STARTING WITH PEOPLE

A human economy approach to inclusive growth in Africa

High levels of inequality across Africa have prevented much of the benefits of recent growth from reaching the continent’s poorest people. To combat inequality in Africa, political and business leaders have to shape a profoundly different type of economy. It must start with the needs of Africa’s women and young people for good quality sustainable jobs, rather than the needs of the richest and of foreign investors. Leaders must use economic policy, taxation policy and social spending to build a human economy for Africa.
EXECUTIVE SUMMARY

The issue of ‘inclusive growth’ will dominate discussions as leaders gather at the World Economic Forum (WEF) on Africa this month. This is a double challenge. The IMF forecasts for sub-Saharan African growth are at their lowest level for 20 years. However, even when GDP was rising at impressive levels across the continent, it was far from inclusive.

Despite decades of unprecedented growth, the proportion of populations living in poverty declined more slowly in Africa than in any other region. A growing population meant that there were 50 million more people living in extreme poverty in sub-Saharan Africa in 2012 than there were in 1990.

At the same time, for the lucky few, these decades were boom years. Oxfam found in January that just three billionaires in South Africa have the same wealth as the bottom 50 percent of the population, while South Africa’s richest one percent owns 42 percent of the country’s total wealth.

New data from Brookings reinforces the picture of extreme economic inequality across Africa. Seven of the 20 most unequal countries in the world are African: Swaziland is the world’s most unequal, now closely followed by Nigeria.

If African leaders use this meeting to take stock and forge a different path, this could be an opportunity to shape fundamentally more equal economies. With youthful workforces that are increasingly educated and healthy, a long-term trend towards more democratic and stable governance, and room for vastly increased productivity in areas such as agriculture, there is much reason for hope.

But to deliver for Africa’s poorest people, attendees at WEF need to think beyond ‘inclusive growth’. Instead of focusing solely on GDP and hoping to tweak it to make it more inclusive, leaders should focus directly on reducing inequality and eliminating poverty, in ways that lead to economic prosperity for all. These aims should be placed above GDP growth – not because growth is unimportant, but because poverty and inequality represent the most significant barriers in Africa to achieving sustainable and inclusive growth.

WOMEN AND YOUNG PEOPLE

The shape of many of the continent’s economies – characterized by an overreliance on the extractive sector, inadequate investment in agriculture and large informal sectors – has meant that the consequences of inequality have mostly been felt by the young and by women. Despite being recognized as the future of Africa’s economic success, it is women and young people who work predominantly in the informal sector and agriculture, or are last in line for quality jobs, investment and training. Around 70 percent of Africa’s young workforce can be classified as being in in-work poverty.

Furthermore, it is women and young people who suffer most when governments make questionable spending choices. Oxfam’s forthcoming Commitment to Reducing Inequality index (see Box 1, page 13) will measure government action on policies shown to reduce inequality, such as spending on health and education, progressive taxation and strengthening labour rights. Nigeria and Swaziland, the most unequal countries in Africa, are found to have a very poor mix of policies, which have serious consequences: for example, over ten million children do not go to school in Nigeria and one in ten do not reach their fifth birthday. In contrast, Namibia has made major investments in strategically important areas such as education, and has therefore been reducing inequality since 1993.

This paper argues that, despite the undoubted legacy of colonialism and structural adjustment policies in increasing inequality in Africa, current African leaders have choices and tools available to them to reduce poverty and inequality levels – something they must urgently do by prioritizing a human economy approach to inclusive growth in Africa.
WHAT IS A ‘HUMAN ECONOMY’?

This approach would recognize the limits of measuring growth solely by GDP – regardless of how few benefit – and would focus on what works for the majority of African people.

In terms of economic strategy, that means investment in smallholder agriculture. Over half of Africa’s total labour force works in agriculture, and rural poverty rates are around double those in urban areas. However, governments should avoid solely focusing on large-scale projects that support the industrialization of agriculture, and instead prioritize investment in agriculture that will better boost incomes and security for the poorest people, women in particular.

A human economy requires nurturing a private sector that is structured to be more inclusive. African governments could leapfrog the corporate models used in some developed countries – which primarily serve investors – in favour of human economy business models that serve a much wider range of stakeholders. There are examples to build on. Nearly half of all Kenyans directly or indirectly derive their livelihood from the cooperative movement, in which enterprises directly benefit their producer-owners.

Governments also have a duty to shepherd the adoption of new technologies, and to make decisions based on the real needs of their people, not tech companies’ profits. The threat to human jobs and the digital divide that will be created by the fourth industrial revolution could increase inequality, something that requires a public policy response. And governments should not look to skip the development of essential and widely beneficial infrastructure in the drive for new technology. We should not overplay the benefits of the fourth industrial revolution in a continent where many are still waiting for the second.

FAIR TAXATION

With international aid budgets under threat, and with the risk that government debt will become unsustainable in many countries, domestic taxation will be the most important source of revenue to fund public investments. Increasing the capacity of tax authorities, ensuring tax systems are progressive and clamping down on illicit financial flows could all yield significant amounts. But governments also need to work together to resist the global race to the bottom on corporate tax rates and the rise of tax incentives. ActionAid estimated that, in 2012, Tanzania, Kenya, Rwanda and Uganda collectively lost up to $2.8bn through the use of tax holidays and incentives offered to companies. For Rwanda, at the time, losses would have been enough to more than double spending on health.

INVESTING FOR A HUMAN ECONOMY

Public spending on health and education should be seen as vital strategic investments, and a fundamental duty of governments. This requires governments to meet their spending commitments and to make sure this spending reaches the poorest people. No African country has yet met its health financing target for example. It also means resisting the shortsighted temptation to use financing models that push poor people further into poverty due to school or healthcare fees, or privatizing or outsourcing services that are the fundamental right of citizens.
RECOMMENDATIONS

Oxfam urges the political and economic leaders gathering at WEF Africa to:

**Actively reduce inequality.**
- Make explicit plans to reduce inequality and eliminate poverty in line with Sustainable Development Goals (SDG) targets, including concrete measurable targets and spending commitments.
- Promote the economic equality of women by investing in physical and social infrastructure needed to recognize, reduce and redistribute unpaid care work; challenging companies to be transparent in the salaries they pay women and men; and overturning the social norms that lie behind violence against women and the latter’s lack of economic power.
- Prioritize action to formalize sections of the economy, in part through investment in job creation, and create quality jobs for Africa’s young people.
- Protect the space for civil society groups, particularly those working on labour rights, women’s rights and free media.
- Develop public strategies and policy frameworks on the adoption of new technologies that explicitly take into account the impact on jobs and inequality.

