

CBA also began including analysis of the government's revenue proposals in its reviews of the government's annual budget submission. For instance, in 2005, CBA commented on the reduction in corporate income taxes and shortcomings in tax administration, which force the country to rely heavily on aid. CBA has criticised the government for continually reducing the income tax and relying more heavily on regressive consumption taxes.

'Government support via tax will lead to more influence by citizens than where government is reliant on external sources for funding.'

Siapha Kamara, SEND Foundation, Ghana

Reclaiming policy space and achieving independence from aid and debt

The previous section discussed the role of tax in improving the accountability of governments towards their citizens. Unfortunately, many southern country governments depend on aid and debt for a high percentage of their revenue, which means their greatest accountability is often towards donors and lenders. Donors and IFIs can impose harmful policy conditionalities that are inequitable and actually make it harder to raise revenue and obtain independence from debt. Shifting the balance away from external financing towards greater revenues from taxation can provide greater policy-making space at the national level. Tax is therefore a critical element of strengthening the power of citizens to make demands on their governments.

Tax is also a more sustainable source of finance than aid or loans because it is less likely to dry up and does not involve interest repayments.

Take debt: financing development projects through debt is a short-term fix but is not sustainable – indeed, it leaves a legacy whereby the limited tax raised domestically goes on paying off the debt for past projects instead of being used on much-needed essential services.

Latin America suffered extensively during the debt crisis. However, in recent years, thanks to strong growth and high commodity prices, many countries have made efforts to reduce their debt burdens. This, alongside debt write-offs under the Heavily Indebted Poor Country (HIPC) Initiative, means that the region's external debt as a share of GDP has fallen significantly. The IMF reports the region's external debt to have fallen from 59 per cent of GDP in 2003 to 32 per cent in 2008. However, in many countries the internal debt burden remains high, and debt servicing continues to have a serious detrimental impact on social spending. In Brazil, where tax collection is relatively high, 30 per cent of the federal budget goes on servicing the internal and external debt. In comparison, health spending is just under 5 per cent of the federal budget. Low-tax Latin American countries can find themselves similarly constrained by debt servicing. In Nicaragua, for example, external debt stood at 60 per cent of GDP in 2008 (and the total debt burden, including domestic debt, stood at 80 per cent of GDP). Debt servicing that year amounted to US$275 million – around 4.4 per cent of the country's GDP. In fact, debt servicing managed to swallow up 25 per cent of the country's annual tax take. This was equivalent to 36 per cent of total public social spending and dwarfed the country's entire health budget, which amounted to only 3.7 per cent of GDP.

In the Philippines, the debt service for interest payments from 1986 to 2008 already averaged around 25.72 per cent of the national budget – this was without paying off any of the principal sum. In the recent 2010 budget of the Philippine government (US$32.2 billion), US$7.9 billion (24.34 per cent) was spent for interest payments and US$9.3 billion (28.95 per cent) for payment of the principal. This means that 53.3 per cent of the entire 2010 budget of the Philippines went to debt payments alone. On the other hand, only US$9.2 billion (28.5 per cent) was allocated for basic social services (education, health and housing).

Raising more tax domestically, through improving the tax take from those able to pay, reduces countries' reliance on loans and the onerous repayment of those loans in the future. Critically, mobilising domestic revenue also helps governments to break away from dependency on western powers and from the often harmful conditions attached to their financing.

For these reasons it is important for organisations working on debt to look at how tax can be used to reduce the dependence of southern country governments on unsustainable external financing.

Too much dependency on development assistance also comes with a series of problems, such as the unwillingness of donors to fund certain socially important projects, a lower incentive for governments to improve tax collection and a continued tendency for donors to condition aid on a country's acceptance of their policy 'advice'. A further problem is that if aid is channelled towards projects that would otherwise have been paid for by tax revenues, those tax revenues may be diverted to corruption.

In sum, increasing revenue from tax reduces dependency on foreign donors and helps governments and their citizens to escape the aid and debt trap.

CASE STUDY Malawi – a road out of dependency[23]

The Mponela to Ntchisi road built with government funds from 2005 to 2007 was the first major road built by the government using domestic revenue rather than external financing. The road from Ntchisi connects to the M1 at Mponela. Mponela and Ntchisi are districts that have a high level of agricultural activities and the access to the markets through the M1 has been made easy. Donors had refused to fund the road, arguing that it was not an economic priority. However, the government viewed the road as an important social service that would enable people to travel in the rainy season and farmers to more affordably travel to the market to sell their goods. Because the government used the country's own domestic resources, this difference of opinion did not matter – they did not need any permission to build this road. Moreover, this road was built faster than other roads financed through donor aid and loans, such as the Chitipa to Karonga road. Because the resources were already there, the authorities had greater flexibility to get the road constructed more quickly. The road will also make it easy for locals to access quality healthcare from the referral Kamuzu Central Hospital in the capital city of Lilongwe.

Repricing: limiting public 'bads'; encouraging public 'goods'

Taxes can be used to ensure that all social costs and benefits of production or consumption of a particular good are reflected in the market price. The design of a tax system can contribute to the achievement of other social benefits by making it costly to engage in actions considered socially undesirable, or by incentivising behaviour that is considered beneficial to society.

On the consumption side, this may include taxing tobacco to limit damage to health, or petrol to limit environmental costs. It may also be used to discourage speculation on essential products and services, which prevents the poor from accessing them. In the context of climate change, it is clear that market mechanisms do not price our consumption and production in a way that considers the impacts on future generations. However, advocacy on tax in this area also needs to consider any potential negative impacts on the poor.

CASE STUDY Taxing tobacco in southeast Asia[24]

The FCTC Alliance, Philippines (FCAP) has been advocating for much-needed reforms of the so-called 'sin tax' on tobacco. It has highlighted that at least 90,000 people die every year from tobacco-related diseases, in a country with an adult smoking prevalence of 28.3 per cent and 17 per cent youth prevalence and with the lowest taxes and prices on tobacco in southeast Asia (taxes on cigarettes are only 30 per cent on average, ranging from 14 per cent to 42 per cent). Research from the World Health Organization and the Philippine Department of Health outlines the range of undesirable costs that tobacco use in the Philippines imposes on society and its citizens, including disease and death, increased healthcare costs and potentially increased hunger, malnutrition and poverty, if scarce resources are used for purchasing tobacco. In order to demonstrate the benefits of taxing tobacco, they show the evidence of a strong correlation between the real price of tobacco and smoking levels in countries where this has been measured, including South Africa, Singapore, Thailand, Canada and the US. Thus, increasing the price of tobacco through taxation can have a real positive impact upon public health. Moreover, the taxes collected will generate additional revenue, which can be allocated for social development spending such as health and education.

Action for Economic Reforms (AER) and FCAP have collaborated on a campaign that has succeeded in pushing for two tobacco tax reform bills to be filed in the lower House of Congress. The bills seek the setting of a single rate for all cigarettes, increasing the rate and indexing it to inflation, and earmarking some of the revenues for health promotion programmes and providing an alternative livelihood for tobacco farmers.

Similarly, in Indonesia, members of the informal Indonesian Tobacco Control Network (ITCN), such as researchers from the University of Indonesia's Demographic Institute, lobbied members of parliament to convince them of the need to increase the tobacco tax. They produced their own reports and fact sheets to make their case. Supported by a regional tax initiative of the Southeast Asia Tobacco Control Alliance (SEATCA), they also provided evidence to their parliamentarians from elsewhere in the southeast Asian region, such as on the impact of the tobacco tax in Thailand (currently at 85 per cent of the base price of cigarettes), which has contributed to gradually declining smoking prevalence, yet a tripling of government revenues from tobacco tax from 1992 to 2009. As a result of this advocacy, the Parliament has included a new tobacco tax in a local tax bill, the Regional Tax and Levy Bill, which proposes to increase tobacco excise tax to 10 per cent at the district level. Tobacco companies have lobbied to delay the tax until 2014.

On the production side, inhibitive taxes can, for instance, be imposed on aspects of mining activities that potentially cause environmental strain on the immediate ecosystem and nearby communities. Studies have pointed out that the social and environmental costs that occur as a result of the extraction of minerals are largely unaccounted for when making the decision about whether or not to embark on a mining project.[25] Such social and environmental costs are not normally valued by the markets or by most economic actors, including mining companies, but instead are borne by local communities living near the mines. Thus, taxes can go some way towards internalising these otherwise unaccounted for costs, for example through allocating a share of the mining royalty to local development funds earmarked for community needs. Another approach could be to tax carbon emissions generated through maritime transport, or aviation in particular, and use the receipts for climate change adaptation and mitigation efforts.

As noted by the FDC, 'the point here is not to generate resources for government but to impel economic actors to shift to more environmentally friendly technologies and methods even if these entail more costs. But it must be stressed that these taxes should go hand in hand with regulatory mechanisms (such as anti-pollution laws and regulations) to attain social objectives.'[26]

How countries are deprived of tax revenues

- **If all developing countries could increase the amount of tax raised to at least 15 per cent of national income, an additional US$200 billion per year would be available to governments, according to ActionAid estimates.[27]**
- **Southern countries lose out on an estimated US$160 billion each year as a result of trade-related tax dodging, according to calculations from Christian Aid. This is more than those countries receive in aid.[28]**
- **From 1970 to 2008, total illicit financial outflows from Africa totalled between US$854 billion and US$1.8 trillion, according to research from Global Financial Integrity.[29] This is between four to nine times the current levels of sub-Saharan Africa's external debt.**
- **The IMF estimated in 1999 that around US$4.6 trillion, or half of cross-border assets, were held in tax havens (secrecy jurisdictions).[30]**

The previous sections explained some of the important functions of tax. The following sections go on to explore how governments are deprived of tax revenues. If tax revenues leak from an economy on a grand scale, this undermines the scope for tax to bring any of the potential benefits described in the previous sections. Lost tax revenue affects all countries, rich and poor, but the impact on countries in the South is demonstrably greater.

Many southern countries are affected by a set of common domestic challenges. Revenue authorities are often weak and fail to collect the taxes they should; the size of the informal sector makes monitoring of economic activities and the collection of taxes a huge challenge; and corruption in governments and tax authorities undermines trust and diminishes the incentive for citizens to pay tax.

As if these challenges were not enough, on the international stage the odds are stacked against southern countries. Many southern countries face pressure to adopt domestic policies that can undermine their taxing rights. Some countries have been subject to conditionalities that promote a set of policies known as the 'tax consensus' which are highly regressive; tax competition results in countries lowering tax rates or offering tax holidays in the hope of attracting foreign investment. On top of this there is a lack of accountability regarding agreements signed with multinational companies (MNCs), particularly in the extractives sector.

Finally, it is clear that a lack of transparency facilitates grand corruption. Secrecy surrounding the operations of MNCs and the taxes they pay means that companies can easily avoid or evade taxes; and financial secrecy in tax havens makes it easy for individuals and companies to hide financial activities from governments in the South.

The following sections look at the domestic constraints to effective taxation, before addressing external pressure to change tax policy and, finally, financial secrecy leading to tax evasion and avoidance.

Domestic constraints

Weak revenue authorities and large informal sectors

The capacity of tax authorities in southern countries is an area that urgently needs improvement. Traditionally, few resources have been devoted to auditing and it is common for many companies in southern countries to declare losses for tax purposes with few investigations resulting. In addition, the capacity of a national tax authority in a southern country to effectively audit the accounts of a multinational is often extremely limited given the complex accounting practices MNCs can use to allocate profit and loss across a large number of subsidiaries in a range of countries. VAT evasion and even basic smuggling are also major problems for southern country tax authorities.

Given that in most southern countries a large proportion of the economy operates in the informal sector, the capacity constraints are all the more pertinent. If individuals and small businesses use cash transactions rather than bank accounts, it is difficult to monitor economic activity. At the same time, individuals and small businesses need to be motivated to register and pay tax. Necessary incentives might include protection of property rights, provision of services and support to save. It is the challenge of the informal sector that can lead governments to implement regressive VAT regimes, as it is easier to collect revenue from consumption than income.

In addition, southern countries generally have an extremely poor record with regard to the investigation and prosecution of tax evasion. For example, in Guatemala, between 2001 and 2003, 1,295 tax evasion cases were presented before the courts. Of these only four resulted in the defendants being found guilty. In Honduras, a tax authority director went public about receiving anonymous threats over ongoing tax evasion investigations. Many southern countries do not even have a large taxpayers unit (which can reduce tax compliance costs and ensure uniformity in determining tax duties), never mind a dedicated team to track tax evasion cases. The impunity of large tax evaders is a major obstacle in countries where governance is weak, corruption is widespread and the political will to address such issues is non-existent. This then undermines the willingness of ordinary citizens to contribute to taxes, as they see the wealthy dodging their responsibilities.[31]

Politicisation and corruption in revenue authorities

Within revenue authorities, as with any institution, there is scope for politicisation, corruption and mismanagement. For example, an Indonesian tax official who was just three years into his job was found to have an accumulated wealth of more than Rp100 billion (US$10 million) – impossible on his monthly salary of about US$800. An investigation and statements of the disgraced tax official included allegations that several companies linked to a major political figure had bribed the disgraced official in order to evade taxes. Several officials have been convicted in relation to this case.[32] Cases of corruption such as this can undermine public trust in the tax system as well as morale within the revenue authority and can lead to lower levels of tax collection. Such problems are not confined to southern countries.

In addition to these domestic challenges, southern countries face external pressures and constraints in setting domestic policies that would enable them to raise revenue effectively. The international tax system equally represents the interests of the powerful.

External influence on tax policy

Tax competition – the race to the bottom

Tax competition has gone hand in hand with the increasing mobility of capital in a globalised world. Over the past three decades, nation states have tried to attract foreign direct investment through low tax rates and incentives and, in some cases, the promise of financial secrecy. The IMF, World Bank, regional development banks and the European Union (EU) have all, in varying ways through their private sector development work, promoted this trend, by encouraging the lowering of corporate tax rates or granting tax-deductible capital allowances for the mining industry, for example. These sorts of policies together are sometimes collectively described as the 'tax consensus'.[33]

Proponents of tax competition argue that lower tax regimes are essential to attract the investors who will in turn provide jobs, revenue, technology transfer, infrastructure and linkages to domestic firms. However, the role of tax breaks in attracting foreign investors is highly questionable, with a number of cross-country studies concluding that the costs of tax incentives in terms of lost revenue frequently outweigh the benefits in terms of increased productive investment.[34] The IMF is now more likely to advise countries to minimise tax exemptions and to ensure that the costs of all tax incentives are explicitly included in national budgets.

Companies attracted by such tax breaks have been regularly criticised for their, often, poor record in terms of worker rights or respect for the land rights of indigenous people. Such investors also often fail to bring the promised technology transfer or other linkages to domestic firms, particularly as World Trade Organization (WTO) requirements make it difficult for governments to oblige companies to do so. Not only does tax competition fail to guarantee inward investment that is pro-development but it is also anti-democratic, as it undermines the ability of electorates to choose between high-tax/high-spend and low-tax/low-spend governments.[35] Ultimately, the winners from tax competition are the mobile MNCs that can play governments off against each other in order to secure the lowest tax rates. Ordinary citizens whose governments are deprived of vital revenues are the ones to lose out – and it is the poorest who suffer the hardest.

Special economic zones and maquilas

Governments often grant these extended tax breaks through establishing special economic zones (SEZs), which are geographical regions that have different tax laws to the rest of the country. The category 'SEZ' covers a broad range of more specific zone types, including free trade zones (FTZs), export processing zones (EPZs) and free zones (FZs). Maquilas (otherwise referred to as 'maquiladoras') are individual factories that operate according to similar terms to SEZs.

In general, SEZs and maquilas have a poor reputation in terms of their labour standards and their record of displacing indigenous people from their land. As citizens agitate to redress these injustices, many also build tax justice into their campaigns.

? Definition

'Tax competition': Tax competition is the process by which nations compete with one another to attract inward investment from international companies by offering lower tax rates or tax holidays, sometimes in 'special economic zones'. Such tax incentives have been widely adopted across the world and are often described as leading to a 'race to the bottom'.

CASE STUDY Maquilas in Guatemala[36]

Latin America is a region with an appallingly poor tax record, extremely low levels of tax collection (on average around 16 per cent of GDP) and regressive tax systems. Guatemala is one of the region's worst performers. According to the Guatemalan tax authority, the country collected only 11.3 per cent of its GDP in tax in 2008.

One reason for its extremely low tax collection is the country's generous tax incentives. Since legislation was passed in 1989, companies that qualify for 'maquila' status are exempt from import duty, income tax, taxes on the repatriation of profits, VAT, asset taxes and municipal taxes. The term maquila refers to the textile sector, but Guatemala's legislation has been repeatedly expanded, meaning that many more companies benefit from concessions. While the benefit is supposed to be temporary in nature – for example income tax exemptions are for 10 years – the practice prevalent in Guatemala is for businesses to close and then reopen with another address. This way they can apply again for exempt status.

These tax concessions have a huge fiscal cost. The tax authorities calculated losses under the maquila legislation as reaching US$524 million in 2005. This represents a huge chunk of Guatemala's tax take – 15.9 per cent of total tax collected that year. The practice of gathering and publishing this data has since been abandoned, but currently costs would be much higher as a law modifying the maquila regime was adopted in 2004. It has allowed many more companies to be able to apply for maquila status and benefit from the exemptions. Companies qualifying as maquilas include Colgate Palmolive C.A., Kellogg C.A. and Nestlé Guatemala as well as many other well-known, national firms. A Guatemala CSO, CIIDH, has been monitoring the tax issue and advocating for tax reform for a while. It now says that: 'The law no longer even resembles a law to promote investment and has now become a mechanism which firms can use to avoid paying taxes.'

CASE STUDY Special economic zones in India[37]

In India, SEZs are being set up across the country since legislation was passed in 2005. Activists in India have protested against the SEZs because they say that farmers are being forced off their land, with little or no compensation, to make way for MNCs building factories and industrial parks. In addition to these problems, the excessive tax breaks offered by the SEZs deprive the government of revenue that could be used for social spending.

Companies operating in the SEZs get total tax exemption for the first five years, 50 per cent for the next two years and up to 50 per cent exemptions on profits that are reinvested for another three years.

The Indian Ministry of Finance estimates that in 2008/09, foregone corporate income taxes amounted to 69,000 Crore Rupees (approximately US$15 billion), as a result of tax exemptions in SEZs as well as other corporate tax deductions.

Jayati Ghosh, professor of economics at Jawaharlal Nehru University and director of International Development Economics Associates, says: 'People are rightly upset about the land-grabbing that is going on for SEZs. But we have to face the reality that there is going to be change in land use as India develops. What is important is how you compensate and rehabilitate those people who were on the land. … The real issue is that these tax concessions are obscene. Why should companies in SEZs pay no tax, while in India we still don't have money for universal schooling? We spend only 4 per cent of GDP on education, instead of the aimed-for 6 per cent. If we had full payment of existing taxes we would have enough money to properly educate our children or for a public health centre in every village. … To give up such a huge amount of government resources is of course a major crime given the needs of Indian society today and in the future.'

Tax breaks in the extractives sector

Another area in which tax breaks cost southern countries dearly is the mining and minerals sector. Mineral extraction is renowned for its poor social and environmental impacts. In addition, industrial mining companies are particularly known for failing to create linkages into the local or national economies that would stimulate more private sector development and job creation. This is because foreign mining companies import most of their mining equipment, as well as the technical, financial and managerial services needed to run the mines. Then, once extracted, raw ore is usually exported for further refining or processing elsewhere. Moreover, given the capital-intensive nature of industrial mining, these companies create relatively few jobs. This is why there is a widespread view that the paramount development benefit of mining in Africa is the potential to generate public revenue through tax. Government revenue in the form of royalties, fees and various direct and indirect taxes is potentially a major source of income for governments of countries rich in natural resources.

However, extremely widespread tax breaks mean that this primary benefit too often fails to materialise. Too many MNCs have demanded and received massive tax and royalty concessions from governments as the price of setting up operations. These tax deals are usually made in secret between companies and governments through contracts that often override national tax laws. This kind of treatment in turn encourages corruption, as secrecy makes it extremely difficult for civil society, parliaments and others to monitor the revenue from extractives and how this money is spent through the budget.[38]

CASE STUDY Zambian CSOs challenge mining tax exemptions[39]

In Zambia, mining development agreements were negotiated with private mining investors who took over copper mines after the privatisation of the Zambian copper industry in 1998. They offered huge tax exemptions to mining companies – including setting royalty rates at 0.6 per cent and corporate income tax at 25 per cent, instead of the 3 per cent royalties and 30 per cent corporate tax specified in the Mining Act. Despite booming international copper prices between 2003 and 2008, these tax breaks have drained government coffers of much-needed revenue for development spending. In 2004, for example, the government collected only US$8 million in tax and royalty revenue from the copper mining industry. In 1992, a year when copper production and international copper prices were at similar levels to those in 2004, budget revenue from taxes and royalties was US$200 million, in large part due to higher tax collection from the mines.

Civil society actors in Zambia, including the then Civil Society Trade Network of Zambia (CSTNZ), churches and trade unions, took up this issue. They published research reports, engaged parliamentarians and the media and raised the level of debate in the country on the issue of tax exemptions in the mining sector. Partly as a result of this successful civil society lobbying and campaigning, in 2008 the government decided to outlaw the special tax breaks granted to copper mining companies in the mining development agreements, requiring the companies to instead revert to paying the 3 per cent stipulated in the law. A special windfall tax was also introduced by the government, but it dropped this a year later under pressure from the mining companies, partly in response to the huge drop in international copper prices. While this setback reduced the overall tax revenue paid by the mining companies, in 2009 the finance minister reported that the government collected US$77 million in tax and royalty income from copper mining companies as a result of the new tax rates – a ten-fold increase compared to 2004.

CASE STUDY Foregone mining revenues in the Philippines[40]

In the mid-2000s, the Philippine government began an aggressive push to develop the country's mining sector. The government sees the country's abundant mineral wealth, still largely buried underground, as potentially driving economic growth and sustaining it at a high level.

The government has provided a number of fiscal incentives, including income tax holidays, in order to attract investors into the sector. Research from Action for Economic Reforms conducted in 2009 estimates that in 2004 foregone revenues as a result of these tax breaks ranged from US$66.8 million to US$244.2 million, which is 80 to 300 per cent of actual tax collections for the same year. If the highest estimate is used, foregone revenues from mining in 2004 would have amounted to 5.68 per cent of the national deficit. This is despite evidence that the determining factors for mining investors are the quality of minerals in the Philippines and their current prices, not the tax breaks, suggesting that the investments would have come anyway.[41]

The share of the total tax take going to local government has also been steadily declining. It is difficult to know the reasons for the decline, but one possible explanation is that the mining companies have been withholding payments to local government units as mining's fortune has waned. For instance, the Marinduque Council for Environmental Concerns reports that Marcopper owes the provincial government more than US$20 million of unpaid real property taxes. Mining companies in ancestral domain lands also have a patchy record in the payment of royalties to indigenous peoples.

Trade liberalisation leading to lost trade taxes

Trade liberalisation is another major avenue through which southern countries have faced diminished tax income. Many southern countries rely heavily on taxation of imports, because such taxes are relatively easier to collect and less costly to administer than other forms of taxation. The proportion of a government's overall revenue that comes from these taxes can be up to one-third, or in some countries even higher.

However, many countries have progressively lowered tariffs during the past couple of decades as a result of World Bank and IMF conditionalities and donor 'advice', which has in turn reduced their tax income. And today, bilateral and multilateral free trade agreements threaten to impose additional severe reductions in southern countries' income from tariffs. For example:

- Based on figures from the United Nations Conference on Trade and Development (UNCTAD), ongoing multilateral negotiations in the context of the WTO Doha Round could result in losses of up to US$64 billion for southern countries, through lost import tax revenues on industrial goods.[42] This is four times the amount that the World Bank predicts southern countries would gain as a result of increased trade.[43]
- Free trade agreements being negotiated, or in some cases recently concluded, between the EU and groups of African, Caribbean and Pacific (ACP) countries (known as economic partnership agreements, EPAs) would also impose serious revenue losses for particularly vulnerable countries as a result of foregone trade taxes. Côte d'Ivoire is predicted to lose an estimated US$83 million per year, equivalent to its current health spending for half a million people.[44]

‘There is no adequate legislation governing transfer pricing in Mozambique. …When there is a request for transfer pricing placed with the tax authorities nobody knows how to deal with the request... It is therefore easy for multinationals to take advantage, to exploit the weak capacity of tax authorities and the lack of regulation governing transfer pricing.’

A former revenue official and former employee of one of the ‘Big Four’ accountancy firms in Mozambique

Definition

‘Tax evasion’: Illegal or fraudulent non-payment or underpayment of taxes.

‘Tax avoidance’: The organisation of finances or accounts in such a way as to minimise declared income and therefore pay as little tax as possible – often through finding and exploiting loopholes in different countries’ legislation. This is legal.

‘Tax dodging’: A legally imprecise term which is often used by tax justice campaigners when it is not clear whether tax is being avoided or evaded.

The IMF and others have strongly argued, as part of the ‘tax consensus’, that trade taxes should be replaced with VAT. However, we highlighted earlier that VAT tends to be a regressive tax. In addition, research from the IMF itself has shown that the introduction or expansion of VAT has not generated levels of tax income of anything like the magnitude that would compensate for the lost trade taxes. In least developed countries, VAT and other forms of taxation only make up for about one-third of the taxes foregone through lost trade taxes, according to the IMF’s estimates. This means less revenue for spending on social services.

CASE STUDY The Stop EPA campaign highlights lost trade taxes[45]

When negotiations for EPAs started in 2002, civil society across ACP states and in Europe got organised and launched a campaign to ‘Stop EPAs’. The concerns with the proposed agreements included the predicted impacts on agriculture, industry and jobs – as countries would be forced to compete with European imports – as well as the ways in which EPAs would constrain governments from regulating their economies in the interest of development and poverty reduction. In addition, civil society and governments have been concerned that EPAs would deprive ACP countries of important tax income, without any guarantees that these losses would be compensated through alternative revenue streams. The EU has argued that the gap in revenue can be filled through aid in the short term, yet there are no guarantees that additional finance will be made available in a way that does not divert resources away from other important development programmes. Most worryingly, governments would be sacrificing a sustainable source of finance that can be generated year on year, for an increased dependency on EU development assistance that is likely to be short term if it even materialises. When EPA campaigners in Europe have raised this issue with European governments and in the European Parliament, it has been met with concern, as even those who believe in the benefits of free trade agreements tend to recognise that countries need sustainable tax income. Highlighting this issue has been one entry point for getting decision-makers to listen to the broader concerns about EPAs.

Financial secrecy leading to tax evasion and avoidance

We have explored how governments offer low tax rates, tax breaks and tax holidays in an attempt to attract investment. We have also seen how foregone trade taxes present a further strain on government coffers. As if these practices did not already drain enough domestic resources, further leakage of potential revenue occurs through international tax evasion and avoidance, which is facilitated by financial secrecy. There are a number of techniques for avoiding tax.[46]

Abusive transfer pricing

It is estimated that 60 per cent of international trade occurs within MNCs, as different subsidiaries sell goods and services to each other.[47] Although tax dodging is not restricted to multinationals, these companies with multiple subsidiaries operating in different countries can more easily manipulate their taxable profits. One of the key mechanisms through which multinationals get away with non-payment of what they owe to governments is through manipulating the prices that are charged for goods and services within the company but across borders.

Transfer pricing is the system of pricing transactions between related parties, for example sister companies within the same commonly controlled group of companies. MNCs run their businesses on an international basis, and a sale of goods or services to a customer in one country will often involve group entities in several other countries in the supply chain. The problem is how to allocate the cost of producing and selling the product or service and the profit earned on the sale.

International regulations require companies to price goods and services to related companies as if they were unrelated and trading in the open market. However, often it is difficult to determine what a market value for a product is. In this context, a company can set the sale of goods and services by affiliated companies within an MNC to each other at artificially high or low prices. The companies can therefore often allocate the profit between the trading subsidiary companies in such a way that a minimal amount of tax has to be paid.

Where this occurs within companies, tax justice campaigners often term this ‘transfer mispricing’. A similar practice where unrelated companies make deals with one another to manipulate the price is called ‘false invoicing’. Together these are often termed ‘trade mispricing’. It is estimated that around 50 per cent of trade transactions in Latin America and 60 per cent in Africa are falsely priced by an average of more than 10 per cent.[48]

The victims of trade mispricing are all too often poorer countries where the revenue authorities have neither the expertise nor the resources to monitor or prove what is happening. Secrecy and lack of transparency in financial reporting make it incredibly difficult for under-resourced tax authorities to work out what tax is due to them, because companies are not obliged to report their profits and that of their subsidiaries at all national levels to the governments in whose jurisdiction they operate. On the other hand, MNCs have the resources to carry out complicated global transactions and procedures which tax administrators in southern countries may find difficult to trace.

Losses from trade mispricing

Christian Aid estimates losses to southern countries as a result of trade mispricing to be in the region of US$160 billion. The following are examples of what this means at a country level:

- In 2007, Bangladesh lost an estimated US$172.6 million in tax revenue as a result of trade mispricing involving trade with the EU and the US, in significant part attributable to its knitting and crocheting apparel industry. Growth in this sector exceeded all expectations in 2007 in spite of rising costs because of energy price increases. To facilitate this growth, the government invested in technical as well as financial support to help exports. Yet it lost out on much-needed tax revenue because of trade mispricing.[49]
- In the same year, Vietnam lost US$171 million of tax revenue and Pakistan lost US$152 million.[50]
- Kenya is estimated to have lost around US$2 billion between 2000 and 2008 to illicit outflows of capital, equivalent to about 70 per cent of the country's 2010/11 development budget of US$2.7 billion. There are likely to be significant tax losses as a result of this level of capital flight. Kenya Revenue Authority (KRA) has been investigating a number of multinationals, including the country's three largest flower companies, for abusive transfer mispricing, as the practice is believed to account for a significant proportion of these illicit outflows. According to Mr John Njiraini, the KRA commissioner of domestic taxes in charge of the large taxpayers: 'We have seen cases of multinationals reporting losses in Kenyan subsidiaries while their parent firms are making huge profits. We are investigating whether they have abused their transfer pricing policies.'[51]

CASE STUDY The tax justice campaign in Europe

Tax justice campaigners in Europe, including Tax Justice Network, Eurodad, Christian Aid, CCFD, MISEREOR and ActionAid, have been pushing for G20 governments to address the issue of transfer pricing abuse. The financial crisis of 2008 created an impetus for change in OECD countries and created an opportunity for NGOs and others to introduce the development impacts of financial secrecy, calling on world leaders to address the problem. The G20 committed to developing proposals to ensure that developing countries would benefit from the new cooperative tax environment.[52]

The campaign has a real chance of success, with the EU and the OECD recognising the need to address the problem and appearing to take steps to do so.

Country-by-country reporting

It is crucial that companies are transparent about their operations in all the countries in which they operate. Country-by-country reporting is a tool to make MNCs more transparent. As we have established, tax avoidance is a worldwide problem. It involves the abusive exploitation of gaps and loopholes in domestic and international tax laws that allows MNCs, in particular, to shift profits from country to country, often to or via tax havens, with the intention of reducing the tax they pay on some or all of their profits. Tax avoidance on such a large scale worldwide is made easy by a lack of transparency in the way MNCs report and publish their accounts. Making MNC accounts more transparent would help civil society and governments hold them to account for the taxes that they pay, and the extent to which these correspond to underlying economic activity.

This proposed standard, which originated with the Tax Justice Network, is now supported by the EU and has reached the attention of the OECD, the UN Tax Committee and other international bodies.

? Definition

'Transfer pricing abuse' (often referred to as 'transfer mispricing'): This involves the manipulation of prices of transactions between subsidiaries of multinationals or, more specifically, the sale of goods and services by affiliated companies within a multinational corporation to each other at artificially high or low prices.

'False invoicing': This is a similar practice to transfer pricing abuse, but between unrelated companies. Two companies may conduct a transaction for which there are two invoices – the 'real' one, which shows how much was actually paid, if at all, for the goods or services; and an 'official' one, which is given to revenue and customs officials. The official invoice shows a fake quantity or price.

'Trade mispricing': This is the term to cover both transfer pricing abuse and false invoicing.

It is not just the lack of transparency in corporate reporting that facilitates tax evasion and avoidance, but also the lack of cooperation between countries when it comes to sharing tax information. Secrecy jurisdictions undermine the ability of governments to collect revenues by allowing companies and individuals to harbour assets on their shores, away from the eyes of the tax man.

Secrecy jurisdictions (commonly known as tax havens)

Secrecy jurisdictions facilitate the tax dodging outlined above. There are between 50 and 72 of these secrecy jurisdictions in the world, which allow companies and wealthy individuals to hide assets and avoid tax by refusing to effectively exchange information with other countries. The Tax Justice Network estimates that the total sum of money held 'offshore' is around US$11 trillion, resulting in an annual tax loss of US$255 billion. Secrecy jurisdictions deprive the exchequers of rich and poor countries, but they have an immeasurably greater impact on southern countries that can ill afford the losses. In some cases they can provide a hiding place for bribes paid to governments, or assets siphoned from a government's budget.

Secrecy jurisdictions also allow MNCs and wealthy individuals to set up 'trusts' into which money is paid. The identity of those paying money into these tax havens is hidden, as is the identity of those with access to them. This means that if tax is liable on this income, the country where the tax is due may never know.

Automatic tax information exchange

A number of NGOs are also calling for a multilateral agreement on automatic tax information exchange to end the secrecy of tax havens, which makes tax dodging possible. This agreement would mean countries automatically sharing information on citizens or companies holding assets on their shores, with the country where that asset originated or where the citizen is resident. It would equip countries with timely information about where tax abuse is likely to be taking place and therefore where further investigation is needed.

As demonstrated throughout this chapter, tax policy has a substantial impact on many of the core concerns of CSOs, from ensuring the availability of funds for important social programmes to narrowing the gap between rich and poor. In many countries, tax debates are dominated by businesses and wealthy individuals. Their concerns are often different to those of civil society more broadly. Yet decisions on revenue issues are some of the most important that a government makes. It is vital that civil society be in a position to offer its perspective on tax policies so that it can help broaden the debate and influence these policies and the impact they have on all citizens.

Interaction page

This page offers a suggestion for facilitating a group discussion on the main themes raised in this chapter.

Exercise 1: Why bother with tax? Making the case for your organisation.

Aim: To establish why tax is relevant to the work of different organisations, networks and communities.

Discussion exercise in groups: Share the case studies and quotes from the chapter on 'Why bother with tax?' with the groups. Do any of these examples seem relevant to them? Ask groups to discuss ways they think tax is relevant to their organisation, network or community.

In plenary: Ask the groups to share their main conclusions. Discuss as appropriate.

Chapter 1: Why bother with tax?

By now you should:

- be familiar with a range of key tax justice issues, including the potential benefits of tax (the four 'Rs') and the various means through which countries are deprived of tax revenue
- understand how these tax issues relate to your organisation, network or community.

The next steps are to think about your tax advocacy strategy, including:

- identifying the tax issue that is pertinent to your organisation
- doing your problem and solution analysis
- identifying your tax stakeholders and your key targets and allies
- setting your goals and objectives
- coming up with indicators to measure your progress
- developing tax messages for your different audiences.

Chapter 2 provides guidance on this.

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Chapter 2: **How to develop your tax advocacy strategy**

Contents

Chapter 2: How to develop your tax advocacy strategy

This chapter considers the different elements of developing your tax advocacy strategy and how to bring them together in a winning mix.

The chapter provides:

- an introduction to the advocacy cycle
- six steps for developing your advocacy strategy:
    - **Step 1:** Identifying the problem and its root causes and finding a solution
    - **Step 2:** Assessing your external context, including identifying your key tax stakeholders and who has the power to help you achieve the change you seek
    - **Step 3:** Setting your tax goals, objectives and indicators
    - **Step 4:** Developing your key messages on tax and tailoring them to your target audience
    - **Step 5:** Deciding on your advocacy approach – will you adopt an inside or outside strategy to your tax justice issue?
    - **Step 6:** Planning your monitoring and evaluation
- tax-related examples to illustrate the above steps
- tools and top tips
- the following appendices:
    - **Appendix 1:** Advocacy strategy template
    - **Appendix 2:** Stakeholder mapping table.

The interaction pages provide suggestions for group exercises to:

- consider the different stages in developing an advocacy strategy
- enable you to use problem and solution trees to identify the root causes of the issue you want to address and develop objectives to tackle it
- analyse relevant tax stakeholders in your context and assess who has the power to help you achieve the change you seek
- consider how to make your objectives specific, measurable, achievable, realistic and timebound.

Setting out an advocacy cycle

'One of the most common mistakes campaigners make is to fall into the activity trap. One goes straight from good intentions into full activity mode – with or without activity plans. The result is often misused resources, frustration and, ultimately, failure... by pausing a little and doing some homework on strategy, campaigners can have a much better chance of channelling their resources towards the outcomes they are after.'

From International Freedom of Expression Exchange, *Campaigning for Freedom of Expression, A Handbook for Advocates*

What is advocacy?

Advocacy is a term used to encompass a number of activities which organisations or individuals can take to exert pressure for change in a specific policy or behaviour of a government, institution, organisation (for example the International Monetary Fund (IMF) or World Bank) or possibly a single individual (for example a business leader or city mayor). Advocacy can be a social change process that influences attitudes, social relationships and power relations, and that strengthens civil society and opens up democratic spaces.

Ultimately, advocacy seeks to address the underlying causes of a problem, to remove the obstacles to arriving at the solution and to successfully influence agendas to achieve the desired change. Advocacy for tax justice could be an important element in achieving wider changes related to poverty reduction, development and social justice.

Advocacy can include research and policy analysis, lobbying, media work and campaigning.

The advocacy planning cycle – developing your advocacy strategy

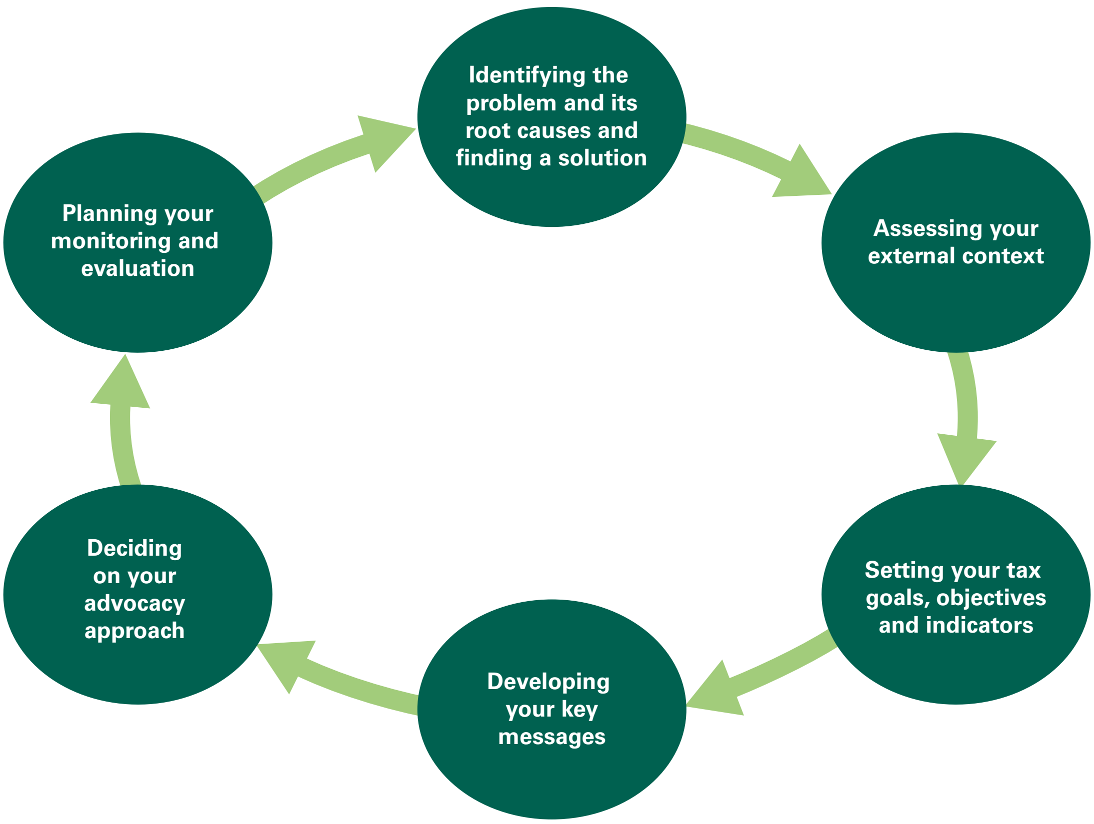
Your advocacy is likely to have more impact if you have a systematic advocacy strategy, which involves properly researching the issues; analysing the political context; identifying targets, opponents, allies and desired outcomes; and that is clear about the key messages it wishes to get across and the changes it is seeking.

