

# WHO CARES FOR THE FUTURE:

## FINANCE GENDER RESPONSIVE PUBLIC SERVICES!

FULL REPORT



There is an expanded 24 page summary with the key findings of this report available on ActionAid's website – which you can access **HERE**.

You can also find on our website the key country data we collated from IMF documents and a detailed methodological note for our research on progressive tax.

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# 1 WHY UNPAID CARE AND DOMESTIC WORK MATTERS

*The research and writing of this report were largely completed before the COVID-19 pandemic which has had a dramatic impact on public financing and public services around the world. Public health systems that have been underfunded for a generation have been overwhelmed. Much of the burden, of caring for the sick and for children home from school, has fallen on women. In many parts of the world it is women and girls who face increased unpaid work in collecting water so their households can wash their hands more regularly. Women are also in the majority in low-paid frontline jobs as nurses and care workers, facing the highest risks of exposure.*

*The findings of this report have become ever more urgent in the face of the pandemic. We document the connections between public health systems and other public services – showing how the dominant economic model has left most services chronically underfunded, leading to an increased burden of care falling mostly on women. COVID-19 must be the moment for the world to wake up. We need urgent action to address the immediate emergency and we need longer-term structural changes to transform public systems for the future.*

## 1.1 MAKING INJUSTICE VISIBLE

Women are more likely to live in poverty than men and are less likely to be in paid employment than men.<sup>1</sup> A crucial factor in perpetuating this injustice is that women perform over three quarters of the unpaid care and domestic work that is done worldwide.<sup>2</sup> This both reflects and reinforces patriarchal norms, constraining the time that women have to secure decent work, claim their rights or pursue their interests. On average women spend four hours and 25 minutes daily doing unpaid care work, in comparison to men's average of just one hour and 23 minutes and this is changing very slowly – by less than a minute per year in the past 15 years.<sup>3</sup> In 2019 the ILO estimated that, continuing present trends, it will take 209 years to close the gender gap in time spent on unpaid care work.<sup>4</sup> This could be resolved much more rapidly through the comprehensive provision of gender responsive public services but this requires a transformation in what we value in an economy and in the forces that influence the financing for public services.

Mainstream economists pay little or no attention to unpaid care and domestic work – but ignoring this means that in most economic theories and measurements, a significant portion of women's labour remains invisible. This is changing, but slowly. Following research and advocacy work by feminist networks such as DAWN, the Beijing World Conference on Women in 1995 called for unpaid care work to be factored into national accounts.<sup>5</sup> In 2008 the feminist economist Diane Elson suggested 'the 3 Rs' framework – recognise, reduce and redistribute – as a key means to address unpaid care work.<sup>6</sup> The third R – redistribute – can be achieved in part by sharing responsibilities more equally with men, but is more universally achievable through redistributing responsibilities from households to the State, through the provision of public services. In 2013 Magdalena Sepúlveda, at that time the UN Special Rapporteur on Extreme Poverty and Human Rights, submitted the first ever report on unpaid care work to the UN General Assembly,<sup>7</sup> positioning women's unpaid care work as a major human rights issue – one that could be dramatically lessened through state policies improving women's access to public services.

The growing global consensus on the need for action on unpaid care work is reflected in its inclusion in a specific target under **Sustainable Development Goal (SDG) 5**<sup>8</sup> in 2015: *"recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies, and the promotion of shared responsibility within the household and the family as nationally appropriate."*<sup>9</sup>

## BOX A: VIETNAM: POWERFUL EVIDENCE FROM TIME-USE DIARIES <sup>20</sup>

Starting in 2015, ActionAid Vietnam has been undertaking a long-term research and advocacy programme focusing on unpaid care work and the impact that unequal distribution of care has on women, men, society and the economy. This program operates in rural areas and includes a time-diary survey which has been undertaken in nine sites across the country, community behaviour-change initiatives, policy analysis and advocacy. A total of 540 participants (59% women) completed 1561 time-diary surveys. Some of the headline findings from the latest analysis were:

- 5 hours per day: the average amount of time women spent on unpaid care work in ActionAid's first time diary surveys (January – April 2016).
- 54 working days per year: the amount of time each woman in one district in Ha Giang could save if they had improved access to water and sanitation.
- 50 hours per month: the average amount of time women with children under six spend on childcare.
- 5 million hours per month: the amount of time women could save if an extra 100,000 early childcare places were made available.
- 1.1 trillion VND: (about US\$47 million) the contribution those women would make to the economy each year if they invested their time in paid work in the care economy, rather than unpaid care work. This would also raise their household incomes by 920,972 VND (US \$40) per month.
- 57 minutes per day: the average reduction of women's time on unpaid care work by the end of the two year research and advocacy project. This is equivalent to 29 hours per month.
- 8 hours per week: the amount of extra time women in the research contributed to paid work by the end of the study.