**Invest in a new deal for rural Africa.**
- Undertake direct investment to tackle the needs of small-scale agricultural producers. This should include a target-based timeline and monitoring mechanism to meet and then exceed the Maputo Declaration for governments to spend 10 percent of their national budgets on agriculture. Prioritize investments in research and development, extension services, infrastructure, subsidies and fair prices for food.
- Ensure that women working in agriculture or other informal sectors receive the training, investment, land rights and social protection they need to be economically successful.
- Develop a new set of guidelines for all large-scale private sector engagement in African agriculture. WEF-sponsored agricultural initiatives, such as GROW Africa, require urgent revision to improve their inclusivity, accountability and effectiveness. This revision should include meaningful participation from farmers’ groups in decision making; setting guidelines on ‘inclusive’ agricultural business models; and ensuring the application and monitoring of the highest available standards and international agreements on land, gender, labour rights and business and human rights.

**Promote human economy business models.**
- Governments should enforce duties agreed under frameworks such as the UN Guiding Principles on Business and Human Rights – to ensure company adherence with human rights standards, labour standards and environmental standards.
- Support the development of small- and medium-sized enterprises (SMEs), as well as policies – such as well-designed tax incentives and governance reforms – which ensure that SMEs adopt positive societal values and structures to maintain these values as they grow.
- Provide favourable trade access, tax treatment and government procurement contracts for businesses that are structured to support a human economy.
- Encourage global businesses to source from businesses that support the human economy and establish aid programmes that provide such businesses with access to finance (e.g. credit guarantee schemes). Private equity funds and development finance institutions should finance conversion to employee-ownership models.
Prioritize fiscal justice.

- African governments should aim to quickly increase their tax-to-GDP ratios to at least one-quarter. Importantly, this increase should be done in ways that are progressive and do not increase poverty or inequality. This includes enhancing capacity to collect taxes from highly paid individuals and large firms. Tax policies should be gender-equalizing.
- African governments should prioritize the eradication of tax evasion and avoidance, by setting up national and regional action plans, coordinated with strategies to combat the use of tax havens.
- African governments should commit to strengthening tax cooperation, and try to play a more active and decisive role in the global tax reform agenda. This involves working with other governments and international institutions to end the race to the bottom on corporate tax rates and tax incentives.

Invest in a human economy.

- Governments should increase the proportion of their spending on essential services to fight inequality. Governments must meet their commitment made in 2015 in Incheon in Korea to spend 20 percent of the national budget on education, and meet their Abuja commitments to spend 15 percent of national budgets on health.
- Governments should resist the process of privatizing education, focusing instead on improving the quality of public schools and bolstering the number of qualified, well-trained teachers. They should recommit to school fee abolition, including addressing informal fees, to ensure equity and prevent impoverishment.
- Universal health coverage should be achieved with an emphasis on both public financing and delivery that prioritizes comprehensive primary healthcare. Governments should move urgently to remove formal and informal fees to protect the healthcare and income of the poorest people.
1 A CONTINENT OF INEQUALITIES

1.1 GLOBAL INEQUALITY

In January 2017, Oxfam found that the world’s richest eight people had the same wealth as the 3.6 billion people who make up the poorest half of our planet.\(^{15}\)

Debate on this inequality crisis within OECD countries has focused on its social, political and economic impacts.\(^{16}\) But it is arguably in poorer countries where the greatest and most immediate human impacts are to be felt. Economic inequality acts as a barrier to poverty reduction, breaking the link between GDP growth and better health, education and incomes for the poorest.\(^{17}\) Greater economic inequality between groups also increases the chance of violent conflict – and the poverty and suffering that brings.\(^{18}\)

These richest eight people in the world are men from the USA, Spain and Mexico, whereas the poorest and most marginalized people in the world are likely to be women living in rural Africa. For such women, their ability to escape poverty is crushed beneath the weight of inequality at every level – between countries and within countries, between women and men, racial inequality, and inequality between urban and rural communities.

1.2 INEQUALITY IN AFRICA

Despite a decade of unprecedented economic growth in Africa, which was at one point host to six of the world’s ten fastest-growing economies,\(^{19}\) inequalities meant that this growth was not shared. Poverty levels as a proportion of population have declined more slowly in Africa than any other region. And because the population has continued to grow, by 2012 there were 50 million more people living in extreme poverty in sub-Saharan Africa than there were in 1990.\(^{20}\)

Poverty in sub-Saharan Africa is expected to increase, even with continued growth. Pessimistic growth forecasts predict that a further 250 to 350 million people could be living in extreme poverty within the next 15 years.\(^{21}\)

Getting an accurate picture of inequality, particularly in developing countries where data collection is poor, is extremely difficult. For example, it has long been recognized that household surveys tend to under-report the incomes of high earners. A significant contribution to our understanding has recently been provided by researchers at the Brookings Institution, who have used national accounts data to supplement household surveys to attempt to realistically fill in the picture of missing top incomes.

Their revised Gini measurements show significant increases in measured inequality levels. Swaziland becomes the most unequal country in the world under this measurement, with Nigeria close behind.\(^{22}\)
This picture of Nigeria is backed up by Oxfam’s research in the country, which shows that the robust overall economic performance of Nigeria has done little to help many of the country’s people. Despite a rapidly growing economy, the number of people living below the national poverty line in Nigeria increased from 69 million in 2004 to 112 million in 2010 – an increase of 43 million people, or 62 percent. In 2010 70% of Nigerians were living below the national poverty line.

This new data shows that seven of the 20 most unequal countries in the world – when looking at income inequality – are in Africa, with South Africa and Namibia joining Swaziland and Nigeria in the top five.

Figure 2: The 20 most unequal countries in the world, using raw and adjusted Gini measurements

Public data on wealth (as opposed to income) from South Africa allows us another way to quantify the huge inequality that characterizes post-apartheid South Africa: just three billionaires have the same wealth as the bottom 50 percent of the population, while South Africa’s richest one percent owns 42 percent of the country’s total wealth.\textsuperscript{26}

**Causes of inequality**

This inequality has a range of causes, reflecting the varying histories and growth models across Africa.

Certainly the lasting impact of colonialism is significant. Research on former British colonies in Africa shows that, at the time of independence, their levels of inequality were around double those found in the UK, France and other Western countries.\textsuperscript{27} And as Daron Acemoglu and James A. Robinson argue, the extractive institutions created by colonial powers to concentrate political and economic resources in the hands of the few left a legacy that is associated with poor development outcomes over the longer run.\textsuperscript{28}

Though many newly independent African nations took action to address group inequalities, structural adjustment policies in the early 1990s – inspired by neoliberal ideas of low regulation, flexible cheap labour, trade liberalization and tightly controlled government spending and privatization\textsuperscript{29} – had the impact of further entrenching inequality.\textsuperscript{30}

In the last fifteen years, growth models characterized by an overreliance on the extractive sector, inadequate investment in agriculture and large informal sectors have left many people behind. In particular, growth models focused on extractive industries, such as those in Nigeria and Zambia, have been shown to lead to higher poverty and inequality levels.\textsuperscript{31} In Zambia for instance, copper mining – despite being a major contributor to overall GDP – employs only around 1.6 percent of the labour force. What is more, in the rural areas where the most rural productive mines are situated, rural poverty is about twice that of urban areas.\textsuperscript{32}

But as we shall see, the extent to which these causal drivers necessarily affect inequality levels depends on the choices taken now by governments to actively redistribute and combat inequality among their populations.