Advocacy plans must remain flexible to respond to an ever-changing political environment, new learning, and new political opportunities or threats. Your strategy should never be set in stone. Different steps will need to be revisited at different times. It's a question of strategy and tactics!

Be aware that advocacy can sometimes take a long time to get results – just think of how long it took for the anti-apartheid movement to achieve change in South Africa – so be prepared for the long haul while hoping that success may come sooner than you think.

This chapter will take you step by step through the development of an advocacy strategy. We walk you through six steps, but of course the sequencing of these steps is not fixed. You may sometimes want to change the order, depending on what works for you and your context.

You can find an 'advocacy strategy template' at the end of this chapter (Appendix 1).



Step 1: Identifying the problem and its root causes and finding a solution

Think about the problem and its causes

The first step before any strategy development or advocacy intervention is to identify the problem and its underlying causes. Only through analysing the causes of the problem will you be able to see which interventions or advocacy strategies will be most appropriate to tackling it. The underlying issue (or cause) may not be obvious and you may need several approaches to understand the problem, including participatory exercises involving affected community members, desk-based research or interviews.

Chapter 1 identified a number of problems and underlying causes related to tax. It also showed how advocacy that addresses these causes can make a real difference. For example:

- Inadequate essential services, such as health services or education, are a major problem contributing to poverty. Lack of domestic revenue through tax to pay for services is one of the underlying causes. Successful citizens' campaigns in Bolivia led to the government introducing new taxes on mining companies and using these revenues for education and pensions.
- Governments are often insufficiently accountable to their citizens. One of the causes is that governments are more dependent on aid than on domestic tax revenues and therefore their greatest accountability is towards donors. Domestic revenue mobilisation is part of the answer, as tax revenues have been shown to increase governments' accountability to their citizens. Advocacy by civil society in countries including Ghana, India, the Philippines and Brazil has therefore sought to influence governments to adopt fair, transparent taxation policies that can be monitored by the people.

CASE STUDY Taxation for education in Nicaragua[1]

In Nicaragua, a coalition of civil society organisations (CSOs) led by Coordinadora Civil and Instituto de Estudios Estratégicos y Políticas Públicas (IEEPP) has long worked to improve education in the country through campaigning for increased education spending. Coalition partners have recently decided to address tax policy issues and include tax reform as a specific part of their advocacy. This is a result of their problem and solution analysis, which led them to see that tax policies – specifically the level of tax collection and the inequity within the tax system – are fundamental obstacles to increasing spending on education.

Two tools are presented in this section: the 'But why?' technique, and problem and solution trees. They are designed to help you focus on the causes instead of the symptoms of the problem. Identifying genuine solutions to a problem requires knowing what the real causes of the problem are. Taking action without identifying what factors contribute to the problem can result in misdirected efforts. This wastes time and resources.

Many causes and solutions may apply to your problem, so it is up to you to find the ones that seem most important and that your organisation has the capacity to work with.

TOOL 'But why?'[2]

The 'But why?' technique examines a problem by asking questions to find out what caused it. Each time an answer is given, a follow-up 'But why?' is asked.

For example, if you say that people in poor communities don't have access to clean drinking water, you may ask yourself 'But why?' Once you come up with an answer to that question, probe the answer with another 'But why?' question, until you reach the root cause of the problem.

For example, does the problem start with lack of hygiene education, resulting in people not caring about clean water, or is it because they don't know how to dig safe drinking water wells? Or is it a result of government's failure to implement well-digging programmes? If it is a result of government failure, why is this happening? Is it because of a lack of money? Why is there a lack of money for drinking water wells? Is the government inefficient at collecting taxes? Are the taxes misspent?

How does the 'But why?' technique work?

Example:

The immediate problem
Children are not going to school

Ask why?
They keep falling ill

Possible response:
Provide medicines

Ask why?
They drink bad water

Possible response:
Dig a well

Ask why?
The well is too far from the school

Possible response:
Put in a pipe

Ask why?
The local government said it would dig a new well last year but it hasn't

Possible response:
Dig a well or lobby local government to provide the well

Ask why?
Central government has not released the funds it promised

Possible response: Dig a well or put in a pipe, or lobby central government to release the funds

Ask why?
The government did not collect sufficient taxes

Possible response:
Dig a well or put in a pipe, or lobby central government to collect the taxes and disperse them more speedily or to prioritise collecting tax from businesses that are dodging them

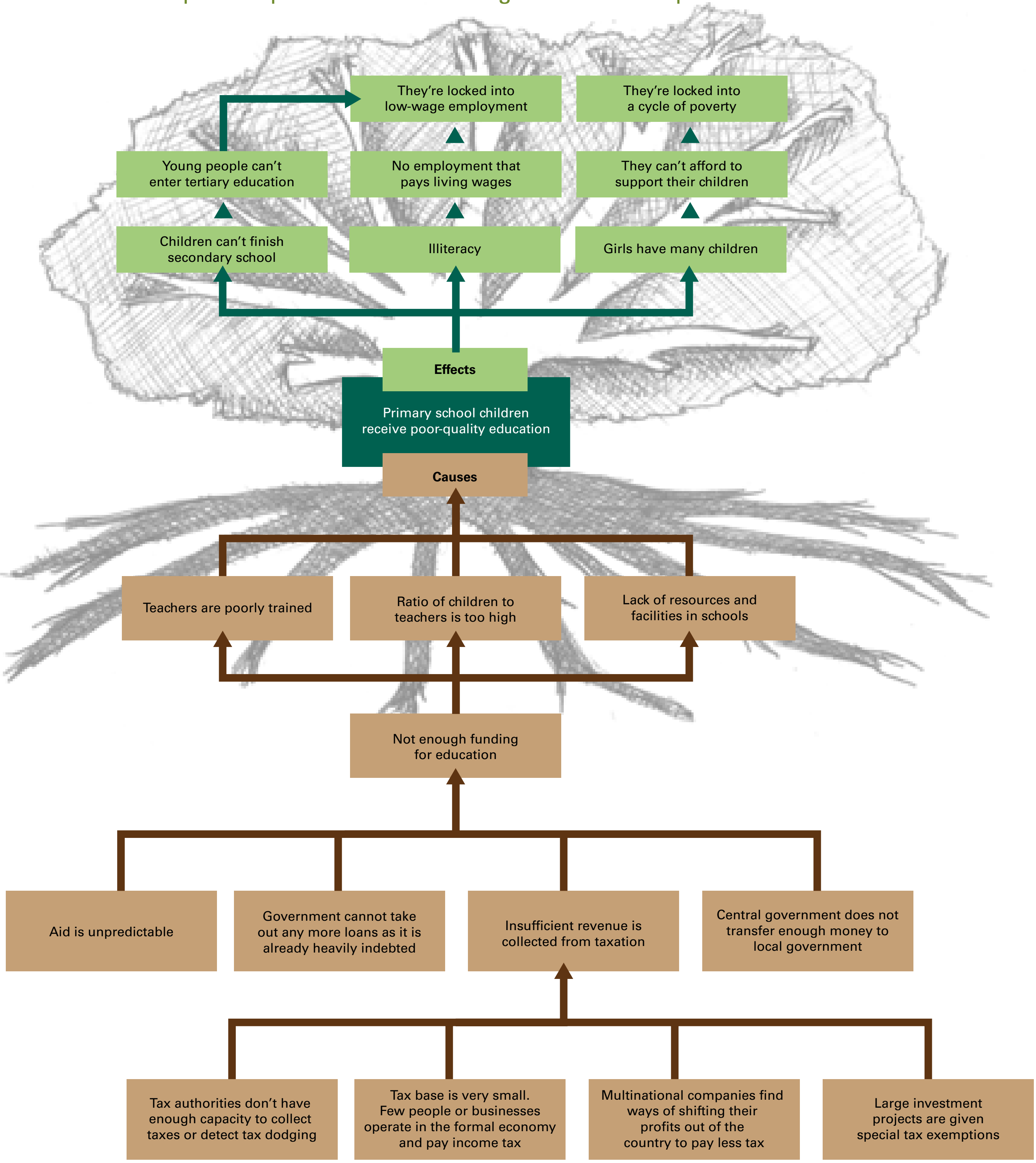
Ask why?
The government struggled to stop businesses dodging tax

Possible response: Campaign for an end to tax havens so it's harder for money that should be paid in taxes to be hidden from the government

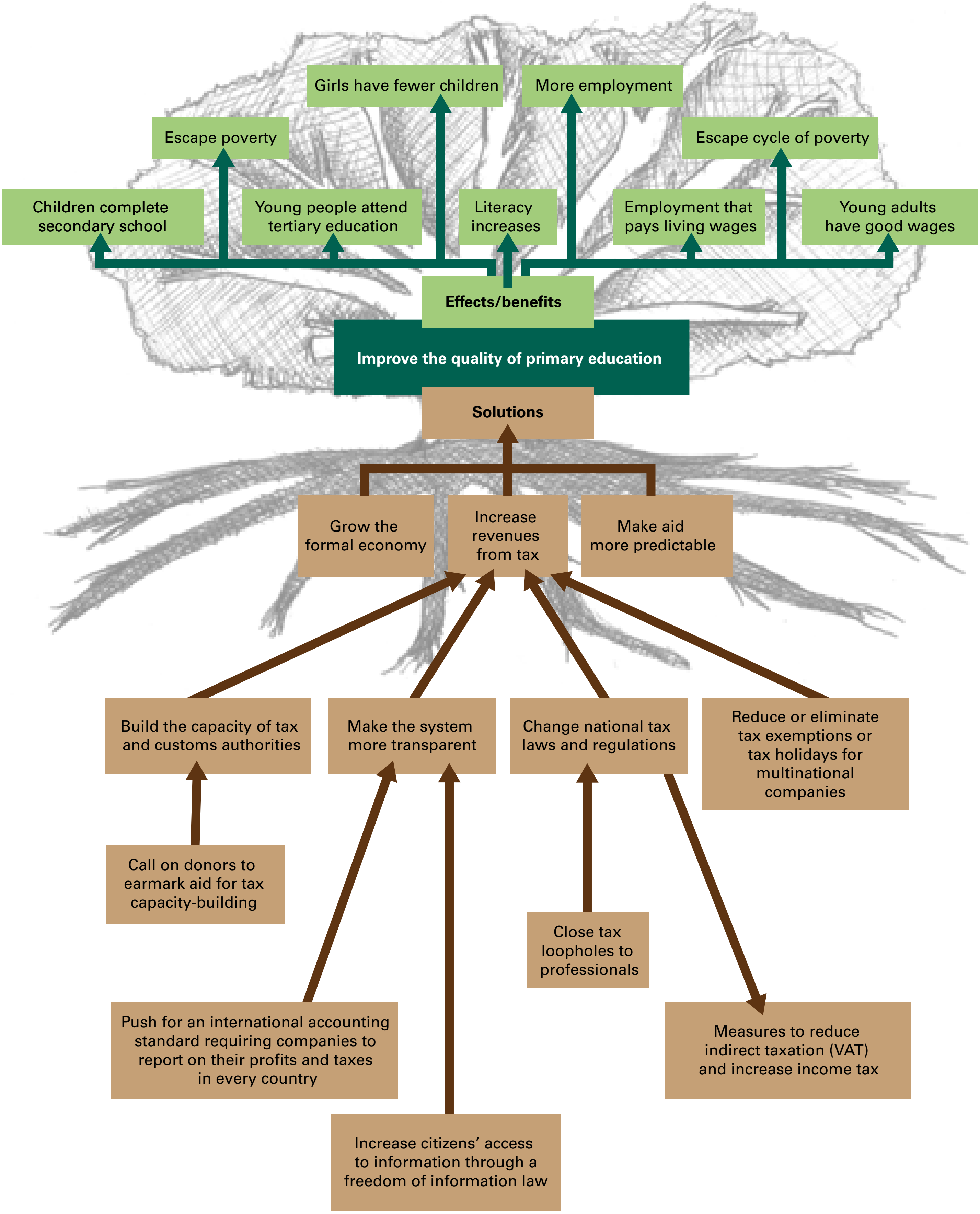
TOOL Problem and solution trees

Problem and solution trees are a good way of analysing an issue and can be easily used in a group. The problem tree enables you to identify the root causes and main effects of the problem. By then using a solution tree, you can turn the problem into a positive goal for your advocacy, the root causes into possible solutions, and the effects into potential benefits. For detailed instructions on how to use problem and solution trees, see Exercise 2 in the interaction pages at the end of this chapter.

Here is an example of a problem tree focusing on tax-related problems:



Here is an example of a solution tree focusing on tax-related problems:



The problem tree exercise may throw up multiple root causes of a problem. Prioritisation is therefore important so you don't overstretch yourselves and risk being ineffective.

Here's a useful list of questions to help identify which issue to prioritise.[3]

Will working on the issue:

- result in real improvement in people's lives?
- give people a sense of their own power?
- be widely and deeply felt?
- build lasting organisations and alliances?
- provide opportunities for women and others to learn about, and be involved in, politics?
- develop new leaders?
- promote awareness of, and respect for, rights?
- link local concerns with larger-scale, even global, issues?
- provide potential for raising funds?
- enable the organisation to further its vision and mission?
- be winnable? Does it have a clear target, time frame and policy solution?

Do some research and analysis

After your initial problem analysis, further research will be needed to:

- provide **credible evidence** for your arguments. Policy-makers are unlikely to be convinced by your analysis of the problem and the solutions unless you have well-researched evidence to support your analysis. Researching tax issues can be particularly challenging, which is why we have devoted a separate chapter (Chapter 3) providing useful tips and tools on how to research tax issues
- justify a particular course of action to your organisation and partners
- **find facts and stories to illustrate your issue.** These are important to explain and persuade both policy-makers and your potential supporters of your case.

CASE STUDY Research for advocacy in Sierra Leone[4]

Civil society organisations in Sierra Leone have been campaigning to their government for greater transparency and accountability and increased revenue from the extractives sector. Sierra Leone is rich in mineral resources and a number of foreign mining companies are reaping the benefits, yet the country captures woefully little revenue from the sector because of overly generous tax breaks and limited administrative capacity. Although Sierra Leone exported US$145 million worth of minerals in 2007, only US$10 million remained in the country – representing only 5 per cent of total government revenue.

In part because of its failure to tax the mining sector, the government has sought to raise revenue through other means. In 2009 the government introduced a new goods and services tax (GST) – similar to value added tax (VAT). Shortly after this new tax was introduced, campaigners in Sierra Leone identified the potentially regressive nature of the new tax as a serious problem and they linked the issue with their existing work on taxation in the mining sector.

So they commissioned research to deepen their analysis of the tax structure in Sierra Leone, including to see how the GST would be felt by different constituencies. The research comes at a time when those working on tax in Sierra Leone are seeking to broaden and strengthen their network and to address tax and development issues beyond the extractives sector. So as well as seeking to develop analysis and generate proposals for an equitable tax alternative that can be shared with policy-makers, the research report is also intended to 'support more extensive and informed public debate and advocacy around tax issues'. This is an example of a well-timed proactive research-for-advocacy initiative.

Step 2: Assessing your external context

Before you set your advocacy objectives, you will need to analyse the external context. Which are the institutions, organisations and individuals that you need to influence to bring about the change you are seeking? What is the political context that you are operating in and how will this influence the approach you take to your advocacy? What are the upcoming opportunities that you should take into account? This section provides some tips.

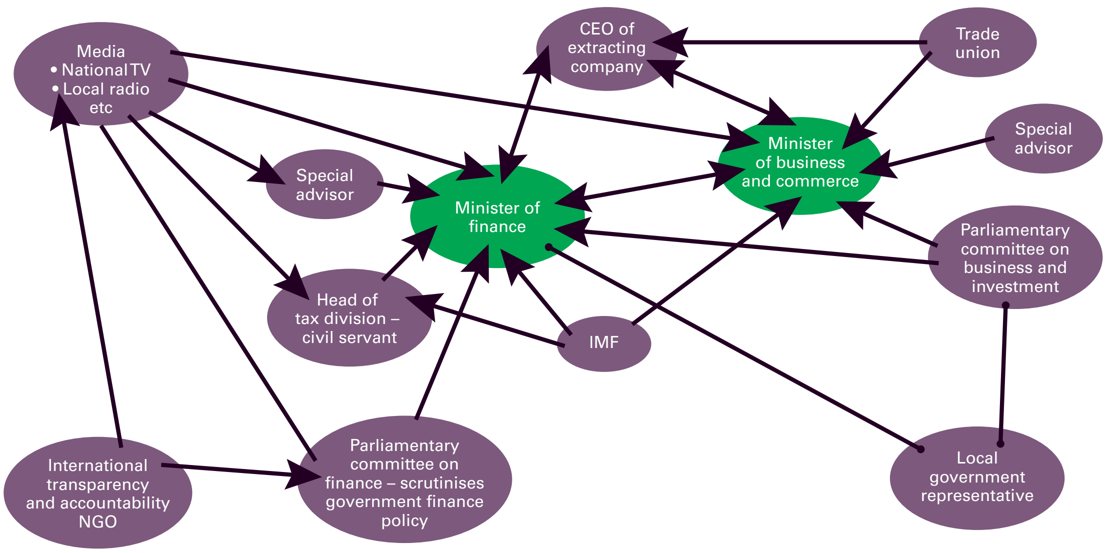
Do your power analysis

In essence, a power analysis is about capturing who has the most power to bring about the change you want to see and who in turn has influence over them. This will help you identify where and at which institutions or individuals you should target your advocacy.

TOOL Power map/analysis

Draw and label a box or circle in the middle of a flip chart sheet to represent the person or institution with the most power to bring about change on your issue. Then work outwards so that the circles/boxes near the centre of the sheet have the most power to change the policy, and the circles/boxes on the edges of the sheet are those with the least power. You can then draw arrows between the circles/boxes to indicate which individuals or institutions are linked or related in some way. The power map is best developed on a large piece of flip chart paper as a participatory exercise in small groups.

For example, if one of your concerns is to ensure that civil society in your country has access to information on government tax revenues from the extractives industry, then the government will have a key role to play if this is to be achieved. Your targets are likely to be the minister responsible for finance, the civil servants supporting them or their key policy advisor; the minister responsible for business, and perhaps the members of a parliamentary committee responsible for overseeing government policy on business and investment. In certain countries you may decide that the finance minister's wife has more power and influence than civil servants or parliamentarians. This analysis could have a considerable bearing on your advocacy strategy and where you need to target your energies.



The power map will help you identify the targets for your advocacy. Targets can then be broken down into:

- primary targets (those with the most direct influence)
- secondary targets (those with influence over the primary targets, or those with some influence on the issue but not as much as the primary targets). These secondary targets are sometimes referred to as 'influentials'. Influentials can be found in a variety of places, and not just among those officially part of a decision-maker's immediate circle. They include the media, members of parliament, donors, faith leaders, other government departments and trade unions.[5]

Using the example above concerning transparency of revenues from the extractives sector, the government ministers would be your primary targets while the members of parliament are likely to be secondary targets. You may also want to include particular media outlets or journalists as secondary targets if you think they can influence the debate in favour of increased transparency of tax revenues.

Identify your tax stakeholders

As with most things in life there's more than one way to do it! For example, eating an apple – you can slice it, dice it, discard the peel; or munch it whole, seeds, peel and all. The same applies to advocacy planning tools. The power map will help you identify primary and secondary targets for your advocacy. Meanwhile a stakeholder analysis will help you identify a broader set of stakeholders – not just the targets but also potential allies and opponents.

A stakeholder analysis will help you identify 'who' you should be speaking to and who you need to work with in order to achieve the change you've identified. These people are usually referred to as stakeholders because they have an interest or 'stake' in the issue.

This section provides tools to help you do a stakeholder analysis.

Types of stakeholders usually break down into the following categories:

- **Targets:** they are decision-makers, people who have the power to make the desired changes, or people with influence over decision-makers. Some decision-makers can turn out to be allies, so don't automatically think of them as opponents.
- **Constituents:** the people you work with and for, who are directly affected by the situation and can be expected to benefit from your advocacy.
- **Allies:** those who share your aims and can help to influence or put pressure on the decision-makers. Allies could be CSOs, churches, media, non-governmental organisations (NGOs), businesses, etc. They may even turn out to be decision-makers if you're lucky!
- **Opponents:** those who are opposed to what you want to achieve and will try to block the changes you want to see.

NB: Remember that your analysis of an institution needs to be subdivided as there may be allies, opponents or targets within one institution.

Before we outline the different tools for mapping stakeholders and analysing their power and influence over the decision-making process, let's take a look at some stakeholders that are particularly relevant to tax work.

The 'Who's Who' of tax stakeholders

Communities and citizens

Because tax justice helps enable the provision of basic services and the achievement of greater equity, everyone is a stakeholder in tax justice campaigning. Because everyone is affected by low revenue or unfair distribution, you can address everyone in your community through your tax campaign.

Taxpayers

Taxpayers are not all the same, and thus they should be treated according to their capacity, and their type of activity. Taxpayers include both companies and individuals and they pay taxes directly on their income and/or indirectly, for example on goods and services. Even the poorest people in society are taxpayers through their consumption.

States offer different tax treatment to taxpayers based on their income or capacity to pay, some systems being more progressive and others highly regressive.

Taxpayers themselves are possibly the most important stakeholders, as citizens who are aware of their role as taxpayers can form interest groups and demand transparency in using their tax money.

Governments

Governments, local and national, are responsible for developing and implementing domestic tax policy. Tax is a vital source of revenue for most governments so, like tax justice advocates, they do have an interest in ensuring that tax is collected. However, their approaches to how taxes should be raised often differ from those of tax justice campaigners, as many governments have tended to support tax formulas that are not progressive. This is why tax justice advocates the world over are trying to influence their governments to introduce more equitable national tax policies.

Many governments also have a role in negotiating international dimensions of tax policy. In some countries, tax justice campaigners are urging their governments to take a stronger stance in the G20, or as part of the G77, to push for more transparent accountancy rules for multinational companies (MNCs) internationally.

With regard to MNC taxation, different parts of governments may have different approaches. The parts dealing with investment promotion will favour a low-tax environment to reduce MNCs' tax liability. Those dealing with tax revenue generation may oppose this. Understanding the positions of different political figures and their departments is therefore important for tax justice advocates.

Revenue authorities and tax administrators

In some countries, tax authorities are independent of government, with their own budgets and salary scales. (In others, they are typically a part of the ministry of finance.) Independent tax authorities are usually better resourced, and their staff better paid, than other government departments, because they compete with the private sector for their staff. But tax authorities in southern countries are still severely underfunded in comparison to their northern equivalents, facing real capacity constraints, often leading to low morale among staff and sometimes corruption. It is hard enough for these authorities to audit the accounts of domestic companies that may be trying to evade tax, let alone to penetrate the complex accounts of MNCs and spot if they are reallocating profit and loss among subsidiaries in order to evade tax.

- **African Tax Administration Forum (ATAF):** this new body, launched in 2009, brings together 25 African tax administration bodies. ATAF's mission is to mobilise domestic resources more effectively and increase the accountability of African states to African citizens while actively promoting an improvement in tax administration through sharing experiences, benchmarking and peer reviewing best practices. ATAF's communiqué can be found at www.oecd.org/dataoecd/31/48/44109654.pdf

- **Asia Tax Forum:** according to its website, 'The Asia Tax Forum regularly brings together senior government officials with leading fiscal experts and industry representatives. Its goal is to create a sustainable and continuing dialogue among all interested sectors on latest developments, studies, issues and challenges on indirect taxation. The forum focuses on the VAT and excise taxation.' See www.asiataxforum.org

The real frustrations that they face mean that tax administrators are often more supportive of tax justice advocates than the average civil servant, and willing to build relationships with tax justice advocates. By sharing tax research and proposals for more transparent and equitable tax systems, this could indirectly influence the governments of the tax administrators you are targeting – depending on the relationship between the administrators and the politicians in your country.

Multinational companies

MNCs are major economic players and providers of employment and income in most southern countries. In addition, taxes from MNCs are a vital source of revenue, enabling governments to provide the services to which their citizens are entitled. However, MNCs have tended to demand, and have received, major tax concessions from governments as the price for setting up operations – and governments worry that investment will go elsewhere if such concessions are not offered. Such tax breaks represent a huge cost to southern governments' coffers. Certain unscrupulous MNCs also engage in tax avoidance and evasion of the kind described in Chapter 1, which further drastically reduces the potential tax revenue for southern governments. Christian Aid estimates that such trade mispricing alone costs the developing world US$160 billion in lost tax revenues every year.[6]

MNCs are made up of subsidiary companies. Corporate structures differ, so while the subsidiary in your country may be under close control from the MNC's head office, in other cases it could have considerable autonomy and a local staff team. In many cases, subsidiaries are listed on the stock exchange, and there are significant local shareholders who lose out from profit shifting that reduces their dividends – and who may therefore be allies of tax justice advocates.

Accountants and accountancy bodies

Accounting companies can be anything from offices with one single accountant that provide vital services to small and medium sized enterprises (SMEs), to large national providers of accounting and payroll services. Every registered company over a certain minimum threshold needs to prepare accounts; over a certain threshold they also need to be audited. Accountants provide both services.

Some accounting companies also offer services that allow their clients to avoid or evade taxes.

- **The Big Four:** the most influential among these are the so-called 'Big Four' accountancy firms: Deloitte, KPMG, Ernst & Young and PricewaterhouseCoopers. They all operate in almost all countries, and in most tax havens. Multinationals prepare their accounts with them, as do many national companies who are active in foreign trade. Tax justice advocates can target the Big Four directly, or urge their client companies to exert influence.

Most if not all accountants are members of professional associations such as Institutes of Chartered Accountants; and national branches of global accountancy bodies such as the Association of Chartered Certified Accountants (ACCA) and the Federation of Francophone Certified Accountants (FIDEF). Some of these associations provide capacity-building programmes for accountants and government auditors in southern countries. These associations are represented in the International Accounting Standards Board (IASB) and its associated bodies (see below). Being membership associations they can adopt motions put forward by their members – so tax justice advocates could build alliances with these national bodies.

The International Accounting Standards Board

The IASB is the body of accountants that devises the rules covering how companies should produce their annual accounts. More than 100 governments worldwide tend to rubber-stamp their findings into law. Currently, MNCs only publish global accounts, which makes it incredibly difficult for tax authorities in developing countries to identify where MNCs are making their profits and therefore how much tax these companies should pay in their country. This lack of transparency enables MNCs to minimise their tax payments through a variety of creative accounting mechanisms. Organisations campaigning for tax justice have been targeting the IASB to call for a country-by-country reporting standard. At the time of producing this toolkit, the IASB was conducting a consultation on proposals for a country-by-country reporting standard in the extractives sector.

Secrecy jurisdiction governments

As a key component of sovereignty is the ability to raise revenue, states that provide financial secrecy undermine the ability of other states to do this. Also known as tax havens, these states or autonomous territories provide secretive financial services for non-resident companies, causing vast tax losses for developing and developed countries alike on wealth hidden away from tax authorities. Secrecy jurisdictions raise significant revenue from annual registration fees on secret companies, while local residents often pay high indirect taxes, and some direct tax. Not all secrecy jurisdictions provide the same levels of secrecy and some are worse than others. Meanwhile, residents of many secrecy jurisdictions would like to find an exit strategy from the secrecy trade.

International Monetary Fund

The IMF exerts a powerful influence on developing country economic policy formulation, including on approaches to taxation. In the past, through conditions attached to its loans and the influence of its reports on investor confidence, the IMF has been able to effectively promote the 'tax consensus' that was discussed in Chapter 1. This has involved reductions in the rates of corporate taxation, including far-reaching tax breaks for foreign investors, reductions in export and import taxation through trade liberalisation, and the introduction or expansion of (often regressive) sales taxes such as VAT.[7]

Recent evidence suggests that the IMF now takes a more nuanced position on these issues.

World Bank

The World Bank pursues a similar agenda to the IMF through its influence on developing country economic policy. Particularly influential is its Doing Business rankings (www.doingbusiness.org) which governments the world over use as a yardstick for measuring their business and economic policy. The rankings take into account the time and effort needed to form and maintain a company, encouraging governments to eliminate 'red tape'; but they also include indicators on tax policy.

Organisation for Economic Co-operation and Development (OECD)

The OECD is a group of around 30 of the world's richest, most powerful democracies. Based in Paris, the secretariat has adopted tax policy and administration as a core function. This includes organising advice and technical assistance for developing countries.

The OECD is also an international standard-setter on tax policy: its transfer-pricing guidelines are used by tax authorities to assess companies' profit-shifting activities, and its model tax treaties form the basis of bilateral agreements on tax cooperation and information exchange. Global standards used to assess tax havens are set, and assessments made, by the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes. Naturally, OECD standards are designed with the interests of rich countries at heart, but the OECD is reaching out to developing countries in order to try to retain its dominant status in the world of international tax.

United Nations (UN)

The United Nations Committee of Experts on International Cooperation in Tax Matters, a part of the Economic and Social Council (ECOSOC), is the other important body in the field of international tax. With a mandate to specifically consider the interests of developing countries, the committee also has a model tax treaty, which differs from the OECD's in ways that give developing countries much more scope to tax MNCs.

Because it is a committee of experts, not an intergovernmental body, the UN Committee's status is perhaps lower than that of the OECD, and its members have no formal mandate from their countries. All that may change in 2011, as the G77 group of developing countries push for the committee to be upgraded through ECOSOC.

Lawyers/legal bodies

Much like accountants, lawyers are a vital profession for upholding the integrity of the laws that govern countries. Tax lawyers can negotiate good tax treaties, but some engage in drafting the laws that enable large corporations and wealthy individuals to keep their earnings and assets tax-free. Some lawyers also manage and create trust accounts for their clients, and sometimes actively promote secrecy jurisdictions and tax havens to their clients.

The judiciary

The judicial system interprets the law, and constitutes the legal branch of the government, including all of the courts. A public prosecutor may charge serious tax offenders and tackle corruption and bribery, as well as money laundering – meanwhile, inactivity may slowly erode the tax morale.

Bankers

The banking secrecy laws of jurisdictions such as Austria, Dubai and Switzerland, as well as financial secrecy in Jersey, Guernsey and the Cayman Islands, prevent tax authorities from tracing suspected tax fraud or corrupt flight of wealth. While banks play a crucial role in facilitating credit and savings for individuals and businesses, some banks have been found to be major facilitators of corruption, tax evasion and other types of illicit financial flows.

High net worth individuals

In most countries, the keenest individual tax avoiders fall into the category of those who have over US$1 million in financial assets. Worldwide there are about 10 million such persons, while Africa has around 860,000 rich individuals with a combined fortune of US$747 billion[8] in personal wealth. South Africans account for over half this wealth. An estimated 30 per cent of global individual wealth remains permanently offshore which, unless declared, won't be taxed as it is hidden in secret accounts.

Trade unions

Trade union members are also ordinary taxpayers, and so these organisations often engage in political debates around tax policy. In many countries, they fight regressive taxes such as VAT, as well as calling for higher and more effective taxation of high net worth individuals and businesses. They can be useful allies for tax justice advocates.

Human rights groups

There is a strong relationship between tax dodging and corruption. For example, tax evasion involves breaking the law and ensuring that you can get away with it; rich companies and individuals rely on patronage through political elites to ensure that the tax system works in their favour; and tax haven secrecy assists with tax dodging as well as with corruption. Equally, economic rights are violated when states are unable to meet their obligations because of weak or unfair taxation. So on many of the problems that tax justice advocates are trying to solve, as well as on many of the solutions, agendas can overlap with those of human rights groups.

Mapping and analysing your tax stakeholders

The 'Who's Who' section above is designed to give you a flavour of some tax-specific stakeholders. When you come to identifying which stakeholders are relevant to the tax issue you have chosen to work on, it's helpful to ask the following questions:[9]

- **Which** are the relevant groups, professions or organisations?
- **What** is their specific interest or stake in the tax issue you're focusing on?
- **What** is their position in relation to the issue?

Appendix 2 provides a detailed mapping of the key tax stakeholders relevant to the issue of country-by-country reporting, in a table that is designed to answer the above questions. You could consider compiling a similar table, inserting the stakeholders that are relevant to whichever tax issue you are working on.

Once you've mapped out the stakeholders relevant to tax, you could do some more detailed analysis of these stakeholders by using the tool below: the stakeholder analysis table. This will help you understand the importance of the issue to each stakeholder and their level of influence over the change you want to see. It will help you identify:

- how much each group agrees with your position (on a scale of L = low, M = medium, H = high level of agreement)
- how important the issue is to them (on a scale of L = low, M = medium, H = high priority)
- what level of influence they have over the specific issues (on a scale of L = low, M = medium, H = high level of influence).

TOOL Stakeholder analysis table[10]

This table illustrates a stakeholder analysis on the issue of the introduction of a goods and services tax (GST) in Sierra Leone – compiled by Christian Aid in Sierra Leone. This is a simplified version – the reality will be more nuanced – but it's a useful way of starting to think about your stakeholders.

Stakeholder	What interest do they have in this issue?	To what extent do we agree on the issue?	How important is this issue for them?	How much influence do they have?
Those directly affected: poor citizens	They spend a large proportion of their income on goods and services that will now be taxed: more as a proportion of their income than the wealthiest. So the tax will make them poorer.	L M **H** Affected the most severely and the core group we work with	L M **H** Due to major impact	**L** M H Government prone to neglect voice of poorest in society though potential for change if effectively mobilised
Government and state decision-makers Ministry of Finance Revenue Authority	They need to raise revenue for services and infrastructure, but they are reluctant to set higher corporate tax levels, including in the extractives sector. Instead they have introduced a goods and services tax (GST).	**L** M H Low to medium as we share the aim of reducing aid dependency and increasing tax intake, but we object to regressive nature of this tax, manner of roll-out and level it's set at	L M **H** Due to concessions given to extractives not generating enough income, need money to invest in infrastructure, etc	L M **H** In charge of tax policy with strong influence from president's office
Civil society organisations: Tax Advocacy Coalition (including NACE and BAN)	These CSOs have long advocated for fairness and transparency in government accounts and for greater accountability of the extractives sector. They are part of a coalition that has started to look into tax issues more generally in Sierra Leone, including asking the government to reduce the new GST from 15 per cent to 10 per cent.	L M **H** Natural allies	L M **H** They see this as a key development issue	**L** M H Currently low but scope to enhance influence once mobilised
UK Department for International Development (DFID)	DFID is a big player and has invested a lot of resources in GST roll-out, tax collection, etc.	**L** M H Agree there's a need to improve tax policy and reduce dependency on aid, but CSOs think rate too high and lack clarity on which sectors will benefit. DFID unhappy about challenge from some CSOs	L M **H** They have invested a lot of resources, both financial and political	L M **H** A major development player in Sierra Leone

Key: L = Low M = Medium H = High

Analysing the policy context and opportunities

In addition to analysing who has power over your issue and/or who has a stake in it, you will also need to analyse what policies and policy processes you need to influence in order to bring about the changes you are seeking – particularly at the national level. National policy-makers, for example, cannot operate in a vacuum. Even if you manage to persuade them of the need for change on a given issue, they can only bring about that change through established policy or legislative channels and processes. If you do not relate your proposals for change to specific political opportunities or policy processes available to policy-makers in your country, you are likely to be ignored.

The following are key questions to address in your analysis of the policy context:

- What are the different policies that impact on the problem or situation you are trying to address?
- Which are the policies that have the **most** impact on the problem and could most help solve the problem if they were changed? (this will help you prioritise where to focus your advocacy work)
- What is the current status of the policy you will seek to change? Is it enshrined in law? Or is it simply the adopted policy or position of the current government?
- What are the mechanisms for bringing about a change in the policy? (these could be local, national, regional or international – or a combination)
- How have changes to this policy been brought about in the past in your country?
- Are there opportunities for changing the policy in the near future (for example, a parliamentary bill on the extractives sector, or a general election)?
- How and where can you access further information about a policy?

Analysis of the policy context for your advocacy is not something you do just when you are first developing your advocacy strategy. It has to be **ongoing** throughout the course of your advocacy strategy, as politics and policies are always changing – regardless of your advocacy! For example, a general election and a change of government can change the policy context for your advocacy overnight.

For further advice and support on analysing the policy context for your advocacy, see *Monitoring Government Policies: A Toolkit for Civil Society Organisations in Africa* by Cafod/Christian Aid/Trocaire (http://cdg.lathyrus.co.uk/docs/MonitorGovPol.pdf)

Step 3: Setting your tax goals, objectives and indicators

Once you've identified your problems and solutions and analysed the targets, stakeholders and policy, and political context and opportunities, it's time to build this into a wider advocacy strategy. The next step is usually to develop your goals and objectives and to set indicators for measuring your progress.

Definition

'Goal': The overall purpose of the advocacy initiative.

'Objective': Specific things to be achieved in the short and medium term on the way to achieving the overall goal.

Developing a goal

The goal is the overall purpose of the project, the big picture, the vision of what you are ultimately trying to achieve (for example 'To ensure that the government raises sufficient revenues through taxation in order to deliver essential services to all citizens, including the poorest and most vulnerable'). It is long term and gives direction, helping you and your network or coalition know where you are going, generally over several years – but you will need to devise the advocacy strategy, or road map, to show you how to get there. Your advocacy project will contribute to its fulfilment but will not necessarily achieve it in isolation. Your goal should also reflect the mission and vision of your organisation or network.

The goal refers to the benefit that will be felt by those affected by an issue, whereas objectives often refer to the desired changes in policy and practices that will contribute to the goal.

Examples of goals

Christian Aid Ghana's tax goal:
'Increased tax revenue for development and poverty reduction by ensuring an equitable, gender-sensitive, just and transparent tax system'

The goal of the Nicaragua coalition of CSOs led by Coordinadora Civil and IEEPP:
'To ensure equitable redistribution of income and increased transparency in Nicaragua'

Filipino Freedom from Debt Coalition goal in the context of the Jubilee 2000 'Recall the Debt' campaign:
'To achieve a reorientation of the budget (eg bigger allotment for health and education), progressive taxation, and other related reforms aimed at genuine development'

Tax Justice Network Africa's goal:
'To promote socially just, democratic and progressive taxation systems in Africa'

Christian Aid's tax campaign goal:
'To challenge and change international tax systems and structures that keep people poor'

SOMO Economic Justice and Reform programme goal:
'National and international tax systems are more supportive of development. CSOs all over the world have introduced tax justice research advocacy into their work'

Clarifying what you want to achieve with your advocacy – establishing 'SMART' objectives

An objective is the specific change you want to see and the change that will advance progress towards the ultimate goal. Good objectives can make all the difference to the success or failure of your advocacy efforts.

In Ghana, where the goal is 'increased tax revenue for development and poverty reduction by ensuring an equitable, gender-sensitive, just and transparent tax system', Christian Aid and its partners have identified four objectives towards meeting this goal:

- 'An improved tax regime that favours the growth of the informal sector'
- 'An improved tax incentive framework that obliges companies to adhere to tax payment'
- 'Increased effectiveness of mechanisms to monitor transfer pricing'
- 'Improved accountability and transparency in relation to oil revenues'.

Objectives can be long term or short term, and phased accordingly – the former can give you encouragement early on. Long-term objectives usually focus on changing the policy or practice of institutions, whereas shorter-term objectives can focus on attitude changes, raising awareness, getting an issue on the agenda, building a constituency of support or movement for change, and so on. It may be necessary to achieve some of the short-term objectives before you can achieve the longer-term ones.[11]

For example, if the goal of Nigerian CSOs working on tax justice is improved accountability and transparency on oil revenues, then their long-term objective could be that the Nigerian government researches, documents and shares information on oil revenue from taxes annually by 2013. This may require a greater constituency of support among the Nigerian population or specific interest groups in order to be achievable – so achieving that support becomes a short- to medium-term objective. It may even require legislation, a Mining Act for example, so that could also become a medium-term objective.

It can be a good idea to develop solution-based objectives. NGOs are often criticised for campaigning against a policy or practice without providing possible alternatives. Being the source of credible, realistic solutions will lend weight to your advocacy. It is also the case that people tend to respond better to campaigns that offer a way forward rather than a more negative 'just say no' approach. To use the above example about Nigerian oil revenues, proposing a Mining Act would be a solution-based objective.

An idea for developing good objectives is to make them **SMART** (specific, measurable, achievable, realistic and timebound). SMART objectives are only one set of criteria you can use to measure the results of your work. Not every organisation will want to subject its work to this particular project management tool. However, setting some objectives and using criteria to measure them is generally a good idea – this way you can measure and monitor progress, celebrate your successes and justify your activities. You will need to ask yourselves what is achievable or realistic in your context – it's a judgement call. And objectives may, of course, change over time depending on progress.

Being SMART

Specific: clearly defined, discrete, an aid to focusing advocacy work.

Measurable: quantifiable or verifiable and therefore ensures that your objective is capable of being evaluated.