*ActionAid Vietnam's latest research report on water recommends that local authorities prioritize infrastructure projects that improve household access to water (such as installation of household water tanks and piped water) and improved fuel (such as rural electrification or cooking fuel subsidies). Gender analysis of rural development and infrastructure projects should be undertaken to identify how these projects can support the care economy as well as the formal economy and avoid reinforcing existing gender roles.*

There are agreed SDG indicators on the percentage of eligible populations covered by national social protection programs and the average number of hours spent on paid and unpaid work combined (total work burden), by sex. Others, including Corina Rodríguez Enríquez<sup>10</sup> go further, arguing that care is an issue which crosscuts all of the SDGs and directly relates to: decent work, poverty, hunger, health, education, water and sanitation, infrastructure, and inequality. Care and domestic work are identified as a foundation of sustainable development, essential for day-to-day living, for people's reproduction and for the whole survival of the society.

There is **growing pressure** in many international fora for unpaid care and domestic work to be taken seriously. In 2017 UN member states at the UN Commission on the Status of Women<sup>11</sup> pledged to "reduce and redistribute unpaid care and domestic work" and agreed to increase public services and provide affordable childcare that would allow women to undertake paid work and reduce unpaid labour. In 2018, the G20 in Argentina<sup>12</sup> promised to take action on "quality and affordable care infrastructure" and launched an initiative on early childhood development. Crucially the ILO in 2019 published a landmark report called A Quantum Leap for Gender Equality<sup>13</sup> which builds on that momentum, showing how decades of chronic underfunding of public services can be reversed and what this might mean for reducing the burden of women's unpaid care and domestic work. Most recently, in 2020, Oxfam published 'Time to Care', a report making the links between unpaid and underpaid care work and the global inequality crisis.<sup>14</sup>

## BOX B: THE UNPAID CARE WORK OF RURAL WOMEN IN AFRICA

*“The usual working day of an African rural woman lasts up to 16 hours, or even longer in some cases, in which they perform many tasks (often simultaneously). Women typically work 12 hours more per week than men. In Ghana, ActionAid’s research found that rural women spend at least six hours per day on unpaid care work, which is almost ten times more than men. In Rwanda rural women typically spend at least five hours per day on unpaid care work, while men spend only 1.5 hours.”*

**Action Policy Brief: Incorporation of Women’s Economic Empowerment and Unpaid Care Work into Regional policies in Africa, 2017**



Unpaid care and domestic work is never-ending. Susan Dakurah, 28, takes a break from doing the laundry to nurse her twin babies, Gabriel and Gabriella Dakurah, as her 4 year old daughter, Blessing Dakurah, looks on. Ghana. Photograph: Deborah Lomotey/ActionAid

## BOX C: PAID AND UNPAID WORK IN BANGLADESH

*ActionAid Bangladesh conducted a time use survey which found that women spent, on average, eight hours a day on unpaid care work. Men spend around an hour and a half daily. On the other hand, women spend around an hour a day in paid work while men spend five hours in work they are paid for.*

**The Recognition and Redistribution of Unpaid Care Work, ActionAid Bangladesh, 2017**

## 1.2 UNDERSTANDING UNPAID CARE AND DOMESTIC WORK

The ILO **defines unpaid care** work as “*non-remunerated work carried out to sustain the well-being, health and maintenance of other individuals in a household or the community*”.<sup>15</sup> The UN General Assembly report by Sepulveda in 2013<sup>16</sup> used a definition of unpaid care work that includes “domestic work (meal preparation, cleaning, washing clothes, water and fuel collection) and direct care of persons (including children, older persons and persons with disabilities, as well as able-bodied adults) carried out in homes and communities”. In this report generally we use the phrase ‘unpaid care and domestic work’ a phrase now used by the United Nations.