Because of their various histories and policy responses, the exact nature and cause of inequalities across countries in Africa differ considerably, but some broad patterns emerge as to who loses out the most.

**1.3 AFRICA’S ECONOMIES ARE NOT WORKING FOR WOMEN**

The UNDP estimates that the annual economic losses to sub-Saharan Africa because of the underused potential of women could exceed $90bn.\textsuperscript{33} Raising the economic status of women would improve prospects for whole families, and women-led enterprises can benefit whole communities.

But economies are currently structured to undervalue women’s contributions at every level.

Much of women’s work is shut out of traditional understandings of economics. The gendered burden of unpaid care work – which exists globally – has a significant impact on the lives of African women. In Ethiopia women are twice as likely to spend time collecting water and firewood as men; in Ghana, women do between two-thirds and three-quarters of domestic work and childcare.\textsuperscript{34}

Within the economy, women are concentrated in agricultural, low-paid and informal sectors. Up to 75 percent of women are employed in these sectors,\textsuperscript{35} where they are often further marginalized. For instance, women working in farming are less likely to have access to good-quality land, or to the inputs (such as training, fertilizer or subsidies) needed to make a good income.\textsuperscript{36}

Where women are in formal employment, they tend to earn less than men. Across the continent, women in manufacturing, services and trade earn 70 percent of that of their male counterparts.\textsuperscript{37}
Women do not have enough of a voice to change this. Despite the famous exception of Rwanda, which has a female-majority parliament, women comprise only 23 percent of Africa’s parliamentarians. In terms of corporate voice, a 2015 study from the African Development Bank found that about one-third of African companies have no women on their boards, and another third only have one female director.

This marginalization exists at household level too, backed up by the threat of violence. Over 36 percent of women in sub-Saharan Africa have experienced physical or sexual violence at the hands of husbands or intimate partners. This is a human rights violation in its own right, but is also reflective of the power imbalance between men and women in the economy. The African Development Bank concludes that ‘one of the biggest challenges that can potentially undermine Africa’s future growth prospects is violence against up to half of the continent’s population’.

1.4 AFRICA’S YOUNG PEOPLE ARE LOSING OUT

The current economic model has also failed to deliver decent jobs for the majority of Africa’s young people.

Africa is the world’s most youthful continent, with 60 percent of its population under the age of 24. These young people could be an incredible driver of economic prosperity. A recent UNFPA report estimates that, with the right investments and policies aimed at youth, sub-Saharan Africa could gain as much as $500bn a year, equal to a third of the region’s current GDP, for as many as 30 years.

32 of Africa’s 52 countries now have national youth policies, driven by the African Union’s youth charter. This shows growing recognition of the importance of young people, but does not necessarily translate into improved economic opportunities for them.

Unfortunately, the 2016 World Employment Social Outlook report on youth from the International Labour Organization (ILO) paints a picture of many squandered talents. In South Africa, more than half of all active youth are likely to be recorded as unemployed for 2016. While youth unemployment figures for the rest of sub-Saharan Africa are relatively low, at just under 11 percent, this does not necessarily reflect greater opportunities for youth, but rather the requirement for young people to accept low-paid and insecure work. The ILO records that sub-Saharan Africa continues to suffer the highest youth working poverty rates globally, at almost 70 percent.
2 INEQUALITY IS A CHOICE

Despite the legacies of structural adjustment and colonialism, such extreme inequality is not an inevitable consequence of Africa’s development. The economy is shaped by policy decisions, both in the design of the economy itself, and in how the outputs of the economy are shared and invested for the benefits of society as a whole. African governments, donor governments and multilateral institutions providing advice and finance had opportunities to ensure that the last decade of growth was more equal.

A recent Overseas Development Institute study\(^46\) compares the trajectory of Uganda and Ethiopia from the early 1990s. Both are landlocked East African countries with a history of conflict, and both experienced strong growth in the last 25 years. However, while inequality\(^47\) in Ethiopia fell by about 15 percent, in Uganda it has risen by nearly one-third. Ethiopia’s considerable investments in agricultural-led development – particularly extension services and roads from which the rural poor could benefit, as well as a social protection programme – have had a large impact on reducing inequality. While Uganda has maintained strong spending on health and education, spending on wider social security has been limited. Uganda’s investment in agriculture has been relatively low, and persistent inequalities in land ownership have created marked inequalities.

Box 1: Africa’s commitment to reducing inequality

Oxfam is currently developing a Commitment to Reducing Inequality (CRI) index that measures the actions of governments towards reducing the gap between rich and poor. This new database of indicators, covering 154 countries, measures government action in three critical areas: tax, social spending and labour rights.

An interesting picture can be gathered from comparing Africa’s four most unequal countries: Swaziland, Nigeria, Namibia and South Africa.

Nigeria does very poorly in the index, both as compared to other African states and globally. Its spending is low on health, education and social protection, and this is reflected in the social outcomes for the country. Over ten million children do not go to school, and one in ten do not reach their fifth birthday. The CRI index indicates that, although Nigeria does a decent job of collecting tax from oil, it falls well short of its potential tax revenues, so scores badly here too.

Swaziland also falls towards the bottom. Its government has failed to put measures in place to tackle inequality, with poor scores for social spending and progressive taxation, and a poor record on labour rights.

Namibia tells a different story. One of the most unequal countries in Africa, it has quite a high CRI score, especially among middle-income countries. This reflects the commitment of its government to reducing inequality. Namibia has some of the highest levels of social spending in the index, which allows for secondary education to be provided free for all students. The country also has some of the most progressive taxation in the world. While the policies clearly have a long way to go, Namibia is no longer the most unequal country in the world, with inequality dropping since 1993.

South Africa is ranked relatively high compared to African countries, while being highly unequal. This is instructive about the policy mix needed to reduce inequality. Although greater compared to other countries, redistribution through taxes and spending on health and education in South Africa has clearly not been enough to overcome structural inequalities in the economy in the ownership of companies, capital and land.\(^48\)

Now, in 2017, growth across many countries in sub-Saharan Africa is forecast by the IMF at its lowest level in more than 20 years, especially for those reliant on high commodity prices.\(^49\) Just as African countries had choices during the boom years, the choices they make in the years ahead will determine whether this economic outlook spells disaster for poverty reduction and inequality. This could be an opportunity born of the necessity to rethink the commodity-heavy shape of growth for some, for oil-importing countries to take advantage of low prices, and for all to invest in a more mixed job-creating economy that works for everyone.
3 A HUMAN ECONOMY APPROACH TO INCLUSIVE GROWTH IN AFRICA

Oxfam has argued for the evolution of economic thinking away from an all-consuming faith in markets and growth measured through GDP. A more human economy would recognize that, if the well-being of everyone and the survival of the planet are to be the primary aims of the economy rather than a hoped-for by-product of free markets, then we need to explicitly design economies to achieve these things.50

The debate on inclusive growth taking place at WEF Africa recognizes that ensuring the benefits of growth are felt by the poorest people requires government intervention and regulation.51

This is welcome progress, but the drive to deliver inclusive or even pro-poor growth can still lead to the absolute gap between rich and poor widening significantly – leading to social, economic and political problems. The problem is also self-reinforcing. Oxfam research has shown that political and economic capture by rich elites makes it harder to deliver growth that works for the poor.52 If you are worried about those at the bottom, you have to look at what those at the top are doing.