Achievable: is it likely that change will come about, that is, is it worthwhile pursuing rather than a waste of energy? If an objective is unlikely to be achievable within a defined period, you may want to identify shorter-term objectives that can act as stepping stones to achieving more fundamental change in the longer term.

Realistic: assess feasibility – what is the likelihood of achieving change, bearing in mind the human and financial resources at your disposal and the external context?

Timebound: a specific time frame is useful so you can plan effectively, but again it's not fixed in stone and may need to shift to reflect changes in the external context and progress made. If you haven't achieved your objective by the planned date, you may still decide to carry on, but at least it prompts you to reflect on why that might be and whether a shift in approach is appropriate.

The table below shows some examples of SMART tax advocacy objectives. The left-hand column shows the SMART objective and the right-hand column explains how the achievement of this objective relates to the problem.

Examples of SMART tax advocacy objectives

SMART objective	How would this address the problem?
National	
Five newspaper articles to be published in the national press on the issue of tax avoidance, in which representatives of our CSO network are quoted, by the end of the year.	It would put the issue in the spotlight and lay the ground for increased public debate.
The Filipino government to provide for a single excise tax rate for cigarette products and to index the tax to inflation by XX year.	This would raise revenues and reduce smoking-related deaths and health costs.
The Rwandan government to remove VAT on sanitary pads by 2012.	It would be one step in the broader struggle to achieve greater gender equity in the tax system, by removing a tax on an essential item that is only borne by women.
Regional	
European Union to support country-by-country reporting by MNCs by 2011 and actively promote its adoption by the IASB by 2012.	It would increase the pressure on the IASB to adopt a country-by-country reporting standard. If implemented, this would make it more difficult for MNCs to avoid tax through manipulating their declared profits.
The countries in the East African Community to agree on shared maximum levels of tax exemptions in tax-free zones by 2012.	This would limit the competition between the east African countries to offer lower and lower tax breaks to attract investors. In turn it would mean more government revenue for social expenditure.
Global	
To secure the adoption of a country-by-country international financial reporting standard by the IASB by 2012.	This would make it more difficult for MNCs to avoid tax through manipulating their declared profits.
To secure the adoption of a multilateral agreement to develop and implement an automatic tax information exchange system by 2012.	It would make it more difficult for MNCs and rich individuals to hide their taxable income in secrecy jurisdictions.

Try creating some of your own (see Exercise 5 in the interaction pages).

For each objective, try to identify the targets – that is, the decision-making institutions or bodies that are able to effect the policy changes or implementation sought.

Useful reminder: using objectives to measure success

- You should design progress indicators for each objective, asking 'how will I know if I have fulfilled my objective?'
- Measuring impact of an advocacy campaign may take many years.
- It may be difficult to know when to give credit for successful change to specific advocacy activities if there are many other factors also contributing to your overall goal and objectives. But if your objectives and indicators are SMART, you will be fairly clear what your organisation's contribution to the successful change has been.
- The impact may not be a complete success but rather a 'compromise', so the advocacy objectives may need to be changed depending on how much impact there has been.

Developing your indicators – planning now for 'monitoring and evaluating' later

Having established your goals and objectives, it's important to develop signposts or indicators that will 'indicate' whether or not you are on the path to fulfilling your objectives.

Monitoring and evaluation should be central to your advocacy strategy from the start; it should be something that takes place alongside research, planning and execution of your strategy; and it should influence the direction of your advocacy in the future. In order to measure whether you have made any progress or not, you will need to think in advance about what that 'progress' will look like. What evidence will prove or demonstrate that progress has been made and that the advocacy work undertaken had some kind of impact? The proof or evidence of success will be your indicators.

Definition

'Indicator': Evidence that shows you are progressing towards your objectives.

Examples of indicators

Long-term objective	Short- to medium-term objectives	Progress indicators
An international accounting standard for country-by-country reporting by 2012	Formal support from your government for a new international accounting standard on country-by-country reporting	• Public statements in support of country-by-country reporting • Mention of country-by-country reporting in government's draft policy paper
	Formal endorsement by the G20 of country-by-country reporting	• A commitment in G20 communiqué • A follow-up mechanism for ensuring delivery of commitment
	A commitment from the IASB to adopt a new international accounting standard on country-by-country reporting	Draft of country-by-country reporting standard published
	Support indicated by the Big Four accountancy companies for country-by-country reporting	• Public statements • Private statements
Nigerian government to research, document and share information on oil revenue from taxes annually by 2013	The government makes a formal commitment to document and share information on oil revenues	• Debates held in Parliament calling for greater transparency • Finance minister publicly states intention to consolidate and share data on oil tax revenues
Citizens in Kailahun (Sierra Leone) and various districts throughout Ghana to exercise increased influence over local government policy, particularly around taxation, through the use of innovative media and communication technologies, by 2014		• Citizens are mobilising around issues of public services and taxation • Citizens are engaged in regular and successful interaction with their local authorities • CSOs are using existing and new communications platforms to get people's voices heard

What are indicators? (sometimes referred to as 'signs', 'signposts' or 'milestones')

An indicator is something that shows (or indicates) progress towards your objectives. It can be a policy statement from a senior politician, a declaration from a meeting, a new or revised law or policy paper, and so on.

Good indicators meet the following criteria:

- **Measurable:** able to be recorded and analysed in quantitative or in discrete qualitative terms
- **Precise:** presented or described in such a way that their meaning will be the same to all people
- **Consistent:** not changing over time, so that the same phenomenon can be measured over time; for example a currency that inflates or deflates in value is not a consistent measure of wealth.

Good indicators should measure the impact and outcomes of your activities, whether they have contributed to achieving your advocacy objectives, not just the inputs such as the number of activities, leaflets, letters written, and so on. If you are outcome focused, you are much more likely to avoid the trap of only looking at whether you did the things you said you'd do, rather than whether they had the desired impact.

To illustrate:

- Number of letters written to parliamentarians: this indicator will simply demonstrate that you wrote some letters. It says nothing about the impact of the letters.
- Number of responses received from parliamentarians: this will demonstrate whether or not the letters you wrote to parliamentarians actually had an impact on them.

NB: If you do not set indicators right from the start – when you first develop your advocacy strategy – you may not collect the evidence you need to demonstrate progress when you come to monitor and evaluate your advocacy strategy.

Step 4: Developing your key messages

A message is a concise and persuasive statement about your advocacy that captures:

- what you want to achieve and the change you want to see
- why you want to achieve it, including the positive or negative consequences of no action
- how you propose to achieve it
- what action you want the audience to take.

If you followed the stages outlined earlier in this chapter, by now you will know:

- what you want to say and why you want to say it (you've identified the problem and solution and you've done your research)
- to which audience you want to communicate the issue (you've identified and analysed the relevant stakeholders and you've done your power analysis).

Now **how**? There are many different ways to communicate a given advocacy message.

It is critical to tailor the message according to the audience.

As advocates, words are the weapons we use to make our case. So choosing the right words for the relevant audience and directing them at our targets in a way that they will understand, and hopefully respond positively to, is very important.

Your message should be memorable. You want it to stick in the mind of your target long after you've left the meeting or the article has been read or the radio carrying it has been turned off.

A good basic message:

- can be tailored to fit a specific audience
- uses clear, brief arguments that will persuade the audience
- uses simple and unambiguous language that can be easily understood. For example, avoid using technical words such as 'transfer mispricing' when you are talking to the media or the general public. They will not understand you.

Framing or tailoring your message

While your overall advocacy issue/position does not change, you should seek to adapt the way you present your message to achieve the greatest impact on a particular audience. The kind of messages you use depends very much on **who** you are targeting and **what advocacy approach** you're taking. It's sometimes easiest to think of a 'primary' or 'core' message and then have 'supporting messages', the tone, length and style of which will depend on the audience.

The core message can be easily captured in a popular, simple slogan. Slogans are particularly useful for public mobilisation and use in the media. Since they are designed to mobilise the **general public**, and are therefore targeted at the public, you need a message that's emotive, passionate, eye-catching and that will get people angry and determined to take action. Chapter 4 will examine in more detail popular mobilisation and working with the media, including how to draft press releases.

Examples of slogans

Supporting messages on tax and development
The supporting messages might be designed with decision-makers in mind, who may need a little more detail and analysis – but not too much! (We will look at tips for developing more specific policy recommendations for decision-makers in Chapter 4.) For example:

- 'Tax is a major way in which poor countries can win the fight against poverty.'
- 'Redistribution of income and wealth is only possible through increased tax revenues in developing countries.'
- 'Increased tax revenue is an essential means for developing countries to meet the millennium development goals.'
- 'Tax exemptions in developing countries deprive governments of valuable revenue that could be spent on the services that citizens need. Tax dodging by multinational companies costs lives. If the money lost through tax dodging was spent according to current spending patterns, the amount going into health services could save the lives of 350,000 children under the age of five every year.'[12]
- 'Money raised from taxation generates stronger state–citizen relationships than aid, and allows governments to take decisions without donor conditions attached.'

More detailed messages on specific tax issues

Issue	Global targets and allies	Regional targets and allies	National targets and allies
Regressive tax systems in developing countries	Trends in tax policy at the global level have resulted in tax equity issues being left out of the debate for many decades – it is time for equity to be considered as a central part of the tax policy debate. The IMF and the World Bank and many bilateral donors have supported this trend to ignore equity and emphasise more technical issues within the tax policy debates, encouraging a reliance on taxes such as VAT – their contributions have been mainly regressive in this area, which urgently needs to change. International actors must emphasise tax equity and the urgency of redistribution measures in all tax policy forums.	Equitable tax reforms must become a central part of regional tax policy work (alongside efforts to harmonise tax systems within regions). Key regional actors (such as the Asian Development Bank and the Inter-American Development Bank) must work to ensure that equity is at the heart of tax reforms and that CSOs are consulted about all tax policy efforts.	Equitable tax policy reforms are urgently needed in developing countries to increase tax collection levels and address the fundamental inequities built into most developing country systems, which ensure that the poor are paying more than their fair share in tax. While the tax burden on the poor should be lowered, the tax burden on the wealthy and large economic actors in society must be increased with a thorough review of income and asset taxes. Generous tax incentives for business must be abolished alongside stringent efforts to address corporate and elite tax evasion. Progressive taxation must go hand in hand with an increase in pro-poor public spending.

Issue	Global targets and allies	Regional targets and allies	National targets and allies
Financial secrecy leading to tax evasion and avoidance	People in poor countries are being denied the chance to make choices about how to pay for their own development. A fair, effective and transparent tax system applied to companies is a way to achieve this. Global accounting rules need to be introduced that require all MNCs to publish their tax payments in each country where they operate. This will help tax authorities in developing countries to combat trade mispricing and other forms of tax avoidance. It will also enable parliamentarians and civil society to provide scrutiny.	Regional guidelines setting standards for corporate governance and behaviour should include a requirement that all companies are required to publish their tax payments to national governments.	National subsidiaries of MNCs should publish their tax payments to government in order to help Parliament and citizens monitor government revenue.
Tax exemptions for foreign investors	Developing countries fail to mobilise sufficient domestic resources for development because of the excessive tax exemptions they grant to foreign investors. International financial institutions should stop advising governments to lower taxes.	Governments should agree on tax harmonisation at a regional level to help reduce tax competition between countries seeking to attract FDI, so discouraging a 'race to the bottom'.	Governments should ensure more transparency in contracts signed with companies, by for example publishing them on the internet. Governments should disclose the tax payments and other income they receive from extractives companies, as well as how this is allocated in the budget or other expenditure channels such as local development funds. Deals should not be negotiated in secret and should conform to national legislation. Conduct a thorough review of tax incentives provided to the mining sector and abolish overly generous provisions.

TOP TIPS

One way of developing sharp tax messages is to link revenue loss as a result of harmful tax practices with a lack of financing for essential services. For example, a five-year tax holiday for a company might mean 300 unpaid teachers. You can use specific numbers on tax expenditures to frame this kind of message.

It is sometimes the case that one audience has access to the messages you are using with another audience. For example a decision-maker may well see your popular campaign message. So you do need to be sure that the content of both are consistent, even if they are distinct in style. It can be a difficult balance to achieve, but you need to think carefully about it and ensure that you're 'joined up' if you want to avoid your tax advocacy unravelling before your eyes!

An important way of ensuring that your messages are joined up is to have a **shared advocacy strategy** and a process of designing it that involves key **internal** stakeholders, for example those in your organisation or network who deal with supporters, the media, policy and lobbying. That way you resolve any problematic differences of approach or tactics early on, before they cause you and your advocacy project major headaches and possible failure.

Think about the following:

- What is your advocacy approach or tactics? (see Step 5 below)
- What is the most persuasive way to present your core message to your target audience?
- What way of presenting the message will most resonate with your target audience and encourage them to listen and take your message on board? Understanding what perspective your audience comes from is key to being effective in this regard.
- What information does your audience need, and what don't they need?
- What key action do you wish your audience, in particular, to take?

Consider what your targets' likely defence will be and how to counter their arguments effectively. **It can be helpful to produce a checklist of likely arguments and how to counter them.**

Your key messages may change over time to reflect changed attitudes or circumstances. For example, as public understanding develops so the complexity of the message to the public can reflect this change.

Step 5: Deciding on your advocacy approach

Your analysis of the policy and political context in your country, plus your analysis of who has the power to bring about change and who has a stake in it, will all help determine what overall approach you take and therefore what advocacy activities you will undertake to achieve your objectives. The key question you need to address is: **What approach is most likely to bring about the change we are seeking in our country – given the political context and the nature and behaviour of the institutions we are targeting?** The following alternative approaches may help you decide what overall course of action to take – depending on your context:

- **Adversarial approach**
  Campaign intended to shame your advocacy targets. Usually involves 'outsider strategy' and an emphasis on public campaigning and media work.

  Advantages: the targets of your advocacy may react in a hostile way but may still bend to public pressure or public exposure of their wrongs. Just because they react in a hostile way doesn't mean they won't change and move in the right direction!

  Disadvantages/risks: you may alienate your targets. You may not be invited to the negotiating table. In some countries, you may also experience a backlash from your targets, including harassment or attempts to silence you or close down your organisation.

- **Private approach/insider strategy**
  Lobbying behind closed doors, constructive dialogue, emphasis on policy analysis. Usually involves an 'insider', collaborative approach.

  Advantages: you can increase influence with policy-makers because of the constructive relations you have built with them. You may become a trusted source of advice.

  Disadvantages/risks: possibility of co-option by policy-makers.

It may be possible to use a **combination** of the above approaches – with different organisations in your network taking different roles.

Alternatively, you could start with the private/insider approach and then switch to a more public/adversarial approach if the insider approach isn't working.

Once you have decided on your overall advocacy approach, you can start to plan the specific advocacy activities you will undertake. Tips on activities are covered in Chapter 4.

Step 6: Planning your monitoring and evaluation

Why should you do monitoring and evaluation?

Monitoring and evaluating advocacy is essentially about assessing (periodically but regularly) whether you are seeing any changes in the 'big picture' that you're trying to influence, what role you have played in these changes, and reassessing your targets and approaches in order to strengthen your contribution. Good monitoring and evaluation will allow you to build on past successes, and to identify risks early on in order to tackle them before they become obstacles.

There are several reasons why you should regularly monitor and evaluate your advocacy strategy:

- **Reflect**, learn from your experiences and **keep revising the strategy** to ensure that it is still appropriate to the circumstances.
- Check whether the **objectives** have been achieved or if they need to be adapted.
- Assess whether your **advocacy approach** is the best way of achieving the stated objectives – and change it if it is not!
- **Track and take account of the changing context**, especially the arguments and positions of decision-makers and your major opponents, and respond adequately by seizing opportunities and adapting strategies and action plans.
- **Keep focused on the broader picture** and long-term goals to ensure that you are working towards these, rather than just focusing on activities.
- **Justify** your activities – are they still the right ones to deliver the change you are seeking?
- **Ensure that resources are used effectively** by making the most effective use of time, effort and money.
- It can also help **keep an eye on the funding space** where you source your project resources. For example, is there a window of opportunity for a funding bid to support your work?

How to go about your monitoring and evaluation

The first step is to develop your indicators and build them into your tax advocacy strategy from the start so that you are clear what **evidence** you will collect to demonstrate the progress you are making. In Step 3 we already stressed the importance of developing indicators alongside your objectives – and gave tips for doing so. Once you've got good indicators, you're already halfway towards being able to monitor and evaluate your tax advocacy work.

The next step is to agree a process for how you will monitor and evaluate your progress against your indicators and the changing context. One suggestion is, once every **3–6 months**, to hold a discussion with the core members of your advocacy project to:

- recall and record the key activities carried out during that period and refer back to your advocacy objectives. To what extent did these activities help you achieve your objectives? Do you need to adapt your strategy in the light of your reflections on the past 3–6 months?
- record any evidence ('indicators') of progress or results achieved as well. This could include press cuttings or other media on relevant issues and specifically on your organisation or network, feedback/responses from the policy-makers you are targeting or from other stakeholders, or any other evidence that demonstrates you are making progress in terms of policy change or engagement with the advocacy targets. Especially where signs of progress seem to be linked to your activities, consider how you could build on these or learn lessons for areas where there is less progress.
- reflect on key questions such as:
  - How have your relationships with targets, allies and other actors developed – what seems promising?
  - What has been particularly challenging?
  - Have you seen any impact on your target audience(s)?
  - Where do you need to invest more effort or change your approach?

The following tool provides some further suggestions about the kinds of questions you may want to ask yourself when monitoring progress against your indicators.

TOOL Possible indicators and key questions[13]

Objective	Possible indicators (depending on stage of policy cycle)	Key monitoring questions
Specific policy change	▶ Changes in rhetoric of key decision-makers ▶ Changes in wording of policies or conventions ▶ Ratification of conventions ▶ Changes in legislation ▶ Changes in budget allocations ▶ Extent to which policies are implemented ▶ Extent to which implemented policies achieve the desired effect ▶ Environmental, fiscal and social impacts of implemented policies	What has changed and why: ▶ What has changed (positive, negative and unexpected)? ▶ Why do we think these changes have happened? ▶ What have we achieved? (refer to indicators) How do we know? Are our strategies correct: ▶ Are we targeting the right person/organisation or body? Is our timing right? ▶ Is our political analysis robust? ▶ How are we trying to influence: do we need to change our tactics, approaches? ▶ Are we taking advantage of opportunities as they arise? ▶ Are we working with the right allies? ▶ Has the external environment changed? Are there new opportunities we can seize? Old ones disappeared? ▶ What have we learnt? Are our objectives still possible? Are they still the most appropriate objectives? ▶ What are the next steps: • What should we continue to do? • What should we change or do differently?

Remember: Managing and monitoring financial performance is an essential part of all monitoring activities. Thinking about the cost effectiveness of your work and sharing information about how much particular activities cost is a key part of learning and accountability.

Do not just monitor policy outcomes

Policy outcomes are not the only outcomes you should assess when monitoring and evaluating advocacy. Since policy change may take a long time to achieve – possibly several years – you need to identify other types of outcomes which may not take so long to achieve but may be just as important. Outcomes that can be monitored include, for example, the extent to which an advocacy initiative **has built the capacity of the organisations involved in the advocacy initiative**. Capacity built today could mean policy gains tomorrow. It could also include the extent to which your initiative has put an issue on the political agenda or has established your organisation or network as a key actor on an issue, even if no policy change has yet occurred.[14]

External evaluation

For some advocacy work, you may also want to undertake a more in-depth external evaluation, for example midway through an advocacy strategy, after a campaign action or at the end of a long, resource-intensive advocacy initiative. Using someone outside the team, organisation or network brings in fresh perspectives and can help challenge assumptions. External evaluators are also better placed to interview policy-makers in, for example, government or Parliament – that is, the targets of your advocacy – as to the impact of your advocacy on their thinking and policies. A policy-maker is more likely to speak honestly and candidly to a neutral and independent consultant than to those who are seeking to influence him/her.

Advocacy work is, of course, hard to evaluate objectively and, as has been discussed, it can be hard to differentiate the impact of your work from that of other organisations or political forces or processes that may have nothing to do with your efforts. However, an evaluation will help you probe more deeply into your assumptions about change, give stakeholders a say, help you assess the level of your contribution towards any impact, and help you to be more accountable. It should also be an opportunity to explore changes in the context and ask questions about direction and strategy. The insights and findings from these evaluations should inform learning throughout the organisation or network and help you to improve the quality of your advocacy work.

Appendix 1: Advocacy strategy template

You can capture the key elements of your advocacy strategy in a table like this.

Goal	Long-term objectives	Short- to medium-term objectives	Success indicators	Targets	Allies	Opportunities	Methods and activities	Risks and assumptions	Time-scale	Responsibility

Appendix 2: Stakeholder mapping table

Here is an example of a mapping of key tax stakeholders (to illustrate the 'Mapping and analysing your tax stakeholders' section on page 12). In this case, we have used the issue of country-by-country reporting – but you can use the same table format to map out the relevant stakeholders related to whichever tax issue you are working on.

Stakeholder type	Organisation/ institution	Individual in organisation	Interest/stake	Position
Those directly affected				
Citizens in rich countries			They are shareholders in MNCs, so are interested in transparency, risks, and potentially ethics. They are interested in aid independence. Their taxes pay for overseas aid.	They are mostly unaware of the issues.
Tax haven residents			They make a livelihood from the financial industry in tax havens, while they may feel a high cost of living.	Some fear they will lose their livelihoods if tax havens become more transparent, as the financial companies that provide employment will no longer have an incentive to operate there.
Private sector	Multinational companies, accounting companies, legal firms	Chief executive officers, head of tax	They may practise false invoicing or transfer mispricing to boost their profits, often through the use of holding companies in secrecy jurisdictions. They benefit from, and therefore often lobby for, low corporate tax rates and tax exemptions.	They fear more regulation; they want low taxes and to freely move their profits to tax havens or low-tax jurisdictions. They are opposed to the introduction of country-by-country reporting standards because they say it will be too expensive or too onerous administratively to implement.
Citizens in developing countries	Citizens who evade or avoid tax		They take advantage of legal loopholes to avoid paying taxes, or evade tax illegally.	They are mostly aware of legal loopholes and can pay for professional assistance to help them avoid taxes.
	Income tax payers		They carry an unfair tax burden.	Mostly unaware of the issues.
	Residents associations and taxpayer alliances		They mobilise taxpayers and are able to influence tax policy.	They are more aware of their rights as taxpayers and pressure government for accountability in the use of taxpayer money.
	Poor citizens who pay consumption taxes		They are denied basic services due to lack of government income to provide these as a result of low tax collection.	They are mostly unaware of the issues.

Table continues overleaf

Stakeholder type	Organisation/ institution	Individual in organisation	Interest/stake	Position
Government and state decision-makers				
National	Ministries of finance of developing countries	Head of tax administration Units working on international finance Minister of finance and advisors	Want to end aid dependency. Want more revenue to allocate to budget expenditure.	Some would like country-by-country reporting standards to be introduced, but are not actively lobbying for this.
	Revenue departments in developing countries	Head Specialist revenue officials	Want to increase tax base, reduce tax avoidance and evasion, improve administration of tax collection.	Want more assistance with tax administration and developing capacity of tax officials to analyse MNC accounts.
	Investment promotion agencies	Heads	Want to attract FDI by offering tax incentives and low-tax regulation to MNCs.	No clear position.
	Customs departments	Heads	Cannot levy correct taxes because they lack information on real prices of goods exported or imported.	Would probably be in favour.
	Finance and economic ministries of tax havens	Minister of finance and advisors	Promote investment by financial service industry seeking to service clients who want to avoid paying tax in their own jurisdictions.	Fear losing financial industry, employment and other economic benefits of the industry who will disinvest if companies and trusts stop using their services.
	Finance ministries and development departments of rich countries, eg UK, US	Advisor to the Secretary of State DFID: policy department	Want to end aid dependency of poor countries, promote good governance, and want to increase domestic revenue mobilisation in these countries.	Open support for country-by-country reporting, lobbying OECD and G20 to do more research and set better standards for MNC financial reporting.
Regional and sub-regional	European Commission	TAXUD, DG Development	Wants to help developing countries end the constraints they face on increasing domestic tax revenues.	Issued a communication on tax and development which supports country-by-country reporting to put an end to MNCs using abusive transfer pricing mechanisms. Supports ongoing research and progress on this issue in OECD, and wants it reflected in OECD Guidelines on MNCs.
	African Peer Review Mechanism of the African Union		Peer review includes a review of corporate governance, including transparent financial reporting standards of all companies (including MNC subsidiaries).	No official position, but in favour of general principle of transparent financial reporting.
	African Tax Administration Forum MERCOSUR Inter-American Center of Tax Adminstrators	Tax officials who play a leading role	Want to increase capacity of tax administrators to audit accounts of MNCs, and to have greater access to financial information.	New body, would be in favour of country-by-country reporting in principle.
Rich country parliaments	International Development Select Committee (UK)	Specific MPs, eg leader of Liberal Democratic Party	Will differ in each country.	Will differ in each country, but mostly unaware. US Congress passed legislation requiring MNC extractive companies registered in US to report financial transactions on a country-by-country basis.
Developing country parliaments	Select finance committee Select committees for sectoral issues, eg mining and minerals	Lead MPs	Will differ in each country, mostly parliaments want more tax revenue from MNCs, especially in extractives sector.	Will differ in each country, but mostly unaware of country-by-country reporting issues.

Stakeholder type	Organisation/ institution	Individual in organisation	Interest/stake	Position
Other concerned stakeholders				
Faith bodies	National councils of churches, faith organisations	Church leadership, officials in faith organisations, congregation members	Interest in social and economic justice for the poor taxpayers.	Mostly unaware of the issues.
Media	Financial and business press, church press, national television	Specific journalists and editors	Interest in transparency.	Some journalists support our position.
NGOs	Debt networks, NGO watchdogs monitoring EITI compliance, budget watch groups, Publish What You Pay (PWYP) networks	Policy and advocacy officers	Interest in basic services for poverty reduction, transparency in extractives sector, budget expenditure and revenue collection.	Mostly unaware of the issues. Extractive networks such as PWYP and EITI monitoring groups already support and lobby for country-by-country reporting in the extractives sector.
Professional bodies or associations	Chartered Institute of Taxation (Ghana), ACCA, Kenya Law Society, New York Bar Association		Risk to members' interest, professional learning, ethical standards.	Variable – break down further for specific associations.
International institutions				
International NGOs and networks	ActionAid International (AAI), PWYP, Transparency International (TI), Tax Justice Network (TJN)	Policy and advocacy staff	PWYP, TI, GW = extractives transparency.	Support and campaign for country-by-country reporting.
Regional NGOs	ISODEC, Jubilee South, Latindadd, Tax Justice Network Africa		Budget and debt transparency, higher policy autonomy.	Greater government revenues, fair redistribution of income and wealth.
UN	UNCTAD, UNECA, UN Tax Committee, UNDP	Varies	More domestic resource mobilisation in developing countries.	Greater transparency in company reporting.

Interaction pages

These pages offer some suggestions for facilitating a group discussion and/or exercise on the main themes raised in this chapter.

Exercise 1: What is an advocacy planning cycle?

Aim: To consider the different stages in an advocacy planning cycle and in developing an advocacy strategy.

Step 1: Plenary presentation

Before you start advocating, it is really important to have a clear strategy in mind.

Steps 2 and 3: In groups, then plenary

Put various elements in an advocacy planning cycle and in developing an advocacy strategy on cards. Give each group a set. See page 2.

1. Ask participants to put them in an order they think is appropriate, identifying the reasons for this choice. Afterwards you can discuss why they chose this order.

2. Feedback: each group feeds back; note on flip chart 'Issues Arising'.

Exercise 2: Identifying the problem and finding a solution

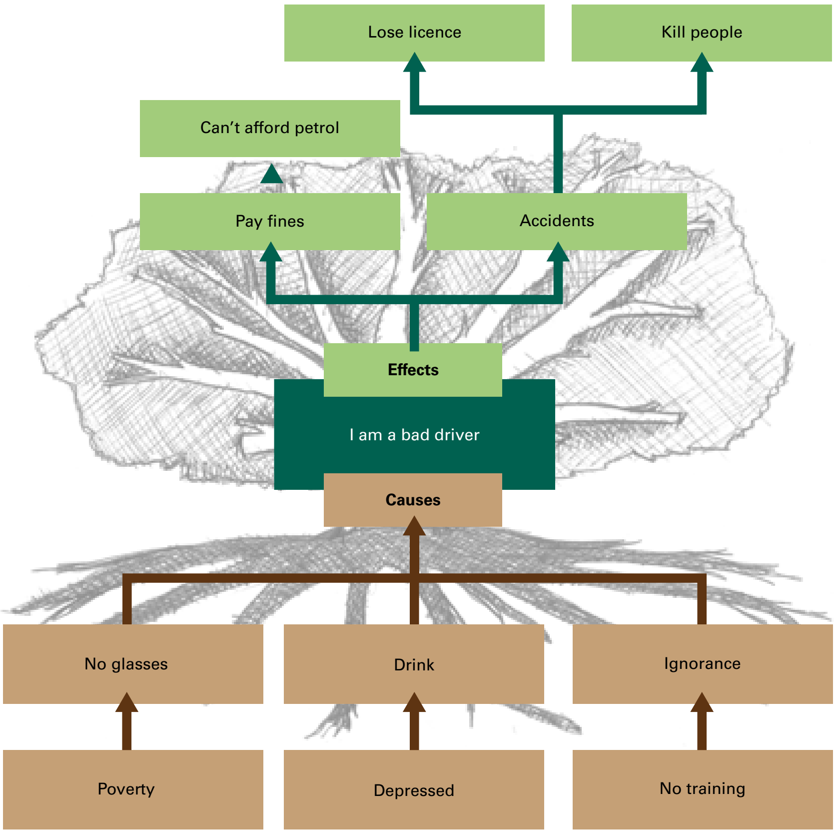
Aim: Participants to use problem and solution trees to identify the root causes of the issue they want to address and develop goals and objectives to tackle it.

- In plenary, demonstrate how to do problem and solution trees and why they're a useful tool for developing goals and objectives.
- Divide participants into small groups (maximum of four in each group) and ask them to do their own trees based on an issue they are concerned with.

The facilitator explains that this model is useful for:

- breaking down broader issues
- identifying the root problem and articulating the solutions
- exploring the range of advocacy areas where participants may choose to intervene to bring about positive change.

General example of a problem tree:



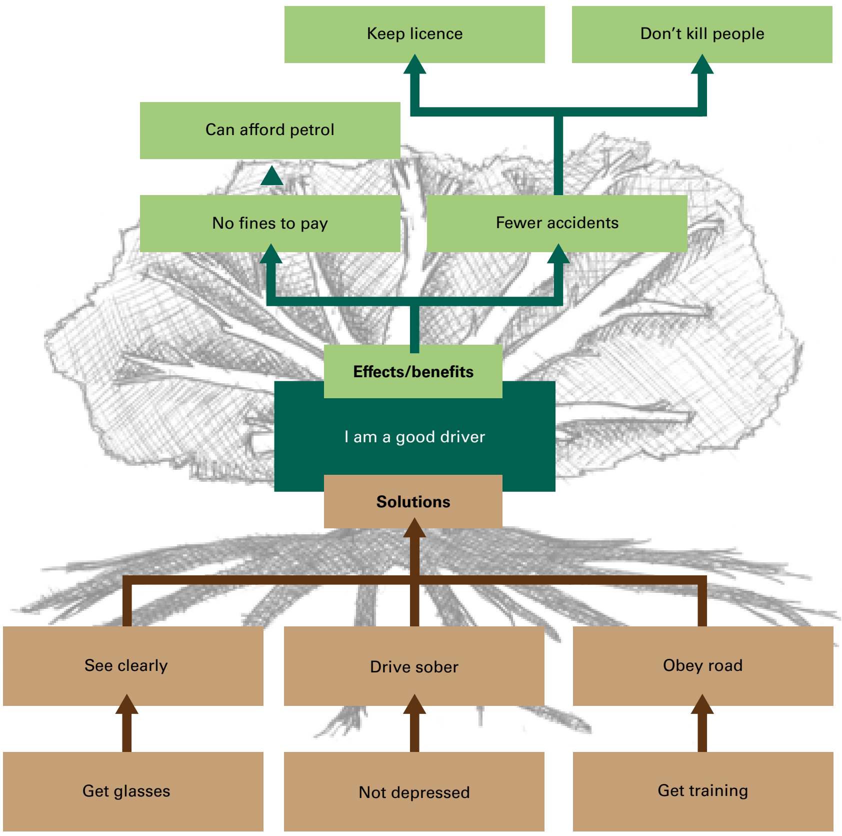
Problem tree – how to use this tool

Step 1: Draw a tree trunk on a large sheet of flip chart paper. The trunk represents the problem or situation you are investigating.

Step 2: Add roots. They represent the causes of the problem or situation. Some roots are closer to the surface: these are the more obvious factors that contribute to the problem. But what causes these factors? The deeper you go, the more causes you uncover that help to contribute to the problem or situation.

Step 3: Draw the branches. These represent the effects of the problem. Some branches grow directly from the trunk: these are the problem's more immediate effects. But each branch may sprout many more branches, showing how the problem may contribute to a range of indirect and longer-term effects.

General example of a solution tree:



Solution tree – how to use this tool

The solution tree turns the negatives in your problem tree into positives, which can in turn be developed into goals and objectives.

Step 1: Draw a tree trunk on a large sheet of flip chart paper. The trunk represents what you would like a certain situation to be like in the future.

Step 2: Add roots. They represent possible solutions or methods to bring about the desired future situation. The solutions should relate to the main causes of the problem as indicated in the roots of your problem tree. The roots that are closer to the surface are those that would contribute most directly to improving the situation. The solutions may also reinforce each other.

Step 3: Draw the branches. These represent the effects of the improved situation. Some branches grow directly from the trunk: these are the more immediate effects. The longer branches are used to represent the longer-term effects of the improved situation.

Exercise 3: Power analysis

Aim: Participants to develop a power map on their tax issue. They have a clear analysis of the principal actors who can influence or make decisions about the goal and they understand the networks and relationships between people and key institutions.

Step 1: In groups, participants draw a power map (see the power mapping tool on page 8 for an example).

Draw and label a box or circle in the middle of a flip chart sheet to represent the person or institution with the most power to bring about change on your issue. Then work outwards so that the circles/boxes near the centre of the sheet have the most power to change the policy and the circles/boxes on the edges of the sheet are those with the least power. Participants discuss their choices as they develop the power map.

Step 2: Still in groups, participants add arrows going from one box/circle to another to demonstrate who has power over other bodies and individuals.

Step 3: You can further discuss the choices that participants made and the reasons for them in plenary.

Exercise 4: Identifying and mapping key stakeholders

Aim: Participants to identify a broad range of actors with a stake in a given tax issue (to complement the analysis of who has power over the issue in Exercise 3). Participants will analyse four main categories of stakeholders: targets; allies; opponents; and beneficiaries.

Step 1: The facilitator reminds the group that most tax issues have multiple stakeholders. Some will be targets of the advocacy (because they have the power to bring about the change being sought – as identified in the power map exercise). Some will be allies, others opponents. It's also important to clarify who will be the beneficiaries of the changes sought.

NB: There may be some overlap between different stakeholders – that is, the targets of the advocacy may also be opponents or allies.

Step 2: Divide participants into small groups of four or five. Each group will need to decide what tax issue they will focus on (ideally the same issue they used in the power map exercise).

Step 3: Give each small group four sheets of flip chart paper, each one headed with a different stakeholder category as follows: Targets, Allies, Opponents, Beneficiaries.

Step 4: In these small groups, ask participants to:

- make lists of different stakeholders with a stake in their issue, using the four sheets of flip chart paper (that is, lists of targets, allies, opponents and beneficiaries). The 'Who's Who' of tax stakeholders on pages 9–11 will provide some ideas about relevant stakeholders, but there may also be other stakeholders relevant to your context or tax issue.

Step 5: Introduce the stakeholder analysis table (see the tool on page 12). Take each stakeholder the group has identified and ask the following questions:

- What interest do they have in this issue? Rank: Low, medium, high.
- To what extent do they agree with you on the issue? Rank: Low, medium, high.
- How important is this issue for them? Rank: Low, medium, high.
- How much influence do they have over the issue? Rank: Low, medium, high.

Step 6: If there's time, ask each group to start discussing what approach they might take with each of these stakeholders.

NB: How we influence different stakeholders will be explored in more detail in Chapter 4: Getting active on tax.

The following are questions to pose when discussing different approaches to stakeholders (the facilitator could display these questions on a PowerPoint slide or on a flip chart for all groups to see):

- Are our opponents also our main advocacy targets? If so, what approach is most likely to change their position?
- If our opponents are not our main advocacy targets and don't have much power over the issue, can we ignore them? Or do we need to neutralise their opposition?

- Are any of our allies also our main advocacy targets? If so, how can we use these powerful allies to maximum advantage?
- How closely should we seek to work with our allies? To what extent do they agree with us? What is the common ground?
- Should we seek to involve our beneficiaries in the advocacy work? If so, how?

Step 7: In plenary, ask each small group to do a brief report back on their stakeholder analyses. If short of time, ask each group to present their analysis of one of the stakeholder categories.

Exercise 5: Smartening up your objectives

Aim: Participants to learn to develop SMART objectives for their advocacy strategy.

Step 1: In plenary, the facilitator provides three or four examples of objectives that do not meet SMART criteria and asks participants to discuss in pairs why they are not SMART.

Step 2: In groups:

Split into issue groups (for example, different issue groups on tax could be: how to make our national tax system more transparent; how to make our national tax system more equitable; how to persuade our government to stop giving overly generous tax breaks to investors). Groups to return to problems and solutions drawn from the problem and solution tree exercise to help them develop two to four SMART objectives.

Step 3: Groups feedback in plenary:

Each issue group feeds back on one objective in plenary and the facilitator/participants check whether they are SMART.

Examples of objectives that are not SMART:

- XX development NGO to land a rocket on the moon in one year (not achievable or realistic, but it is timebound)
- To eradicate world poverty (not specific or timebound)
- To tackle HIV/AIDS in Sudan within a decade (not specific and therefore not measurable)

Chapter 2: How to develop your tax advocacy strategy

By now you should be familiar with:

- the advocacy cycle and its six elements, including:
    - identifying the problem and its root causes and finding a solution
    - assessing your external context, including identifying your key tax stakeholders and who has the power to help you achieve the change you seek
    - setting your tax goals, objectives and indicators
    - developing your key messages on tax and tailoring them to your target audience
    - deciding on your advocacy approach – will you adopt an inside or outside strategy to your tax justice issue?
    - planning your monitoring and evaluation.

Chapter 3 gives guidance about how to carry out research on tax, in particular:

- guidance on core research methods and tools to help you conduct advocacy-focused research on:
    - government tax systems
    - the tax contribution of companies.

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Chapter 3:
Doing your tax research

Contents

Chapter 3: Doing your tax research

This chapter looks in depth into the research component of tax advocacy. Research is a critical component of your advocacy strategy. It is important to provide credible evidence for your arguments and to persuade your targets and allies of your case on tax.

The chapter provides:

- an introduction to the ways in which you can integrate research into the advocacy cycle
- guidance on core research methods and tools to help you conduct advocacy-focused research on:
  - government tax systems: we walk you through the tools you can use to establish a baseline of your country's tax regime in order to analyse who bears the burden of a government's revenue collection
  - the tax contribution of companies: we show you how to evaluate how much your country might be losing as a result of tax dodging by companies, and equip you with the tools you need to analyse how much a particular company is paying in tax and if tax avoidance or evasion is likely
- seven key steps to conducting a successful research project:
  - **Step 1:** Defining the problem and the research questions
  - **Step 2:** Preparing the research and deciding on your methodology
  - **Step 3:** Planning your research
  - **Step 4:** Collecting and analysing data
  - **Step 5:** Controlling the quality of your research (validation)
  - **Step 6:** Reporting, dissemination and discussion
  - **Step 7:** Planning your follow-up
- the following appendices:
  - **Appendix 1:** An example terms of reference for tax research
  - **Appendix 2:** The 'poor person's tax burden' survey

The interaction pages at the end of this chapter offer some suggestions for facilitating a group discussion and/or exercises on the main themes raised in the chapter.

Much of the research described in this chapter can be done in-house by well-managed organisations, but robust research requires careful management, resources and time. It is also important to be aware of your limitations. In some cases, it may be better to work with research partners or consultants.

Research and the advocacy cycle

In Chapter 2 we provided an overview of the advocacy cycle: how to identify problems and solutions, how to map stakeholders, and how to develop an advocacy strategy. Research is a crucial part of this process.

Robust **evidence-based** arguments, grounded in data collection and research, should not only underpin your advocacy strategy but also serve to strengthen it. At the same time, research should be **practice-driven**: the topics you research should arise from problems you face in your wider advocacy work.