One of the most effective ways to understand gender workloads is through **time use surveys**, to track a person’s activities hour-by-hour. In 2017 the Commission on the Status of Women urged governments to use these more widely to measure present practices, but at the moment fewer than a third of governments do so, and they tend to be done only every five or ten years.<sup>17</sup> ActionAid has been working with a highly participatory model of time use surveys,<sup>18</sup> linked to longer-term adult education programmes using reflection-action methodologies.<sup>19</sup> This enables people to explore the **traditional gender roles** that are of course a root cause of the imbalance in unpaid care work, with men in most societies still seen to be the main cash-earners, with caring and nurturing roles attributed to women. Participatory processes have proved a very effective means of deepening local recognition of the issues amongst women and men, leading to significant acts of redistribution of unpaid workloads and some local government action to provide services and labour-saving devices that reduce the burdens on women. Local interventions can be powerful, but broader and more sustainable change will require concerted action by governments, particularly through their investment in public services that can reduce the present burden of care work that falls on women.

Time-use surveys have helped to estimate that, globally, **women perform 76.2%** of total hours of unpaid care work, more than three times as much as men,<sup>21</sup> and in Asia and the Pacific this rises to 80%. Over a lifetime this means women are working an average of four years more than men<sup>22</sup>.

Care work varies by type, so while women on average spend twice as much time on household work as men, they spend four times as much when it comes to childcare.<sup>23</sup> But averages can hide the true scale of the challenge for some women. The intersection of gender, class, ethnicity, age and citizenship status makes a huge difference – it is the poorest and most vulnerable women in any country or region who face the worst double burden of unpaid care work and low paid precarious work. This is particularly the case in the global South where the gaps in public services are often acute, further reinforcing the burden and drudgery faced by women.<sup>24</sup> It is worth noting as well that low-paid domestic care work is increasingly assumed by the most vulnerable women, and is increasingly globalised.<sup>25</sup> A recent ILO report observes that the rise in low paid domestic work is particularly acute in countries with high inequality and where public services are failing, such as in Brazil and South Africa.<sup>26</sup>

Indeed, there is growing evidence about the links between unpaid and paid work. The level of unpaid care work assumed by women is considered to be one of the main reasons why so many women are outside the labour force and unable to access decent work. In a report for CSW in 2018, Gita Sen found that about 600 million working-age women could not work owing to their unpaid care work (compared to just 41 million men).<sup>27</sup>

## BOX D: THE IMPACT OF UNPAID CARE AND DOMESTIC WORK IN NEPAL

*These are results from a recent survey by ActionAid Nepal asking 198 women the ways in which their unpaid care work impacted on other aspects of their lives.*

IMPACT	FREQUENCY	PER CENT
Formal education hampered	80	40.40%
Limited engagement in community activities	89	44.95%
No opportunity to learn professional and career related skills	124	62.63%
No time for personal leisure	134	67.68%
Career growth affected	64	32.32%
No time for political engagement	7	3.53%
Personal health affected	106	53.54%
Others	6	3.03%

Of course, some progress can be made by redistributing roles within households – sharing responsibilities equally among women and men, girls and boys and without attributing tasks based on gender stereotypes. This needs careful monitoring as the first default is often for women’s roles to be assumed by their daughters, negatively impacting girls’ education. But even if achieved, this redistribution within households will not address the wider structural challenges presented by the overall level of unpaid care and domestic work that is being passed on to households, which will always fall most acutely on households living in poverty. Wealthier households can afford extra support, whether nannies, maids, cooks or cleaners (often at very low rates of pay), but this is not an option available for most households, limiting their ability to work their way out of poverty. When responsibilities are not assumed by the state, disadvantaged households – particularly women (including older women<sup>28</sup>) and girls within those households – prop up the wider economy through their unpaid labour.

The scale of the burden is clear from data collected across 64 countries, representing two-thirds of the world’s working age population. This shows that **16.4 billion hours per day** are spent in unpaid care work – the equivalent to 2 billion people working eight hours per day with no remuneration. Were such services to be valued on the basis of an hourly minimum wage, they would amount to at least 9% of global GDP or US\$11 trillion.<sup>29</sup> Other estimates seeking to assign a monetary value suggest unpaid care work would constitute much more than this. The UK Office of National Statistics<sup>30</sup> estimated unpaid housework in the UK alone to be valued at over £1 trillion annually – the equivalent of over 60% of GDP (a greater value than the entire non-financial corporate sector).