In response to the persistent poverty and troubling economic prospects in many African countries, Oxfam is calling for a new human economy approach to inclusive growth. This would turn the existing strategy of pro-poor growth on its head. It would make reducing inequality and the elimination of poverty the absolute goal for economic policy making in Africa. These aims would be placed above GDP growth – not because growth is unimportant, but because poverty and inequality represent the most significant barriers in Africa to achieving sustainable and inclusive growth.53

This vision of a human economy approach for Africa could have significant implications if adopted by governments and the regional institutions shaping economic policy.

3.1 A HUMAN ECONOMY APPROACH TO GOVERNANCE

A human economy approach in Africa necessitates democratic, strong and accountable governments. Accountability must be to the majority of countries’ citizens, rather than elites, multinational corporations or even donor governments. Therefore, participatory and gender-responsive budgeting, and independent auditing are needed to open spending decisions to public scrutiny.

To support this, informal institutions must be defended as well as formal parliaments, the executive and courts. Governments need to protect space for civil society groups – particularly those focusing on women’s needs and those of youth – and independent media and labour rights.

As of April 2017, the CIVICUS Monitor that tracks civil society space categorized eight, mostly conflict-affected countries, in sub-Saharan Africa as being ‘closed’ to civil society. Many others are restricted, while only two countries – Cape Verde and Sao Tome and Principe – are classified as ‘open’. Restrictions common to many include harassment, violence against and detention of activists and journalists, and restrictions on funding and freedom of assembly.54 The forthcoming Africans Rising movement of citizens across the continent has determined that its first campaign will demand the expansion of space for civic and political action.55

Without ordinary people’s voices being organized and heard freely, power in an economy will always gravitate towards the richest.
3.2 A HUMAN ECONOMY APPROACH TO AGRICULTURE

Governments in Africa should intervene in the shaping of the economy, not to liberalize and work to absent themselves, but to invest, formalize their economies, create decent work for young people and widen their tax bases. They should invest in economic activities that have the ability to rapidly reduce poverty.

In most countries across Africa, this would mean the prioritization of agriculture. Fifty-seven percent of Africa’s total labour force is in agriculture, and farming is the main source of income for 90 percent of Africa’s rural population. While rural areas are often home to dynamic and vibrant communities, they suffer from chronic underinvestment. As a result, poverty rates are generally twice those of urban areas.

Consequently, one percent growth in per capita agricultural GDP has been shown to reduce the poverty gap for people living in extreme poverty by five times more than an equivalent increase in other sectors. In addition, growth generated through small-scale farming is more likely to reduce poverty because of the greater intensity of labour on small farms than larger farms.

Despite its importance, agriculture has suffered from a lack of investment over recent decades. Aid spending on agriculture and rural development in sub-Saharan Africa dropped from around 25 percent of total official development assistance (ODA) in the late 1970s and early 1980s to less than five percent in 2005–2006, before picking up again slightly, to around nine percent. Structural adjustment policies exposed farmers to volatile global markets with no state mechanisms to support them. Only 10 out of 44 African countries have met their commitments under the 2003 Maputo Declaration to spend 10 percent of national budgets on agriculture.

The opportunities for agriculture-led development are significant. Currently Africa imports about a third of its processed food and drink, a far higher share than developing Asia or Latin America. Yet, with yield levels in Africa far below those of other developing regions, closing this gap would increase incomes, expand domestic food production, reduce import bills through substitution and therefore boost foreign exchange earnings.

A human economy approach to agriculture-led development would ensure that the poorest people are part of this success. It is an active, not a passive, policy that looks at both supply and demand. Governments would help manage risk and create opportunities for primary producers – including the most marginalized – to add value to their produce and to access suitable markets rather than simply exposing them to international markets.

For example, growing urban populations can provide demand for food that can be supplied from rural areas in Africa. With the right investment in research and development, infrastructure, markets and support for farmers to organize into cooperatives, small-scale producers could link into urban markets; more local value chains could be developed; and more urban or semi-urban jobs in agro-processing created. This would drive a ‘virtuous cycle’ of growth.

Unfortunately, the favoured approach of donors and many governments – supported by WEF – is to invest in large-scale projects supporting the industrialization of agriculture. Large-scale public-private partnerships risk bypassing the needs of the poorest and leaving the priorities of women in particular unmet. Much of the investment incentive in these models is the availability of fertile land at a good price. Therefore, land is sold. While there are opportunities and linkages for local farmers, such deals are often made with wealthier, more immediately commercially viable farmers.

Governments should instead prioritize investment in agriculture that will boost incomes and security for the poorest people, women in particular. Public investment in extension workers to train both men and women is needed, as well as ensuring access for all to credit, technology, social protection and financial and technical support to help farmers adapt to a changing climate. Marketing boards – created or facilitated by governments – can be used to good effect, and governments should be looking to foster the light manufacturing and agro-processing that creates local value for primary producers.
3.3 A HUMAN ECONOMY APPROACH TO BUSINESS MODELS

The private sector is vital to growth, and can have positive outcomes for poverty reduction. However, Oxfam’s research and experience shows that poverty reduction as a result of private sector investment and activity cannot be assumed – it must be nurtured. African leaders could choose to do this. Most corporate models used in developed countries primarily serve investors, and while some investors may take a longer-term stance on business strategy, and play a key role in helping companies to change, too often the shorter-term view prevails. African governments could leapfrog these models, and instead nurture the growth of business models that serve a much wider range of stakeholders, as part of a more human economy.

Understanding diversity in business ownership and governance models is important for development. While profitability is one important determinant of the benefits of any business for its employees and suppliers, there are likely to be tensions between a singular focus on profit maximization and wider social objectives. In these cases it is then the structure of a business that determines which stakeholders have power over key decisions when there are trade-offs to be made.