We propose seven steps for planning and implementing effective advocacy-focused tax research:

Step 1: Defining the problem and the research questions

Step 2: Preparing the research and deciding on your methodology

Step 3: Planning your research

Step 4: Collecting and analysing data

Step 5: Controlling the quality of your research (validation)

Step 6: Reporting, dissemination and discussion

Step 7: Planning your follow-up

This chapter is divided into two sections. First we will apply these steps to analysing government tax policy. Then we will apply the same approach to understanding the tax contribution of multinational companies (MNCs).

Researching government tax policy

In Chapter 1 we highlighted how tax advocacy relates to a range of economic and social justice issues: by providing revenue for essential services, redistribution to challenge poverty and inequality, representation to ensure accountability, and repricing to limit public 'bads' and encourage public 'goods'.

When doing government tax policy research, you may want to investigate the consistency of government polices, or the impact of government policies on selected groups of citizens: those living in poverty in a particular province, for example.

This section will give you guidelines on doing both types of research, by looking at the **tax burden** on the poor on both a macro and a micro level.

EXAMPLE Why conduct research on government tax policy?

In the Philippines, the Freedom from Debt Coalition highlighted that the International Monetary Fund (IMF) had imposed cuts in public spending in the Philippines and required the government to implement new taxes to deal with the fiscal deficit. Social movements wanted to campaign against this, but needed evidence that the changes would negatively impact on the poor. They conducted a household survey to show the minimum necessary income for a reasonable livelihood and the impact increased tax rates would have on the poor.

Step 1: Defining the problem and the research questions

In Chapter 2 we showed you how to use problem and solution trees to identify problems in relation to tax and economic justice and to come up with potential policy solutions. Research will help you test and refine the reasons behind the problem and inform your recommendations – what you will advocate for.

If you identified in your problem tree that 'The government doesn't spend enough money on education', the tax-related cause could be any of the following:

- insufficient revenue (budget deficit)
- poor management of revenues
- inadequate representation of citizens.

There may be other causes not related to taxes, but the tax angle can bring a new element which will help advocacy efforts to look at the claims made by different stakeholders related to the problem.

It is important at this stage to consider research questions that are focused in a way which can be credibly answered with the resources you have to answer them. Here you can consider the following questions:

- Are there other factors beyond tax which may be causing this problem?
- Can I separate the tax issue from other causes of the problem?
- Do I have enough time, resources and skills to answer this question?
- Is data available or will I need to collect it?

Step 2: Preparing the research and deciding on your methodology

The first stage in preparing your research involves building on the knowledge and experience of others. Have academics or civil society organisations (CSOs) looked at this research question before? Does that research need updating? Have others looked at the same problem in a different country or region? A **literature review** surveying the work that others have done will also help you refine your research questions. The methodology that you choose will be dependent on the kinds of questions you want to answer, and the data that you have available.

Research methodologies are normally categorised as qualitative or quantitative. **Qualitative** research means that you deal with text and interviews, while **quantitative** research means dealing with numbers, statistics and issues that you can add up.

For both qualitative and quantitative research there are various **desk research** methodologies, where the researcher analyses reports, academic literature and data, collected for example by the national statistical institute or international financial institutions.

A second range of methodologies can be grouped as **field research**. Quantitative field research is usually based on surveys that collect quantifiable data, for example from household surveys.

Qualitative data can be collected through interviews or observations of the issues that are assigned. Interviews can be of three types:

- structured interviews – used often in surveys to get comparable data
- semi-structured interviews – most common in talking to key informants
- unstructured interviews – used in focus groups and during field observation where only a prior theme of the discussion serves as a guide.

Finally, **action research** involves the researcher engaging with a given issue by participating for a limited period of time in the work of company operations or tax administrations on a negotiated basis. This may involve the researcher taking up an internship, or participating in advocacy activities as a researcher. Action research normally takes from three months up to a year.

While economic research tends to be quantitative, the dynamics of social problems are always nuanced and will often require a qualitative approach as well. The trade-off is in how representative your research can be. When conducting quantitative surveys, you can cover a larger number of people in limited detail. When conducting qualitative research, it is likely that you will have richer and more nuanced findings, but that these will represent a smaller population. Bearing in mind the strengths and weaknesses of both approaches, there is a trend towards **multidisciplinary** research which seeks to use different approaches to answer a question from a range of different perspectives.

Choosing your methodology

1) Do you want to say something about a large sector of the population or a small number of people?

a) **Answer:** The impact of tax policy on a whole sector of the population – You need to look at a quantitative statistical analysis.

i) *Is data available?*

(1) YES: Consider the resources needed and engage in research.

(2) NO: *Can you produce data?*

(a) YES: Consider time and resources, and get going.

(b) NO: Look at the local perspective.

b) **Answer:** The impact of tax policy on a small group of people – You should choose qualitative analysis.

i) *Do you have access to the research sites?*

(1) YES: Hire a field researcher, allocate resources and get going.

(2) NO: *Can you hire somebody for the research who has access?*

(a) YES: Map out the required time and resources.

(b) NO: You need to change topic or approach.

2) Are you interested in the legal environment, or how the rules are applied?

a) **Answer:** The legal environment – You need to hire a lawyer or accountant who can study the legislation.

i) *Is legislation or documentation available?*

(1) YES: Study the extent of the documentation needed to study, allocate time and resources, and get going.

(2) NO: *Has somebody made a secondary analysis of the documentation?*

(a) YES: Assess whether the analysis is trustworthy – if yes, then get going.

(b) NO: Consider looking at the application of the rules instead.

b) **Answer:** The application and abuse of rules – You need to consider a mix of desk and field research strategies, as you need to have a basic understanding of the rules that apply, in order to formulate good questions.

i) *Do you have access to the persons you want to interview?*

(1) YES: Hire a good interviewer, brief them on the issues, and get going.

(2) NO: Seek approval from their superiors; try a different strategy, such as hiring an insider of the same profession or a past employee in the sector. Do you find a way to get qualitative data?

(a) YES: Then you have got over a hurdle – get going.

(b) NO: Maybe you won't find data this time on this topic – try later as the 'gate keepers' may have changed, or change research topic.

3) Are you interested in the causes of the problems, or knowing more about those affected by the malpractices?

a) **Answer:** The root causes of the problems – Then look at the strategies above.

b) **Answer:** The effects of malpractice on a local community – Try looking at studies of the affected communities to bring your issue onto the agenda.

i) *Can you find an affected community who can participate in the research?*

(1) YES: When you identify a community or communities, explain your research to them, and start planning a policy impact or opinion study.

(2) NO: *Sometimes communities don't trust researchers – can you find a trustworthy party to participate in the research?*

(a) YES: Work with your new research partner, and get going.

(b) NO: Seek another community or topic to research. There may be good reasons for a refusal – never coerce anyone to take part in your study.

Another factor that will influence your decision on methodology will be the stakeholders you are trying to target. Consider the kinds of arguments they might respond to:

- Policy-makers? Consider using statistically valid arguments and large samples for surveys so that the findings are considered credible and representative.
- Media? Consider producing headline-grabbing figures or case studies, or include good quotes that the media can pick up in their own reporting.
- Citizens? Consider which stakeholder group you want to influence and the arguments that they will respond to.

A Guide to Tax Work for NGOs, published by the International Budget Partnership in 2006, helps demystify revenue policy issues and gives civil society budget groups the tools they need to influence revenue policy in the same way that they have been able to influence expenditure policy. The guide discusses revenue issues, and especially taxes such as value added tax (VAT) and personal income tax. It provides a basic description of different tax types, discusses some of the key debates, gives examples from a range of countries, and provides ideas for revenue-related projects that groups might want to undertake. See www.internationalbudget.org/files/guidetaxwork.pdf

Step 3: Planning your research

Whether conducting research in-house or employing a research consultant, it is good practice to agree terms of reference. Research usually requires input and feedback from different people with different skills. Terms of reference will ensure that everyone is agreed on the scope of the research before work begins.

The process of developing terms of reference will also help you confirm the **feasibility of the research**. Do you have the resources necessary? Is the relevant data available? Will it fit into your advocacy cycle? Are there legal risks or risks to personal safety that you need to be aware of?

An example terms of reference is included in Appendix 1.

Working with research consultants

If you lack the capacity for research within your organisation, discuss the options of hiring a research consultant or forming a partnership with an organisation that is already carrying out similar research and has the relevant capacity in-house.

This approach has benefits and weaknesses. Research consultants can be expensive and take time to manage. Working with staff is usually a cheaper option that allows for longer research cycles and enables learning to be kept inside the organisation. Consultants with particular expertise can, however, be hired to facilitate the research process and can help overcome particularly challenging phases of the research.

Choose your research partners with consideration to both their experience and their affiliation. If the researcher is affiliated to a reputable institute, they may bring some of the experience and credibility of that institute to your advocacy.

Your role as research coordinator involves managing the process from start to finish, supporting the consultant with additional data queries, facilitating access and logistics, and so on.

Step 4: Collecting and analysing data

Where to start – understand your country's tax system

In order to advocate for a more just and pro-poor tax regime, you need to know what your current regime looks like. The first step is to establish a baseline which can be updated as new figures become available or there are changes or amendments to the existing legislation.

How does the government set tax policies and collect tax?

Who is responsible for the design of tax policies, assessments and collection? Understanding the government set-up for revenue management and tax collection will help determine where to look for information on the country's tax system. This will also help you with power mapping described in Chapter 2.

Start by investigating a country's official internet portal. Responsibility for tax matters may lie with a specialised agency, with the ministry of finance, or may be spread across several agencies.

When you have identified the ministry or agency responsible for tax policy and collection, look through the website for links such as legislation or links to specific acts on income tax, VAT, excise and customs. In these acts, detailed information on the different levels of taxes can be found. This can help in answering questions such as the following:

- Is personal income tax regressive, proportional or progressive?
- What is the corporate/company tax rate?
- What is the level of VAT? Are there any exemptions for basic necessities, addressing equity concerns? Is the system manageable or too difficult to implement?

EXAMPLE Entry points in Namibia

The official website for the government of Namibia (www.grnnet.gov.na/grnabout.html), which provides information about the different ministries (under the central government link, to the left of the page), shows that there is no separate tax authority.

The website for the ministry of finance (www.mof.gov.na/) has additional information, for example an 'organogram' showing that there is a revenue management department within the ministry, with subsections such as the directorates for inland revenue, customs and excise, and legislation and tax policy.

What is the legal framework for the taxes to be collected?

Understanding the legal framework of the tax regime is an important starting point in understanding the changes that you may need to advocate for.

Often the ministry of finance or the national tax authority will have legislative information. World Bank and IMF documents do not always specifically analyse a country's tax regime but may have useful background information.

EXAMPLE Legal framework in Namibia

The ministry of finance website has a page with information on legislation. However, most of the acts mentioned, such as the act on income tax and VAT, are listed as 'available soon'. Government websites do not provide access to all the relevant material or are not updated on a regular basis.

In the particular case of Namibia, the solution was simply to do an internet search on tax legislation.

On the World Bank's country pages (go to www.worldbank.org, click on countries, select Namibia and then click on publications and reports), a list of all documents and reports can be opened. Documents such as the interim strategy note and the country brief have short sections on the tax regime. The IMF likewise has a country page for Namibia (www.imf.org/external/country/NAM/index.htm). The most relevant documents are the Article IV consultation staff reports that describe economic developments.

What are the different types of taxes?

Income taxes

Taxes on income, profits and capital gains are generally divided between taxes payable by individuals and corporations. They are called direct taxes because the person or business who owes the tax is directly responsible for paying it to the government.

Personal income taxes

Legislation on personal income taxes will often include rates of income tax at different income levels (see the example from Namibia below). This is the easiest and most telling part of the legislation as it enables you to understand how much a person can earn before tax (which is often important for low-income households). This can, for example, be compared to income levels for the poorest 25 per cent of the population or even the median household income. It is interesting to observe the levels at which the tax levels shift, in particular how high the highest tax level is and at which income level it kicks in.

Country example: Personal income tax levels in Namibia (www.parliament.gov.na/acts_documents/14_act_112003.pdf)

Taxable amount	Rates of tax
Where the taxable amount:	
does not exceed N$24,000	no tax payable
exceeds N$24,000 but does not exceed N$40,000	17.5 per cent of the amount by which the taxable amount exceeds N$24,000
exceeds N$40,000 but does not exceed N$80,000	N$2,800 plus 29.5 per cent of the amount by which the taxable amount exceeds N$40,000
exceeds N$80,000 but does not exceed N$200,000	N$14,600 plus 34.5 per cent of the amount by which the taxable amount exceeds N$80,000
exceeds N$200,000	N$56,000 plus 35 per cent of the amount by which the taxable amount exceeds N$200,000
At the time of writing, the N$/US$ exchange rate was 7.65, which means that the standard exemption in the Namibian case is equivalent to US$3,137 (€2,553). The highest income level used in the Namibian case is equivalent to US$26,144 (€21,276).	

In addition to the levels of taxation, the legislation may encompass withholding of taxes on wages (Pay As You Earn). This is a system where tax is deducted at the source (for example by the employer) on behalf of the government from taxpayers as a provisional payment of income tax on their earnings. Such a system is usually important for the efficiency of the tax collection (see, for example, *Taxation and Development in Ghana: Finance, Equity and Accountability* in the 'Tax Justice Country Report Series').[1]

Corporate income taxes

Income tax legislation should also contain information on the corporate tax rates. Some countries apply different tax rates to different sectors within the economy in order to incentivise specific industry sectors or promote employment and export or replace imports. Some companies enjoy extensive tax breaks which may be implemented to attract them to the country.

Are countries engaged in tax competition? It makes sense to look at the corporate tax rates of other countries in the region and at collaboration to avoid a 'race towards the bottom' where countries try to attract companies on the basis on tax breaks.

Consumption taxes

In addition to direct taxes, most countries apply consumption taxes such as VAT, general sales taxes, and excise taxes (which are usually imposed on a limited range of goods, such as luxury goods or on products that can have a harmful impact on the consumer). These are important to identify, because they tend to be regressive and impose a heavier burden on the poor than on the well-off.

The legal framework should clearly establish, among other things, the rate of VAT, products that might be zero-rated and a list of all items that are exempt from VAT – this information will help determine whether the tax imposes too heavy a burden on the poor because of its regressivity. If the government has included a list of exempt items, this can be compared to the basic necessities of a standard household.

Trade taxes

Trade taxes are usually made up of customs duties, tariffs and export taxes. This can be a quite complex area to investigate as it is closely related to trade policies, including those determined through bilateral and regional trade agreements. Some countries publish information about duties on imported goods (see, for example, www.nra.gov.sl), but this needs to be analysed in the context of potential free trade agreements and customs unions (bilateral and regional).

Non-tax revenues

It is important, however, to keep in mind that not all government revenue derives from taxes. Total government revenue is not the same as tax revenue. Government revenue includes social contributions, grants, property and rental income, dividends from state-owned corporations, and sales of goods and services. Royalties from extractive industries also belong in this category as they arise from a rent of the right to use land for a limited period of time.

What are the actual revenues and who pays?

After analysing the legal framework, the next step is to look at the actual revenue streams from the different types of taxes. This will add perspective to the previous part of the analysis and will perhaps highlight areas that need to be investigated more closely.

The best place to look for actual revenues from the different taxes is in the budget execution reports, because they reveal actual and often audited figures. Budget reports are interesting too, but they have limitations in that they are based on estimations and projections.

The example below explains how this analysis can be completed.

EXAMPLE Namibia's revenue 2008/09

To analyse Namibia's revenue, we collected 'estimates of revenue' and 'expenditure' documents from Namibia's Ministry of Finance website (www.mof.gov.na/download.htm). By downloading and reviewing each of the annual reports available from 2004/05 to 2010/11, it is possible to create a spreadsheet with the detailed data on revenues shown in Table 1 below.

The figures presented by the Namibian government are nominal and therefore it is important to adjust this data for inflation in the comparisons across time. Inflation shows changes in consumer prices and when they increase from one year to another, and means that the government has to spend more money to purchase the same goods and services as the year before. The International Budget Partnership (IBP) has developed a tool to help you create an inflation index (see the IBP's *Guide to Tax Work for NGOs,* p68).[2]

Table 1: Revenue data for 2002–2009 in nominal and real Namibian dollars

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Taxes on income and profits	4,442	3,619	4,024	4,576	5,676	6,730	8,070
Taxes on property	79	75	86	110	142	149	171
Domestic taxes on goods and services	2,136	1,951	2,057	3,272	3,197	3,686	4,339
Taxes on international trade	2,597	3,036	4,207	3,892	6,698	8,882	8,502
Total tax revenue	9,254	8,680	10,374	11,850	15,713	19,447	21,081
Inflation	11.3%	7.2%	4.1%	2.3%	5.1%	6.7%	10.3%
Real tax revenue (index year 2008)	14,392	12,140	13,722	15,212	18,931	21,680	21,081

With this data collected, analysis can be conducted in a number of different ways emphasising different aspects of the tax situation. It is important to consider carefully how to present your data depending on the message you are delivering.

Figure 1: Composition of taxes collected in 2008/09

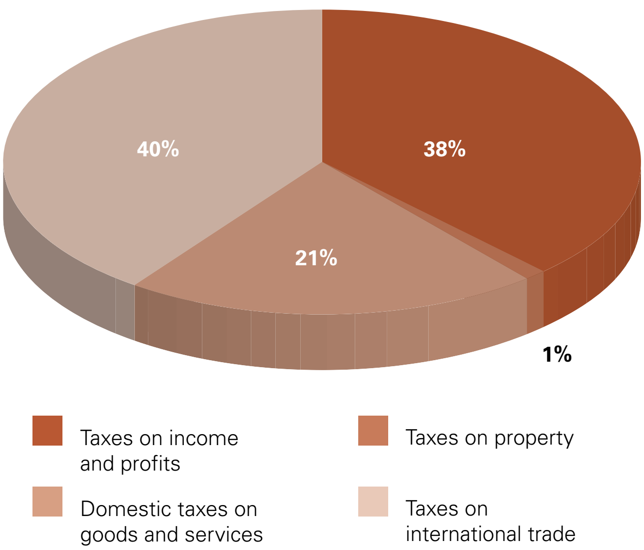
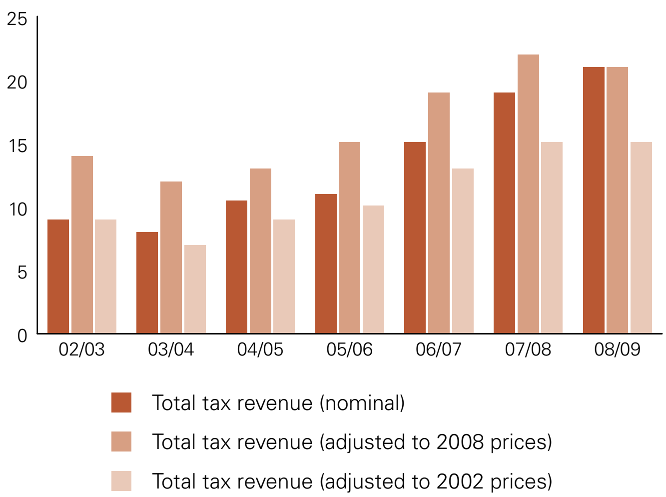


Figure 1 shows the proportion of revenue that each tax source contributes. This is sometimes referred to as the 'tax mix' and demonstrates how dependent the country is on different sources of taxes, or which sectors bear the heaviest tax burden. It is clear that taxes on income and profits (38 per cent of all taxes) and taxes on international trade (40 per cent) are the most important sources of revenue. Domestic taxes on goods and services are also significant with one-fifth (21 per cent) of total taxes coming from this sector. Taxes on property are very low, comprising only 1 per cent of total tax revenue.

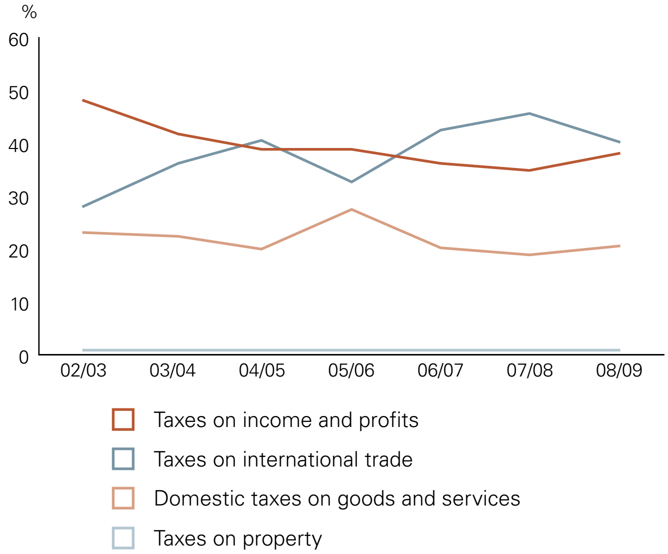
Figure 2: Development in collection of taxes in nominal and real N$ (billion)



In Figure 2 the total figures for 2002/03–2008/09 are used to provide an overview of the growth in revenues. For illustrative purposes we have included both real and nominal figures to show the marked differences when adjusted for inflation. In Figure 2 we have used two inflation indexes. The first uses 2008 as the index year and the second uses 2002 as the index year.

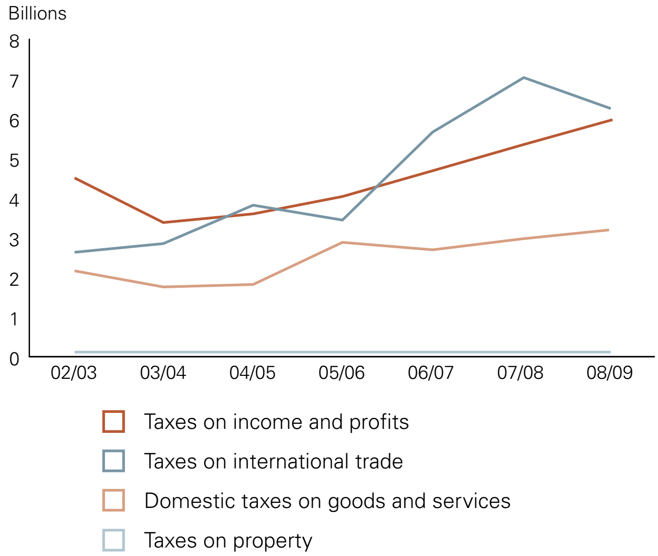
While Namibia is a country with fairly limited inflation, some countries experience much higher, sustained inflation. In all cases, it is crucial to adjust for inflation.

Figure 3: Development in the share of taxes as a percentage of total tax revenues



In Figure 3 we develop the idea illustrated in Figure 1 and show how the composition of different types of tax has evolved over time. This not only allows us to compare the level of contributions from each of the major sources of revenue for the Namibian government but also adds the element of evolution over time. Here, percentage of total revenue must be used. It shows that the share of tax revenues deriving from taxes on income and profits has been declining somewhat until 2007/08. In 2008/09 this trend was broken and this tax provided a bigger share of total revenues. The share provided by taxes on international trade has fluctuated greatly. A substantial drop in 2005/06 was matched by an increase in domestic taxes on goods and services.

Figure 4: Development in tax revenues from different taxes (real 2002 figures)



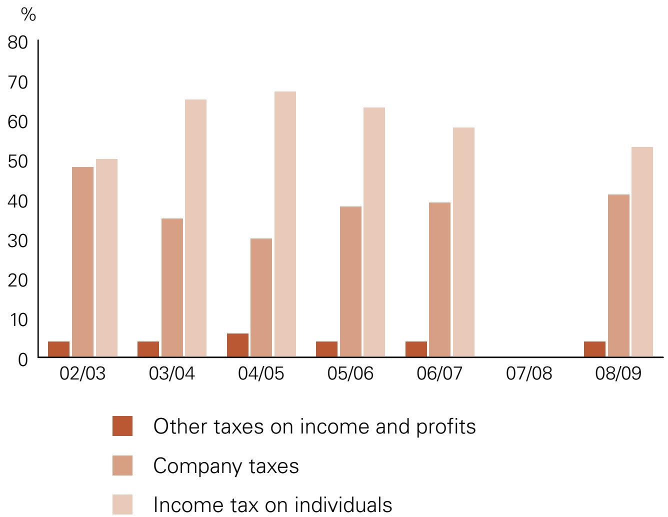
Another way of analysing revenue trends over time is to use the actual figures, which in this case provide a very different picture. The numbers used in Figure 4 are adjusted for inflation using 2002 as the index year. This figure shows a significant and steady growth in revenues from taxes on income and profits. Figure 3 shows the evolution in **the share** of tax revenue and because the revenue from trade taxes is growing faster this is reflected in a declining share of total revenue. This means that the two following statements are true:

- Between 2002 and 2008, Namibia experienced a significant growth in revenues from taxes on income and profits.
- The share of revenues from taxes on income and profits in Namibia declined in the period from 2003 to 2007.

A number of other observations can be made based on the figures above. For example it can be noted that taxes on international trade registered a significant drop between 2004/05 and 2005/06 as well as between 2007/08 and 2008/09. The volatility of this tax must be a concern for the Namibian government, as a very significant share of revenues comes from this source. Domestic taxes on goods and services have registered a growth in absolute terms, but as a percentage of total tax revenue the share has been stagnant except from the outlier in 2005/06.

Your research question may be to find out whether the citizens of a country bear a greater tax burden than the corporate sector. In the case of Namibia, Figure 5 shows that since 2002/03 the government has collected significantly more taxes from individuals than from companies.

Figure 5: Development in composition of income taxes



On the basis of Figure 5, it can be concluded that in 2002/03 companies and individuals contributed almost the same share of revenue. This changed dramatically in the following year when individuals suddenly paid two-thirds of the income taxes and companies only paid one-third. This tendency became even more pronounced in 2004/05. After that, the share of taxes from companies started growing but in 2008/09 individuals still contributed almost 60 per cent of income taxes and companies only 40 per cent.

Figure 5 shows that data for 2007/08 was missing. This leaves a gap in the information and as a result this year has been left blank in the figure. We are still able to generate a fair overview of the trend but if more years had been missing this would obviously become difficult. Where data is missing, it is important to declare this. Often it will be simple mistakes that caused information not to be disclosed and this can be corrected if addressed by civil society organisations. In cases where the lack of information is systematic, the starting point is to push for transparency as a first step towards more accountability.

This kind of analysis can be replicated for any country for which data is available. It can also be extended with projections for the future. This can show what the expectations are and reflect different types of policy choices.

The poor person's tax burden

If your research question involves looking at the impact of taxation on a small number of poor people, the 'poor person's tax burden' will give you a snapshot of how much a number of individuals, or even an entire community, is paying in taxes. The questions you ask should be tailored in relation to the relevant kinds of taxes. You can also compare this to the amount spent on government services obtained by this same group.

A sample survey is included in Appendix 2. The survey has been developed in a way that takes the specific cultural, ethnic and linguistic characteristics into account.

You should also be aware of ethical concerns. Some people will feel uncomfortable revealing information about private issues such as their income, asset ownership and spending patterns even if they are granted confidentiality. You should still code the participants with letters to allow accurate follow-up.

For all research projects, participants should provide you with **free, prior and informed consent** to take part in the project. This concept means that participants should explicitly say that it is OK to involve them in the research (consent), before the research takes place (prior), while being told what the positive and negative consequences might be (informed), without any force being applied to coerce them (free).

For good practice guidelines on how to conduct a survey like this, we recommend the following:

W L Neuman, *Social Research Methods – Qualitative and Quantitative Approaches* (third edition), Boston: Allyn and Bacon, 1997

B Mikkelsen, *Methods for Development Work and Research*, New Delhi: Sage, 1995

The work of the International Budget Partnership (IBP) is also a very helpful source of guidance. We recommend:

A Guide to Budget Work for NGOs
www.internationalbudget.org/files/guide_to_budget_work.pdf

A Guide to Tax Work for NGOs
www.internationalbudget.org/files/GuideTaxWork.pdf

Case Studies of Six Established Budget Groups
www.internationalbudget.org/library/publications/?fa=pubItemByCat&pubid=38

IBP Electronic Library
www.internationalbudget.org/library

Step 5: Controlling the quality of your research (validation)

Before beginning the research process, it is important to set in place plans for validation. This ensures accountability for the researcher and enables a range of perspectives on the work.

In academic research, the usual process is **double-blind peer review** which means that findings are scrutinised by two colleagues who act anonymously in conjunction with the editor. In CSO literature, an **open peer review** process is more common. This means that a reference group can discuss the findings as a group, and decide collectively on how to proceed with publication.

It is important to have your **reference group** of experts in place at the start and to agree a time when they will receive a draft report for commenting. In some cases, it may be appropriate to include advocacy targets in the reference group, as this way they may identify weaknesses in the research more easily. Involving them in the process at an early stage will mean that they are more likely to feel ownership and less likely to criticise the research when it is published.

If the report is to be agreed by a coalition, it may be worth building in time for a seminar where the researcher presents the findings for discussion by the coalition. This can help to build ownership and avoid problems at the sign-off stage. Involving advocacy targets here can also assist this process.

It is advisable to take the views of the community prior to finalising the report, asking the relevant community leaders to comment on the findings. This way they gain ownership over the study and are more likely to support other advocacy efforts that may cite their community (not the individuals) in a report that you publish.

TOOL Launching a report

Seek media coverage

Write a snappy, hard-hitting press release and make calls to journalists who may be interested in your story. You could offer the story exclusively to one journalist if there's a chance of better coverage. You could approach a well-known or influential person who might be able to place an opinion piece in a newspaper.

Organise a launch event

Organising a public debate or event can be a successful way of gaining media attention. You could invite speakers from the local community, experts, politicians and, of course, journalists.

Follow-up

Launching your report is only the beginning. It's important to continue to refer to it in any dealings you have with your advocacy targets. It's often helpful to do a follow-up report, six months or a year on, as a kind of report card. Have things changed?

Step 6: Reporting, dissemination and discussion

Your report should be straightforward and succinct. Remember to keep in mind your targets. The following is a good rule of thumb for how much each target group is likely to read:

- Media: 2 pages
- Decision-makers: 2 pages
- Policy-makers: 10 pages
- General public: 4 pages
- Academics: 50 pages.

With this in mind, you should always write an executive summary of no more than one page before going into the detail. The highlights of your report could also be adapted into briefing papers for different audiences.

Facts give your report rigour and authority. Quotes and stories from your first-hand accounts give a sense of urgency to your report and bring it to life. Photos or illustrations that match the location, theme or company in question can help to contextualise what you are saying.

Step 7: Planning your follow-up

In Chapter 2 we discussed how research fits into the advocacy cycle. Having invested resources into producing research, this needs to inform your advocacy strategy and support it. Considering how you will follow up with advocacy and campaigning actions is best done at an early stage.

Researching the tax contribution of companies

Disclaimer

The research methods we will show you will only enable you to raise a red flag if a company is paying a low rate of tax. It will not enable you to say that a company is evading tax or breaking the law. To make these accusations carries significant legal risks and is not recommended without expert help.

In Chapter 1 we outlined how companies can arrange their affairs to avoid tax. MNCs can shift profits on paper to different national jurisdictions with lower tax rates. National companies can evade or avoid paying taxes, often through corruption at the local level.

When campaigning at the local level, the link between an MNC's tax behaviour and a situation on the ground is not always obvious. But if a company is not paying the taxes it should, ultimately it is citizens who are deprived of services. Secrecy and lack of transparency in financial reporting are factors that enable international tax dodging to take place. They also make it difficult to research companies.

This section will explain the different types of business taxation, then we will walk you through the steps to a successful research project on MNC taxation.

Step 1: Defining the problem and the research questions

The typical tax-related research question when looking at a company is quite simple: Does this company pay a fair amount of tax in your country?

Companies may also be assisting others in tax dodging and be active in the so-called 'tax avoidance industry'. Or you may be dealing with banks that invest in companies that are violating environmental and labour laws as well as engaging in tax evasion or avoidance. Furthermore, tax may be linked to corruption in your country, with politicians granting illegitimate tax deals to national and multinational corporations. Finally, you may think that the tax rates imposed on the company in question, or the tax exemptions it has been given by the government, might be unjust.

Here, however, we will only deal with questions you might ask in relation to how much tax companies are, or should be, paying by law in your country.

Types of business taxation

Corporate income tax
A tax on the profits made by limited liability companies and other similar entities. The tax is generally imposed on net taxable income, specified in the company's financial statements. The rate of tax varies by jurisdiction. The tax may have an alternative base, such as payroll or unearned income, for example from investments and property.

Royalties (from minerals, oil and gas extraction or intellectual property)
Royalties are usage-based payments for the ongoing use of an asset, for example natural resources such as oil and minerals, but also intellectual property. Royalties are typically agreed upon as a percentage of revenues raised from the use of an asset. A royalty interest is the right to collect future royalty payments (a percentage ownership of future production or revenues from a given leasehold).

Employer social security contributions
Payments made towards a fund maintained by government, usually used to pay pension and unemployment benefits. Health benefits are sometimes covered as well. Social security contributions are generally considered to be taxes.

Withholding tax on certain foreign transactions, and repatriated profits
Tax deducted from a payment usually made to a person outside the country. This generally applies to investment income, such as interest, dividends, royalties and licence fees.

Capital gains taxes on any gains from dividends or sales of shares
A tax on the profits from the sale of capital assets such as stocks and shares, land and buildings, businesses, and valuable assets such as works of art.

VAT, trade taxes, and other indirect taxes
Taxes on sales can be levied in two ways: first, as a goods and services tax (GST) added to the value of all sales with no allowance for claiming a rebate on tax paid; and secondly, as a value added tax (VAT) charged by businesses on sales and services but which allows businesses to claim credit from the government for any tax they are charged by other businesses. The burden of VAT therefore falls almost entirely on the ultimate consumers. Trade tax is an important source of income for governments and is levied on companies' trade earnings.

Stamp duties, and special levies
A tax on the value of contracts, usually charged on contractual dealings on shares and other stocks and securities and on dealings in land and property.

Note that when multinationals negotiate with governments, many of these taxes may be reduced or exempted, so before you do your research on company tax contributions try to find out what taxes are actually due.

The **big tax questions** can be broken down into several sub-questions:

What is a fair amount of tax which the company should pay? Does it comply?

- Has the company demonstrated willingness to tax compliance?
- Have tax authorities questioned the company's tax payments?
- How does it report on its profits and taxes in its annual financial report? What does it say in its explanatory note to the tax payments in the consolidated income statement?
- If it pays less than a fair amount, are there indications as to what tax avoidance strategy it is using?

The questions you need to ask:

- Does the company belong to a foreign multinational?
- What is the company structure?
- Which annual report reveals tax-relevant information about the company?
- Are its subsidiaries located in secrecy jurisdictions without having substantive operations there?
- Does the company make use of subsidiaries to lower its tax payments?
  - What are the transfer-pricing practices of the company?
  - Do subsidiaries use accelerated depreciation methods?
  - When looking at data from the tax haven subsidiaries or from the ultimate parent company, are there interest payments to tax haven subsidiaries from the local company accounts?

CASE STUDY Pluspetrol in Peru – from environmental pollution to tax dodging?

The oil industry in Peru has a chequered record. In a case at present going through the US courts, one industry giant is accused over a 30-year period of contaminating the rivers and lands of the indigenous Achuar communities – causing death, widespread poisoning and destroying their way of life.

Another company operating in the same part of Peru, Pluspetrol, has placed rather more emphasis on community relations – setting up projects to improve health and nutrition for children, households and communities. Its aim is to reduce or eliminate social risks that may lead to violence or put its business activities at risk. However, even in the case of a company apparently taking corporate social responsibility seriously, it is not easy to determine who owns the company.

When local campaigners started to research the company, they found out that Pluspetrol moved its head office from Argentina to the Netherlands in 2000. They found the official documents that showed the company structure in databases rather than through publicly available sources, because Pluspetrol's website did not provide the information.

Because Pluspetrol does not have operations (production or sales) in the Netherlands, the campaigners wondered why the company would locate its head office there and turned to the Dutch Centre for Research on Multinational Corporations (SOMO) to find out more.

Companies registered in the Netherlands are obliged to submit to the Dutch Chamber of Commerce an annual report that is more extensive than the annual report the company publishes on its website. SOMO searched in the Dutch Chamber of Commerce database for Pluspetrol, found a list of subsidiaries provided in its annual report and drew a company structure.

Pluspetrol's company structure showed that its subsidiaries in the Netherlands are so-called mailbox companies, indicated by the fact that the company does not have any employees and is hosted by a trust office, an organisation that provides mailbox companies with an address (a mailbox, rather than a physical office).

Pluspetrol also has subsidiaries in secrecy jurisdictions, such as the Cayman and British Virgin Islands, Luxembourg and Gibraltar, which have no or very low tax levels and lack transparency.

Although the location in secrecy jurisdictions is not a proof of any illegal behaviour, it indicates that the company may use financial structures for aggressive tax planning. This is a red flag for further investigation.

Step 2: Preparing the research and deciding on your methodology

In many ways, preparing your research on company taxation follows the same steps as those outlined above in government tax policy research. The question you need to answer first is: What information do I need and how do I get it?

In order to answer this question, first map organisations that have already researched and published on tax justice issues and the specific company you are looking at.

Start with a far-reaching internet search for the company's name – it's amazing what you can turn up by going as far as page 20 of the results.

Next, search the internet for non-governmental organisations (NGOs) and social movement campaigns that may have already targeted the company in question or worked on the issue of tax justice.

Some international and national organisations that conduct research and advocacy on tax-related issues

Groups with an international focus

- Tax Justice Network
- International Budget Partnership
- Publish What You Pay
- Christian Aid
- ActionAid
- The International Centre for Tax and Development (ICTD)
- Institute for Development Studies (IDS)
- Centre for Economic and Social Rights (CESR)
- Chr. Michelsen Institute
- Centre for Research on Multinational Corporations (SOMO)

Groups with a regional or national focus

- Africa: ISODEC (Ghana), Tax Justice Network Africa (regional), African Forum and Network on Debt and Develoment (AFRODAD) (regional)
- Asia: Freedom from Debt Coalition (the Philippines), Action for Economic Reforms (the Philippines), Jubilee South (the Philippines), Centre for Budget Advocacy and Governance (India), Foundation for Public Economics and Policy Research (India)
- Latin America: Poder Ciudadano (Argentina), ICEFI (Central America), Latindadd (regional), INESC (Brazil)
- Europe: CCFD Terre Solidaire (France), Attac Norway (Norway), Debt and Development Coalition (Ireland), InspirAction (Spain)

Groups with a focus on MNCs

- SOMO
- CorpWatch (US)
- Corporate Watch (UK)
- Corporate Europe Observatory (European Union – EU)

Some of these organisations also provide research guides and a list of sources you can consult to find company information for your preliminary research and collection of primary data.

TOP TIP

Have a look at the Christian Aid report *False Profits: Robbing the Poor to Keep the Rich Tax Free*. It outlines some key industries in each country where potential trade mispricing may be taking place.[3]

Once you've mapped out your field and identified what kind of information is missing to provide evidence for your advocacy efforts, **choosing your methodology and entry point** is crucial.

Choosing your methodology

1) Do you want to understand the total impact of tax dodging on your country or to investigate a single company?

a) **Answer:** The total impact of tax dodging – You should look at the UN Comtrade database.[4]

i) *Is your sector/country listed with data from the year you require?*

(1) YES: Consider the resources needed and engage in research.

(2) NO: Contact organisations that may have experience in this area or look at the local perspective.

b) **Answer:** A single company – You should choose company research.

i) *Do you have access to the company reports in question?*

(1) YES: Hire a researcher, allocate resources and get going.

(2) NO: *Can you hire somebody for the research who has access?*

(3) YES: Consider time and resources, and get going.

(4) NO: You need to change company/sector or approach.

Before starting to conduct the research, you'll need to work out the availability of the data, which is usually the major constraint to a successful research outcome.

Before delving into the primary data research, map your available sources and assess the feasibility of carrying out the research, including outsourcing some parts of it to consultants (accounts, lawyers, economists) if needed.

For preliminary research, you can turn to the organisations listed above. Have a look at the research guides provided on their websites and consult the list of sources they suggest. You may also want to investigate tax courts, government department websites, press statements from stock exchanges, and reports filed with regulatory bodies.

Step 3: Planning your research

Once you know your possible partners, existing research and available sources, make a research plan with a realistic time frame.

In the section 'Researching government tax policy' above, we outlined good practice in planning research, developing terms of reference and identifying timescales. The resources you need for company research may be different than for government policy research. You'll need access to different databases. Sometimes these reports are freely accessible, but in other cases you need to pay subscription fees.

You should be aware of the risks of doing company research. You may invest significant resources only to find what you suspected to be untrue. You may face delays in verifying claims about a company, and even if you are certain about malpractice you may be unable to publish due to legal risks.