## BOX E: DAILY LIFE IN RWANDA

*“A man wakes up at 6 am, does field cultivation until 12 pm. He rests until 2 pm and takes time from 2 pm until 8 pm to drink beer at the center or talk with the other men. This is done by 60% of the men. After 8 pm it is time to sleep. The woman works without rest from 5.30 am to 8.30 pm. After the field cultivation the women take care of children and do other chores like cooking, cleaning. It would be good if women had less hours of unpaid work.”*

**Busasamana, Rwanda (see POWER Baseline report, 2017)**

## 1.3 RE-FRAMING THE ECONOMY

Unpaid care is not factored into **calculations of GDP**, revealing that GDP is a very limited measure of an economy – after 80 years of GDP as the global standard it is surely time to find a new measure or to add new dimensions to the measurement. It is striking that when GDP was first proposed as a measure by the male economists Meade and Stone in 1941, it was almost immediately contested by a female economist in their team, Phyllis Deane, particularly based on the realities of women’s unpaid care work in Africa. Her insights were ignored by her male colleagues.<sup>31</sup> More than three quarters of a century later, it has taken a female Prime Minister, Jacinda Ardern of New Zealand,<sup>32</sup> to propose a radical overhaul of GDP and the introduction of a multi-dimensional framework for measuring living standards and well-being.<sup>33</sup>

**Feminist economists** argue that care, rather than capital, should be at the centre of our concerns.<sup>34</sup> Care for both people and the planet is key to the sustainability of life, to what we should truly value. Most economic theory looks narrowly at capital and markets, focusing on paid work rather than the vast arena of unpaid care and domestic work and ignoring the intrinsic value of care. This makes women and their contribution largely invisible in the economy and ignores much of the foundation of human survival, especially with increasing care dependency ratios. We urgently need to re-think economics to fully integrate the meaning and importance of care work – and reshape our social frameworks accordingly.

One central part of such a reframing is to look again at the **case for investment in quality gender responsive public services** – this is increasingly being undermined by a neoliberal world view that doubts the importance of universal public provision by the state.<sup>35</sup> Of course, quality education, health, access to clean water, and sanitation are fundamental rights in themselves; universal provision of these public services is essentially a justice issue which should require no further justification. But despite compelling human rights frameworks, such as the Covenant on Economic and Social Rights and political commitments such as the SDGs, many core public services have been and remain chronically underfunded, especially in countries in the global South. Looking at these essential services through the lens of the connection to unpaid care can add renewed momentum to the case for substantial new investment. It can also help to make the case that the recurrent costs of these basic services should be protected even at times of austerity.

At present big infrastructure projects are regarded as ‘investments’ to be protected in such contexts, with spending on public services being treated more like ‘consumption’. There is a compelling case to be made that essential services are integral to the social infrastructure of a country and that they are in fact a sound investment for the future that yields substantial returns (including through creating decent jobs for women).<sup>36</sup> As such, recurrent spending on public services should always be prioritised for protection, even at the height of a recession.<sup>37</sup> The alternative is to increase the already excessive burden of unpaid care assumed by women which represents an unacceptable further violation of women’s rights. This passing of the care burden onto women should no longer be accepted and it is time for all economists to accept and build on the insights from feminist economists.

The **UN Secretary General’s high level panel** on Women’s Economic Empowerment<sup>38</sup> is one place this case has been made.

The panel called on governments to: *Recognize, reduce and redistribute care work. Care is a universal right and an essential building block for economic growth and women’s economic empowerment. Governments should ensure that core economic policies include commitments to invest in affordable, quality and accessible care services (childcare, elder care, disability care) for all, including the most marginalized groups. Governments should include care in commitments to universal social protection, incorporate measures of paid and unpaid care work in national statistics and invest in basic infrastructure (water, electricity, health, education and safe transport).*

# A Women's Emergency:

Why women and girls will be hardest hit by the COVID-19 crisis

- ✿ 2/3 of health sector jobs globally are held by women.
- ✿ School closures mean women are caring for children at home.
- ✿ The majority of women's work is in the informal economy, without sick leave and unemployment benefits.
- ✿ Girls are responsible for collecting water. But without access to free, clean water they are more at risk.
- ✿ Most domestic workers are undocumented, migrant women.