Cooperatives, employee-owned businesses, and businesses or social enterprises with explicit social missions that are valued over profit maximization are all examples of businesses that are structured to make different decisions with more social benefits. For example, Divine Chocolate, partly owned and run for the benefit of cocoa farmers, ensures three points of return for farmers: Paying a ‘fair trade’ price, investing in communities, and paying dividends to the farmers, who own 44 percent of the company.\(^{67}\)

Evidence suggests that structure is important even when a company has a strong stated commitment to social outcomes. Oxfam’s recent research looking at labour rights in Unilever’s operations and supply chain in Vietnam highlighted that, despite strong commitments by the company to improve working standards, there remained a significant tension between commercial and labour requirements for suppliers.\(^{68}\)

Such business models and alternative structures are not new. More than one billion people globally are members of cooperatives that generate more than 250 million jobs and have evolved into innovative new business models since their inception nearly two centuries ago. Twenty million Kenyans directly or indirectly derive their livelihood from the cooperative movement,\(^ {69}\) and there is a strong history of government policy geared towards cooperatives, including a government ministry for them.\(^ {70}\) Around 40 percent of Canada’s population are members of cooperatives.\(^ {71}\) In the UK, nearly one million people are employed by social enterprises.\(^ {72}\)

Small- and medium-sized enterprises

Micro, small- and medium-sized enterprises (SMEs) also have a key role to play. Currently, 85 percent of people in sub-Saharan Africa are involved in small businesses, including home-based and smallholder farming enterprises.\(^ {73}\) World Bank research shows that SMEs are the most critical source of job creation in developing countries,\(^ {74}\) and when new firms can be born at higher rates, economies tend to flourish.\(^ {75}\) Supporting SMEs in developing countries is therefore critical not only for job creation, but also to ensure an economy is vibrant and can develop.

However, like businesses of all sizes, SMEs differ in ownership structure, governance model, commitment to doing business responsibly and company culture. Therefore, they too can discriminate against women, grab land, burn down forests or pay workers poverty wages.

Even the largest multinational companies were once SMEs. So, if governments are to shape the future of business, they can do so by ensuring that SMEs evolve with structures and cultures that make them a force for inclusive growth. This can be done through the careful selection of policies that ensure the job-creating power of SMEs is combined with the right values and structures. The end goal of such policies should be to nurture an SME sector that generates enduring and inclusive growth that underpins a fairer and prosperous economy.
Supporting human economy business models

Some governments are beginning to show that they can favour such models. South Korea, Singapore, Thailand and the UK have laws that favour social enterprises in areas such as public procurement, licensing and tax. Employee ownership has in some cases received favourable tax treatment. The Philippines is considering a wide-ranging bill that would give significant support to social enterprises that focus on the interests of people living in poverty.

Of course not all business can or will change structure or ownership model. Many mature domestic and international businesses are operating across African countries and can be complementary to a human economy approach. Here the crucial factor is regulation and government oversight – in line with international standards such as the UN Guiding Principles on Business and Human Rights – to ensure company adherence to human rights standards, labour standards and environmental standards. Regulation can ensure that dominant firms do not exploit monopoly power and create a more level playing field between businesses with social missions and other forms of business. In addition, a free and active trade union sector is vital to ensuring these rights are upheld for working people.

3.4 A HUMAN ECONOMY APPROACH TO THE FOURTH INDUSTRIAL REVOLUTION

The ‘fourth industrial revolution’ refers to the growth of smart technology, making use of vast amounts of data, new communications technologies and artificial intelligence. It is an ongoing theme for WEF meetings.

For the 620 million African people without access to affordable, reliable, sustainable and modern electricity, discussions of the impact of the fourth industrial revolution on Africa could seem inappropriate. However, technology has an incredible power to liberate, especially for women saddled with the majority of labour-intensive domestic and farm work. Furthermore, there have been some good examples of the use of ‘leapfrogging’ technology in Africa: mobile phones overtaking traditional telecommunications – including for financial services – and the growing use of off-grid renewable energy. It is therefore reasonable to consider whether the fourth industrial revolution could hold promise for those still waiting for the second.

A human economy approach to this question would ensure that the benefits for Africa’s people are the primary concern as technology is adopted and rolled out, not the profits of those developing the technology or owning the capital behind it.

This means that governments must consider the impact of new technologies on jobs. The automation of roles could have a detrimental effect on roles and wages in formal agricultural work in particular, with serious consequences for poverty. While there is the possibility of new jobs being developed, they are very unlikely to be for the same people, or even the same generation – a huge investment in skills would be needed to turn agricultural workers into coders.

Governments should also consider the opportunity costs of ‘leapfrogging’. An example of the fourth industrial revolution in action in Africa is Zipline, a Silicon Valley start-up that has formed a partnership with the Rwandan government to deliver medicines by drone. Its CEO, Keller Rinaudo, argues that ‘when you don’t have paved roads, sometimes it’s impossible to get out to these hospitals and health clinics’. This solution therefore solves one aspect of the medicine supply problem, and brings immediate results, but it should not be seen by the Rwandan government as a substitute for infrastructure – that is available to all – to improve transport, communications and easy access to remote areas.

Finally, there is every opportunity for technology to create further inequalities. While mobile phone-based technology is a success story in Africa, still fewer than half of its people have a registered number, and network coverage is far from universal. Only 27 percent of people in Africa have access to the internet, making it the continent with the lowest global penetration rate. Opportunities based on access to mobile phones or the internet will be limited unless efforts are made to create the infrastructure needed to universalize their use.
4 COLLECTING AND SPENDING REVENUES

Fair taxation systems – backed up where necessary by well-managed aid – are critical for African governments’ responses to inequality to be effective, and are central to ensuring the creation of economies that work for all people.

Taxation has many uses, from stimulating or deterring certain activities, to redistributing money and providing revenue for investment. The design of a tax system reflects the relative priorities given to these uses. A human economy approach to tax would prioritize its ability to raise revenue to combat inequality and fight poverty.

A set of principles for a fair tax system were developed at a policy symposium of experts and tax practitioners – including from Africa – hosted by Oxfam, Oxford University and the Tax Justice Network in May 2016 (see Box 2).

Box 2: What does a fair tax system look like?

1. **Consider taxation and spending together.** Tax revenue alone has limited potential to fight inequality. The revenue raised must be spent in a way that helps address poverty.
2. **Progressivity must be an essential feature of a fair tax system,** so that the richest companies and individuals pay a higher rate of tax than the poorest.
3. **Policies should be gender-equal, not gender-neutral,** and should aim to actively redistribute. Tax law should recognize the legal individuality of women, not just work at the family level. Spending priorities should work to reduce the burden of unpaid work.
4. **A fair tax system cracks down on those who avoid paying their fair share.** The ‘efficiency’ of a tax system is often interpreted in terms of the ease of compliance, but this must be balanced by increasing the costs for non-compliance.
5. **Taxation should be oriented more towards social goals and raising resources than towards growing GDP.** This would require scrutiny of tax incentives for companies, for instance, to balance the prospects of growth against social impact.
6. **Informal taxation ( unofficial fees and charges) should be curbed,** as it tends to put a heavy burden on the most vulnerable.
7. **A fair tax system requires a capable and autonomous tax administration.**
8. **A fair domestic tax system requires, and should not undermine, a fair global financial system.** This requires global cooperation to reduce illicit financial flows and tax dodging by corporations and rich individuals, and ending the race to the bottom on tax rates.