TOP TIP

Although it is specific to the US, have a look at the guide on *How to Do Corporate Research* by the Corporate Research Project (www.corp-research.org). Remember: MNCs are often headquartered in large economies such as the US or countries with an attractive tax regime.

Step 4: Collecting and analysing data

Now, it's time to start familiarising yourself with financial reports and, in case you are dealing with an MNC, with company structures.

Existing data can assist you in the identification of possible malpractices, and can then be used to dig deeper, make plans for further research and start a dialogue with, or start a campaign targeting, companies.

Because tax evasion and avoidance are made possible through the use of global profit-shifting and inter-firm trade, we concentrate here on MNCs. In order to read the financial statements of an MNC, it is important to first understand its structure.

The section below will guide you step by step through finding out how an MNC is structured, where you can find a financial report relevant to tax, and how to read it. It highlights issues that might indicate an irregularity in the company's tax payments and suggests further steps.

Country-level estimates of trade mispricing

In Chapter 1 we explained how transfer-pricing abuse involves the manipulation of prices of transactions between subsidiaries of multinationals or, more specifically, the sale of goods and services by affiliated companies within an MNC to each other at artificially high or low prices. A similar practice can occur between unrelated companies. This is called false invoicing. Together they are usually called 'trade mispricing'.

If your research question involves looking at the big picture to analyse how much your country may be losing as a result of trade mispricing, you can look at national and international statistics.

Christian Aid, in its report *False Profits: Robbing the Poor to Keep the Rich Tax Free*, estimated the amount of mispricing between non-EU countries and the EU and the US. On the basis of this, the organisation estimated the amount of potential tax revenue lost by each country. While this is a relatively crude way to estimate the losses, it can provide useful evidence for advocacy and the need for further investigation.

The UN Comtrade database can also be used for similar types of investigation.

TOP TIP

Contact corporate research institutions for support in finding information on company structures and accounts. They may also help you with publicity when you want to publish your report.

TOOL How to identify possible trade mispricing

The public UN Comtrade database can be used to find leads about mispricing of commodity exports and therefore to point to possible abuse. You can determine:

- which countries trade with each other, and whether these include tax havens
- the differences between prices of a product in different countries
- the quantity and value of commodity trade between countries (if reported by one of those countries).

By comparing export prices between countries and those of world market prices, you can estimate how much mispricing has occurred between one country and another in the trade of a particular commodity.

However, this is only possible if:

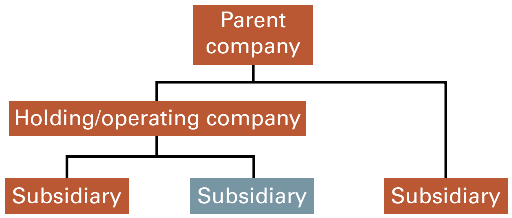
- there are only a few main exporters
- there are no large quality differences within a commodity classification, allowing you to assume that there is a single price for this commodity (for example industrial diamonds).

To learn more about using the UN Comtrade database, contact SOMO (www.somo.nl).

The structure of multinational companies

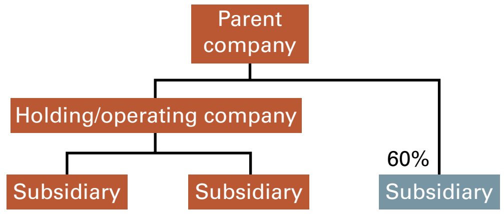
As mentioned above, an MNC is a web of cross-owned companies which are liable for tax on an individual basis. A controlling **parent company** will control several subsidiaries in different formations. Each subsidiary has its own books. Let's have a look at what some companies may look like.

Corporate structure – ownership



- One multinational consists of a parent company and many subsidiary companies
- Multinational
- Subsidiary

Corporate structure – control



- In case of more than one parent, control is determined by percentage ownership or by agreement
- Multinational
- Subsidiary

Intermediary parent companies

In many cases, intermediary companies are established for bringing together aspects of the company's business operations. These intermediary companies can be called 'holding companies', 'international trade companies' or even 'letter box companies', 'conduit companies' and 'shell companies'. The last three clearly imply that the companies have no real operations but simply are used for financial or legal operations.

It is not necessary to map the whole structure of a corporation to find out whether it owns subsidiaries located in tax havens. In fact, a large MNC may have thousands of subsidiary companies worldwide so it is inefficient and usually impossible to describe the complete corporate structure.

Before you search specialised databases, always check the company website.

Company websites

Use a search engine to find the corporate website. Often the web address will be www.nameofcompany.com. It will generally give you much of the information found also in the annual and other reports, and often more. You may want to focus on the sections on **investor relations** and **news releases**. Company websites will often include a list of branches, subsidiaries, facilities and locations; an overview of company operations; company policy on some corporate social responsibility (CSR) issues; stock exchange filings; annual and CSR reports; product listings; a list of executives; and other useful information. **Sometimes subsidiaries in different countries have separate websites.** It is worth checking these if you are searching for information about a company in a specific country.

Publicly listed companies have to inform their (potential) shareholders and provide annual reports and other investor information. Private companies have fewer reporting obligations and may not publish annual reports. Finding information on these companies can be difficult and requires alternative sources, such as the business press and the internet.

How to determine whether a multinational company has subsidiaries located in tax havens

1. Retrieve a list of tax havens by consulting one of the following sources:
   - Organisation for Economic Co-operation and Development (OECD) (www.oecd.org)
   - US Government Accountability Office (GAO) report[5] on US corporations with foreign subsidiaries (p12)
   - Tax Justice Network (www.financialsecrecyindex.com/).
2. Use the internet to search for a company in relation to the jurisdictions you are investigating.
3. If possible, access annual company reports from countries where the parent company is listed on a stock exchange or headquartered. In many cases, this will provide you with a list of subsidiaries by location.
4. Country-specific company information can be found at http://taxtracker.attac.se/ The username and password can be requested by sending an email to anton@attac.se

Finding that a company has a subsidiary in a secrecy jurisdiction or a tax haven isn't yet proof that this subsidiary is used for tax dodging. It provides a first step to point you towards the need for further investigation. Often an internet search can assist you in getting an idea of the specific operations of this company in the secrecy jurisdiction.

Sources to determine the corporate structure

Sources that can be accessed free of charge include the following:

- **Dun & Bradstreet search engine** can be used to check for all subsidiaries in a specific country (including tax havens). Use www.dnb.com > advanced search (the same search engine is available via Lexis Nexis). Search on company name and country.
- **National chambers of commerce and other company registrars** can be used to find the relevant addresses (see the 'General' section in the TaxTracker directory mentioned in the box above). For a list of online registries visit: www.companieshouse.gov.uk
- **Mint database of Bureau van Dijk** has a free company search engine (see the 'General' section in the TaxTracker directory).
- **Yahoo! Finance** provides access to some consolidated data on companies, which can be one of your starting points (http://finance.yahoo.com/search).

Once you have determined the corporate structure, in most cases you will want to do analysis of three areas:

1. the consolidated statements of the MNC globally
2. the subsidiaries of the MNC concerned in your own country
3. the related companies with which your subsidiaries have relationships.

It makes sense to start with 1 and 2 in parallel; 3 comes later. For example, you may be able to find the name of the subsidiaries in your country via the MNC's accounts. If you can get the subsidiaries' accounts, they usually tell you the name of the intermediary holding company (or if it's registered on the local stock exchange, you can get shareholding information). You can piece together bits of information by working in both directions – get accounts of whatever subsidiaries you can, and often you are able to fill in the gaps.

The consolidated statements of the MNC globally: reading a company's financial report

The main source of the overall financial structure (sometimes called holding structure) of a multinational is the consolidated annual report of the parent company. You want to identify whether the company has internal financing companies that might play a crucial role in tax avoidance strategies or other dubious financial constructions.

Finding the right report

The easiest way to obtain the annual report of a company is to go to the investor section of the company website, for example:

- Unilever: www.unilever.com/ourcompany/investorcentre
- British Petroleum: www.bp.com/investors

You should look for the following:

- **Consolidated financial statements** or financial report. This is the second part of a full annual report.
  NB: Consolidated statements include financial information of the company and all its subsidiaries of which it holds 50 per cent or more.
- **Parent company financial statements**. These are unconsolidated annual accounts. Unlike the consolidated financial statements, they provide separate data on the parent company of the multinational, excluding the subsidiaries. If such statements are available, they are usually included in the annual report or Form 20-F report.[6]
- **Historical overview** with figures over the last 5 or 10 years. Such an overview is usually not included in annual reports and can be helpful to analyse developments over time.

Some companies also publish a **sustainability report** or a **corporate responsibility report**. Such reports may contain additional financial information, so it is a good idea to download these as well. The Global Reporting Initiative has a guideline on reporting on tax which may make it easier to find tax information in the CSR report.

TOP TIP

Keep in mind that in order to gauge the tax contribution of a company, you need to look at the past five years of its financial reporting. This is because tax payments depend on profits and losses which fluctuate considerably over the years. When searching financial information such as annual financial reports, therefore, always save the past five years.

TOP TIP

Subsidiary names that include the words 'Finance' or 'Insurance' suggest a role of a subsidiary in the financing of the company. Especially when these financing companies are located in tax havens, it is worthwhile to retrieve the chamber of commerce reports of these companies to check their balance sheet. If it becomes clear that large amounts of money appear on this balance sheet, you should dig deeper. Engaging with the company may provide answers to some of your questions.

The structure of an annual report

Annual reports have a more or less standardised structure. In general, a report consists of two main parts:

1. **Operational review.** The operational review describes how the business and strategy of the company have developed over the past year. It includes a general description of the company's business and an analysis of the markets in which the company operates. Sometimes it has separate chapters on different business divisions. Although the operational review includes many graphs and tables with financial data, this part of the report is not so relevant for a financial analysis. Usually all the financial data in the operational review is also included in the financial statements, often in a more structured way and in more detail.

2. **Financial statements.** These are the company's annual accounts with explanatory notes. This is the part of the annual report that you need to focus on. Often the financial statements have a separate table of contents at the beginning of this second part of the annual report.

The financial statements also have a more or less standardised structure. The main parts are the following:

- **Statement of directors' responsibilities.** This is a short section explaining the responsibilities of directors with regard to the preparation of the financial statements.
- **Independent auditor's report**. This section indicates the information in the annual report that has been audited, explains the responsibilities of the auditor, and gives the opinion of the auditor about the financial report.
- **Consolidated balance sheet**. The balance sheet provides an overview of all assets to which the company is entitled and of the company's liabilities to other parties at the end of the year.
- **Consolidated income statement**. The income statement provides an overview of the revenues and costs of the company over the past year. It also includes the company's tax information.
- **Consolidated cash flow statement**. The cash flow statement section provides an overview of all money transactions performed by the company over the past year.
- **Accounting policies**. These explain the rules that have been used to prepare the financial statements.
- **Notes to the consolidated accounts**. Many items in the balance sheet, income statement, and cash flow statement refer to explanatory notes. These notes are numbered and explain the items that they refer to in more detail.
- **Parent company financial accounts**. These are unconsolidated annual accounts that provide separate data on the parent company of the multinational, excluding all the subsidiaries.

The order of these parts can be different and some companies include additional sections, such as a consolidated statement of recognised income and expense.

Some future financial obligations may not be apparent from the balance sheet. If you try to interpret financial ratios, always compare them to the ratios of other companies in the same industry. What is relatively high in one industry may be low in another.

Depreciation

Depreciation is booked by companies as a cost relating to the decline in the value of assets, or the allocation of the cost of tangible assets to periods in which the assets are used. The former affects values of businesses and entities. The latter affects net income.

For income tax purposes, therefore, an investment is booked in company accounts as a prepaid expense, and depreciation is the allocation of that expense to future years. Since reporting depreciation to the tax office results in tax savings for companies, the way in which an investment is allocated over its lifetime is of critical importance to revenue. Accelerated depreciation rates are often used by governments to encourage specific investments.

'Amortisation' is the depreciation in the value of intangible assets such as trademarks.

Deferred tax

Deferred tax assets are tax credits, for example related to current losses, from which the company will benefit in the future. This works as follows.

There is a difference between profit shown on a balance sheet and taxable profit. This is due to exemptions, lower or higher deductions, and so on. There are two types of differences:

- Permanent differences that never change, such as exemptions
- Timing differences that get reversed or ironed out over time, such as depreciation.

Due to timing differences, tax payments get deferred. When a company will have to pay a lower amount of tax in the subsequent years due to timing differences, then such an amount is treated as a deferred tax asset on the balance sheet.

Key terms	Equivalent
Balance sheet total	Total assets (= total equity and liabilities)
Equity	Shareholders' funds
Fixed (assets or liabilities)	Non-current (assets or liabilities), long-term (assets or liabilities)
Tangible fixed assets	Plants, property and equipment
Financial fixed assets	Investments and long-term loans
Net current assets	Current assets less current liabilities
Net assets	Total assets minus total liabilities (= total equity)

Reading the income statement

This section explains how to read an income statement.

Notes to the accounts: related party transactions

Not all companies give such detailed breakdowns as this example, but many do. 'Payables' are amounts owed at the end of the year, while 'payments' are the amounts spent during the year.

22. Related party transactions

The company's ultimate holding company is SABMiller Plc, a company incorporated in the United Kingdom. Other related parties to the company, through common shareholding or common directorship, with whom the company conducted business are: Bevman Services A.G., SABMiller Africa & Asia Pty Limited, SAB International Export Trading, SABMiller Vietnam, MUBEX, National Breweries (NAT) and SABMiller International B V

Transactions with these related parties include the purchase of raw materials, spare parts, management services, and royalties. During the year, the following related party transactions took place as detailed below

Somewhere in the accounts, often here, you can find out the ultimate parent, immediate parent, and other information about the group structure.

a. Purchases of goods & services:

	2010	2009
Sabex Pty Limited	1,309	9,680
Mubex	14,872	2,320
SABmiller Vietnam	-	198
Zambian breweries	66	
	16,327	12,198

b. Management services and royalties

	2010	2009
Management Fees	2,184	1,550
Royalties	712	683
	2,896	2,233

c. Payables to related parties:

	2010	2009
Bevman Services A.G	1,942	4,496
Sabmiller Finance BV	938	2,174
Sabex PTY Limited	3,202	12,629
Mubex	15,739	2,313
National Breweries (NAT)	-	74
SABmiller Vietnam		202
Zambian breweries	65	-
	21,886	21,888

The amount owed to Bevman Services AG, which a quick internet search shows is based in Switzerland, has increased by 2,184 between 2009 and 2010. This is the same amount as was spent on Management Fees this year, so it looks like the Management Fees are all paid to this Swiss company. The Swiss corporate registry has an internet service which reveals that Bevman's stated purpose is indeed to provide management services.

Notes to the accounts: Shareholders' information

This company has a controlling stake. Using an internet search engine, we can find that it's also owned by the ultimate parent, SABMiller Plc, and that it is based in Switzerland.

20 Largest shareholdings at 31 March 2010

Shareholders	Number of shares	% Holding
1. OVERSEAS BREWERIES LIMITED	172,624,029	69.20
2. SOCIAL SECURITY & NATIONAL INS TR	27,763,719	11.13
3. BBGN/SSB TST X71 AX71	23,904,183	9.58
4. ZIGA INVESTMENTS LIMITED	3,074,666	1.23
5. AMENUVOR	2,294,262	0.92
6. STARLIFE ASSURANCE CO LTD	1,920,000	0.77
7. ACCRA BREWERY LTD. EMPLOYEES TRUST	1,897,762	0.76
8. BBGN/ EPACK INVESTMENT FUND LTD	1,480,183	0.59
9. DATABANK BROKERAGE LIMITED	1,408,366	0.56
10. HAMMOND	510,000	0.20
11. IDUN-OGDE	400,000	0.16
12. HOTZ	369,884	0.15
13. MERBAN STOCKBROKERS PORTFOLIO	296,853	0.12
14. GAMBRAH	267,000	0.11
15. EPHRAIM	253,300	0.10
16. KWAKU OKYERE AND CO. LIMITED	210,000	0.08
17. EPHRAIM	200,600	0.08
18. SEGBAWU	191,190	0.08
19. STAR ASSURANCE COMPANY LIMITED	184,980	0.07
20. UNIQUE TRUST FINANCIAL SERVICE	176,000	0.07
	239,426,977	95.98

Cash flow statement: This shows the payments that were actually made and received during the year.

Accra Brewery Limited
Financial Statements
for the year ended 31 March 2010

STATEMENT OF CASH FLOWS
(ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF GHANA CEDIS)

	Notes	2010	2009
Cash flow from operations	19	(6,080)	22,182
Interest paid		(7,216)	(963)
Tax Paid		-	-
Net cash (used in)/generated from operating activities		(12,296)	21,219

This is the actual tax paid. Always look for it in the cash flow statement, or in the note later on, on tax. For non-accountants it's the easiest tax figure to look at: the other tax figures in the income statement and notes do not mean that the company has actually paid that much tax – they can even be negative.

Looked at over several years and compared to pre-tax profits, the tax paid figure allows you to work out whether the company is paying as much tax as you think it should, based on tax rates. If it isn't, you need to ask why.

Income statement: this shows the payments and receipts that fall due during the year. It's different to the cash flow statement in that it's based not on the money that has actually been paid or received during the year, but on the goods and services that were provided. For example, it might be based on invoices dated during that year, not those that were paid during the year.

Accra Brewery Limited
Financial Statements
for the year ended 31 March 2010

STATEMENT OF COMPREHENSIVE INCOME
(ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF GHANA CEDIS)

	Note	2010	2009
Revenue	2	47,403	33,641
Cost of sales	3	(29,957)	(20,040)
Gross Profit		17,446	13,601
Distribution expenses	4	(7,393)	(6,433)
Administrative expenses	5	(10,156)	(8,644)
Operating loss		(103)	(1,476)
Other income	6	506	12
Profit before finance charges		403	(1,464)
Net finance cost	7	(7,216)	(963)
Loss before tax		(6,813)	(2,427)
Tax credit	9	1,142	187
Loss after tax		(5,671)	(2,240)
Other comprehensive income		-	-
Total comprehensive income for the year		(5,671)	(2,240)
Basic and diluted earnings per share	25	(0.0227)	(0.0090)

Operating profit/loss only includes things that relate to the ordinary operations of the business, so it excludes items such as interest payments and investment gains or losses. That allows us to see how well the company is running its core business. If it is consistently low, as in this case, transfer pricing may be being used to deflate profits.

Pre-tax profit, usually in the balance sheet, takes into account all forms of revenue and expenditure (except taxes on profits). This allows us to see the effects of everything that is going on in a company. Use this to work out the effective tax rate (taxes paid over pre-tax profit).

The subsidiaries of the MNC concerned in your own country

You may be able to glean a lot about a company's subsidiaries at the country level.

In some countries, tax courts hear cases brought by companies challenging the revenue authorities and put the relevant files online. It is important to check tax court cases, because they may require a company to put its tax return into the public record. Checking the company's registry or registrar general and the Securities Exchange Commission is a good place to start.

The single most useful item in subsidiary accounts is related party information. Transactions with tax havens will be visible. When considering this, a distinction needs to be made between transactions and payables/receivables. The latter is the position at the end of the year, and could be just a fraction of the total annual payments. As this information is in the accounts of companies at both ends of the transaction, you may be able to establish a pattern (for example, if there is a Dutch company that seems to own the group's intellectual property).

Having gleaned this information, you should be able to piece together a picture of whether a company is paying a fair amount of tax or whether it is structured to avoid tax. This is a complex area and you should be wary of making claims about companies that are not fully checked for accuracy and legal risks.

Intellectual property and thin capitalisation

The location of **intellectual property** can make it easy for companies to dodge tax. Because much of the value of a product lies in trademarks or brands, yet it is difficult to place a value on these, companies can easily locate intellectual property in tax havens and overcharge another sibsidiary for their use, thereby minimising the taxable profit of the subsidiary.

You should look out for the location of intellectual property in national and international data. The World Intellectual Property Organization is also a useful resource (www.wipo.int/ipdl/en/madrid/search-struct.jsp).

Thin capitalisation involves a company lending money to a subsidiary. If a subsidary is always in debt, the level of taxable profit is minimised. Companies based in tax havens can overcharge interest payments to related subsidiaries. In company accounts you should be able to see loans to related parties that may raise red flags.

Step 5: Controlling the quality of your research (validation)

For company research, follow the same guidance on quality control as outlined above for government research. However, in addition it is crucial to be aware of risk of libel.

When you provide the companies you have highlighted with the opportunity to review your report, this review process in itself can often deliver additional data, as managers often wish to explain the findings. In fact, you may actually use this process as a data collection technique, by posing additional questions to company representatives, or to float suspicions to see what response this will elicit.

LIBEL

If your report makes allegations about a company, individual or any major institution that could pursue legal action, **libel** is an issue that you will need to take seriously. In brief:

- Keep your notebooks and any other documentary evidence (photographs, videos, CDs, tapes) indefinitely (in case they have to be submitted to a court of law).
- Check the libel legislation in your country very carefully and seek the advice of a libel lawyer before publishing anything which criticises or makes accusations against a named individual or company. For help with finding a good libel lawyer you can contact the Tax Justice Network on info@taxjustice.net
- Once you have had your report checked by a lawyer make sure that you do not change the wording afterwards. Have it edited first so that last-minute changes don't creep in.
- The standard advice in order to avoid litigation is to put all allegations made in the report to the company in advance of publication and to reflect the company's response to each point in the final document.
- Avoid making allegations unless they can be proven beyond doubt. Instead you can ask questions about a company's behaviour or suggest that there are questions that need answering.

Steps 6 and 7: Dissemination and follow-up

Follow the same steps as for government tax policy research reports.

Appendix 1: An example terms of reference for tax research

Terms of reference for the Sierra Leone tax scoping study

Background of the research

Christian Aid in collaboration with the Budget Advocacy Network (BAN) and the National Coalition on Extractives (NACE) seeks to undertake a tax scoping study. The tax scoping study will identify key tax justice issues in Sierra Leone and will constitute the main entry points for civil society organizations to engage on tax systems for poverty reduction and national development. Tax work is a relatively new area for civil society organizations and the lack of knowledge capacity and strategic interventions on tax justice issues are major stumbling blocks for citizens' engagement on tax policy issues in the country.

The importance of the tax scoping study

Tax policy debates have raged in recent times in Sierra Leone against a multiplicity of concerns. The key concern behind the surge in the interest on taxation issues was the recently introduced goods and services tax (GST) by the government and its unintended impact on price increases, soaring levels of inflation and levels of income for the average citizen. Though the importance of taxes cannot be downplayed, however, the current focus by the government on a massive revenue generation drive remains at odds with existing economic realities of the average citizen. This situation is exacerbated by the challenges of poor management of public revenues, absence of effective state systems for revenue collection, huge dependence on external aid, serious loss of capital due to generous tax incentive systems and the failure of government to tax the extractive sector that could have constituted a major contributor to the Gross Domestic Product. Overall there is lack of tax compliance culture fuelled by lack of revenue returns in the form of improved service delivery in the social sectors for citizens. These are a multiplicity of challenges that civil society organizations need to engage with in Sierra Leone. The scoping study therefore seeks to respond to the growing needs of civil society organizations in the country to engage on influencing better tax policies, assist government with information on the impact of taxes on the poor and, overall, undertaking activities that can promote a responsive tax regime in the country.

Goal of the scoping study

The immediate goal of the study is to have a well-researched tax scoping study that includes an analysis of how our tax systems function, the systems and procedures instituted by tax administration bodies and the general impact on the poor citizens.

The ultimate goal of the study will be to have a country report on tax. This will enable civil society organizations to come to grips with issues of taxes and which area of tax work they can meaningfully engage in to mount effective tax advocacy work.

Specific outputs of the study

- A clear picture of the history of tax in Sierra Leone
- Areas of tax policy gaps that could be mapped out for civil society participation
- Illustration of similar experiences with goods and services taxes in at least two or three African countries
- Concepts of tax representation, good governance and accountability and how these are linked and clearly explained
- Policy recommendations for civil society advocacy tax campaigns
- A country tax scoping paper that could serve as a permanent reference guide for future debates on tax

Areas of inquiry

1. Background on tax policy framework in Sierra Leone
2. The design of tax policies and scope of public participation in policy design with reference to the GST
3. Accountability and reporting of tax revenue and tax management to include GST and other types of tax
4. The link between taxation and representation
5. Types of taxes and whether progressive and regressive, their advantages and disadvantages and their contribution and relevance to Sierra Leone
6. Best practices of a good tax system and factors promoting a tax compliance culture

Scoping study methodology

The tax scoping paper would involve the use of both primary and secondary data. The study will rely mainly on desk study involving analysis of existing literature on tax. Various documents from government departments, donors, IFIs [international financial institutions] and newspaper articles among others will be used to identify the tax trends and tax trajectory over time.

The study will also conduct some interviews of key experts on tax to assess opinions on how the tax reform works and the general challenges faced in the tax collection and management bodies. Key targets for interviews will be tax administration officials; research institutions and donor officials will be considered but will not be a specific requirement.

Specific skills and qualification of the lead researcher

The specific requirement of the lead researcher includes the following:

1. Demonstrated experience of conducting tax or tax-related work with a good background in research and economic policy analysis
2. Excellent knowledge of tax and economic policy-related issues in a developing world context
3. Experience and knowledge in region-wide taxation issues and poverty reduction analysis
4. Demonstrated experience in working with civil society organizations, especially in developing countries
5. Ability to manage and deliver research projects on deadlines

Role and responsibilities of the lead researcher

1. Provide overall leadership in conducting the scoping study
2. Assisted by a local research assistant, responsible for carrying out the analysis of the secondary data
3. Conduct some high-level interviews with relevant key personnel in the tax sector
4. Produce a clear outline for the design of the study in accordance with the areas of inquiry identified in the scoping paper
5. Produce the first draft and amended draft report
6. Produce the final report according to agreed time frame
7. Conduct validation and debriefing workshop sessions on the final paper
8. Present the report to civil society organisations in a workshop

Responsibilities of the contracting agencies

Christian Aid, BAN and NACE will be responsible for commissioning and managing the research team and contract and finalizing details of the work schedule.

Christian Aid will provide supervisory support to the research team and ensure quality control.

Time frame of the study

The study should be conducted and launched within a two-month time period from the commencement date agreed mutually between the contracting agencies and the lead researcher.

Schedule of research activity and budgets

This would be developed and attached upon the finalization of the terms of reference.

Appendix 2: The 'poor person's tax burden' survey

Identification

- Survey number: ______
- Code for name: ______

Background

- Birth date/month/year: ______
- Place of birth: ______
- Sex: ______
- Marital status: ______
- Years of schooling (literate/illiterate) ______
- How many members of the household ______
- How many of these members are:
  - 0–5 years ______
  - 6–10 years ______
  - 11–15 years ______
  - 16+ years ______

Income level

- What types of income does the household have: ______
- Regular income from:
  - How many members of the household have a permanent job? ______
  - How many members of the household have irregular jobs (seasonal, etc)? ______
  - Does the household have an income from selling of produce (agriculture, used clothes, other products?) ______
  - Does the household receive remittances on a regular basis (eg from family members abroad or in other parts of the country)? ______
- What was the household's income in the past month? ______
- What was the household's income in the past six months? ______
- What was the household's income last year? ______

To facilitate gathering information on the previous questions, income intervals can be created based on local conditions. Households who produce seasonal crops or have seasonal jobs will have income levels that vary across the year, as will beneficiaries from remittances unless these are transferred on a regular basis.

Household consumption requirements

- Products used in the household from own production or collected (self-sufficiency)

  Food:

  - Product: ____________________
  - Product: ____________________
  - Product: ____________________
  - Product: ____________________
  - Product: ____________________

  Fuel (for cooking, lighting, etc):

  1. Product: ____________________
  2. Product: ____________________

- Products **purchased** for household consumption **during the last week**

  Food:

  1. Product: ________ Quantity: ________ Price: ________ Location: ________
  2. Product: ________ Quantity: ________ Price: ________ Location: ________
  3. Product: ________ Quantity: ________ Price: ________ Location: ________
  4. Product: ________ Quantity: ________ Price: ________ Location: ________
  5. Product: ________ Quantity: ________ Price: ________ Location: ________
  6. Product: ________ Quantity: ________ Price: ________ Location: ________
  7. Product: ________ Quantity: ________ Price: ________ Location: ________
  8. Product: ________ Quantity: ________ Price: ________ Location: ________
  9. Product: ________ Quantity: ________ Price: ________ Location: ________
  10. Product: ________ Quantity: ________ Price: ________ Location: ________

Fuel (for cooking, lighting, etc):

1. Product: ____________________
2. Product: ____________________

- Any products purchased during the last week that are out of the ordinary?

Transportation:

- How many members of the household travel on a regular basis? ____________________
- What is the means of transportation? (if the answer includes motorised means of transportation go to next bullet point) ____________________
  - Private (car, motorcycle, moped) ____________________
  - Public (bus, taxi, train) ____________________
  - What is the distance travelled for the past month? ____________________
  - How much did you spend last week on: ____________________
  - Fuel (private transportation)? ____________________
  - Tickets (public transportation)? ____________________

Communication:

- What is the means of communication? (if the answer includes electronic communication, go to next bullet point)
  - Mobile phone ______
  - Internet café ______
  - Telecentre/payphone ______
  - Other ______
- How much did you spend last week on:
  - Mobile phones ______
  - Internet cafés ______
  - Telecentre/payphone ______
  - Other ______

Major expenditures:

- What are the major expenditures that have been made in the household in the past year?
  - Health related (hospitalisation, medicine): ______
  - Education related (school fees, materials): ______
  - Transportation related (bicycle, motorcycle, car): ______
  - Investments in housing (improvements, investments): ______
  - Garments (new clothes) : ______
  - Production (land tenure, animal stock, tools): ______

Interaction pages

These pages offer some suggestions for facilitating a group discussion and/or exercises on the main themes raised in this chapter.

Exercise 1: Gathering data for country-based research

Aims: To decide on the questions that you want to answer and to practise gathering data that you can use to answer your research questions.

Your group will need computers and access to the internet.

Step 1: In groups of two, discuss and decide on two research questions that you would like to answer in your context.

Step 2: Go back through Chapter 3 and decide what kinds of data you will need to answer your research questions.

Step 3: Using the Namibia example (on pages 8–9), use the internet to start gathering information on the legal framework of tax in your country, legislation in your country, and data from the ministry of finance or other government department on tax revenue trends.

Step 4: On the basis of what you have been able to find, go back to your research questions and consider whether you think they are feasible in the time frame and resources you have available.

Exercise 2: Gathering data on MNC subsidiaries

Aim: To practise gathering data on subsidiaries as a first step towards analysing company accounts.

Your group will need computers and access to the internet.

Step 1: Choose a multinational company (MNC) that you know trades in your country.

Step 2: In groups of two, go back through Chapter 3 and use the database resources to find out which subsidiaries the company owns or part owns in your country (each group could choose a different country).

The example country information sheet opposite lists the subsidiary companies in Pakistan for which data could be gathered, grouped according to the MNC of which they are subsidiaries.

Report back to plenary on what you have found.

Step 3: In groups of two, use internet searches to gather information on these local subsidiaries. You may be able to access this information online from your companies' registry/registrar general or the Securities Exchange Commission.

In particular you should look for four pieces of information.

Information	Usually contained in...	Notes
1 List of its main shareholders	Annual return	The companies to investigate should all be >50% owned by the MNC, usually via one or more other subsidiary companies.
2 List of its subsidiaries	Annual return	
3 Details of related party transactions	Accounts	Usually in the notes
4 Financial statements	Accounts	Balance sheet, profit and loss account, cash flow statement

Note what you have been able to find, where you need to go to find additional information and where you think the gaps lie.

Report back to plenary on what you have found. Depending on your context, it may be impossible to access this information online without paying a fee.

Pakistan

Info available online: Partial
Info available in person: Unclear

Registrar	**SEC** http://www.secp.gov.pk/
All done by the SEC	Securities and Exchange Commission of Pakistan, National Insurance Corporation Building, Jinnah Avenue, Islamabad-44000, +92-51-111-117-327

Name search possible at the SEC: http://www.secp.gov.pk/ns/index.asp

BP — **Is this a comprehensive list of subsidiaries?** ☑

Castrol Pakistan (Private) Limited

British American Tobacco — **Is this a comprehensive list of subsidiaries?** ☑

Pakistan Tobacco Co. Ltd

Phoenix (Private) Limited

BT — **Is this a comprehensive list of subsidiaries?** ☑

BT Pakistan (Private) Limited

BT Solutions Pakistan Branch

Coca Cola — **Is this a comprehensive list of subsidiaries?** ☐

Coca-Cola Beverages Pakistan Ltd

GlaxoSmithKline — **Is this a comprehensive list of subsidiaries?** ☑

GlaxoSmithKline Pakistan Limited

Kraft — **Is this a comprehensive list of subsidiaries?** ☑

Continental Biscuits Ltd.

Procter & Gamble — **Is this a comprehensive list of subsidiaries?** ☑

Gillette Pakistan Limited

Procter & Gamble Pakistan (Private) Limited

Reckitt Benckiser — **Is this a comprehensive list of subsidiaries?** ☐

Reckitt Benckiser Pakistan Limited

Shell — **Is this a comprehensive list of subsidiaries?** ☑

Burshane Pakistan (Pvt) Limited

Pak Arab Pipeline Company Limited

Pakistan Refinery Limited

Shell Gas Lpg (Pakistan) Limited

Shell Pakistan Limited

Shell Pakistan Pensions Trust Limited

Shell Pakistan Provident Trust Limited

Unilever — **Is this a comprehensive list of subsidiaries?** ☑

Unilever Pakistan Foods Limited

Chapter 3: Doing your tax research

By now you should be familiar with:

- seven key steps to conducting a successful research project
- a number of core research methods and tools for investing
- government tax systems, including how to develop a baseline of your country's tax regime
- the tax contribution of companies in order to analyse how much a particular company is paying in tax and whether tax avoidance or evasion is likely.

Chapter 4 gives guidance and top tips on some of the other elements that are likely to form a part of your tax advocacy strategy, in particular:

- raising awareness of your chosen tax issue
- lobbying and negotiating, including putting your positions to decision-makers in writing
- using the media
- campaigning on tax
- engaging corporates on tax.

References

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3. Christian Aid, *False Profits: Robbing the Poor to Keep the Rich Tax Free*, 2009.
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Chapter 4:
Getting active on tax

Contents

Chapter 4: Getting active on tax

This chapter is about how to implement your tax advocacy strategy effectively. It looks at different activities you can undertake as part of your overall strategy.

The chapter provides guidance, top tips and tools to help you effectively:

- raise awareness of your chosen tax issue
- lobby and negotiate, including putting your positions to decision-makers in writing
- use the media
- campaign on tax
- engage corporates on tax.

Depending on what approach you are adopting to your tax advocacy, you can pick and choose which of the above activities work for your context.

The interaction pages provide suggestions for group activities:

- Drafting policy recommendations
- Delivering your key messages verbally
- A lobbying role-play to practise how to be an effective lobbyist
- Practising doing a radio interview
- Developing a campaign slogan.

Tax advocacy activities

There are a variety of activities that will form part of your tax advocacy action plan. But remember, always start with a clear advocacy strategy to guide your choice (see Chapter 2). It is important to map out the advocacy context before you start planning and implementing specific advocacy activities. You will need to be aware of the political context in which you are working – what are the political forces at work, what are the vested interests, who are you trying to influence, who might provide powerful opposition and how will you seek to neutralise that opposition? It's all a question of strategy and tactics!

In order to be strategic it is important always to consider **how** the activities you plan to use will help achieve your objectives – it may be a great idea for an event but unless it is relevant to fulfilling your objectives, steer clear.

The idea is to combine your activities in a winning mix. You can use different activities at different moments but ensure that they are mutually reinforcing. Activities also need to be appropriate to the target audience – again, different situations will call for different tactics.

The table below shows some examples of activities often used in advocacy

Examples of advocacy activities

Method	Explanation	Common use	Examples
Awareness-raising	Informing people of the situation so that they are aware of the issues. Often the first step in an advocacy process, so that people are empowered to engage in your issue/ campaign and take action.	When information is hidden. When issues are complex. To build the confidence of those you hope will take action in the future.	Training Posters and leaflets Videos Community meetings
Lobbying	Speaking directly to the target, explaining the detail of the problem and the proposed solution.	When the target is open and will listen to facts and careful argument.	Meetings Phone calls Briefing document Public meetings
Media	Using the media is one of the most effective ways to raise public awareness and spread your campaign messages. Commercial, community and church radio, television and newspapers.	When you cannot get direct access to policy-makers. To raise awareness. To expose corporate behaviour.	Radio phone-in or at the studio Press release Briefing a journalist Writing opinion editorials
Mobilising/popular campaigning	Closely connected with awareness-raising and media. Involves harnessing public pressure so that as many people as possible engage in your campaign and contact decision-makers to call for change.	When policy-makers can be swayed by public opinion (and, in the case of many politicians, by their constituents). To show strength of feeling. To use strength in numbers and organisation.	Letter writing, postcards, email actions, petitions Marches and rallies
Engaging with corporates	Involves direct and face-to-face contact with a company impacting on the issue you are trying to address.	To change the policies and practices of an individual company impacting on a local population or development of a country (for example a mining company). To treat the engagement with an individual company as a case study in order to advocate for changes in all companies' conduct or obligations.	Research on corporate conduct Direct lobbying of a company Dialogue with a group of companies or a body representing companies
Linking up – networks and coalitions	Building alliances with as many people and organisations as possible. Creating a movement for change.	To make long-term advocacy sustainable. When you need additional strength in numbers and skills.	Tax Justice Network Global Campaign for Education

This chapter will explore in more detail different advocacy tools you can use and how best to ensure that they are effective. Successful advocacy often rests on the ability to communicate effectively, either verbally or in writing. So this chapter will also provide some top tips.

Awareness-raising

Awareness-raising will almost always be a core element of your advocacy activities. You may have to focus more on awareness-raising in the early stages of implementing your advocacy strategy – especially on an issue such as tax on which there is often little understanding. However, don't think that you need to separate awareness-raising from lobbying and campaigning or that you can't do any campaigning or lobbying until you have raised awareness. Always give your target – whether it is an ordinary citizen, a parliamentarian, or a government minister – something to do! Always give them the opportunity to **act** on the information you have given them. This approach will enable you to **combine** awareness-raising with campaigning and lobbying.

Awareness-raising activities will help you to:

- inform your various target audiences about the issue
- initiate a public debate on the issue
- empower people to act on new information and understanding
- get the issue on policy-makers' radars
- build widespread support for your advocacy efforts. For example, most people know something about tax because they pay it, but they don't necessarily see it as a development issue that can have a direct impact on poverty.

There are many ways of raising awareness on tax advocacy issues, passing on information to those who may have some understanding of the issue but not all the facts. We touch on some of them in more detail in the sections below, but here are some initial ideas:

- Public meetings and rallies
- Community meetings
- Local and national radio broadcasts
- Newspaper articles
- Internet blogging and social networking
- Leaflets and posters
- Drama and street theatre
- Newsletters
- Capacity-building of key actors, for example on public finances and tax alternatives
- Training, presentations and workshops
- Seminars.

Africa Tax *Spotlight*

Quarterly newsletter of the tax justice network Africa

Tax Competition in Africa

Third Issue 2010 Volume 1

Editorial

Amadu Sidi Bah

Welcome to the third issue of the Africa Tax Spotlight. The theme of the issue is 'tax competition' with a special focus on the West African region. The publication of the issue comes at a time when Sub Saharan African governments are prioritizing efforts to reform and develop their tax regulatory systems in order to enhance the full potentials of domestic resource mobilization. This is amidst strategic priorities by governments to fill the gap between targeted or desired investment needs and locally-mobilized revenues for financing national and international human development targets.

In pursuit of strategies to expand revenue streams, taxing foreign investment profits is being given an overwhelming emphasis in tax policy design, rate and structure. As result, wide-ranging tax incentives have been largely deployed as a means to increase the volume and intensity of foreign investments. The rate at which this occurs is in response to the mobility of multinational companies and elimination of barriers to global capital in order to influence the location and investment decisions of multinational corporations.

In recent times, adherence to the Monterrey Consensus for promoting foreign direct investments (FDI) has seen total foreign investments trebled since the post 2001 decline. But what have been the anticipated benefits of increased FDI to economic growth and to anticipated revenue flows in sub Saharan Africa? What has been the impact of its spill over technology, employment and its contribution to development in host countries?

Regardless of the optimisms of FDI inflows, corporate investment returns to treasuries of many West African countries have shown disappointing performance. With the exceptions of Ghana and Liberia, tax revenues as a share of the gross domestic product fall below 20 percent in the rest of West African countries. The impact of low revenues performance is even more revealing in countries such as Sierra Leone, Guinea and Burkina Faso where revenue performance stagnates around 10 percent and even below in terms of government revenues to their respective GDPs.