Unfortunately, such warm words are rarely backed up by resources. **Citizens in too many countries are impacted by the austerity policies pursued by their governments<sup>39</sup>** which are:

- undermining existing provision of public services
- passing increased care burdens onto women
- blocking the expansion of services required to transform women's unpaid care work and achieve the SDGs.

This report seeks to fill a gap. It seeks to flesh out which public services will be most transformative for reducing unpaid care work, notably for women in the Global South, and to show how chronically underfunded these services are to respond both to present and future needs. It then offers practical solutions to achieve a dramatic change in the financing of public services, including:

- How action on debt is essential to securing additional financing
- How IMF policies and conditions need to change in line with the institution's rhetoric on gender inequality to allow countries to invest in public services
- How countries can expand their domestic tax revenue in gender responsive and progressive ways
- How investment in gender responsive public services is crucial to redistributing unpaid care and domestic work – and generating decent work opportunities for women.

# 2 HOW GENDER-RESPONSIVE PUBLIC SERVICES REDUCE UNPAID CARE AND DOMESTIC WORK

*This report went into production before the dimensions of the COVID-19 crisis were clear. COVID-19 has exposed starkly the links between public services and the unpaid care and domestic work assumed mostly by women. Schools and childcare centres have been closed, leaving children to be cared for 24 hours a day at home - and this work is falling mostly on women. Hospital and health centres have been unable to cope with sudden surges in demand, so many of those who fall sick are expected to stay in isolation at home, to be cared for mostly by women. The simple need for safe water for washing hands reminds us all that many in the world cannot take this for granted and that the hard labour of collecting water falls mostly to women and girls. High quality public provision of education, childcare, health and water transforms the lives of all those who are fortunate enough to have them. These basic rights to public services cannot be ignored in a post-pandemic world.*

## 2.1 INTRODUCTION

There are clear obligations on all states, agreed in international law, to deliver on the human rights to education, health and water – and to do so in ways that eliminate direct or indirect discrimination against women in order to make substantive equality a reality.<sup>40</sup> The provision of quality public services is key to delivering on these obligations and doing so can also make a huge impact on the burdens of unpaid care and domestic work borne by women, enabling women to access paid work (including in the public services themselves) and participate fully in their communities and wider society.



Varou Mat, 31 teaches in the nursery school in Doun Kaot village, Kampot Province in Cambodia where the climate crisis will transform life for the next generation. Photograph: Natasha Mulder/ActionAid

When women spend several hours a day caring for children, provision of free public primary schools and early childcare can be transformative. When women are expected to care for the sick and elderly at home, access to health services can reduce the burden. When women spend hours collecting water, access to clean water close to home can transform lives. However, when financing is constrained or cut, the state capacity to deliver on their human rights obligations is severely undermined and the responsibility to cover the gaps often falls on women, reinforcing gender hierarchies and inequalities. Often it is the women who have least, such as those living in poverty in rural areas or marginal urban areas, who bear the largest burden, as public services are not available, and they cannot afford to pay for private provision. Historic failures to invest in those public services associated with caring roles (such as child-care, early year teachers, nurses), or cuts in those services, also affect women disproportionately as these are often a key source of employment.

In this section we will look at how different public services can impact on unpaid care and domestic work, exploring the connections, examining the present state of provision of these services in low and middle-income countries and laying out some of the financing challenges.