4.1 THE STATE OF TAX COLLECTION IN AFRICA

Many countries in Africa have made concerted efforts to increase their tax take. Some tax administrations have been modernized with electronic filing, payment and information sharing, and efforts have been made to educate taxpayers and train staff.87

Improved efficiencies have led to increased revenues as a proportion of GDP. The IMF calculates that tax revenues in African countries have increased from around 18 percent of GDP in 2000–04, to 21 percent in 2011–14 (excluding Nigeria, which brings the average down).88

In 2015, through the Addis Tax Initiative, global donors committed to double their technical cooperation on domestic resource mobilization, including reforming or modernizing tax administration and collection, and public financial management. Thirteen African countries also signed up to the Addis Tax Initiative, thereby
declaring their commitment to ‘enhance the mobilization and effective use of domestic resources and to improve the fairness, transparency, efficiency and effectiveness of their tax systems’.89

In addition, efforts are starting to be made to stem the flow of revenues out of Africa.

An OECD-led process to counter base erosion and profit sharing (BEPS) needs support to be implemented across African countries.90

However, tax collection is undermined by limited collection capacity, as well as regional and global tax competition. In addition, tax systems still need to be made more progressive, in order to benefit everyone.

The African Tax Administration Forum (ATAF), an independent organization that works with member governments to promote better tax administration, finds that governments are struggling to keep up with global standards on compliance while efficiently collecting revenue.91 In part, this reflects the lack of involvement of the least developed countries in designing these global processes and standards from the outset.

Africa’s tax system is also relatively understaffed, and Sub-Saharan African countries would need to employ more than 650,000 additional tax officials for the region to have the same ratio of tax officials to population as the OECD average.92 The average tax administration operating cost among the 15 member governments of the ATAF is 2.1 percent of net revenue collected – much higher than the OECD's 0.9 percent.93

As well as increasing the overall tax take, across Africa there is a need to refocus taxation away from indirect taxes. Consumption taxes – VAT and excise duty – make the biggest single contribution of any tax to revenue, with excise revenue in ATAF countries rising faster than GDP between 2010 and 2014.94

Such taxes are regressive as poorer people spend a greater proportion of their disposable income on basic goods and so are more affected by VAT rates on them. VAT typically also entrenches gender inequality. Women generally have less power over what they earn and spend, but are often the ones responsible for purchasing the products that keep their families clean and healthy. Many such products are subject to VAT, while products which men may be more responsible for purchasing, such as fuel, often have a lower VAT rate, or may be exempt altogether.

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**Box 3: Building trust in taxation in Kenya**

Not all tax compliance can be enforced by administrations. It is important also to build the transparency, accountability and trust that all tax systems rely on. Therefore, citizens need to be involved and engaged by governments in the tax process. Citizens should know their rights as taxpayers, and be enabled to demand accountability and transparency on how revenues are spent. This is essential to building trust and ensuring that citizens see the value of paying tax.

In Nairobi, an Oxfam partner, the National Taxpayers Association, recruits volunteers who monitor how citizens’ money is being allocated and spent in their communities. Community auditor Azulu Adeba, identifies poor public services in the community and reviews budgets, to see whether government money has been set aside for improvements. If it has, he checks whether or not the money goes to the right place.

Azulu describes how, in 2013, the city council used 30m shillings ($295,000) just to put loose stones on the road: ‘I wondered, how can it cost 30m to lay the road? It didn’t make any sense to me. That was the beginning of my fight against tax injustice.’

Last year, a company was given the tender to construct trenches around the community. On checking with the office responsible for company registrations, Azulu discovered that the successful contractor was not even a registered company but was being given control of development projects around the community. Azulu felt that it needed looking into further and forwarded the case to the Kenyan Ethics and Corruption Commission.

‘It’s frustrating when a person living in an informal settlement on less than a dollar day, pays taxes and, in the end, doesn’t see it reflected in their society,’ he says.

Source: First person testimony gathered by Oxfam in Nairobi, October 2016.
The threat of regional and global tax competition

African tax authorities should focus on corporate income tax (CIT) as the most progressive source of revenue, especially if they set thresholds to exempt small firms. The average CIT rate across the 15 members of the ATAF is 28.3 percent – almost 4 percentage points above the OECD average. However, the majority of this is collected from a few large firms, leaving the authorities vulnerable to the strong negotiating positions of these rich companies as they look to find ways to minimize their tax.

The last 30 years have seen a steady growth in the use of tax incentives, such as tax holidays or exemptions, to attract foreign investment into African economies. Between 1980 and 2005, the number of sub-Saharan African countries offering tax holidays to companies doubled from 40 percent to 80 percent. In 1980, tax free zones were non-existent. By 2005, half of all sub-Saharan African countries had adopted them.

The losses to government revenue from corporate tax incentives are hard to estimate; however, ActionAid International and Tax Justice Network Africa estimated in 2012 that Tanzania, Kenya, Rwanda and Uganda collectively were losing up to $2.8bn a year. In Rwanda – though the government has since made efforts to reduce incentives – the revenue losses at the time would have been enough to more than double spending on health, or nearly double that on education.

Evidence suggests that these deals are not just costly, but largely wasteful. Business surveys show that incentives play, at most, a very small role in attracting investment. According to the IMF, in Guinea, Rwanda, Tanzania and Uganda more than 90 percent of investments surveyed in the years 2009–11 would apparently have been made even without the incentives they received.

Companies may not be attracted primarily by tax incentives, but they are happy to reap the rewards of this misunderstanding. There are many examples from across the continent of corporate lobbying effectively scrapping laws and policy changes that would have ended tax incentives.

An ‘each to their own’ approach clearly will not work if governments are being played off against each other, and are vulnerable to the arguments of multinational corporations. African regional blocs should work together to reverse the race to the bottom on taxation that ultimately hurts everyone.

African governments are certainly not alone in this direction of travel towards lower effective tax rates. Across the globe, governments are slashing corporate tax bills in an attempt to attract business. However, there are signs that African government policy is heading in a worrying direction. African tax justice organizations have reacted with concern to Kenya’s recent proposal to establish the Nairobi International Financial Centre, warning that financial centres on the continent with high levels of secrecy undermine domestic resource mobilization capabilities and contribute to a tax race to the bottom.

4.2 THE CONTINUED IMPORTANCE OF AID

Aid in the form of official development assistance (ODA) remains a vital flow of public finance to more than a fifth of the world’s countries. Aid is still larger than any other external resource flow in 43 countries – most of them in sub-Saharan Africa. At the time of writing, humanitarian agencies are warning of the imminence of four famines across Africa and in Yemen, with 20 million lives at risk.

Clearly, some of the world’s poorest countries will require financial assistance to face the growing threats caused by climate change, conflict, and to meet the commitments enshrined in the Sustainable Development Goals (SDGs). However, the latest annual review of development aid assistance from OECD countries shows that aid to the poorest countries in the world actually fell by an average of 3.9 percent from 2015 and was down by fully 0.7 percent to sub-Saharan Africa. At the same time the amount rich countries are spending within their own borders, on refugee programmes, is increasing. Aid levels to the poorest countries need to rise, and importantly this aid should be a complementary, not alternative, source of finance to domestic revenues. This means focusing on budget support wherever possible, to allow aid money to bolster domestic resources under the direction and policy framework set by recipient governments.
The vital importance of budget support is most keenly demonstrated when it is taken away. Malawi is currently facing a crisis in health sector funding after the ‘Cashgate’ corruption scandal saw the mass withdrawal of donors providing direct budget support for health. Aid accounted for as much as 70 percent of Malawi’s health spending. Malawi’s health sector is now facing shortages of staff and medicines, and even the suspension of ambulance services and meals for patients. The re-introduction of piecemeal, project-based aid is doing little to address these issues of core health system financing.