Although the extent of corporate tax contributions to the

Table of Contents

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Tax Justice Network Africa launched a quarterly newsletter on tax justice issues in Africa, in January 2010. The newsletter is widely disseminated to civil society organisations, researchers and journalists interested in economic justice issues and has been a key tool for raising awareness, across the continent and beyond, of the critical links between tax and development.

It is essential to remember that **awareness-raising is a means to an end, not an end in itself**. Because advocacy is about achieving change, it is not enough to stop at awareness-raising; you must build from there and encourage people to act. Rather than simply telling your audience that you're going on a journey, you need to tell them **why**, ask them to **join you**, share ideas for different **directions** and the benefits of the **final destination**.

Lobbying

Lobbying is usually defined as directly persuading decision-makers (for example politicians) and influential stakeholders of the importance of your advocacy objectives, and convincing them to act accordingly. Originally, the term referred to people frequenting the lobbies or corridors of parliaments or government buildings in order to speak to lawmakers. It is just one means of trying to influence decision-makers. Other advocacy activities – such as mobilisation of your supporters in a public campaign, or media work on your tax issue – can also have a very significant impact on decision-makers indirectly. But lobbying is all about how to influence decision-makers **directly**.

As was stressed at the beginning of this chapter, your choice and sequencing of different advocacy tools and activities will depend on your country context. It will also depend on your decisions about what advocacy approaches are likely to have the most impact at various stages and to bring about the changes you are seeking. In some countries, there is no history or culture of policy-makers being lobbied by civil society organisations (CSOs) and, in these situations, it may prove difficult or impossible for CSOs to engage in direct, face-to-face lobbying. Equally, in other countries where there is a strong tradition of popular mobilisation and public campaigning to bring about change, private lobbying may have limited impact or be a waste of time. In these contexts, policy-makers may **only** respond to public pressure.

Your lobby targets on tax could range from governments, to revenue authorities, to multinational companies (MNCs) or the International Monetary Fund (IMF) (see the 'Who's Who' of tax stakeholders, in Chapter 2, for a fuller list of examples). Your choice of targets will depend on your power analysis.

Lobbying can be **formal**: for example through letter writing, sharing of written policy briefings, scheduled face-to-face meetings, and round-table seminars with policy-makers. Or it can be more **informal**: at chance meetings, receptions, invitations to events, and so on. A good lobbyist seizes an opportunity when it arises, however unexpected.

The cornerstone of lobbying is shaping the agenda around a 'deliverable' for the decision-maker, something they can specifically **do** to contribute to the change you want to bring about.

The most successful lobbyists:[1]

- understand their target's needs, concerns, arguments and sensitivities, and the issues from their point of view, and assemble their arguments accordingly
- are familiar with their target: how they've acted on this or similar issues in the past, their voting records and past statements, whether they represent particular economic interests. This all helps to establish whether they are likely to be sympathetic to your position or not, and how you might best influence them, or if necessary 'neutralise' them in the debate (so they will not be actively opposing)
- understand the route map of the system, how it works and where decisions are really made, where the power lies and what is the balance of power in the legislature
- recognise the time constraints on achieving their immediate and longer-term objectives as this can affect the feasibility of their lobbying work – ideally **act early** while policy is still malleable
- understand the need to show and prove a constituency of support and interest
- identify potential 'champions' of their cause in the government or legislature who will help promote the issue and contribute to change.* Some factors to consider in identifying your champion are: their record on the issue, seniority, reliability, where they sit on the political spectrum, whether they are part of a minority or majority party. Try not to rely on one champion alone, as that could leave you a hostage to fortune if they prove less effective than you hoped
- remember that there are no permanent enemies and friends so avoid burning their bridges permanently!

** Ensuring that champions are effective can involve substantial work, so be prepared to provide them with information and draft speeches, keep abreast of timings, and advise them as appropriate.*

Immediate success is not guaranteed. It can often be about negotiating over a period of time and seeking resolution in the longer term.

Communicating your key message to decision-makers in writing

Writing position papers and developing policy recommendations

A popular form of communicating with decision-makers is to use a policy briefing that clearly outlines your policy position. A **position** is a statement of what an organisation, group or person believes about a particular issue and how they think this should be acted upon. It will elaborate on the core advocacy message(s) you have developed (on developing your advocacy message(s), see 'Developing your key messages' in Chapter 2).

Position papers serve many useful purposes:[2]

- They **clarify thinking on a particular issue**. It is often only when things are written down that the position becomes clear.
- They **ensure accurate representation**. Being able to give a position to other groups such as the media and policy-makers will help you to be accurately represented and understood by them.
- They **provide consistency of voice** to ensure that all spokespeople within the group give the same messages.
- They **provide consistency with other positions** to ensure that your position on tax is consistent with your position on other issues.
- They **clarify differences** to help you identify the main areas of disagreement you have with other people's or stakeholders' positions and therefore clarify the main areas for advocacy work.

Guidance on developing position papers

- Position papers should be kept as brief as possible and to the point.
- Focus on what you can offer, such as new or unique evidence that you might have.
- Make sure that information is relevant and up to date.
- Build arguments around what you believe to be the weak points of the policy-makers.
- Policy-makers need to know they can work with you, so ensure that the tone of the position paper shows that you are willing to cooperate.
- Write clear recommendations that can be implemented by the paper's target audience.
- Write joint position statements as part of a network if you think it will bring more chance of success, although be aware that these can take a long time to agree.
- Ensure that your position accurately reflects the views of those you claim to represent.
- Use headed notepaper if possible and get others to check for grammar and spelling mistakes – poor presentation can discourage people from reading it.

Positions can be sent or given to policy-makers in one of three main forms:

- A short briefing paper (2–4 sides), handed over at a visit or sent with an accompanying letter highlighting one or two key points or the recommendations
- A longer briefing document, handed over at a visit or sent with an accompanying letter highlighting the main points
- A letter written for a specific policy-maker, which includes the main points from a position paper. This acts as a stand-alone document, but offers to provide more details if required.

Although positions appear in many different forms and serve many different purposes, they are likely to include some or all of the components below:

- **Introduction:** name of organisation, what your main activities are, your mandate or reason for existence
- **Executive summary:** (if the position paper is long) a brief outline of your history of involvement, of the issues and why you are concerned
- **Effects and evidence – presenting the problem:** describe the current and potential future effects of the issue on those you represent or are working with, including any primary or secondary research you have – if you have detailed information, add an appendix to the document and refer to it here
- **Causes and responsibility:** Which groups or individuals have caused the current situation and are responsible for it? What events have contributed towards it? Why have particular actions been wrong, according to law, morality, and so on?
- **Solutions and policy recommendations:** see 'Top Tips for formulating policy recommendations' below
- **Appendices:** include any detailed information that you have referred to in the main document.

For most decision-makers, **a short briefing paper or letter is preferable**. Politicians have very little time to engage with your issue, so giving them a long policy report is generally a bad idea (unless specifically requested) – it may well end up in the bin! You can always let them and their advisors know that a longer version is available if they need more background information or analysis.

NB: Make sure that your position paper or letter includes ***actions*** *that you want the decision-makers to take. For example ask parliamentarians to request a debate in Parliament, table parliamentary questions or seek a meeting with the relevant minister.*

TOP TIPS FOR FORMULATING POLICY RECOMMENDATIONS[3]

Clear policy recommendations are key to developing a policy position. By this point, you will have done some research on a given tax issue that supports your original problem analysis and you now want to use your research as a basis for advocating for positive change.

- Whatever written document you give your target decision-maker – whether it is a position paper or a more in-depth policy report – you will need to include recommendations (based on your research) that spell out to those you are trying to influence **what they need to do in order to bring about positive change**.
- Don't just present policy-makers with a list of recommendations in isolation. You also need to provide some information (however brief) about the problem or issue and your concerns.
- As much as possible, base your recommendations on real evidence (either from research undertaken on a given issue or your on-the-ground experience).
- Make sure that your recommendations are as **specific as possible** and are asking the person or institution to **do** something. Avoid broad rhetorical statements that policy-makers can easily agree with, but which they then do nothing about.
- Try to ensure that your recommendations relate to **real political processes and opportunities** that the person or institution has some power to influence (for example forthcoming parliamentary bills, budget planning processes).
- Only put **one 'ask'** in each recommendation. Clear, succinct recommendations (of no more than 2–3 lines) will be more difficult for policy-makers to ignore and will be easier for you to monitor if and when they are implemented.
- Be clear about whom you are directing each recommendation at. In situations where multiple policies and institutions have a bearing on the issue, you may need to group different sets of recommendations for different advocacy targets, for example:
  - 'The NGO Forum calls on central government to:'
  - 'The NGO Forum calls on municipal authorities to:'
  - 'The NGO Forum calls on the International Monetary Fund to:'
- Select the **two to three most important recommendations**. These should be placed prominently at the top of briefing papers or in the executive summary of your research report or in press releases. That way your target audience knows what you want them to do from the start – in case they never read beyond page 1!

To ensure that there is real ownership of an advocacy initiative by the network or organisations involved, make sure that the formulation of recommendations is undertaken in a **participatory manner**.

Writing letters to policy-makers

TOP TIPS FOR WRITING LETTERS TO POLICY-MAKERS

- **Be brief** – a maximum of 1 to 2 sides or you risk either being ignored or a junior person reading and responding rather than your main target.
- In some cases, if you have particularly compelling information that supports your request, you can include it as an attachment. However, try to keep attachments short (for example an executive summary or a 2–4-sided briefing), recognising that most policy-makers are too busy to read lengthy reports.
- **Leading paragraph** – state your purpose for writing the letter and deliver your message immediately. Don't be afraid to put your request for action upfront.
- **Information about yourself** – explain who you are and who you are representing (your organisation, a member of a coalition, yourself as a private citizen, and so on). If your audience does not know you well, make it clear how you are connected to the issue you are raising.
- Seek to establish some **common ground** with the target in the letter and ideally build from there.
- Be very clear about **a small number of key points** (usually a maximum of three) that you wish to communicate and do it clearly and succinctly – don't include too much policy detail, and no rambling! Refer to established facts and positions taken by respected groups. Use statistics strategically, but sparingly.
- Provide evidence that **others support your views**. If you have significant public support for your position, make sure that the decision-makers know that, for example the number of supporters who have signed petitions or postcards, or attended rallies. The same is true if you have the support of professional bodies and/or businesses.
- Be specific about what **action** you want the target to take.
- **Acknowledge your audience** – recognise your reader as someone whose opinion matters. Thank them for taking time to read your letter, and show your appreciation for any past support. Offer to provide additional information or assistance in the future.

Negotiation skills[4]

Negotiation skills are key when lobbying. Good negotiating skills enable you to ensure that others understand the point you are making and help you to persuade others to take your suggested course of action. Bad habits in negotiating can quickly alienate those you are speaking to and undermine your message.

Again, you will need to make tactical choices in the same way that you did when designing the overall advocacy strategy. For example do you start with your maximum demand, as you're highly likely to be negotiated down from that position and required to accept less? Or does that risk you being seen as unrealistic and dismissed from the start?

Here are some helpful and unhelpful approaches to negotiating (it is important to remember that some of these will be culturally specific, so adapt accordingly).

TOOL Helpful and unhelpful approaches to negotiating

Helpful	Unhelpful
Win-win: seek solutions that will be beneficial to both parties. Be willing to compromise on some areas, but be very clear about what you will not negotiate on. Try to think of what you can offer so that the other party is satisfied.	**Emotive approach**: using subjective or emotive words adds nothing to your case but simply accuses the other side of being unfair or unreasonable.
Ask questions so that you can identify areas where you may both benefit and to understand more about their position. This can help develop counter-arguments and also helps you to avoid a spiral of attacking and defending.	**Defend/attack spirals**: if you do not listen to the other point of view and simply defend your own position, an argument can result and it is harder to persuade others.
Be respectful in tone. This puts you in control without having to battle to speak. 'I would like to suggest that…' or 'Could I ask…?'	**Listing** arguments, reasons and information to strengthen the proposal can annoy the listener and make them forget the main points.
Test and summarise. Ensure that everyone has understood and interpreted things in the same way and agrees on action points. This helps build trust and avoids confusion and relationship breakdown later on.	**Counter-proposals**: if you counter every suggestion by the other party with one of your own, it will become harder to persuade them.
Explain your aims and rationale to the other parties so that they are clear why you are proposing a particular course of action. Don't leave them guessing about hidden agendas.	**Anger**: shouting at someone could discredit your message and suggest that you have weak arguments.
Be sensitive to a change in mood, to unexpected revelations or reactions, to defensive responses, to boredom or lack of interest – and change your approach accordingly.	**Ridicule/disrespect** will cause the other person to close down and they may even end the meeting early.
Know when to stop. Be aware of how far you can push a particular line of questioning, and be prepared to meet again later on if necessary.	**Interruptions** can annoy the person speaking and others. The risk is that they will think you are not listening, and they may do the same to you.
Listen and engage. Listen to the other party's concerns and try to respond to them. Let them speak first if necessary.	**Making it personal** can lead to people being offended and insulted and does not necessarily address the problem.
Build trust. Ensure that your information is credible and reliable and that you're well informed. Be honest, treat the other party with integrity – don't burn your bridges!	**Exaggerating the facts** or making unsubstantiated claims will seriously undermine your credibility.
	Ignoring the inputs and points of view expressed by your target audience when you make your own inputs is not helpful.

TOP TIPS FOR SUCCESSFUL LOBBYING[5]

- Be clear on what you want.
- Know the views of the people to be lobbied.
- Make clear what's in it for them – why should they change their views?
- Be timely – the earlier you start trying to influence a process or policy, the greater the chance of success.
- Know who will represent the decision-makers at the meeting and what their roles are. Are there any disagreements or power struggles among them?
- Always research your lobby targets. Use your analysis of their values, knowledge and experience to inform your tactics.

DEVELOP YOUR MESSAGES

- Be simple and explicit.
- What is the issue?
- What do you want them to do about it? Have clear, concrete policy 'asks', informed by your evidence.
- Propose a solution – don't just be 'anti' something; solutions should be informed by what is feasible.
- Use examples that will engage their interest – make it human, use real-life examples.
- Prepare a short brief (maximum 2 pages) – with a large typeface so it is easily readable.

ALLIANCES

- Work together – think about lobbying with other organisations, as it can strengthen your negotiating position.
- Get experts on board: the need for expert knowledge is crucial to tax matters in order to formulate alternative policies and to study the costs and benefits of current plans.
- Involve people and communities who are directly affected by the issue – they are often the most powerful advocates!
- Involve someone who used to work in the tax field. For example Tax Justice Network (TJN) uses ex-bankers and ex-heads of tax havens to demonstrate that they know from the inside that some of the practices are unjust.
- Agree your agenda and arguments before the meeting – if you argue among yourselves in the meeting it will reduce your chances of success.
- Ensure that the chairperson does not allow one person to dominate the meeting.

PLAN AND REHEARSE

- Know who's going to say what – if there's more than one of you, **always** have a pre-meeting to prepare for the main one.
- Know your stuff – it's essential for your credibility. However, if an issue arises in the meeting that you don't know the answer to, politely say that you will get back to them after you've consulted your senior advisors – never make it up!
- Consider the best time and place for a meeting.
- Be sure you know the venue.
- Arrive on time.
- Dress appropriately.
- Be polite, acknowledge status.
- Give name/business cards.

TACTICS

- Focus on your most important concerns first and leave smaller issues to the end. If by any chance your meeting is interrupted or finished earlier, you will have delivered the key messages.
- Try not to let the meeting get off track. If the target digresses or tries to change the subject, politely but firmly bring them back to the topic in hand.
- Know what issues you are prepared to compromise on and where you are not.
- Plan for different kinds of responses.
- Summarise progress at various points.

USE NEGOTIATING TECHNIQUES

- Be conscious of your body language.
- Relax, keep your voice calm – this may vary between cultures, so as usual the advice is to know your context.
- Listen actively – don't interrupt, demonstrate empathy. If you don't hear what they are saying, you won't pick up on what the 'sticking points' are and what you particularly need to persuade them on. Plus, everyone likes to be listened to so don't alienate them needlessly.
- Ask questions.
- Keep to time – brief is best; don't get distracted, stick to your plan.

BUILD RELATIONSHIPS: THE MESSENGER CAN BE AS IMPORTANT AS THE MESSAGE

- Consistency of personnel builds trust and transparency.
- Being a credible and reliable source of information makes people listen.
- Be friendly, use social skills.
- Keep in regular contact.
- Focus on action:
    - Lobbying is not a talking shop so seek something concrete from the meeting, ideally a commitment for 'action' from your target.
    - Finish a meeting by suggesting that another one would be useful.
- Be aware that some opponents will try to 'shoot the messenger' so be prepared for attempts to discredit you.

Your advocacy doesn't finish at the end of the meeting!

DEBRIEF

- Discuss whether your objectives were achieved. Seek to establish which tactics worked and which didn't so you can learn for the next meeting.
- Assess the target's response to you.
- Establish whether you've learnt any new information that is relevant to your future strategy.
- Plan your next steps.
- Share the meeting's outcomes or minutes with relevant people in your organisation or network.

FOLLOW-UP

- Write a thank you email or letter to the other party summarising the main points and reminding them of any actions that were agreed.
- After a reasonable time period, contact them again to see whether they have done what they promised and if you can be of further assistance.

CASE STUDY Christian Aid's tax campaign in the UK

Christian Aid's tax campaign in the UK sought to target the UK treasury. The relevant minister had a personal commitment to Christianity and to social justice. Christian Aid sent him a report on the links between the Christian faith and tax justice. The report resonated with the minister's personal commitments and beliefs and he realised that his role in the treasury gave him the power to influence change. As a result of this, the minister engaged actively with UK non-governmental organisations (NGOs) on the issue and pushed for tax justice at the G20 London summit and at the Organisation for Economic Co-operation and Development (OECD). There is now a commitment from the G20 to work on supporting developing countries to benefit from tax information-sharing, and the OECD is working on country-by-country reporting.

Communicate with your target audience when lobbying

Knowing your target audience and seeing an issue from their perspective are key elements of lobbying. You are more likely to persuade people to support your cause if you put yourself in their shoes.

So **how** you present and communicate your proposal ought to depend on your analysis of the target audience.

Here are some of the questions you will need to answer before preparing your 'pitch' to a target audience:[6]

- What are **their** current interests and priorities?
- How well informed are they on the issue(s) addressed by your proposal?
- Where do they stand on the issue or problem you are addressing and the solutions you are proposing?
- What aspects of your proposal are they likely to question?
- What will motivate them to support your proposal?
- How could they benefit from your proposal?
- Will they incur any risks or losses by supporting your proposal?

CASE STUDY Civil society engages with the EITI in Ghana[7]

In Ghana, civil society has engaged with the issue of how best to use the resources generated by gold mining since the inception of Ghana's Extractive Industries Transparency Initiative (EITI) in 2003 and has been seeking to extend that experience to the oil and gas sector.

Opposition parties tend to be more open to critiques about what is happening with the revenues from natural resource extraction, as they can use this to challenge the government. As a strategy, civil society therefore worked with the then opposition party National Democratic Congress, to persuade it to commit itself in its manifesto to transparent and accountable governance of the country's natural resource sector.

After large quantities of oil were discovered in Ghana in 2007 (reportedly to generate at least US$1 billion in revenues per year for the next 20 years), a round-table meeting was organised to discuss the extension of EITI to the oil and gas sector. This brought divisions within civil society about whether and how to engage with EITI, because it was seen as donor driven and initiated by the UK Blair government rather than by Africans. However, the view of a number of CSOs was that while EITI was limited in some respects, the best approach was to work from the inside and seek to broaden and deepen its scope.

Participation in EITI working groups yielded useful information and gave civil society more leverage. The Integrated Social Development Centre (ISODEC) became a reference for CSOs on the issue. The PWYP (Publish What You Pay) Norway Global Capacity Building Programme came at an opportune time to strengthen civil society's ability to engage, particularly at the technical level. ISODEC and other CSOs also carried out awareness-raising workshops at the community level.

Partly as a result of having been lobbied while in opposition, the new president, Professor John Atta Mills (who took office in January 2009), publicly recognises the importance of transparency. The government agreed to put abridged versions of profit-sharing agreements online, including the fiscal terms. CSOs are now pressing for follow-up (including the full versions) and also for civil society participation in discussing the proposed Petroleum Revenue Management Bill.

Media – expanding your reach[8]

The media can play a key role in delivering your message and ensuring the success of your advocacy strategy. It provides the opportunity to inform and influence public opinion, the private sector, and policy-makers and groups involved in political processes who also pay close attention to the press. So using the media can sometimes help you reach multiple audiences. The main benefits of using the media are:

- the ability to deliver your message to a large number of people, potentially attracting public interest and supporters to your cause
- getting your issue on the policy-makers' agenda
- the possibility of increasing your profile and credibility with policy-makers, and therefore improving your access to them, especially when repeatedly in the media.

Like any approach, use of the media also carries certain risks. For example:

- the possibility that the coverage of your organisation or cause will be unfavourable or inaccurate. Many media have a 'right of response' that you can use, especially if an article is actually inaccurate.
- the possibility that media coverage will motivate any opponents to your cause.
- libel cases can be brought against your organisation if you get your facts wrong or can't prove them (for advice on libel, see the box in Chapter 3: Doing your tax research, page 21).

The best way to help ensure that media coverage will advance your advocacy goals is to plan ahead.

Once you decide to use the media, there is a wide range of techniques to choose from. Which method you choose depends on the nature of your message, the audience you hope to reach, the forms of media that are accessible to you, and your own level of skill and experience in dealing with the media.

Planning your media strategy

Before deciding to use the media, it is important to consider how important the media is to your advocacy, how relevant a particular form of media is in your context, and which media outlets are influential with your target audiences, including policy-makers.

Once you have decided to use the media, you should first ask:

- What is the main message you need to convey?
- Who do you want to reach with the message?
- Which type of media is most appropriate to reach the audience? Which forms of media are they most likely to use?
- How can you present the issue in a way that will interest the media? Be creative in trying to get media coverage, especially if you are also doing public campaigning.
- How will you time your media effort to complement your other activities and so bring you closer to fulfilling the objectives of your strategy? It's important you stick to your core message, that is the same one you've been using for lobbying and mobilising people.

Numbers, numbers, numbers!

Numbers play an important part in tax advocacy. When the Tax Justice Network (TJN) said, in 2005, that tax havens have US$11.5 trillion in secretive assets, causing a global tax loss of US$255 billion, these figures circulated around the world's press. TJN finds that numbers tend to get published more than analysis on tax, unless it is during budget or election time when analysis is most welcome. When referring to financial sums, it is often useful to compare them to something concrete that most people in your community can relate to. For example XX amount lost in tax revenues could have built XX number of schools, provided XX of life-saving drugs, or built XX water wells.

Which media will you use?

In every country, the media is different. Some media outlets are controlled by government, some by big corporates; some have wide distribution, others very minimal. In some countries, it is appropriate to work with newspapers; in others, you may want to work with TV, internet or radio stations – or perhaps you'll use a combination of them all.

It is important to analyse your advocacy targets and what forms of media they have access to.

In many rural areas, radio is very popular and easily accessible, while some people will read local and national papers. For example a 2008 study by the BBC World Service Trust[9] provided new information about the state of the media in 17 sub-Saharan African countries. They found that the media is serving a growing number of people, primarily among young, rural and illiterate demographic groups – with radio dominating the mass media spectrum. Community radio, in particular, was seen to have a special role in advancing development objectives, giving a voice to communities, increasing their participation and opinion sharing, and developing their skills. The tendency of local radio to use local languages is a major advantage.

Local radio stations often have 'walk-ins' or 'phone-ins' which can be a good opportunity to share your concerns about tax. Drama and songs with a campaigning message can translate very well onto radio too, so be creative in trying to get coverage. If you can afford it, then radio 'jingles' are also a way to share information about your advocacy issue – a jingle is a memorable short tune with a lyric used in radio and TV commercials, usually to convey an advertising slogan but can be just as powerful for advertising your advocacy initiative. For example the Kenyan tax authorities have developed a jingle that says 'Kulipa Ushuru ni kujitegemea' meaning 'Paying tax is being independent'. Perhaps CSOs and NGOs can get in on the act too!

In urban areas, TV and newspapers may dominate. TV is often the medium watched by influential decision-makers and opinion leaders – current affairs and news shows are likely to be a core source of information for them.

It's worth considering whether there are particular trade magazines, business press or periodicals that might appeal to key influential sections of the population. Tax is often covered in the magazines of associations of taxpayers, taxpayer alliances or accountancy (for example *Accountancy Age*) and law professionals – they can be hard to access, though certainly not impossible, but are very useful for targeting a specialist audience. However, most tax matters are covered in the business or economy pages of the mainstream press.

The internet is an increasingly powerful media tool in many parts of the world. However, many millions of people in the developing world still cannot easily access the internet or, when they do, have trouble downloading content or interacting due to limiting technology. It's important to bear this in mind when you're developing your media strategy, as it may not be appropriate for a large part of your target audience.

The internet can be used to develop websites for your organisation, network or campaign that contain information on your advocacy, press releases, reports, stories, images and quotes. Equally, many media outlets cover stories via their websites and often have comment pages and interactive forums for members of the public.

A blog is a type of website meaning a 'web log' or an online diary, usually maintained by an individual with regular entries of commentary, descriptions of events, or other material such as graphics or video. Many bloggers differentiate themselves from the mainstream media, while others are members of that media working through a different channel. Many blogs provide commentary or news on a particular subject and are an increasingly popular forum for social and political commentary. As such, blogs or blogging may provide some opportunities to engage with people and keep them informed of developments in your advocacy work.
For an example of a tax blog from TJN, see: http://taxjustice.blogspot.com/

Internet-based social networking sites are also increasingly used to spread the campaigning word, linking people and friends to get behind an issue and take action. Many campaigning organisations have their own Facebook groups, where members are informed of upcoming events, new reports, or media stunts, with the added feature of a discussion group which allows for commenting. Facebook groups are especially efficient for regularly informing your members or those who follow your campaigns – more often than membership letters or newsletters. But Facebook and other social networking sites are less private than talking to somebody on the street, so do not post private campaigning messages on Facebook, but use personal email and closed discussion groups for this purpose. Remember not everyone is on Facebook; for instance in Brazil 'Orkut' is more popular, in China 'QQ' has more subscribers than Facebook, and in the Arab world 'Maktoob' is the leading site.

Twitter allows members to post short 'tweets' (or messages) like bird songs, to people who subscribe to a specific 'twitter' channel of the same name. Twitter channels are public, so it's a great way to bypass major news networks and radio, which are more often controlled by corporate and government interests. This is especially useful for quickly unfolding campaigns, for instance a corporate scandal, an environmental disaster involving an MNC, or political controversy. Check out a tax example from TJN at http://twitter.com/taxjusticenet.
Be wary of using Twitter for much more than the real time – over-communicating on Twitter can be addictive, and you may lose your subscribers.

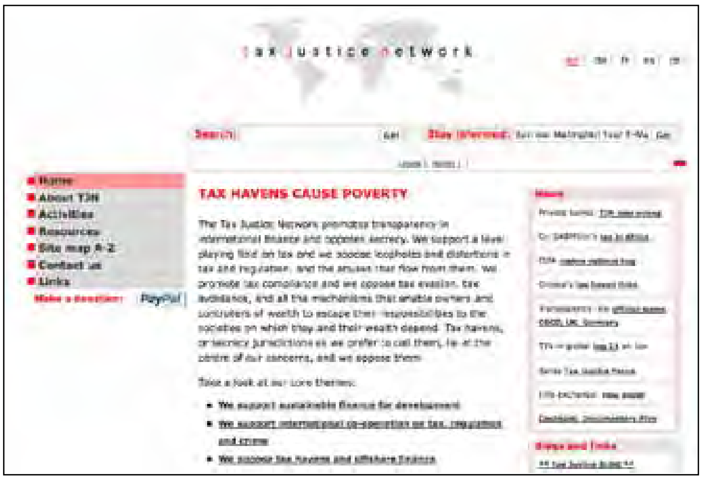
Consider having a new channel for each event, and a general organisational channel for reports, news and publications.

As mobile phones proliferate, they are also an increasingly popular way of communicating by SMS with members of the general public or your supporter base (remember to ask for their consent), keeping them updated on developments in your advocacy work and asking them to take action, join a campaign event, or lobby their local representatives.

CASE STUDY Focus on internet media

The Focus on the Global South Facebook page is a forum for sharing campaign updates, information and videos among activists.

Global Financial Integrity Twitter Page is used both to announce key reports being launched by the institute and to highlight news stories, recent blog entries, books and other publications that are related to the campaign.



The TJN website is a resource base for tax activists.

Subscribers to ICEFI's Facebook page receive weekly posts about taxation and state-building, and can access links, photographs and videos and participate in online discussions.

Always research your media

Know something about the organisation or media outlet you are contacting:

- Is it fair, reliable, well known?
- In particular, does the publication or programme usually cover stories similar to yours?
- Is your target audience likely to see, read or hear the coverage provided by that news organisation?
  - Which forms of media are the decision-makers most likely to listen to and engage with?
  - What about other stakeholders you're trying to get on board with your advocacy?

Sometimes, no matter how careful you are, you may receive negative news coverage.

Dealing with negative press coverage

Ensuring that you have **credible, reliable research and case studies** should help avoid negative news coverage, but not always – especially when there are vested interests at stake. And when you talk tax you almost inevitably come up against vested interests! It is important to distinguish between media coverage that you disagree with and coverage that portrays you, your organisation, or its partners, unfairly. If it is the former, then you can respond with clear counter-arguments which you should have prepared when developing your policy position. It is also critical to determine whether the story is true before you respond.

Here are a few rules of thumb that can help you if you experience negative coverage.[10]

1. Begin by finding out: Is the story or allegation true? Are you sure?

2. If the news agency has made an error, ask them to correct it. Sometimes news agencies will run a correction or retract a statement if it is a mistake.

3. If the negative coverage is true, don't lie or try to cover up. (This only makes for a better press story.) If necessary, issue a statement presenting your perspective and leave it at that.

4. Don't add fuel to the fire or make a bad situation worse! Sometimes it is better to let things 'blow over' or pass away on their own rather than call more attention to the problem by complaining and possibly attracting more negative coverage.

5. If the negative coverage seems to be the result of an individual reporter, avoid any future contact with that person.

What does the media want?

Sometimes it is necessary to 'pitch' your ideas to the media. This means convincing someone – for example a reporter, a radio journalist, an editor or a TV producer – that your story is worth covering, or that your opinion is worth publishing.

Stories

What reporters value most is **good information** and a **good story**. Try putting yourself in their shoes and ask yourself:

- Why is this interesting?
- What will catch people's attention?
- What is new, fresh or original about this story?

Be prepared to make a strong case for why your story is important. Be sure of your facts – being a source of trustworthy information is essential to establishing your credibility. Equally, if you get your facts wrong it can be very damaging to your reputation and/or to the reputation of your organisation or campaign.

Timing

- **The key to good story-telling is good timing. Act fast** as journalists usually don't have much time on their hands and the story may go off the boil!
- Note that most newspapers have deadlines to prepare their stories for the next day. The earlier you launch your story or press release the better.
- If you are trying to use the media to influence the outcome of a meeting – for example a parliamentary vote or discussion – approach newspaper journalists a day beforehand, so that your story can have an impact before the decision is made. Be available to provide comments for the media if there is an opportunity.

News

Is it newsworthy – what is the 'news' your story is telling? Linking your messages with the breaking news can really help. When a story is already in the news, it is easier to sell your angle on it. Offering a story or photo opportunity that illustrates a new or local perspective, or which dramatises a particular point of view, is a major strength.

Hooks

Link your story with news opportunities such as:

- current events and/or news stories
- budget statements
- a high-level meeting
- a speech
- an anniversary.

These are often known as 'hooks'.

When it comes to tax, the more real and relevant to people's lives you can make your story the better – it helps move it out of the technical realm and makes your tax issue more accessible and more popular, and hopefully will ensure that it becomes part of mainstream discussion.

Different ways of communicating with the media

The following are some of the traditional forms of communication with the media, but you should, of course, feel free to adapt them to your local environment.

Contacting reporters

A common way to obtain media coverage is to interest a reporter in your story. Build relationships:

- Know their work – do your research on the individual reporter and organisation. Have they covered your issues in the past? What was their angle?
- Use 'warm' contacts – someone who has covered your organisation or its partners favourably in the past.
- Inform – make contact with key journalists and editors to introduce yourself and tell them about your issues.
- When you meet them, demonstrate that you know and appreciate their past work.
- Informal settings are good for meeting – they provide time and space for conversation.
- Meet now, benefit later. If a reporter has met you in the past, they are more likely to approach you when they are working on a story and to pay attention to information or stories you send them.

Investing time in building relationships with journalists and editors also enables you to run ideas past them, to see what aspect of your story is most suited to their needs.

Photo opportunities

Photo opportunities are a great way to tell a story in a visual way. The key to a good photo opportunity is to communicate your message through an image. A campaign stunt is the most common type of picture, although good images can also be generated by a march or other events.

Photo opportunities can be useful when you want to use an **external event** to promote your message. For example, Christian Aid wanted to call on the G20 leaders to combat tax dodging by requiring multinational companies to reveal their profits and tax payments in every country where they operate. In order to do so, a campaign stunt was organised where activists dressed as 'pirates'.

You may also want to use a photo opportunity to illustrate the launch of a tax report or an opinion poll or any other tax-related news. Besides the image, you can also prepare good captions to distribute to the media when you prepare a photo-call notice.

Opinion pieces

Writing an article for a newspaper or blog about a tax issue that reflects your organisation's opinion can be a very good way to get your message across. Research which wires and which newspaper sections would be most appropriate for such an article. Also pay attention to the size of the articles. Some newspapers have sections where they always have opinion pieces, particularly in the politics and economy sections.

For example, Action for Economic Reforms in the Philippines has a regular column in the *Business Mirror* and *Business World*, where it has covered tax among other issues.

News advisories

News advisories are communications designed to alert the media to an upcoming event. Keep in mind that news events are work for journalists. Be sure that your event offers something of potential value to reporters before you invite them, or they may not come again!

The main purpose of a news advisory is to tell the journalist: **who, what, where, when and why**. Advisories are issued before an event, usually several days ahead of time, to accommodate reporters' schedules. Ideally, a follow-up call should be made to priority outlets the day beforehand, reminding them of the event. A news advisory should have these elements:

- A short description of the event
- The location (and directions, if appropriate)
- A contact person (including phone number)
- The date
- If the event is visual (and it should be), a description of what it will look like or a photo.

Press releases

The most common method of getting your message to different media is a press release. A press release is a written statement that alerts the press **concisely** to an issue you want them to cover – for example, a public announcement you are making, a comment on an event, a hard-hitting report, or the launch of a new campaign. You can distribute it by fax, post or email to the journalists you are seeking to reach.

A press release should make life easy for the journalist, giving them enough information in a short, punchy style to persuade them to run your story. It should also include contact information in case they have follow-up questions. Frequently, a press release includes quotations that can be used as part of a story. Keep in mind that the media are likely to use your release as soon as they get it, so make sure that you alert them to an embargo if there is one.

The easiest way to write a press release is to work from a model (see the example overleaf).

Usually, a press release is structured as follows:

- Top of the page: date including 'Immediate release' or 'Embargo', heading, logo

Freetown, SIERRA LEONE

4 March 2010 FOR IMMEDIATE RELEASE

DANGEROUS MINING CONTRACT BREAKS LAW

- First paragraph: most important information about the event, or most newsworthy aspect of your announcement

A mining agreement between the government and UK-based company London Mining contains numerous concessions to the company that contravene the new Minerals Act. This makes a mockery of the new law, which has taken years to finalise.

- Second paragraph: descriptive information about the event, when and where; include a strong quote

The mining agreement, relating to the iron ore deposit at Marampa, has already been ratified by Parliament having been signed off by the Ministry of Mines. National Advocacy Coalition on Extractives (NACE) has just become aware of this process, which appears to have been shrouded in secrecy. The new Minerals Act was meant to ensure that individual companies were not given special treatment in dubious deals – instead, the draft agreement appears to show that little has changed. It contains over a dozen discrepancies with the new Act. The biggest challenge facing the mining sector is to ensure that the people of this country benefit. NACE coordinator XXX said: 'The new Minerals Act is a positive step in the direction of benefiting the people of this country, but only if it is implemented. If the London Mining agreement is allowed to proceed, other companies will negotiate their own special deals and the new Minerals Act might as well be thrown away. No company should be above the law.'

- Remaining paragraphs: background information that suggests why the event or statement is important; developments that have led up to it

The major concessions being offered to London Mining include:

- Paying royalties on a percentage of the gross sales price of minerals mined after deducting Sales Tax, Value Added Tax, export duty and other levies. The new Minerals Act makes no such provision and requires companies to pay royalties simply on the market value of minerals mined.
- An obligation to pay only 6 per cent in income tax for the first 10 years. The Minerals Act says nothing about giving companies concessions to reduce their income tax payments. They should be paying the standard rate of income tax for mining companies of 37.5 per cent (PKF, *Sierra Leone Tax Guide*, 2009).
- A clause stating that if the government enacts different tax legislation during the term of the agreement – 25 years – the company will not be liable to pay those higher taxes. No such provision exists in the Minerals Act.

NACE is especially outraged that the draft agreement also contains a clause, unheard of internationally, which states that it takes precedence over the provisions of the Minerals Act. This in effect puts the company above the law.

The government is supposedly committed to greater mining revenue transparency by implementing the Extractive Industries Transparency Initiative (EITI). The agreement completely undermines that commitment.

NACE calls on:

- Parliamentarians to recall this agreement
- The President to ensure that any agreement signed with London Mining is consistent with the Minerals Act
- The Minister of Mines and Mineral Resources to provide a statement explaining how this contract could possibly have been drafted in this form
- The British government to ensure that all UK mining companies abide by the new Minerals Act.

- Finish with contact details and additional notes about your organisation

For further information, contact NACE coordinator XXX on XXXXX or 82 Soldier Street, Freetown.

EDITOR'S NOTE: National Advocacy Coalition on Extractives (NACE) is a coalition of XX organisations in Sierra Leone. NACE aims to monitor and ensure the effective administering of the funds and activities of the extractives industry in Sierra Leone in the interest of its citizens. Membership includes: the Anti-Corruption Commission, Sierra Leone Indigenous Miners Movement (SLIMM) and government line ministries (Ministry of Local Government and Community Development and Ministry of Mineral Resources), Campaign for Good Governance, National Forum for Human Rights and Global Rights, the United Miners Union, Catholic Relief Services (CRS), Network Movement for Justice and Development (NMJD), Talking Drums Studios (TDS), Christian Aid, ActionAid Sierra Leone (AA-SL), World Vision International (WVI), and The Geological and Environmental departments of the University who are rendering technical support in the area of extractives.

TOP TIPS ON GOOD PRESS RELEASES[11]

- News releases are pyramid shaped. Put the most important information first, and the background information lower down.
- A good news release reads like a story. If well expressed, journalists will often use much of the wording or framework you have presented.
- Stick to the facts. Avoid overstating the case. Remember, your press release may be reprinted word for word.
- The quote must sound like someone actually said it, much as if you were replying to a journalist's question in person. Try to get at least part of your key message into the quote – it's the one part no journalist should alter.
- Avoid jargon, emotional language and 'charityspeak'. Always bear in mind the audience, whether newspaper readers, journalists, listeners, and so on.
- Try to make the release one page only, with ample spacing between lines. Send it out on your organisation's letterhead paper.

CASE STUDY Tax hits the press in the Dominican Republic[12]

The Centro de Estudios Sociales Padre Juan Montalvo, S.J. – or Centro Montalvo as it is commonly known in the Dominican Republic – has recently started working on tax. It has actively campaigned around the budget for many years, with a particular focus on education spending. Its decision to work on tax came in 2009 when it started a research project into the Dominican Republic's tax system. This research laid bare the extremely low levels of tax collection in the country – 15 per cent of gross domestic product – and the regressive nature of the system which weighs heavily on the poor. Following its press release and launch event for this research in 2010, the organisation's work was picked up by a variety of newspapers. It seems that an NGO speaking out on this controversial theme quickly gained a lot of media attention. In particular, the issue of the unfairness of the tax system was given a clear emphasis in the media reports. As a result of the coverage, several private sector representatives have approached Centro Montalvo to begin a dialogue on tax, expressing their openness to debate improvements to the tax system. Government representatives have also hinted at their openness to debate, given the country's national targets for increasing tax collection.

Interviews

As soon as you issue a news release or contact a media organisation, someone should be ready and available to be interviewed. A good way to prepare is to be ready both for questions you would like to be asked, as well as for those you would like not to be asked.