## 2.2 EARLY CHILDCARE AND EDUCATION

### 2.2.1 Connections with unpaid care and domestic work

In most surveys of unpaid care and domestic work the care of children emerges as one of the most time-consuming responsibilities, particularly for young women. The gendered division of labour leads many women to leave paid work to care for children or to choose work that allows them to accommodate care responsibilities. This work is often low-paid, low-skilled, un-organised and far from the ILO's definition of decent work.<sup>41</sup> If young women do return to work they have a choice of either passing the burden of childcare to other female family members or paying for childcare, which is either prohibitively expensive or undertaken by vulnerable / migrant women and girls for low pay who themselves face insecure and often violent working conditions, devoid of labour protections or social security.<sup>42</sup>

Public provision of early childcare and education can be transformative for women's lives, enabling them to pursue better paid employment, their own education or their own interests. Indeed, public provision of education and childcare at all levels has an impact. There has been a priority for many years to universalise enrolment in **primary schools** – established as a human right in 1948, reaffirmed in the Convention of the Rights of the Child in 1989, prioritised as one of the eight MDGs in 2000 and reiterated in SDG4. When children are old enough to go to primary school this is often a landmark moment for carers, opening new possibilities. However, if children drop out of school after just a few years then the burden of care either returns or is passed on to older girls.

Less attention has been placed on **early childcare** – though this is changing. Early childhood care and education is rapidly rising up the international agenda, with a growing recognition that the benefits of a year or two of quality preschool can be transformative for children from disadvantaged backgrounds and can yield all sorts of other development benefits,<sup>43</sup> most notably to health. As well as benefits for themselves, enrolment in early childhood education can free up substantial time for their carers, substantially reducing the burden of care work which is more intense in the early years. This is partly undermined by the fact that at present the workforce in early childhood education tends to depend on women working as volunteers or on modest stipends.<sup>44</sup>

Even less attention is placed on the very early years – early childcare from 0 to 3 years old in kindergartens or nurseries – where interventions integrating early stimulation, health and nutrition are crucial for the children themselves and can be even more liberating for carers who may otherwise have no respite. Whilst most parents enjoy caring for children in the early years, doing so all day every day can be draining for even the most adoring parent. The pressures to provide care for under-threes often lead to older girls being pulled out of primary or secondary school – so there is a direct connection

## BOX F: GENDERED WORK AND PAY IN PUBLIC EDUCATION

The education workforce in most countries is highly gendered, with pay levels closely correlating to the extent to which roles are seen to involve a caring role. Workers in early childhood education are overwhelmingly women, the majority of teachers in primary schools tend to be women but by secondary level there are often more male teachers, becoming even more skewed towards men as lecturers in higher education. Levels of pay closely follow the perceived gendered nature of the roles. Roles in early childcare are often dependent on volunteers or women working for a modest stipend, workers in early childhood education or pre-school are equally underpaid, primary school teachers earn less than secondary school ones, and lecturers with specialist knowledge are most likely to be the best paid in the system. Making the case for properly trained and paid workers in early childhood care and education as investments in the care economy can create opportunities for women to access decent work opportunities.

Data from Ethiopia, showing numbers and types of teachers by gender at different levels:

- Pre-primary male = 3,892. Female = 30,103 (10x more female)
- Primary. Male = 296,647 Female = 188,292
- Secondary. Male = 83,663. Female = 19,657

between the failure to provide early childcare and the challenges that girls face in staying on at other levels of education.

There is growing recognition of the crucial importance of girls staying on through **secondary education**,<sup>45</sup> and yet there is often a massive bottleneck at the end of primary school, with secondary schools located further away and often costing more. Lack of adequate sanitation facilities and violence against girls in school, around school and on the way to school are increasingly recognised as significant factors driving drop out. Those girls who do stay in school come under increasing pressure to assume household duties<sup>46</sup> which affect their learning (restricting time for homework compared to boys) and many girls are forced to drop out in order to more fully assume care responsibilities. Early pregnancies or early (child or forced) marriages are both a significant factor driving school drop-out rates and an increased risk for those girls who drop out for other reasons.

Girls who do manage to stay on through secondary school can help to break the cross-generational burden of care and disadvantage. Often acclaimed as the world's best investment, each extra year of schooling that a girl receives, increases her future wages by 12% – and increasing the number of women completing secondary education by just one percent could increase a country's economic growth by 0.3%.<sup>47</sup>

Investment in all levels of education can have **other positive effects** on unpaid care and domestic work. For example, whilst sometimes textbooks and curricula reinforce stereotypes, schools in many places are sites for challenging the assumptions that underpin the gendered construction of roles and the gendered division of labour. Even faced with more restrictive curricula, girls will often emerge from a full cycle of primary and secondary education with increased confidence and skills to assert themselves in both private and public spheres, for example enabling them to resist early, child or forced marriage and unwanted pregnancy.