As levels of public aid come under pressure around the world, not least from the increasing rhetoric around narrowly defined national interest from Western countries, many donors are instead looking to the private sector to plug the gap. This entails the use a range of projects broadly categorized as donor-private sector partnerships (DPPs), which are hoped will increase the scale and effectiveness of aid. But as with any use of precious ODA funds, development effectiveness principles must apply to aid spent in partnership with the private sector. It is incumbent on donors to show how this financing is in line with principles of country leadership, is effective in terms of poverty reduction, is accountable and transparent, and can be genuinely said to lead to additional private sector funding to meet financing gaps. Evidence of such impact is hard to find.

Caution is also advisable when increasing government borrowing to plug financing gaps. While well-managed debt can help invest in vital infrastructure for example, an UNCTAD report from 2016 warns that African debt may be headed again for the unsustainable levels seen in the 1980s and 90s. African governments have showed a tendency to increase their debt rapidly again during recent years of growth, using a greater range of creditors and debt instruments, including private lenders. Now, lower commodity prices and unstable global financial markets leave many exposed to crippling debt repayments. Ghana is now losing around 30 percent of government revenue in external debt payments each year, while Mozambique has had to officially appeal for restructuring of its debt, as a result of a tragic case involving a web of secret loans sold on to global creditors.

4.3 SPENDING REVENUES FOR A HUMAN ECONOMY

It is vital that public services for all are viewed as essential and strategic investments in the economy, rather than privileges for the few. A human economy approach that puts people first would recognize the ultimate responsibility of governments to ensure universal high-quality healthcare and education for free at the point of use. It would not allow access to such prerequisites of economic and social participation to be based on market forces or one’s ability to pay.

As this report has discussed, this means action to ensure adequate resources are available to the government through progressive taxation, backed up where needed by aid.

However, even many low-income countries already have the resources needed to make significant dents in their own national poverty rates. They just need to make fairer and more accountable choices about how that money is spent.

Research last year by the Centre for Global Development found that Ethiopia, Mozambique, Tanzania and Uganda could all reduce their poverty gap by up to two-thirds if they removed regressive fossil fuel subsidies and curbed ‘excessive’ military spending.

Some questionable choices on spending priorities are clearly being made. For example, no government in sub-Saharan Africa is currently meeting the Abuja target of spending 15 percent of budgets on health, and Oxfam’s research for its forthcoming CRI shows only a few governments getting close (see Table 1).

Table 1: Health spending as a percentage of government budgets: the highest performers

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Namibia</td>
<td>14%</td>
</tr>
<tr>
<td>South Africa</td>
<td>14%</td>
</tr>
<tr>
<td>Tunisia</td>
<td>14%</td>
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<tr>
<td>Ghana</td>
<td>13.8%</td>
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<tr>
<td>Liberia</td>
<td>12.3%</td>
</tr>
<tr>
<td>Lesotho</td>
<td>11.9%</td>
</tr>
</tbody>
</table>
The market cannot plug the gap on healthcare and education

In the absence of adequate public funding being made available, donors and African governments are looking to models that require families to pay towards their own healthcare and education.

To meet the SDG on universal health coverage, many governments are looking to finance their commitments through contributory insurance schemes. However, such schemes can lock in inequality by failing to acknowledge that the majority of the labour force, especially women, is in low-income precarious work and cannot afford to make insurance contributions when they have so many competing spending demands – such as feeding their children or protecting their livelihoods.

In response to Malawi’s aforementioned health financing crisis, the government has introduced a range of ‘optional’ fees. ‘Bypass fees’ are charged at hospitals to deter people from going straight to hospital rather than their local health centre. However, research from Oxfam and partners found that this has led to a two-tier health system based on wealth, not medical need. Those who could afford it continued to pay to access hospitals whatever their ailment; those who could not stopped going.

Oxfam’s analysis is that there is no better or more equitable way to deliver public health outcomes than publicly financed healthcare, free at the point of use.

In education policy, there has been an equally worrying trend towards the commercialization of education. A recent study from the NGO RESULTS found that investments from the World Bank Group’s private sector lending arm to private education providers had shot up over the last five years. Analysing the impact of such investments in South Africa, Kenya and Uganda, Results found that fees for education were a significant barrier to poorer families; that quality education was increasingly defined by what parents could afford to pay rather than national educational standards; and that providers put profits before educational results, including by avoiding regulations and employing unqualified teachers.

Thankfully, as such practices spread, so does scrutiny. Liberia, after public criticism, scaled back its plans to privatize its entire primary education system, although is still running a pilot programme and is considering expansion despite ongoing concerns. Uganda has moved to close all schools run by Bridge International Academies, the largest chain of commercial private schools, over its failure to respect basic education standards, and a similar process is underway place in some areas of Kenya. In December 2016, the 57 heads of state of the Francophonie publicly raised concerns about the commercialization of education.

Under a human economy lens, user fees and voluntary regressive insurance schemes in healthcare are derelictions of a government’s duty. Likewise, the outsourcing of education to companies operating for profit is too big a gamble to take with the future of Africa’s young people.
5 CONCLUSION AND RECOMMENDATIONS

The poorest people in Africa cannot afford to miss out on the continent’s next period of growth, and must not be the first victims of any economic downturn. Ensuring inclusive growth will take more than just hope that the poorest will benefit from existing growth strategies. It will require a clear focus on reducing inequality and poverty, on the understanding that these people are Africa’s biggest opportunity for sustainable growth. Women and young people are too talented, too important and have too big a contribution to make to the economy and society to be left behind.

This human economy approach would end up with growth. But it would start with people.

Oxfam urges the political and economic leaders gathering at WEF Africa to:

**Actively reduce inequality.**
- Make explicit plans to reduce inequality and eliminate poverty in line with Sustainable Development Goals (SDG) targets, including concrete measurable targets and spending commitments.
- Promote the economic equality of women by investing in physical and social infrastructure needed to recognize, reduce and redistribute unpaid care work; challenging companies to be transparent in the salaries they pay women and men; and overturning the social norms that lie behind violence against women and the latter’s lack of economic power.
- Prioritize action to formalize sections of the economy, in part through investment in job creation, and create quality jobs for Africa’s young people.
- Protect the space for civil society groups, particularly those working on labour rights, women’s rights and free media.
- Develop public strategies and policy frameworks on the adoption of new technologies that explicitly take into account the impact on jobs and inequality.