A good way to get ready for a press interview is for you and your colleagues to prepare **talking points**. These are very short statements that summarise the main points that you hope to make during the interview. These points should contain the main message you hope to get across. When discussing tax, it's important for most media that you are not too technical and have some clear, easily understood examples (stories) to illustrate your point.

It is also common to prepare written **'questions and answers'** that anticipate possible questions and then map out the best responses. While the person being interviewed should not try to memorise all of this information, it can be extremely helpful to have thought in advance about how to respond. If you are representing an organisation, this method also helps the interviewee benefit from the entire team and helps to develop internal consensus on complex issues before a public statement is made.

TOP TIPS FOR A RADIO INTERVIEW[13]

Preparation:

- Check whether the interview will be **live or recorded** and whether you will be the only person interviewed or whether it will be a debate. Also check how long the interview is likely to be – there is a big difference between a 2-minute and a 10-minute interview.
- Make a list of the (maximum) **three main points** you want to make – and stick to them! You should plan to get the most important idea across at the beginning of the interview. You must be able to give a few clear, memorable statements that cover what you think is important.
- **Stories and anecdotes** are more effective than statistics and general issues because they involve the listener, arouse sympathy and stick in the mind.
- **Facts and figures:** have the necessary facts written down in front of you. Facts and figures will only work if they are meaningful. Don't overload the listener with statistics – they will confuse not convince.
- Sometimes it is difficult for the wider public to understand sums of money. You may want to make comparisons with other figures, for example US$160 billion is the equivalent of xx thousands of schools and hospitals.
- **Know your weak points.** Think of difficult questions you might be asked and develop answers. It can help to make a list of 'negatives' (criticisms, failures, fears) and a list of 'positives' (all the good things you could say, for example successes, support).
- **Know your strong points.** Plan to introduce success stories as supporting evidence for your ideas.
- **If the issue is complex,** and tax often is, careful planning is even more vital. You are not there to show how much you know, but to communicate effectively to the public. You will need to find a good analogy or example that can cut through the complexity, so plan a careful, simple explanation **without jargon and acronyms**.
- **A neat turn of phrase** that summarises your arguments and will stick in the mind can be very useful.
- If you are inexperienced or lacking confidence, practise what you want to say with a friend or colleague.
- If you have time with the presenter before the start of the interview, check the areas of discussion and suggest any areas that you think should be included (you may be able to do this in advance). Ask how you will be introduced and what the first **question** will be.
- Take a few moments to **decide how you will link** from the first question into your most important point. It may be as simple as a brief direct answer, then continuing with a phrase such as 'But the most important thing is…'.

During the interview:

DO'S

- Do be yourself, develop a conversational style – don't put on airs or graces or try to sound too clever.
- Do use simple conversational language. Avoid jargon or, if you must use it, explain it.
- Do show that you care. If you don't, why should the listener? TV and radio will flatten rather than magnify your performance. You must heighten your energy level to compensate.
- Do listen! If the presenter gives wrong information or uses an unfair value-judgement, you must challenge or correct it straight away. Otherwise it will seem as if you agree.
- Do feel free to shift the focus. In response to a wide general question you may choose to highlight a particular example. Or, conversely, you may answer a very specific criticism with the words 'Let's put the whole thing in perspective…'.

DON'TS

- Don't feel constrained by the question. Each question is a starting point or springboard. You can, and should, move to your agenda.
- Don't waste time – don't get bogged down in areas of discussion that aren't useful to you. Steer the conversation firmly your way.
- Don't highlight the fact that you are changing the subject or avoiding a question. Say 'The real issue is this…' rather than 'The question you should ask is…'.
- Don't overreact. A challenging question that gets a confident reply can only strengthen your case. If you lose your temper, you will lose the listener's sympathy.
- Don't allow words to be put into your mouth. If the presenter tries to summarise what you are saying, it is usually a clue that you are not being clear or concise enough. But don't accept the presenter's version unless you are totally happy with it.
- Don't use controversial language, or make any statements that could be understood as an insult.

Remember, the media needs good interviewees. In a single interview you could reach more people than you could talk to in several lifetimes. Why wait for them to come to you? Volunteer good stories on tax – create your own opportunities!

Campaigning – popularising your tax advocacy

In this toolkit, we use 'campaigning' to refer to popular mobilisation, the process of engaging with the public and encouraging them to take some action in support of your tax advocacy and put pressure on policy-makers (either to complement or instead of 'insider' lobbying).

Why?

- To demonstrate to your advocacy targets in government and elsewhere that you are not alone, that there is popular support for your position, that people are genuinely concerned to see a change in tax policy that benefits the poorest and increases their representation in tax policy formulation.
- Those with power invariably listen more to community members, members of the public or – in the case of politicians – constituents than to organisations, as they are voters and consumers. As individuals these people may have limited influence, but brought together under your campaign banner they can exert considerable pressure.
- Popular campaigning adds legitimacy to lobbying efforts when those affected demonstrate their concern.
- It can open the door to decision-makers for lobbyists, who can then provide more policy detail.
- It can be a means of generating media interest in your issue and so further raise its profile and make it difficult for decision-makers to avoid the issue.
- It's a way of using energy or anger in a positive way focused on bringing about change.
- It may be an alternative to lobbying and dialogue if these methods don't appear to be working, and may put more political pressure on your advocacy targets.

How?

When considering campaigning, some elements will be the same as in your broader advocacy strategy – such as focusing on a clear, simple objective – but some will be more appropriate for mobilising the public.

Remember that in public campaigning, your target audience is the citizens you are hoping to mobilise to take action. So the whole way you communicate your message will be different from when you are communicating directly to policy-makers. Now you are aiming to encourage your campaigners and activists to change policies and policy-makers' positions through their public pressure.

Whatever you do, your campaign must have a **simple, strong, engaging message** at the heart of it that is easily understood by the public. Don't overcomplicate – that's a turn-off for most people! Single-issue campaigns tend to be the most successful (for example 'End Apartheid', 'Ban Landmines', 'Access to Affordable Medicines'). When you start a campaign, it's a good opportunity to develop some catchy slogans as discussed in Chapter 2.

Achieve campaign recognition through a **consistent visual identity** – solidify your campaign in people's minds with a logo or series of images and phrases that all of your campaign materials feature – you should use the same colour and fonts. Here are some examples of tax campaign logos.

Share your visual images on social networking sites so they can be accessed by all. Flickr is particularly useful for sharing images. Remember to sort out rights to these images before sharing freely.

Start from where your audience is – don't assume they know much, or anything, about the tax issue you are campaigning on. Again, don't overcomplicate!

You need to give people the opportunity to take an **easy action** – you want it to be straightforward for them to get involved and easy for them to stay on board with you as the campaign develops.

Be imaginative and eye catching. Creativity is the backbone of campaigning!

Find potential **allies** to maximise achievability and avoid duplicating the work of others.

Think about how you can **record** the names and addresses of campaign supporters so you can keep in touch. If that's not possible, think of other ways to keep people informed. Feedback on the progress of the campaign and the impact that supporters are having is motivating and may make the difference between them sticking with you through thick and thin or jumping ship early on.

Ensure that your campaigning is **integrated** with your lobbying and media work for maximum impact. This means ensuring **consistency** rather than uniformity in your approach. For example, your public campaign might lead with slogans such as 'Stop Tax Dodging!' or 'End Tax Secrecy!' whereas the policy recommendations you present to policy-makers as part of your lobbying strategy will be more nuanced (see 'Top tips for formulating policy recommendations' on page 6).

Use relevant **hooks** where possible to try to increase media coverage. For example, with tax campaigns, budget time or when people have to fill in their tax returns can be good hooks as people are already thinking about tax. These hooks can also be good opportunities to create stunts.

You need to be **flexible** and respond to opportunities as they arise.

Above all, you must be able to demonstrate that the change you're demanding will result in **real, lasting improvement** in people's lives.

TOP TIPS ON WHAT MAKES A CAMPAIGN SUCCESSFUL

by veteran campaigner Jonathan Ellis[14]

To run an effective campaign it needs to pass the **TEA** test:

- **T**ouch
- **E**nthuse
- **A**ct

An effective campaign needs to **Touch** people. It needs to make a connection with its target, strike a chord and prompt a response.

But it needs to do so much more than that. It is all very well touching your target with your message, but they might decide that it is all so depressing or difficult that there is nothing that they can do.

A campaign needs to go beyond touching people to **Enthuse** them. An effective campaign convinces its target audience that there is a solution that could remedy the problem that has touched them. The campaign must contain elements that will enthuse people and deflect any defeatist or negative thoughts.

But touching and enthusing are no good for the campaign if you cannot move on to the third part of the TEA test. You need to touch and enthuse to ensure that the recipient of the campaign's message decides to **Act**.

Campaigning is all about believing that there can be change to address a problem in the world. And it is about influencing decision-makers, at whatever level, to show and then demonstrate their agreement with the campaign's ambitions.

To achieve this goal, you need a campaign message that passes the TEA test: ask yourself, do your campaign messages pass the TEA test?

In addition a good campaign makes use of all, or some, of the following:

- A clear message
- A clear identity
- A simple solution
- Clear outrage
- Use of the media
- Political support
- Alliances
- Public action
- Celebrity. For tax purposes this can work both ways, using examples of celebrities who set a good example by paying tax and those who deliberately dodge it so can be used as examples to highlight bad practice
- Symbolic timing or 'hooks', eg budget day, end of the tax year

It is important to focus on one message and remember the impact of a drip-drip effect.

CASE STUDY French campaign to stop tax havens[15]

A French campaign against tax havens was launched by a coalition of CSOs and trade unions in September 2009 ahead of the G20 Pittsburgh summit. Called 'Stop tax havens' they wanted to demonstrate that much of their economy was built on making use of tax havens via the investment decisions of banks, multinationals and hedge funds.

This was an empowering message as it meant that citizens could contribute to ending tax haven secrecy by pressurising domestic companies to be more transparent about their activities. At a time of global economic instability and looming budget cuts, it was also important to show how both developed and developing country budgets lost out due to tax havens. Therefore there was a strong self-interest incentive for government action as well as a moral one: tackle tax havens and governments would gain more money!

The campaign has a website so people know where to go to get information. They have clear policy recommendations and kick-started with a public petition that has so far collected 50,000 signatures. They identified four different stakeholders – citizens, trade unions, leaders of companies and local councils – and tailored messages and activities to each. In addition to signing the petition, hundreds of citizens have written to their banks to ask about their activities in tax havens. New technology has helped connect activists across France by using a 'Google map' that identifies other interested people in their area.

Local authorities have been asked to get involved by requiring companies tendering for service contracts to present their accounting activities on a country-by-country basis. This approach has already been endorsed by eight French regions, and the capital Paris may be next on the list! All of these activities are designed to build up the pressure for change in advance of the G20 summit (which France will host) and the opening of the French presidential election in 2011.

CASE STUDY The campaign for tax justice in Brazil[16]

In 2007 the Brazilian government proposed fundamental changes to its tax system. Reforms were aimed mainly at simplifying tax rules – eliminating certain taxes and bringing an end to the 'tax war' between Brazilian states – as well as a proposal to end the link between specific taxes and the exclusive financing of social policy initiatives. While the reform proposals were disappointing – given their complete failure to address equity issues – they also raised new concerns regarding the financing of the country's health, welfare and social assistance programmes.

Brazilian CSO INESC saw the reform proposal as a window of opportunity to campaign for progressive tax reform. They invited five CSOs to participate with them in one of the government's public consultations on the reform. As other groups became interested, a network of more than 100 organisations was formed – the 'Movement in Defence of the Social Rights Threatened by the Tax Reform'. They developed their alternative proposal 'for a just tax reform', calling for equity to be built into the reform bill and for social policies to continue to receive exclusive financing.

INESC along with five other organisations formed the executive committee of the network, with INESC providing the technical support and coordinating the lobbying. The network conducted lobby meetings with representatives from all political parties and managed to secure the support of a number of MPs. This enabled them to successfully push for a public debate inside the National Congress.

Key allies included the trade unions and churches, as well as a group of academics and state health departments. (While the government claimed there would be no losses to social programmes, the Ministry of Health calculated it was likely to lose US$9 billion). The public attorney's office also assisted the campaign with several official requests for information from the government.

Although the campaign was not able to force more progressive amendments to the tax reform bill, its key success was in blocking the approval of the tax reform bill for now (though it is likely to reappear with the new government). Given that tax reform is now firmly established on the agenda of a large number of CSOs, INESC expects the network to continue to advocate for tax justice in the future.

It is important to remember that different countries have different laws and cultural norms so your campaigning will need to reflect that. What works in one country may have the opposite effect in another, or even be illegal. Although not an exhaustive list, some of the ways to implement public campaigning are shown in the table on pages 22–25.[17]

Ways to implement public campaigning

Activity	Components	Benefits	Drawbacks/risks
Public meetings	People brought together for a debate Decision-makers open to public questioning Everyone invited	May get good publicity Decision-makers hear views directly Chance for discussion Helps increase the organisation's reputation on the issue	Time consuming and expensive to set up Possibility of disruption or confrontation Span of control is limited: you cannot control what is being said during the meeting or the background and interests of people showing up at the meeting
	Examples: • A town hall meeting with people from government and NGOs and the public. • During the G20 summit in 2010, Christian Aid and ActionAid organised an event with the finance minister and civil society people and an audience of journalists and policy experts. It forced the minister to answer questions on the record that he had not been willing to answer before.		
Vigils, demonstrations, protests, processions and occupations	Group of people gathered at a symbolic place to make a visual protest to decision-makers Combine with leaflets to encourage attendance and press releases to spread your message	Can be very visual and powerful Good media coverage potential Can create sense of solidarity among participants and boost campaigning morale	Possibility of arrests and/or confrontations with police if demonstrations are illegal in country concerned and/or the police do not grant permission Might lose access to decision-makers if confrontational There may be no media coverage at all – this is a risk since it takes a lot of preparation but impact is limited without media coverage Can damage image of organisation (especially in countries where non-violent demonstrations are rare) People can join in to pass time instead of backing the issue If too few people join in, your targets may think you have little support – this may undermine your campaign
	Examples: • When Ghana and Sierra Leone introduced value added tax (VAT) and a goods and services tax (GST), in the 1990s and in 2009 respectively, the new taxes led to protests and demonstrations. As a result, the government of Ghana entered into negotiations with other stakeholders to review the taxes. In Sierra Leone the tax was implemented. • In 1997 in the Philippines, a broad multi-sectoral organisation SANLAKAS brought together a coalition of people (COMVAT) against the passage of a VAT bill. About 50,000 people came from the urban poor, students, workers, small businessmen, and church-based organisations. They marched towards the House of Congress to demand the scrapping of the VAT bill. Unfortunately the bill was passed.		
Citizens meeting decision-makers	Groups of concerned people meet with decision-makers, often their local officials, to reinforce the message – could take the form of a 'mass lobby' of parliamentarians	Decision-makers hear concerns directly from those affected Builds local support for campaign	Difficult to coordinate message
	Example: • In the Philippines, the Freedom from Debt Coalition (FDC) met with a key senator and briefed him on their tax restructure campaign. He became a champion of the FDC campaign in the legislature.		
Production and distribution of materials – leaflets, posters, reports, briefings, stickers, pin badges, T-shirts, bands, hats, whistles	Leaflets and posters: strong visual images for your campaign, popular messages for communicating with public, community groups, etc Reports/briefings: detailed material which shows the facts behind the campaign, usually with policy recommendations	Gives credibility among supporters and decision-makers Educates others Posters are particularly useful as a way of giving a visual identity to a campaign and conveying a strong message – campaigners can have it in their offices for years to come.	Reports: time consuming and expensive to produce and a danger that they will not be read Low level of engagement; people easily wear the T-shirts or use the stickers, etc
	Examples: • After Kenyan MPs passed a bill in Parliament to exempt themselves from paying tax on their salaries, the CSOs in Kenya started a campaign to force the MPs to retract the bill. The campaign designed car stickers to be used by members of the public to show support. • See 'Top tips for designing a campaign leaflet' (page 26).		

Activity	Components	Benefits	Drawbacks/risks
Stunts	Unusual actions that draw media attention to your cause, such as street drama	Good media attention Powerful for getting message across to public and decision-makers	Can go wrong and look unprofessional If very controversial, public may be hostile
	Examples: • In Asia there are examples of people throwing coins at government buildings as a sign that governments are wasting money. • In advance of the G20 summit in London, Christian Aid organised a stunt (photo opportunity) to highlight the problems of tax dodging by multinationals. The media were invited to take a picture of pirates dressed in dapper City suits carrying the sign of US$160 billion – the amount that Christian Aid estimates developing countries lose each year as a result of tax dodging. • ActionAid went to a conference of accountants to raise the profile of its campaign on tax dodging. They offered free counselling to the accountants attending (with couch and tissues, etc) to help them with their bad consciences! • Singling out election candidates who have records of corruption, putting their pictures on a photo wall and mobilising people to pelt them with rotten eggs or tomatoes or mud. This can be used as a photo opportunity, accompanied by a press conference.		
Newsletters	Regular mailing of information to those who are interested Include some kind of an interview with an expert or someone with moral authority You can bring in guest editors to build your network and diversify topics Target audience must be identified	Keeps people up to date and makes them feel part of a movement Encourages regular and alternative actions Can address the general public as it is not limited to a single issue alone	Can be time consuming and expensive to produce
	Example: • Tax Justice Network Africa newsletter can be found at: www.taxjustice4africa.net		
Postcards and petitions	People sign a petition, or sign or write a message on a postcard to decision-makers (the internet is increasingly used for this purpose) Mostly accompanied with other public pressure (mobilisation, etc)	Quick and easy to do Many people likely to act Can be a good starting point for mobilising the public Can be displayed in public places Can build a photo opportunity around handing in the petition to the relevant minister for example	Impersonal; face-to-face interaction in a campaign is often more effective Can sometimes irritate decision-makers – though they may still have an impact Often not read by the decision-makers/ legislators themselves but by their assistants, so there is risk of being ignored Petition: authenticity of signatures can be questioned
	Examples: • The FDC used a petition letter as a tool to demonstrate support for its campaign to the government, gaining 200,000 signatures. • Perhaps a more unusual use of a 'petition letter' was that written on 8 March 1992 by the Conference of Catholic Bishops in Malawi to all parishes. This letter entitled 'Living our Faith' was read in all Catholic churches. It addressed the plight of Malawians and spoke out against ill-treatment of workers. The letter sparked a commotion in the country as it was the first criticism of a repressive government. The government banned it – then it became hot property. The bishops were arrested. Citizens started marching and protesting in solidarity with the bishops. Before long, the government had lost control and fell, the first step on the path to the introduction of multi-party democracy in Malawi.		
Letters to decision-makers	People write personally to decision-makers	Letters to elected representatives often viewed by policy-makers as a measure of public concern Can be more effective than postcards as shows deeper grasp of the issue and arguably suggests more respect to authorities	Decision-maker may receive many letters, so difficult to distinguish from other campaigns Effectiveness can sometimes depend on who sends the letter
Letter actions to companies	Consider launching a letter-writing campaign targeting company management – the chief executive officer and finance director, for example, or the company's largest shareholders	Potential to show company a high level of concern about company behaviour	Need to maintain high volume of letters
	Example: • Christian Aid asked supporters to write to the chief executives of four FTSE companies, urging them to call on the International Accounting Standards Board to introduce a new country-by-country reporting standard.		

Activity	Components	Benefits	Drawbacks/risks
Internet campaigning	Using the web and online databases to get people to sign online petitions, fill in surveys, and email decision-makers Should include social networking sites, such as Facebook, blogging, use of Twitter	Easy to set up, flexible and responsive Can get many people involved – enables you to build a global campaign and to network globally Popular – can help to generate new contacts and media attention Responses are easily elicited from the internet – people are more likely to give their opinions via internet because of the sense of anonymity	Excludes those without internet access, or with limited and slow access on mobile phones May be ignored by decision-makers because impersonal Often only has an impact if the number of letters or emails is significant – could demonstrate a lack of widespread support if not
	Example: • French NGOs decided in September 2009 to launch a large mobilisation campaign on tax havens in order to better reach the highest level of the French government, which will host the G20 in November 2011. Their online petition called 'Stop tax havens' has already been supported by 50,000 signatories. The campaign also aims to enable citizens to become true actors of change through a set of tools on its website (www.stopparadisfiscaux.fr/).		
Exhibitions, films, photography	Set up in public places to raise awareness Possibly linked with actions or stunts	Photos, video and audio are very visual and people will stop and take notice It is a very good way to explain complex issues such as tax to a wider audience	Time consuming Often dependent on the weather
	Examples: • UK-based Tipping Point Film Fund has been developing a cinematic feature-documentary-thriller about illicit financial flows called *Cashback*. It tells the story of how money is drained out of developing countries by a network of bankers, accountants and lawyers into secret, offshore western bank accounts, undermining the lives of millions of people. Tipping Point hopes that *Cashback* will act as an urgent wake-up call to the public as well as being a powerful lobbying tool for organisations to use at the highest level. Critically, the release of the film will be supported by a multimedia website and a 3–5-year international outreach campaign. • Video exhibition showing the role of mining company in displacing people in Tanzania. • Alyansa Tigil Mina (ATM), an organisation set up to demonstrate concern about mining in the Philippines, provided training kits on mining to universities in order to highlight the problems and garner support.		
Boycotts	Refusal to buy products from a certain company	Can affect profits and bring pressure for change Good media coverage	If few people participate, it will not be effective It may alienate target and close down avenues for dialogue – so may be more of a last resort approach when all else fails
	Examples: • In Vietnam there was a boycott of a whole supermarket, against a company involved in environmentally damaging activities. • A UK call (2008) to boycott BP until the company would pay a 'windfall tax' after having booked a 148 per cent profit, while 6 million people are struggling to pay their fuel bills.		
Competitions, award ceremonies	Award ceremonies for good or bad behaviour Ask supporters to participate or nominate others – this is often used to engage schools Can be done as 'alternative' awards in parallel with industry ceremonies where same companies get good attention	Good for awareness-raising and publicity for your campaign, especially if you get well-known people and media involved	Time consuming, especially if large scale
	Example: • Christian Aid organised an 'Alternative Tax Award' ceremony in front of the hotel where accountancy firms were meeting. Issues included awards for 'Greatest potential for tax reform' and 'Most surprising use of tax havens'.		

Activity	Components	Benefits	Drawbacks/risks
Polling	Doing polls of citizens or decision-makers or particular interest groups to get their opinion on tax-related issues	A way of measuring support for your tax campaign 'asks' – if the results indicate a strong level of support they can be used to add credibility to your campaign, get media coverage or persuade decision-makers that they need to act Can also be used to hold decision-makers to account if they answer that they agree with or support your position	Can be expensive May not get the results you hope for – for example you may discover there is little support for your campaign so there is risk of undermining it if others have access to that information
	Example: • The FDC in the Philippines asked legislators to vote 'yes' or 'no' on raising tax exemption levels, then published the results. They answered the poll because they were concerned about bad press and some of them were put on the defensive. Later, the FDC was awarded third place as newsmaker of the year for having been instrumental in raising tax exemption levels.		
Advertising campaigns	Use billboards, leaflets in magazines, posters, internet websites, Google ads, email banner ads	Eye catching – strong visuals can have impact Gets your campaign slogan widely known Control of your message	Not cheap Difficult to target accurately
	Example: • 'Help Mr Money Escape Paradise' is an advertising campaign run by the French NGO CCFD running up to the G20 summit in France, bringing public awareness with a dedicated website, newspaper adverts and web media, linked to a petition. It highlights the amount of money held in tax havens, how this money is insecure, how Mr Money is bored in paradise and would like to return from fantasy land to normal life as he's ageing and getting old (www.aidonslargent.org/).		
Manifesto	Short outline of campaign messages – clearly and simply explains why you're campaigning, problem, solutions, what public can do	Information in one place for supporters to work with – informative/educational Knowledge is power – enables people to lobby decision-makers Emphasis on enabling others to take action	Limited newsworthiness
	Example: • In February 2010 Christian Aid produced a short two-page manifesto outlining its position on six key development issues, including on tax, in order to raise the profile of international development in the UK's General Election in May 2010 and to influence the positions of the UK's different political parties. Christian Aid sent the manifesto to all the key manifesto writers in the main parties, and hundreds of supporters sent it to their parliamentary candidates. It played a role in getting a policy position on tax dodging and poverty from the UK Conservative Party for the first time, as well as commitments on tax in the manifestos of the other main parties.		
Mass lobby	Citizens/supporters from across region or country gather to directly lobby council or Parliament	Inspiring for supporters – sense of being part of something bigger than selves Gives MPs or councillors strong sense of scale of concern and opportunity to speak directly with those affected and/or constituents	Needs to be large scale to have impact – therefore can be time consuming and resource intensive if enabling people to come from far and wide Can exclude those who can't afford, or are unable, to travel
	Example: • In October 2010, over 1,000 Christian Aid campaigners gathered outside the Houses of Parliament in London to lobby their respective MPs, having contacted them in advance and arranged to meet them in the lobby of Parliament or directly outside the parliament buildings. Over three hours, 150 MPs were asked by their constituents to write to government ministers about tax transparency (specifically country-by-country reporting) and about climate change.		

CASE STUDY Jersey banks walking tour and public event

In March 2009, ahead of the G20 summit in London in April, European civil society networks – including the Tax Justice Network, Attac France and Attac Jersey, Christian Aid and BankTrack – organised a campaigning event on the island of Jersey. Jersey is known as a secrecy jurisdiction because it doesn't readily provide information for foreign governments who suspect that tax evasion is taking place within its banking system. It is also referred to as a tax haven because it provides low tax for both resident and non-resident savings and other assets.

On the first evening, a public meeting was organised in the parish hall to discuss the effects of tax havens on poverty, the perils of dictators' secret bank accounts, and the links between financial secrecy and the financial crisis. Political and business representatives were invited, including the chief minister, senators and councillors. One MP came and much of what he said supported the campaign. This gave the campaign more political credibility.

The following day, a walking tour of different banks was organised, in the tradition of historical walks for tourists common in Britain. Representatives from the media were invited to attend. The tour stopped in front of each bank, with participants speaking about the campaign in their own language to the national media. Representatives from both the French and British media attended the event in great numbers. The media and activists beyond Jersey were kept up to date with live blogging and a Twitter channel. The speeches were also recorded on video, checked for libel, and put on YouTube for public viewing.

The combination of a public event, walking tour, media work, and internet-based campaigning was what provided a successful campaigning event.

Leaflets – one way of communicating your key message to the general public

TOP TIPS FOR DESIGNING A CAMPAIGN LEAFLET

- Use your organisation logo and/or your campaign logo if you have one.
- Include a brief outline of what the problem is, what the solutions are and action that can be taken (by your audience).
- Use your campaign slogan – it emphasises the message you want to communicate.
- Keep it short. People may not have much time to read. You may be distributing your leaflets to people passing by on the streets. The quicker they get your message the better.
- Keep it simple. Don't use acronyms or technical language. Words such as 'transfer mispricing' are completely forbidden! Try to avoid also 'tax evasion' and 'tax avoidance' if you are communicating with the public on the streets. Tax dodging can be simpler.
- Make your campaign action visible: a leaflet not only brings information to the public but it also encourages them to care about tax issues and act on that concern.
- Think about including a section on how people can give feedback or get in touch to support the campaign in the future, for example 'Text this number xxx if you'd like to get more involved'.
- Make it colourful and lively so it attracts people's attention and makes them want to read it, for example add pictures and use colourful fonts.

Engaging with corporates

The private sector includes multinational companies (MNCs), small and medium sized enterprises, and micro-enterprises. Advocacy towards the private sector on tax justice is likely to be primarily focused on large, often foreign-owned corporations. As we saw in Chapter 1, it is MNCs that are able to secure far-reaching tax breaks from host governments as well as to structure their finances so that they get away with paying the minimum amount of tax. Of the world's largest 150 economic entities, 95 are corporations (63.3 per cent). This gives companies both enormous negotiating power in relation to governments and a great ability to manipulate their tax liabilities.

Civil society organisations (CSOs) can target MNCs in a number of ways, for example through seeking to:

- change the behaviour of individual companies or groups of companies, for instance through influencing their corporate social responsibility (CSR) initiatives
- engage companies with the aim of getting them on side to lobby for regulatory standards
- expose a company's bad behaviour to make the case for why regulatory standards are necessary.

It is important to remember that the private sector is comprised of a range of actors – some of whom may support your agenda and will be your allies, and others who will be opposed to your agenda. There may be individuals within a company who will agree with you and can be your advocates on the inside. You may need to take an approach that exposes abusive behaviour. Whichever approach you take, it is important to think about the business case.

Can you find a way in which supporting your agenda will be beneficial to the company? Will it give them an advantage over their competitors? Or can you convince them that the reputation risk of not supporting your agenda is too high?

There are a range of tools that can be used to engage with corporates, but the choice will depend on:

- the approach you have decided to take. Is your approach to lobby a company to voluntarily change its behaviour? Do you want to get it on side to push for regulation? Or will you mount a public campaign to expose the company's behaviour?
- the type of company you are seeking to engage or target. Different companies will be sensitive to different pressures. A foreign multinational requires a different approach to a locally owned company. This section focuses on engaging with MNCs.
- where you are situated in relation to that company. Multinationals are more likely to be responsive to engagement or campaigns in their country of origin than in host countries. So southern CSOs seeking to engage or target MNCs are unlikely to make a mark on their own, as MNCs are largely accountable to their shareholders rather than the citizens in their host countries. In this case, linking up with NGOs from the MNC's country of origin is crucial. Alternatively, southern campaigners will often find it much more productive to target their governments and call on them to regulate MNCs, rather than seeking to engage with or target their campaign directly at MNCs.

Pros and cons of regulation versus voluntary standards

	Objective	Pros	Cons
Regulation	All companies with certain characteristics or across a sector are obliged to change their behaviour, through mandatory regulation.	It has greater impact than individual companies changing behaviour. It is binding and enforceable. There's no room for backsliding.	Depending on the type of regulation, companies can find loopholes to get around the legislation. It may undermine efforts to change business culture from the inside.
Voluntary standards (CSR)	An individual company improves its behaviour – often in order to improve its reputation or sometimes out of genuine commitment from directors.	It can happen more quickly than regulation. It can motivate other companies to change behaviour. It can lead to changes in legislation if the issue becomes important for a critical mass of companies.	Voluntary approaches are often not independently audited and can sometimes be a smokescreen. Because they're voluntary, there's scope for backsliding.

Research and reporting on corporate conduct

The first rule of corporate advocacy is to find out everything you can. Whichever approach you are planning to adopt to your corporate advocacy, good research on your target company will help you. A report on a company's activities can be:

- a highly effective way to throw the spotlight on the company, generate publicity and rouse public opinion
- useful in direct negotiations with companies and in advocacy efforts with government and opinion-makers.

Writing a report forces you to lay out your case and document your argument. It is important that you do your research and – above all – that you are accurate. Be thorough and take the time to validate any controversial claims that you make. See Chapter 3 for detailed guidance on researching how much a company is paying in tax and to spot where tax evasion or avoidance is likely, as well as for advice on how to avoid the risk of libel.

Direct engagement with companies

Direct engagement with companies requires many of the same tools used in government lobbying (see pages 4–9 above on 'Lobbying').

Lobbying companies can involve identifying allies within a company with a personal commitment for change who can act as internal advocates and get the issue on the agenda of the company directors.

More often, however, senior-level engagement from companies with NGOs takes place when:

- there is a risk to the business of not engaging: for example when the company is faced with a high-profile campaign or a large-scale boycott, or even a legal challenge from the stakeholder
- there is an opportunity that can arise through engagement: for example limiting the risk of negative media exposure, gaining access to new markets, or reducing costs – advice from NGOs on environmental issues has often saved companies money
- they are required to do so by law or to get finance for a project: in a minority of circumstances, such as for the extractives industries, companies may also be required to engage with NGOs in order to gain access to finance from international institutions, such as the World Bank or the International Finance Corporation, its private lending arm. For example, Equator Principles Financial Institutions[18] adhere to a financial industry benchmark for determining, assessing and managing social and environmental risk in project financing, which requires companies to consult with local communities in order to understand the social and environmental effects of a project. If companies are legally obliged to engage with civil society, you need to know the preconditions for such engagements, as well as the conditions the company has agreed to in order to receive funding for its project.

NGOs and CSOs engaging directly with companies must be aware of what they are up against. Companies often have vastly superior resources at their disposal. This may enable them to draw out endless meetings or use their legal experts to defend their position and ultimately to avoid making necessary changes. There are several techniques that NGOs and CSOs can use to help them clarify the terms of engagement and ensure a more balanced process of dialogue.

TOP TIPS FOR DIRECT ENGAGEMENT WITH COMPANIES

- **Set and agree ground rules upfront:** it's quite common for NGOs and companies to agree to engage, but then have endless meetings without making any headway on the issues at hand. The first meeting should set the ground rules for the purpose of the dialogue, the length of any subsequent meetings, the plan of action, transparency and recording, and legal representation. You should know how the company is going to engage with you and what goal you are both working towards before you agree to any further meetings. Too often, dialogue breaks down because the rules of engagement have not been agreed on from the outset.
- **Do your homework:** investigate the company before you agree to meet with its staff, so that you understand its structure, how it is regulated, how its business is faring, whether it is facing stiff competition or is making record profits. Has it confronted the issue you are campaigning on somewhere else in the world? Where do you have leverage? What does it want from engagement? Does it have a CSR policy? Northern NGOs can usually assist with this research. Often, CSR is seen as an add-on to what the company does, but increasingly it is seen as a crucial part of doing business. Can you assist this process by getting the CSR team to speak to the tax team? If you can engage directly with the tax director, it is a good indication that you are speaking to the right person who can make decisions.
- **Maximise your impact:** most large companies with which you are likely to engage have probably been challenged by NGOs or unions in other parts of the world over similar issues. Opportunities for sharing information with others can strengthen campaigns. But often companies will require NGOs to sign a confidentiality agreement once a deal has been reached.
- **Seek outside representation and legal advice:** make sure that you have representation from outside your organisation or community throughout the engagement process. In certain situations, the company may decide to sue your organisation or even threaten the personal safety of your staff. Enlisting someone with legal expertise to accompany you in meetings can help to reduce such risk. Do not sign a pre-engagement confidentiality agreement without seeking legal advice, as this may limit your ability to campaign on the issue or keep you from sharing your experience with people in similar situations elsewhere.
- **Facilitation and translation:** an independent facilitator should be appointed who is acceptable to both parties – not someone provided by the company. They may come from the local community or be a third-party facilitator from outside the area. Translation that meets the needs of all parties should also be provided. Liaison officers from the company's headquarters may be unable to speak the local language. Try to provide your own translator and ensure that all the relevant documents are available and cross-checked, both in the language of the company and the local language.
- **Record meetings:** you must always record what has been said. Ideally, you should make a tape recording; written records don't always give the whole picture and may be open to interpretation at a later date. Do not rely on the company, either, to keep records – provide your own resources. Companies may also insist on keeping the details of meetings confidential, but this may be to your disadvantage. Seek legal advice (see the point above on seeking outside representation and legal advice).

CASE STUDY NGO engagement with the mining company Vedanta

In 2007, UK NGOs ACTSA, Christian Aid and SCIAF published the joint report *Undermining Development? – Copper Mining in Zambia*, which questioned the Vedanta mining company's corporate social responsibility record. This was followed in early 2008 by an email campaign asking Vedanta's chief executive officer (CEO) to ensure that its Zambian subsidiary Konkola Copper Mines would not oppose the government's new mining tax regime, which required companies operating in the country to pay fairer levels of taxes and royalties. Thousands of postcards and emails were also sent to Standard Life Investments, one of Vedanta's biggest investors at the time.
This campaigning resulted in a meeting between ACTSA, Christian Aid and SCIAF representatives and Vedanta's CEO. Several days after this meeting, Vedanta came out in public to confirm that it would not challenge the new tax measures, which was critical for Zambia as its subsidiary Konkola accounted for around 50 per cent of copper production in the country at that time. The combination of public pressure and private lobbying was hugely effective in this case.

Corporate social responsibility and voluntary standards

Many companies today have adopted CSR codes of conduct, through which they incorporate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.

NGOs can help persuade MNCs to adopt such voluntary codes of conduct and to implement business practices that incorporate commitments to behave in a responsible manner. NGOs can also act as watchdogs. They can use companies' existing CSR codes to assess corporate behaviour and expose irresponsible behaviour to the public. They can advocate for stronger codes and enforcement where national laws and regulations are weak or non-existent.

CSR codes come in many forms, from vague declarations of business principles to detailed codes of conduct for managing a range of social issues in a supply chain. Good codes generally contain a set of overarching principles with details of what these mean in practice. Companies can develop principles themselves or they can endorse international codes.

A major problem with CSR codes remains that they are **voluntary**. This means that they cannot be enforced in any way. What voluntary standards can do is to set out principles for responsible corporate behaviour. What they cannot do is to prevent companies that choose to act irresponsibly from doing so. Therefore, enforceable regulation is necessary in the long term. But voluntary principles can be seen as an important first step.

However, CSR codes usually lack any reference to the payment of taxes! Indeed, MNCs are known to structure their activities and financial affairs so that they minimise the tax bill in relation to their worldwide operations. Some companies use CSR as a tax avoidance tool: they set up philanthropic foundations and use these to lower their tax bill. Other companies justify tax exemptions by explaining that they build schools or roads. However, it is the government's role to provide public services in the general interest.

Governments rely on tax revenues to pay for the provision of social protection, infrastructure and basic services such as education and healthcare that are crucial for development. Paying taxes is a legal obligation. Public funding allows citizens to have a collective say in how resources are spent, and thus helps to build stable democracies. Companies cannot presume to take the place of public authorities and pick and choose their own charitable causes instead of paying taxes. They may contribute to a country's development by building infrastructure and through philanthropy, but the empowerment of citizens and the building of a stable democracy require that the means to finance these public goods and services should come, as much as possible, from the government's own resources.

Therefore, tax compliance should be an essential element in CSR. NGOs can press this point and call companies to account, urging them to include in their voluntary codes the conditions to ensure that they pay their fair share of taxes in the countries in which they operate. There are a number of CSO initiatives that are pursuing this agenda (see box below).

CSO initiatives on corporate accountability

Global Reporting Initiative
The Global Reporting Initiative (GRI) is a network organisation dedicated to the development of a worldwide sustainability reporting framework. Its *G3 Guidelines*[19] include a performance indicator on tax that specifically stresses the need for country-by-country reporting. Companies should report 'all company taxes (corporate, income, property, etc.) and related penalties paid at the international, national, and local levels. ... For organizations operating in more than one country, report taxes paid by country.'

OECD Watch
OECD Watch[20] is an international network of CSOs promoting corporate accountability. OECD Watch analyses the implementation and effectiveness of the *OECD Guidelines for Multinational Enterprises*.

Publish What You Pay
The Publish What You Pay (PWYP)[21] coalition campaigns for the mandatory disclosure of company payments and government revenues from the oil, gas and mining sectors. PWYP works with CSOs in nearly 60 countries, helping citizens of resource-rich developing countries to hold their governments to account for the revenues from their extractive industries. These are an important source of income which, when properly managed, can serve as a basis for poverty reduction, economic growth and development.

Revenue Watch Institute
The Revenue Watch Institute (RWI),[22] which promotes transparent, accountable and effective management of natural resource wealth in the interest of development, also focuses on developing civil society capacity. RWI advocates that, in the interest of transparency, the contracts for oil, gas, mining and forestry sectors should all be on public record.

Although most companies do not currently include tax in their own CSR initiatives, there are a number of multilateral voluntary codes that CSOs can use as benchmarks to measure companies' performance on tax payments and to hold them to account (see box below).

Voluntary codes on tax

The ***OECD Guidelines for Multinational Enterprises*** offer international guidelines on CSR. According to the OECD, the governments subscribing to the Guidelines represent all regions of the world and account for 85 per cent of foreign direct investments.[23] The Guidelines include references to tax compliance. MNCs are urged to offer full disclosure on company data required for the correct determination of taxes, to refrain from harmful transfer-pricing practices, to refrain from seeking tax exemptions and to pay their tax liabilities on time.

The ***Extractive Industries Transparency Initiative (EITI)*** is a voluntary standard in the extractives industry that aims to enhance transparency by publishing and verifying company payments, including taxes in all forms, and government revenues from oil, gas and mining. The EITI – a coalition of governments, companies, CSOs, investors and international organisations – says that around 50 of the world's largest oil, gas and mining companies support and actively participate in the EITI process. However, the current level of compliance to the EITI guidelines varies, with not all signatories yet fully meeting the requirements. Critics suggest that it has had a limited impact on those perceived as the worst offenders in terms of corruption.

Shareholder action

Shareholder action involves existing investors in a company using their power as owners of the company to influence its behaviour.