**Invest in a new deal for rural Africa.**
- Undertake direct investment to tackle the needs of small-scale agricultural producers. This should include a target-based timeline and monitoring mechanism to meet and then exceed the Maputo Declaration for governments to spend 10 percent of their national budgets on agriculture. Prioritize investments in research and development, extension services, infrastructure, subsidies and fair prices for food.
- Ensure that women working in agriculture or other informal sectors receive the training, investment, land rights and social protection they need to be economically successful.
- Develop a new set of guidelines for all large-scale private sector engagement in African agriculture. WEF-sponsored agricultural initiatives, such as GROW Africa, require urgent revision to improve their inclusivity, accountability and effectiveness. This revision should include meaningful participation from farmers’ groups in decision making; setting guidelines on ‘inclusive’ agricultural business models; and ensuring the application and monitoring of the highest available standards and international agreements on land, gender, labour rights and business and human rights.

**Promote human economy business models.**
- Governments should enforce duties agreed under frameworks such as the UN Guiding Principles on Business and Human Rights – to ensure company adherence with human rights standards, labour standards and environmental standards.
• Support the development of small- and medium-sized enterprises (SMEs), as well as policies – such as well-designed tax incentives and governance reforms – which ensure that SMEs adopt positive societal values and structures to maintain these values as they grow.

• Provide favourable trade access, tax treatment and government procurement contracts for businesses that are structured to support a human economy.

• Encourage global businesses to source from businesses that support the human economy and establish aid programmes that provide such businesses with access to finance (e.g. credit guarantee schemes). Private equity funds and development finance institutions should finance conversion to employee-ownership models.

**Prioritize fiscal justice.**

• African governments should aim to quickly increase their tax-to-GDP ratios to at least one-quarter. Importantly, this increase should be done in ways that are progressive and do not increase poverty or inequality. This includes enhancing capacity to collect taxes from highly paid individuals and large firms. Tax policies should be gender-equalizing.

• African governments should prioritize the eradication of tax evasion and avoidance, by setting up national and regional action plans, coordinated with strategies to combat the use of tax havens.

• African governments should commit to strengthening tax cooperation, and try to play a more active and decisive role in the global tax reform agenda. This involves working with other governments and international institutions to end the race to the bottom on corporate tax rates and tax incentives.

**Invest in a human economy.**

• Governments should increase the proportion of their spending on essential services to fight inequality. Governments must meet their commitment made in 2015 in Incheon in Korea to spend 20 percent of the national budget on education, and meet their Abuja commitments to spend 15 percent of national budgets on health.

• Governments should resist the process of privatizing education, focusing instead on improving the quality of public schools and bolstering the number of qualified, well-trained teachers. They should recommit to school fee abolition, including addressing informal fees, to ensure equity and prevent impoverishment.

• Universal health coverage should be achieved with an emphasis on both public financing and delivery that prioritizes comprehensive primary healthcare. Governments should move urgently to remove formal and informal fees to protect the healthcare and income of the poorest people.
NOTES

All links last accessed April 2017, unless otherwise specified.


5 Though as we discuss in the main report, the current economics rests on a legacy of colonialism and of neoliberal policies packaged as structural adjustment.


8 Oxfam. (Forthcoming, 2017) *Commitment to Reducing Inequality Index*.

9 Ibid.


14 (The Abuja target of spending 15 percent of budgets on health) Oxfam. (Forthcoming, 2017). *Commitment to Reducing Inequality Index*.


22 L. Chandy and B. Seidel. (2017). *How much do we really know about inequality within countries around the world?*

23 Ibid.


29 For a discussion on the term ‘neoliberalism’ and how Oxfam uses it see D. Hardoon (2017) *An Economy for the 99%*.


42 Ibid.


45 Ibid. (The working poverty rate is defined as the share of employed population in extreme or moderate poverty, i.e. with per capita income or consumption of less than $3.10 per day).


47 As measured by the Palma ratio, which compares the incomes of the top 10 percent of the population with those in the bottom 40 percent.

48 Oxfam. (Forthcoming, 2017). *Commitment to Reducing Inequality Index*.

49 IMF. (2016). *Regional Economic Outlook, Sub-Saharan Africa*.


52 D. Hardoon. (2016). *An Economy For the 1%*. DOI: http://dx.doi.org/10.21201/2016.592643


54 CIVICUS monitor, accessed on 12 April 2017, at https://monitor.civicus.org/findings/

56 Services, mostly characterized by informal labour, are the other major source of working poverty. Therefore, investment to create waged work in urban areas would be an important strategy alongside agricultural investment. See: African Development Bank. (2016). *African Development Report 2015*.

57 Ibid.


62 Where data available.


65 R. Willoughby (2014). Moral Hazard?

66 Ibid.


84 Ibid.


Countries signed up as of April 2017 include: Burkina Faso, Cameroon, Ethiopia, Ghana, Kenya, Liberia, Malawi, Namibia, Rwanda, Senegal, Sierra Leone, Tanzania and Uganda. Institutions that signed up as supporting organizations include ATAF and WATAF. Addis Tax Initiative. https://www.addistaxinitiative.net/#slider-4

This BEPS process failed to include the voices of many African countries in a meaningful way, and it consequently fails to address some of the issues most pertinent to least developed countries, such as tax losses from the agribusiness, telecoms and extractive sectors. There is a continued need for African governments to coordinate to have a louder voice in global tax reform processes.


ActionAid. (2016). Still racing toward the bottom?


Examples can be found in E. Berkhout, (2016). Tax Battles.


Data on donor partnerships with the private sector are not yet systematically captured, or tracked, so it is not possible to present a true dollar volume to the amount of global aid that is transferred to for-profit private entities. We know from recent DAC figures, total aid channelled to just PPPs rose from $597.6bn in 2014 to $675.7bn in 2015. ODA channelled to equity and public private partnerships (PPP) investments in 2014 amounted to $2.4bn, or 1.5 percent of total ODA commitments. Additionally, ODA disbursed for blending purposes amounted to approximately one percent of DAC ODA. However, these figures likely grossly understate the total amount of ODA to donor private partnerships. DAC reporting systems do not yet adequately account for this aid spending, despite donors’ aid budgets increasingly being channelled through their development finance institutions (DFIs) using this financing model. Data from Oxfam. (Unpublished 2017). Donor-private sector partnerships (DPPs) Harnessing their potential, minimizing their risks.


Africa’s external debt stock grew by an average of 10.2 percent per year in 2011–13, compared with 7.8 percent in 2006–09. Ibid.


117 This is the extreme poverty gap, which considers the number of people living on less than $1.90 a day. However, significant dents could also be made to the numbers living on less than $2.50 a day.

118 ‘Excessive’ is used in Hoy and Sumner’s research to refer to military spending above the region’s lowest per capita spend.

119 Oxfam. (Forthcoming, 2017). Commitment to Reducing Inequality Index.


122 Such investments made since 2010 were more than double those made over the previous 15 years combined. See W.C. Smith and T. Baker. (2017). From Free to Fee: Are For-Profit, Fee-Charging Private Schools The Solution For The World’s Poor? Results Educational Fund. http://www.right-to-education.org/resource/free-fee-are-profit-fee-charging-private-schools-solution-world-s-poor

123 Ibid.


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For further information on the issues raised in this paper please email advocacy@oxfaminternational.org

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