The potential for shareholder action is growing, in particular in the global South. Stock exchanges are emerging in an increasing number of developing countries. In Africa, governments have begun to demand that subsidiaries of foreign companies, especially extractives, register with local stock exchanges. Most Asian multinationals are shareholder companies; and pensions and insurance companies, as institutional investors, are ever more common as points of pressure.

Shareholders are the individuals or institutions who buy shares in companies that are listed on public stock exchanges. They have different powers in different countries – this may affect your choice whether to work with them. For example shareholder action in the US tends to be much more effective than shareholder actionin the UK.

Most companies allow shareholders to raise issues of concern directly at their annual general meetings. Many multinationals have adopted CSR programmes, which offer scope to raise tax compliance. A campaign to influence a company's tax policy may also focus on institutional shareholders as a target. These often have more clout than individuals because of their large portfolios.

In addition, investor groups such as FTSE4GOOD determine criteria for companies. Many ethical investors will only invest in companies within this group – therefore getting tax on their agenda could have a real impact.

Public campaigning towards corporates

Public campaigning has been used effectively in a number of countries to mobilise public opinion and put pressure on a company to change (for example various campaigns in Europe over the past 15 years targeting exploitation in the global supply chains of major retailers and leading to changes in certain companies' policy and practice). Negative publicity can have a direct impact on a company's sales, on staff morale and, in some cases, even on share prices. The threat of consumer action or critical comments about corporate behaviour from politicians spell anxiety for companies. And that in turn can be an incentive for change.

Much of the public campaigning towards corporates starts with public exposure of an individual company's alleged wrongdoing – requiring a big investment in research and investigation prior to launching the public campaign. Legal costs also have to be budgeted for, as a lawyer will need to scrutinise any text for public consumption in order to avoid or reduce the risk of libel action by the company. Further legal costs could be incurred if the company decides to take legal action (see the section on Libel in Chapter 3). But public exposure of corporate malpractice can be very powerful (see the ActionAid case study on page 32).

Recently in the UK, some tax justice campaigners have opted for direct action in order to draw public attention to the issue of tax and directed at certain well-known companies they perceive to be dodging tax (see the UK Uncut campaign case on page 32). This direct action on the streets has received huge media coverage in UK newspapers, radio and TV and sent ripples through the entire private sector.

An alternative approach – currently being piloted by Christian Aid in the UK (see the Trace the Tax case study on page 32) – is to appeal to a company's stated commitment to corporate social responsibility and publicly challenge the company to put this commitment into practice. Challenging a company in public – even if you are simply calling on the company to support your campaign – may well have more impact than simply engaging with the company privately – especially if the company prides itself on its CSR profile.

Expand your impact: from local to global

Campaigns often start locally but can gain momentum by going global. Look for ways to tie in the issue or problem in your area to what is happening elsewhere. Make connections with other campaigns, or with local governments or institutions tackling similar problems with the same or other corporations. Adding up all the examples can help build an international campaign to bring the company into the spotlight.

Involve the public

Remember: public campaigns can't work without the public! The public is your target audience, not the company, so think about what information and language will generate public action towards the company. Generally, campaigners will take action if they think an injustice has been done. But bear in mind that the company will also be reading your campaign materials and may fight back with its own negative publicity about your campaign or threaten legal action to defend its name and reputation if it thinks your public allegations are false. Information should be accurate but easy to follow. People have to know exactly what actions they can take to support the campaign – whether it be boycotting a particular product, writing to company directors or staging demonstrations or stunts outside company outlets or offices (see the table on pages 22–25 above for some examples).

CASE STUDY 'Schtop tax dodging!' – ActionAid's campaign to SABMiller

In 2010 ActionAid undertook extensive and detailed research into the operations of one multinational company (SABMiller) and its operations in six African countries – specifically zeroing in on one African country (Ghana). Using published financial information, interviews with government officials and undercover research, ActionAid sought to show how the world's second-largest beer company was avoiding tax in Africa. It published a report of its findings[24] which received media coverage in the UK and internationally. The report called on SABMiller to take a responsible approach to tax, understand and disclose the impact of tax planning, and be more transparent about financial information. To accompany the report, ActionAid produced eye-catching campaign materials bearing a simple slogan (for example `Schtop Tax Dodging' beer mats playing on the name of a SABMiller beer) and launched an email action on their website. To capture the public's imagination, ActionAid also injected a human element to the story. They introduced campaigners, for example, to Marta Luttgrodt who runs a small beer stall in the shadow of the brewery that produces the beer and pays a flat US$47 a year in tax while the brewery next door owned by a subsidiary of SABMiller pays no tax at all.

At the time of writing, it was too early to say what impact this campaign will have had on SABMiller. Although the company reacted negatively to ActionAid's report, a negative reaction does not mean that the report will have had no impact. Beyond SABMiller specifically, it is likely that the report will impact on the private sector **generally** in some way, as other companies will be concerned to avoid a similar targeted investigation of their own operations. Consequently, it is conceivable that the ActionAid investigation into one company may contribute to a change in thinking on tax and corporate social responsibility among UK-listed multinationals in general. It could also have a knock-on effect on bodies that regulate or oversee UK-listed multinationals' working standards and practices such as the OECD, the EU, and the UK government.

CASE STUDY Trace the Tax campaign

Christian Aid has been campaigning to raise awareness of the billions lost to developing countries from tax evasion and avoidance by unscrupulous companies.

The campaign calls on the International Accounting Standards Board (IASB) to introduce an international country-by-country reporting standard that requires firms to report the profits made and taxes paid in every country they operate in. The IASB is a little-known, but very powerful, body based in the UK that devises the rules covering how corporations should produce their annual accounts. More than 100 governments worldwide tend to rubber-stamp its findings into law.

The IASB is part-funded by the 'Big Four' accountancy firms – PricewaterhouseCoopers, Deloitte, Ernest & Young and KPMG. In 2009, Christian Aid decided to directly target the Big Four with a postcard and email campaign. There is evidence to suggest that this had a significant impact, but more pressure was needed. To increase the campaign's momentum, Christian Aid decided to target the clients of the accountancy firms – the big names in the private sector. It was hoped that their support would make it almost impossible for the IASB and the accountancy firms to say 'no' to country-by-country reporting. In 2010, Christian Aid contacted the CEOs of all the 100 biggest companies registered in the UK (the FTSE 100 firms), asking them to complete a confidential online survey on country-by-country reporting. Christian Aid campaigners sent 'reminder' emails, so that many companies did eventually respond. However, very few companies responded in support of country-by-country reporting.

The campaign has now decided to engage supporters with four FTSE companies that are well-known brands in the UK and which have subsidiaries in developing countries. Each of the four companies selected is audited by a different one of the Big Four accountancy firms. In the next stages, the campaign will be using a number of the above-mentioned campaign tools to mobilise campaigners. Campaigners will call on these companies to speak out publicly in favour of country-by-country reporting and to ask their auditor to support this new standard too. In that way, the campaign will keep up the pressure on the Big Four accountancy firms and the IASB to push for global accounting rules that will help poor countries and their citizens trace the taxes they're owed. In this case, public campaigning will be used to positively persuade these companies to join the drive for greater tax transparency – rather than aggressively campaigning against them. The campaign is not accusing the companies of tax dodging, nor is it asking the companies to introduce country-by-country reporting unilaterally before an international standard is introduced. The whole point is to harness the immense power of some of the world's largest MNCs to increase political pressure on the Big Four and the IASB.

CASE STUDY UK Uncut campaign

In October 2010, the UK's coalition government announced swinging cuts to government budgets and public sector jobs. In response, many campaigners pointed the finger at the government for cutting services and jobs while letting the banks pay bonuses and certain private sector companies avoid billions in tax, as they saw it. One group of campaigners – loosely connected and mobilised entirely through social networking sites and mobile phones – selected two campaign targets well known to UK consumers: Vodafone and Sir Philip Green, the owner of Arcadia which includes many of the UK's leading clothes retailers. Taking to the streets with `tax dodgers' placards, they organised sit-ins, pickets, flash mobs, and even superglued the main doors of a big clothes shop on London's Oxford Street. Although only a relatively small group of protestors was involved, this direct action attracted huge media attention, including the financial press. Early evidence suggests that these protests – the first such protests on British streets against perceived corporate tax dodging – have sent shock waves through the private sector.

Linking up – networks and coalitions

Before launching into your tax advocacy activities, and even before you develop your advocacy strategy, you'll have thought about your allies and how you're going to work in coalitions.

It's worth considering the advantages and challenges of working in alliances, coalitions and networks. At their best they provide major added value to your advocacy work by bringing together the strengths and resources of diverse groups to create a more powerful force for change. They are an important tool in ensuring that the case for tax is heard, loud and clear, by your target audiences. But they are not without their challenges. They can take time and energy to develop because they involve building relationships of trust between people and keeping people constantly informed and involved. You should consider whether entering into an alliance will help to achieve success, or whether some of your potential allies might be more effective as independent actors.

Make sure that you check out who else is already working on tax in your patch. Are there useful national, regional or global alliances you can forge or join forces with? When considering who you may wish to link up with in a tax advocacy alliance, coalition or network, it's worth thinking about the different skills each organisation can bring to the table.

Ideally, you want a mixture of natural allies and some more 'unusual' allies that are able to demonstrate the breadth of support for the issue. For example, with tax it can be extremely helpful to have on board some professional associations or individuals such as lawyers and accountants. Equally, demonstrating support from business can strengthen your case.

You may distinguish between 'strategic allies' (those with whom you have a more natural allegiance and shared values, have worked with in the past and are likely to do so again) and 'tactical allies' (those whom you may ally with on a particular aspect of the issue or work with on this campaign alone).

Interaction pages

Exercise 1: Drafting policy recommendations

Aims: To practise drafting effective policy recommendations and to practise written communication of a message to someone you are trying to influence.

Step 1: The facilitator explains to participants that they are going to practise formulating policy recommendations. Ask participants to read a short tax research paper or pick a tax issue that they have worked on – or they can use one of the case studies in the toolkit to work from.

Step 2: The facilitator asks participants to use the guidance provided in 'Top tips for formulating policy recommendations' (see page 6) to draft two or three policy recommendations and prioritise them.

Step 3: Participants read the 'Top tips for formulating policy recommendations'.

Step 4: Participants draft two or three policy recommendations. Ask participants to write each recommendation on a different 'post-it' note.

Step 5: Ask each participant to share their recommendations in pairs with their neighbour. In their pairs, suggest that participants give each other feedback on their recommendations – based on the 'Top tips for formulating policy recommendations' guidance.

Step 6: Participants then stick all their recommendations on a big flip chart. The facilitator then chooses three or four recommendations and reads them out.

Exercise 2: Delivering our key messages verbally – the elevator exercise[25]

Aim: To practise verbally communicating a message to someone you are trying to influence.

Step 1: The facilitator explains the following scenario to participants.

The scenario:
Choose a tax issue. Imagine you are on the ground floor of a very tall skyscraper. As you step into the elevator to travel to the top floor, by chance somebody you really want to lobby about your tax issue walks into the elevator. It turns out that you are both going to the top floor of the building – 90 floors up!

You have two minutes to communicate your message – that is the time it takes for the lift to travel from the ground floor up to the 90th floor.

Step 2: The facilitator instructs each participant to prepare their message as follows (10 minutes):

- What my organisation wants to achieve
- Why we want to achieve it
- How we propose to achieve it
- What action we want taken by you (the target audience).

Step 3: The facilitator divides participants into groups of four. In each group, participants have to practise communicating their message to each other.

One person communicates the message and the other person pretends to be the influential person.

Then they swap over.

Then they swap over with another pair in their group.

Then that pair swaps over too.

And so on… .

By the end each person should have communicated their message twice.

Step 4: Still in groups, the facilitator randomly selects two or three people to tell the group what message they received from another person the facilitator points to in their group:

'Person A, please tell me what you can remember of person B's message.'

Step 5: Debrief session in plenary where participants share what was learnt from this exercise about communicating a message to busy policy-makers.

Exercise 3: Lobbying role-play

Aim: To practise the skills required for being an effective lobbyist.

Includes two groups with separate instructions for each:

- Group 1 are civil society representatives attending a 'lobby meeting'.
- Group 2 are government ministers and officials whom the CSOs are going to lobby.

(Two observers will share thoughts on how effective the role-playing was at the end.)

Step 1: The facilitator creates two groups of three. Give each group separate instructions (see overleaf) on the issue of a luxury tax (VAT) on sanitary pads and ask them to divide the roles between them.

Step 2: The lobbyists read their handout. They will lobby on changes spelled out in the briefing. Their task is to organise a pre-meeting and then visit the ministers to lobby them for specific changes.

Step 3: The targets read their handout so they are familiar with the issue and likely arguments from the group ofrepresentatives. They need to raise arguments against the reforms asked for by the representatives.

Step 4: Each group holds a separate pre-meeting to prepare. Allocate about 20 minutes for the pre-meeting.

Step 5: Lobby meeting held. Allow 15–20 minutes for the actual lobbying discussion. The two observers evaluate the exercise using the checklist in 'Top tips for successful lobbying' on page 8.

Step 6: Discussion in plenary to share learning – 'what worked' and 'what could have been improved on?'. How realistic was the case study for their country?

Instructions for Group 1:

You are all NGO representatives from the Coalition for the Protection of Women and Children (CPWC) in the country of Imaginaria.

Research has been done by a well-respected child rights body on school attendance by girls. On conclusion of the research it was found that girls from poor backgrounds were missing days at school because they could not afford sanitary towels. The CPWC has therefore started a campaign to get the sanitary towels zero rated for tax purposes. If you achieve this, women and girls would no longer have to pay VAT on sanitary pads. Some of you believe it would be better still if you can have sanitary towels removed from the VAT list of goods altogether so they cannot be taxed in the future. The campaign plans to get direct support and participation from government, create public awareness of the problem and influence the policy-making process.

The study has received a lot of media interest in the national newspapers, radio, and so on. You think this is why you have finally been granted a meeting with the minister of health, the minister of finance and the revenue authority (independent from the ministry of finance).

The lobbyists:

1. The Coalition for the Protection of Women and Children (CPWC) – a national coalition of grass-roots organisations.

Goal:
To have sanitary pads removed from the VAT list. They are not happy with a compromise of zero rating.

Position:
Radical, and strategically they do not want to compromise.

2. Education-All – a big international NGO from the US, with an office in Imaginaria.

Goal:
Zero rating is good enough. They are happy with that.

Position:
Good relations with ministry of health; target at ministry of health used to work for Education-All.

3. Tax specialist of Taxpayers' Association

Goal:
To give tax advice and broaden the discussion on tax to include more than sanitary pads.

Position:
Wants to have a lot of publicity to create awareness for tax.

The lobbyists' task

Decide who will play which roles.

Decide how you will handle the meeting:

- Which issues will you prioritise? Will you raise all your points or only some of them?
- What are your desired outcomes?
  - ideal
  - compromise
  - unacceptable
- Who will talk about what? What is your strategy for handling the meeting among you bearing in mind the roles allotted to you?
- What arguments do you expect the government representatives to use?
- How can you persuade the government that it is in their interest to adopt the measures you are proposing? What is coming up on their agendas that might give them an opportunity to engage with this issue?
- How will you persuade them of your case?
- Is there any information you want to get from the government in this meeting?

NB: You can use pretend/fake materials and information to support your case!

Instructions for Group 2:
You are a group of government ministers and senior officials in the country of Imaginaria.

Research has been done by a well-respected child rights body on school attendance by girls. On conclusion of the research it was found that girls from poor backgrounds were missing days at school because they could not afford sanitary towels. The Coalition for the Protection of Women and Children (CPWC) has therefore started a campaign to get the sanitary towels zero rated for tax purposes. If they achieve this, women and girls would no longer have to pay VAT on sanitary pads. Some of the members believe that it would be better still if they can have sanitary towels removed from the VAT list of goods altogether so they cannot be taxed in the future. The campaign clearly plans to create public awareness of the problem and influence the policy-making process. You were initially approached with a request for a meeting by the CPWC and the Taxpayers' Association. You refused to meet with them claiming that diary commitments prevented it. They have now generated significant media attention on why girls do not have access to sanitary pads. As a result of this, you have felt under pressure to meet with them. However, you have also invited a large US NGO, Education-All, to attend the meeting as you think they may be more conciliatory. The government's objectives for the meeting are:

- to prevent negative publicity being generated by the CPWC and therefore try to neutralise their opposition
- to ensure that VAT on sanitary pads remains intact (though the minister for women is passively supportive of the civil society coalition). If VAT is removed from sanitary pads, it could set a precedent for civil society to push for the removal of VAT on lots of other essential items, which would have implications for tax revenues.

The targets:
1. **Minister of finance** – a male economist.

Position:

- Negative view on the issue
- Really does not want to reduce revenues but 'willing to negotiate'
- Very bad relationship with Taxpayers' Association
- Heavily influenced by the International Monetary Fund (IMF) and World Bank. It is a condition of receiving loans from both that you increase tax revenue from individual taxation (indirect tax)
- Needs to achieve millennium development goals (MDGs) by 2015
- President insists that the ministry of finance must increase its tax effort
- Does not want to be here, but he is invited by the ministry of health person
- Two years away from retirement, underpaid, little motivation

2. **Minister of health** – a female former doctor who used to work for Education-All.

Position:

- Passively supportive
- Embarrassed that a women's rights organisation knows about this problem of girls having no access to sanitary pads and that the ministry of health does not; feels like a failure
- Therefore she doesn't want the issue to have lots of publicity
- The lobbyists had a meeting with her before, and she arranged the meeting with the revenue authority and the ministry of finance

3. Revenue authority (independent from the ministry of finance), whose role is to sort out technical aspects – a former IMF economist.

Position:

- Claims not to have an opinion
- Only there to give technical advice, not a decision-maker
- But sceptical because it will be a big administrative effort
- He thinks it is important that VAT is non-discriminatory. He is also worried that removing VAT from sanitary towels could set a precedent for the removal of other items from the VAT list
- Young, ambitious

The targets' task

Decide who will play which roles.

Decide how you will handle the meeting:

- Who will talk about what?
- What are your desired outcomes (both in terms of position of the lobbyists and other targets)?
  - ideal
  - compromise
  - unacceptable
- What overall approach will you take towards the lobbyists? Very attentive and conciliatory? Or dismissive? Will you try to undermine the CPWC's position and question their study? Or will you acknowledge its importance?
- What arguments do you expect the CSOs to make?
- How can you persuade them that it is in their interests to work with the government on this issue rather than simply criticising the government?
- Is there any information you want to get from the CSOs in this meeting?

NB: You can use pretend/fake materials and information to support your case!

Exercise 4: Giving a radio interview

Aim: To practise techniques for giving an effective radio interview.

Step 1: The facilitator hands out a very short summary of a tax report or tax issue to participants and asks them to prepare to be interviewed.

Step 2: The facilitator prepares some questions based on the handout (the facilitator will conduct the interview).

Step 3: Participants do their preparation using the guidance on in 'Top tips for a radio interview' on page 18.

Step 4: The facilitator conducts the interview. Other participants watch and take notes on what was effective and what could be improved.

Step 5: The facilitator and participants give constructive feedback that will enable the interviewee and others present to learn from the experience.

Exercise 5: Developing a campaign slogan

Aim: To reflect on how to popularise the tax issue for a public audience and generate popular action.

Step 1: The facilitator asks participants to brainstorm on catchy campaign slogans from other campaigns (either in plenary or in small groups).

Step 2: The facilitator asks participants what they like about these slogans. Questions to pose: Is the slogan a call to action? Will it encourage ordinary members of the public to do something? Is it easily understood? Will it appeal to a broad range of citizens? Is it an inclusive slogan? Is it an aggressive slogan and if so, is this appropriate? Is it a slogan that will encourage those with power to engage with it? Or is the slogan intended to stir up passion and anger among the public?

Step 3: The facilitator divides participants into small groups and gives each group a different aspect of the tax issue, as identified in previous exercises (for example, ending tax secrecy; a more equitable tax system). Each group will try to devise a campaign slogan on their issue and put the slogan on a flip chart sheet so that it becomes a poster. With different coloured pens, the groups could get creative about the presentation of their slogan if they so wish.

Step 4: Put the posters on the wall. Participants can then do a gallery walk to look at the posters during a coffee break.

Step 5: The facilitator could close the session with a brief plenary discussion of the posters.

Chapter 4: Getting active on tax

By now you should:

- be confident in your advocacy skills, having examined:
  - the key components of a policy position and how to develop effective policy recommendations
  - ways of communicating with your target audiences in writing and verbally
  - how to be an effective lobbyist
  - how to work with the media to achieve your advocacy aims
  - techniques for effective campaigning
  - how to engage with corporates on tax
- have identified various activities you could use to further your tax advocacy objectives.

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Tax resources

NGO reports on tax

Tax Us If You Can **(Tax Justice Network, 2005)**
Tax evasion, tax avoidance and tax havens are presented here as a 'global failure' which can be changed. The report explains the terms used in the social justice-based debates concerning taxation; maps the key players in tax injustice and the agencies who influence tax policy worldwide; and proposes a broad range of solutions to the problems identified. It serves as a guide to tax justice issues.

Closing the Floodgates **(Tax Justice Network, 2007)**
This report links taxation closely with development, by estimating the losses accruing to developing countries due to illicit capital flight. It also looks in detail at the practices used by companies, individuals, governments, professional intermediaries and tax havens. The report takes a stance towards 'closing the floodgates' and turning the tide on tax dodging.

Mirror, Mirror on the Wall, Who's the Most Corrupt of All? **(Tax Justice Network, 2007)**
Tackling the debate concerning global corruption, the report criticises the unique focus of governments and international organisations on bribery while ignoring the corrupt practices of the intermediaries: the major banks, accounting firms and lawyers, and secrecy jurisdiction governments.

A Guide to Tax Work for NGOs **(International Budget Partnership, 2006)**
The guide makes a case for further civil society engagement with tax policy, by drawing concrete examples from various countries and by looking at the basic issues in tax policy. The guide links to existing work on budget transparency and accountability, shows how the expenditure and revenue sides of the budget need to be analysed together, and provides some tools for analysis.

Death and Taxes: The True Toll of Tax Dodging **(Christian Aid, 2008)**
This report looks at the impact of tax dodging, both legal and illegal, on the developing world. It blames the secrecy offered by more than 70 tax havens for widespread abuses, and highlights the role of facilitators, including the big accountancy firms, in promoting their use.

Accounting for Poverty **(ActionAid, 2009)**
This report looks at a range of issues affecting developing countries' ability to raise taxes effectively, including tax dodging, tax competition, and treaties with tax havens. It includes examples from a number of developing countries as well as policy recommendations.

Where on Earth are You? **(Tax Justice Network/SOMO, 2009)**
This report surveys 97 of the largest quoted companies in the UK, the Netherlands and France. Of those companies, all but one was found to have tax haven subsidiaries.

The Netherlands a Tax Haven? **(SOMO, 2006)**
According to empirical evidence, the Netherlands deliberately offers companies who would not otherwise seek to be resident within its territory the means to reduce their tax charges on interest, royalties, dividend and capital gains income from foreign subsidiaries – thus effectively acting as a tax haven.

Taxation and State-Building in Developing Countries: Capacity and Consent **(D Bräutigam, O-H Fjeldstad and M Moore, Cambridge: Cambridge University Press, 2008)**
This edited volume provides an overview of the linkages between taxation and development by some of the most experienced academic authors in the field. The book assesses how governments become more accountable when responding to a broad base of taxpayers, making the link between representation and taxation both in historical and current terms – effective revenue collection is also a central pillar of state capacity – and draws conclusions for policy-makers.

False Profits: Robbing the Poor to Keep the Rich Tax Free **(Christian Aid, 2009)**
This paper considers how financial systems allow practices such as 'trade mispricing' to continue and looks at some of the consequences of tax avoidance. It quantifies the damage done to individual countries through trade mispricing, by analysing EU and US trade data and estimating the amount of capital shifted from non-EU countries into the EU, the US, the UK and Ireland through bilateral trade mispricing. It's massive.

Illicit Financial Flows from Africa: Hidden Resources for Development **(Global Financial Integrity, 2010)**
The report assesses the total stock of illicit financial flows from Africa between the years 1970 and 2008 as being US$854 billion, larger than the continent's amount of public debt. Using these resources for development, the continent could meet its developmental targets under the United Nations millennium development goals (MDGs).

Breaking the Curse: How Transparent Taxation and Fair Taxes Can Turn Africa's Mineral Wealth into Development **(Southern Africa Resource Watch, Third World Network Africa, Tax Justice Network Africa, ActionAid and Christian Aid, 2009)**
This paper looks at mining taxation and transparency in seven African countries: Ghana, Tanzania, Sierra Leone, Zambia, Malawi, South Africa and the Democratic Republic of Congo (DRC). It explores the various strategies that mining companies use to reduce their tax bill.

A Golden Opportunity: How Tanzania is Failing to Benefit from Gold Mining **(Christian Council of Tanzania, National Council of Muslims in Tanzania and Tanzania Episcopal Conference, 2008)**
Gold-mining in Tanzania is operating under minimal public scrutiny, is riddled with corruption and contributes a pittance to public revenue. Mining operations barely benefit local populations and in fact leave many people poorer than they were before.

Sierra Leone at the Crossroads: Seizing the Chance to Benefit from Mining **(NACE – National Advocacy Coalition on Extractives, 2009)**
Mining companies routinely deprive African nations of revenue that could be used to combat poverty. This report details how Sierra Leone recently earned only US$9–10 million from mineral exports of US$179 million.

Taxation and Development in Ghana: Finance, Equity and Accountability **(Tax Justice Network/ISODEC, 2009)**
This report answers questions on the link between taxation and development, on whether or not revenue is collected equally from all residents and on why companies should be given tax concessions. The report demonstrates that domestic resources, not loans or aid, is the largest missing piece in reaching development goals.

Taxation and State Building in Kenya: Enhancing Revenue Capacity to Advance Human Welfare **(Tax Justice Network Africa, 2009)**
This report studies the evolution of the Kenyan tax system, and considers ways to foster economic and social development by improving revenue collection. The report concludes that broadening the tax base and engaging citizens in a tax dialogue should be the key priorities.

Building a Fair, Transparent and Inclusive Tax System in Sierra Leone **(W Prichard, 2011)**
This report provides an overview of the political economy of the tax system in Sierra Leone in order to support more extensive and informed public debate and advocacy around tax issues. It draws on a combination of official data, published sources and a wide array of interviews conducted with policy-makers and other stakeholders.

Tax Justice Network Africa Popular Educational Materials on Taxation
- *Providing a Better Understanding of Equitable Taxation* (2011)
- *Domestic Revenue Mobilization through Taxation* (2011)
- *Taxation and Democracy* (2011)

Un Vide à Combler: Quelle Fiscalité dans une Economie Mondialisée? **(CIDSE – International Cooperation for Development and Solidarity, 2008)**
This document looks at how church groups across the world are linking taxation to development. It presents taxation as both a challenge for many governments to mobilise, and also as an opportunity for meeting the MDGs. The authors argue for greater autonomy for developing country governments as a result of greater mobilisation of domestic resources, and the links to be made with the corporate social responsibility (CSR) agenda.

Undermining the Poor: Mineral Taxation Reforms in Latin America **(Christian Aid, 2009)**
This report examines the tax reforms affecting the mineral sector in Latin America. It quantifies the costs of some of the excessively generous tax

incentives which have been provided to mining companies in Peru, Guatemala and Honduras. It also tracks the efforts of civil society to reverse these regressive taxation trends.(Also available in Spanish)

Rights or Privileges? Fiscal Commitments to the Rights to Health, Education and Food in Guatemala **(ICEFI and CESR, 2009)**
Guatemala is a country with one of the lowest levels of tax collection and very low levels of social spending. This report aims to contribute to a broad reflection on the role of fiscal policy in complying with a state's human rights obligations. It documents Guatemala's alarming social indicators and demonstrates that this poor performance is due to the lack of political will of successive governments of this middle-income country to maximise its resources and invest equitably in guaranteeing the basic needs of its citizens. (Also available in Spanish)

Seguridad Fiscal en El Salvador: Medidas por Fortalecer la Tributación **(FUNDE, 2008)**
This publication reviews the tax system in El Salvador and looks at how tax policy has evolved since 1990. It provides information on legislation, relevant institutions, evolving levels of tax collection and tax evasion. It also looks at attempts to reform – particularly with regard to addressing tax evasion, tax avoidance and smuggling – assessing the overall picture of fiscal sustainability in the country.

El Sistema Tributaria en la República Dominicana **(Centro de Estudios Sociales P. Juan Montalvo, 2010)**
This publication reviews the tax system in the Dominican Republic, presenting information on key legislation, institutions, levels of tax collection and the evolution of tax policy. It also assesses, among other key issues, the regressive nature of the tax system.

Reforma Tributária Desmonta o Financiamiento das Políticas Sociais, Briefing Paper **(INESC, 2009)**
This technical briefing paper provides an overview of the Brazilian tax system, presenting key evidence of the regressive nature of the tax system, including the cost of incentives provided to business and the increasing tax burden on the poor. It provides information on Brazil's recent tax policy reforms and the work of civil society organisations to influence reforms.

Tax Evasion and Tax Avoidance and Tax Revenue Loss in India: A Report Towards Creation of Public Awareness and Action **(Centre for Education and Communication, India, 2010)**
The report looks at the rampant tax evasion and tax avoidance as practised by both domestic and global corporations in India, and at the extent of tax exemptions that already rise to over 70 per cent of total tax revenues. More equitable and transparent tax policies could end poverty and meet development objectives, and the realisation of fundamental rights. The report also looks at the special role of the secrecy jurisdiction of Mauritius in India's economy, being the primary source of foreign direct investment.

Networks and organisations working on tax

Global

Tax Justice Network: www.taxjustice.net
Christian Aid: www.christianaid.org.uk
SOMO: http://somo.nl
ActionAid: www.actionaid.org
Oxfam: www.oxfam.org.uk
Caritas: www.caritas.org/about/index.html
Publish What You Pay: www.publishwhatyoupay.org
UN Tax Committee: www.un.org/esa/ffd
OECD: www.oecd.org/tax

Regional

Tax Justice Network Africa: www.taxjustice4africa.net
AFRODAD (Africa): www.afrodad.org
ISODEC (Ghana): www.isodec.org.gh
African Development Bank: www.afdb.org/en
Poder Ciudadano (Latin America): http://poderciudadano.org
Latindadd (Latin America): www.latindadd.org
ICEFI – Instituto Centroamericano de Estudios Fiscales (Guatemala): www.icefi.org
Inter-American Development Bank: www.iadb.org
Action for Economic Reforms (Asia): www.aer.org.ph
Jubilee South/Asia-Pacific Movement on Debt and Development (Asia-Pacific): www.jubileesouth.org
Eurodad (EU): www.eurodad.org

National

Center for Budget Advocacy (ISODEC Ghana advocacy unit, see: www.isodec.org.gh)
National Taxpayers Association (Kenya): www.nta.or.ke
Institute of Economic Affairs (Kenya): www.ieakenya.or.ke
Policy Forum (Tanzania): www.policyforum-tz.org
National Advocacy Coalition on Extractives (Sierra Leone): www.nacesl.org
Centre Régional Africain pour le Développement Endogène et Communautaire (Cameroon) Initiative Locale pour le Développement Intégré (DRC) – information can be found at: www.societecivile.cd/node/1598
Centre for Trade Policy and Development – CTPD (Zambia): www.cstnz.co.zm
INESC – Instituto de Estudos Socioeconômicos (Brazil): www.inesc.org.br
FUNDE – Fundación Nacional para el Desarrollo (El Salvador): www.funde.org
SUPRO – Campaign for Good Governance (Bangladesh): www.supro.org
Foundation for Public Economics and Policy Research (India): www.fpepr.org
Centre for Budget and Governance Accountability – CBGA (India): www.cbgaindia.org
Oxfam France: www.oxfamfrance.org
Oxfam Novib (the Netherlands): www.oxfamnovib.nl
CCFD (France – Comité Catholique contre la Faim et pour le Développement): http://ccfd-terresolidaire.org
MISEREOR (overseas development agency of the Catholic Church in Germany): www.misereor.org
KEPA (Finland – Service Centre for Development Cooperation): www.kepa.fi/international/english
Forum Syd (Sweden): https://www.forumsyd.org
Norwegian Church Aid: www.kirkensnodhjelp.no/en
Tax Analysts (US): www.taxanalysts.com
Citizens for Tax Justice (US): www.ctj.org/index.php

Some useful websites on tax

OECD: Centre for Tax Policy and Administration: www.oecd.org/department/0,3355,en_2649_34897_1_1_1_1_1,00.html
Institute of Development Studies (University of Sussex, UK): www.ids.ac.uk/go/home
International Tax Compact (Germany): http://taxcompact.net/index.html
International Tax Dialogue: www.itdweb.org/Pages/Home.aspx
International Budget Partnership (US): www.internationalbudget.org
Chr. Michelsen Institute (Norway): www.cmi.no/
CERDI (Centre for Studies and Research on International Development – France): www.cerdi.org/
IMF Fiscal Affairs Department: www.imf.org/external/np/exr/key/fiscal.htm
UNDP South-South Sharing of Successful Tax Practices: www.new-rules.org/what-we-do/south-south-sharing-of-successful-tax-practices-s4tp

Glossary

Automatic tax information exchange A system of tax information exchange whereby jurisdictions automatically share information on a taxpayer's assets with the home jurisdiction of that taxpayer. Civil society organisations want to see a multilateral agreement for tax havens to share information automatically with all other jurisdictions.

Capital gains taxes A tax on the profits from the sale of capital assets such as stocks and shares, land and buildings, businesses, and valuable assets such as works of art.

Consumption taxes Most countries apply consumption taxes such as value added tax, general sales taxes, and excise taxes.

Corporate taxes Taxes on the profits made by limited liability companies and other similar entities. The tax is generally imposed on net taxable income, specified in the company's financial statement.

Country-by-country reporting A proposed accounting standard under which a multinational corporation would be required to report in its annual accounts key financial information in each country and territory in which it operates.

Deferred tax Deferred tax assets are tax credits, for example related to current losses, from which the company can set off future tax liabilities.

Direct taxes Taxes that are charged on physical or legal persons directly upon their salary, profits, dividends, rents or other types of income.

Equitable taxation Equitable taxation refers to tax policies that reduce income, wealth or other social inequalities. Horizontal equity refers to persons and businesses in similar circumstances in terms of their welfare who should be treated in a similar manner, while vertical equity refers to the idea that people with a greater ability to pay taxes should pay more.

Excise taxes These are taxes usually imposed on a limited range of goods, such as luxury goods, or on products that can have a harmful impact on the consumer.

Export processing zone (EPZ) An artificial ring-fenced territory within a state, in which export-orientated industries with little interaction to domestic markets operate while the usual laws and regulation are suspended or relaxed.

False invoicing A similar practice to transfer-pricing abuse, but between unrelated companies.

Flat tax A tax system in which, as income increases above an agreed tax-free sum, the amount of tax paid remains constant in proportion to total income.

General sales tax (GST) A tax added to the value of all sales with no allowance for claiming a rebate on tax paid. Different from the value added tax which is only paid by the final consumer, as each other stage of production needs a documented proof of not being a final consumer.

Goods and services tax (GST) Same as general sales tax – name differs from country to country.

High net-worth individual Otherwise known as HNWIs ('hen-wees') in the wealth management sector. Generally categorised as individuals with more than US$1 million in liquid financial assets available for investment, which excludes their primary residence and motor vehicle.

Illicit capital flight The process whereby wealth-holders and businesses place their funds and other assets outside the country of residence. The process is illicit if funds are of criminal origin, are illegally transferred, or used for illicit purposes.

Income taxes Taxes on income, profits, inheritance, payroll and capital gains are generally divided between taxes payable by individuals and corporations.

Indirect taxes A form of tax charged upon transactions, usually on their gross value. Examples include sales taxes, value added taxes, goods and services taxes, stamp duties, land taxes, excise and customs duties, and levies of all sorts.

Money laundering The practice of processing money from criminal or otherwise illicit activities to give it the appearance of originating from a legitimate source.

Progressive taxes A tax system in which, as income rises, the amount of tax paid increases in proportion to the income as well as in absolute amount, that is the percentage tax rate increases as the income rises.

Regressive taxes Regressive taxes are the opposite of 'progressive taxes'.

Royalties Royalties are usage-based payments for ongoing use of an asset as prescribed in a licence agreement, for example natural resources such as oil, minerals, fisheries and forests but also intellectual property including music and pharmaceutical products. Royalties are typically agreed upon as a percentage of revenues raised from the use or gradual depletion of an asset.

Secrecy jurisdiction Secrecy jurisdictions are countries and territories that provide financial secrecy which undermines the regulation of another jurisdiction for the primary benefit and use of those not resident in their geographical domain.

Social security payments Payments made towards maintaining government-provided health, unemployment, pensions and other basic social rights. Frequently considered as taxes.

Special economic zone (SEZ) Similar to the EPZ, but the activities can include domestic market-orientated business activities.

Tax A fee levied by a government or a regional entity on a transaction, product or activity in order to finance government expenditure. Tax rates and the tax base are decided by a representative legislative body, based on constitutional provisions.

Tax arbitrage The process by which a sophisticated taxpayer plays off the tax systems of two or more different countries to obtain a tax benefit as a result.

Tax avoidance The term given to the practice of seeking to minimise a tax bill within the letter of the law (as opposed to illegal methods which would be classed as tax evasion or fraud). This often involves manipulating the tax base to minimise the tax payable.

Tax base The collective value of transactions, assets, items and other activities that a jurisdiction chooses to tax.

Tax burden The total amount of tax paid by an individual, organisation or population. Also referred to as tax incidence.

Tax capacity A term that denotes the capacity of a sovereign country to raise revenue with regard to its fiscal architecture.

Tax competition The pressure on governments to reduce taxes, usually to attract investment, either by way of reduction in declared tax rates or through the granting of special allowances and incentives.

Tax compliance Payment of tax due without engaging in tax avoidance or evasion.

Tax consensus A set of tax policies promoted by the International Monetary Fund in view of macroeconomic stability, but disregarding equity concerns. Policies include in particular: reductions in the rates of corporate and other income taxes; reduction of trade taxes in support of trade and investment liberalisation; expansion of indirect taxation such as value added tax; simplification of the tax code; and promoting significant structural overhaul of tax administrations.

Tax dodging A legally imprecise term that is often used by tax justice campaigners when it is not clear whether tax is being avoided or evaded. It highlights the fact that many tax avoidance strategies are abusive, while being considered legal.

Tax effort A term used to determine the extent to which a government translates tax capacity into revenue.

Tax evasion A term used to denote illegal methods used to pay less tax. Also known as tax fraud.

Tax expenditure Used to describe the cost of tax incentives of all types in terms of lost potential tax revenue. As with any other expenditure, it should be considered as an investment and evaluated on the basis of cost and benefit.

Tax gap The difference between nominal tax ratios and actual tax revenues. This can be calculated by using various methodologies, for instance the difference between tax capacity and tax effort, or random tax inspections of taxpayers.

Tax haven See 'secrecy jurisdiction'.

Tax holiday A period during which a company investing in a country does not have to pay tax under an agreement with the government.

Tax incentives A tax incentive is an aspect of the tax code designed to encourage a certain type of behaviour. This may be accomplished through means such as limited periods of tax holidays or permanent tax deductions on certain items.

Tax planning When tax legislation allows more than one possible treatment of a proposed transaction, the term may legitimately be used for comparing various means of complying with taxation law.

Thin capitalisation A company is thinly capitalised when its capital is made up more of debt than equity. For tax purposes, a problem arises when a company claims tax deductions on inflated debt interest payments. Subsidiaries of a company based in tax havens can overcharge interest payments to other related subsidiaries, and thus shift profits to low-tax jurisdictions. In most countries, the practice is regulated or outright illegal, but hard to detect.

Trade mispricing The term used to cover both transfer mispricing and false invoicing.

Transfer pricing A transfer-pricing arrangement occurs when two or more businesses that are owned or controlled directly or indirectly by the same group trade with each other. If a transfer price can be shown to be the same as the market price (the arm's length price) then it is acceptable for tax purposes.

Transfer-pricing abuse This involves the manipulation of prices of transactions between subsidiaries of multinationals, or, more specifically, the sale of goods and services by affiliated companies within a multinational corporation to each other at artificially high or low prices (outside the arm's length range). This may occur for a number of reasons, including to shift profits to low-tax jurisdictions or countries providing preferred tax treatment to certain types of income. (Can also be referred to as 'transfer mispricing'.)

Value added tax (VAT) A tax charged by businesses on sales and services but which allows businesses to claim credit from the government for any tax they are charged by other businesses in the production chain. Different from the general services tax, which does not require proof of being an intermediate producer. VAT is often criticised for being regressive.

Withholding tax Tax deducted from a payment made to a person outside the country. Generally applied to investment income, such as interest, dividends, royalties and licence fees according to a Double Tax Treaty (DTT) signed between the two jurisdictions.

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