Those who missed out on education ought to have a **second chance to learn as youth or adults**. SDG4 calls for 'lifelong learning' which is particularly important for women who make up two thirds of the 750 million adults worldwide who cannot read and write. Having opportunities to return to learning after years of unpaid care and domestic work can be empowering. It's also crucial to learn new skills in a rapidly changing world.

## 2.2.2 Present state of provision

Whilst rapid progress has been made on universalising access to primary school, significant challenges remain – 59 million primary-aged children are not presently enrolled.<sup>52</sup> A further 62 million children of lower secondary age are not in school and 138 million children in the upper secondary school age group. That means in total 258 million children are out of school – one in every five children between the ages of 6 and 17 – and that rises to one in every three children in low and lower-middle income countries.<sup>53</sup> Whilst gender parity has improved in primary school in recent years, it remains a challenge higher up the education system. In some countries this is acute – in Afghanistan only 33 girls complete lower secondary education for every 100 boys.<sup>54</sup> When gender is overlaid with poverty and rurality the scale of disadvantage is severe. Fewer than 5% of poor rural girls in Malawi and Rwanda complete lower secondary education.<sup>55</sup>

However, the statistics around early childhood education are even worse. 150 million children aged between 3 and 5 years old have no access to pre-primary education – an average of just half of the world’s children in this age bracket – and in low income countries just one in five children has access<sup>56</sup>. According to UNICEF *“across 64 countries, the poorest children are seven times less likely than children from the wealthiest families to attend early childhood education programmes.”*<sup>57</sup> Again, geography plays a big part: children in urban areas are 2.5 times more likely to attend early childhood education programmes than rural children.<sup>58</sup>

The worldwide average for access to very early childcare (from 0-3 years old) stands at just 18%,<sup>59</sup> with very few countries having universalised provision in this area. Of course, when there is no early childcare service available, women living in poverty who have to juggle other commitments (such as work as smallholder farmers) either have to take their children to work with them (which limits the work they can do)<sup>60</sup> or to leave children alone – an action which has a serious impact on their development and safety. It is estimated that globally, over 35.5 million children under five are being left at home without adult supervision.<sup>61</sup> The lack of childcare means women find sub-optimal care arrangements for their children and have less time to engage in paid work which they also badly need to buy basic goods.<sup>62</sup>

Primary and secondary schools in most countries are still predominantly in the public sector though there are higher rates of private provision in developing countries than developed ones and there

### BOX G: LEGISLATION AND MOBILISATION ON EARLY CHILDCARE IN BRAZIL

In Brazil, early childhood education – including daycare and pre-school – is a right guaranteed by the Federal Constitution of 1988 and must be offered to children from zero to five years old and their families.<sup>48</sup> However, according to data from the Brazilian Institute of Geography and Statistics / IBGE in 2018, only 1/3 of Brazilian children aged between zero and three years were in daycare centres: 3.5 million children had access but 6.7 million were still not covered by the system.<sup>49</sup> This is one of the biggest bottlenecks in guaranteeing the right to education in the country. In fact, not are there an insufficient number of places in daycare centers, but quality varies owing to the distance to access services and limited opening hours. Women have reported that the service was unreliable in reducing their domestic and care work burden.

São Paulo performs better than most with almost 50% of under-three year old children enrolled in public centres (and a further 8% in private day care)<sup>50</sup> and with places secured for 94% of families that were actively seeking help. In the last favela, Heliópolis, nearly 99% of families needing a daycare place secured one – though the average wait to get a place was 72 days.<sup>51</sup> This reality is, to a large extent, the result of a strong history of community struggle aiming to guarantee people’s right to education through the mobilisation of social movements, political participation and advocacy with the state. A combination of national legislation and local mobilisation is needed to deliver the right to early childcare! But challenges continue and the next focus of mobilisation is to defend the centres against austerity cuts under the new government and to ensure greater proximity of centres to homes, longer hours of service and safe transit routes.

are some aggressive efforts at extending privatisation and public-private partnerships, notably with support from the World Bank and some bilateral donors. This is being strongly resisted by a wide range of actors defending the right to education. The recent launch of the Abidjan Principles<sup>63</sup> offers some authoritative human rights guidelines that should limit exploitative private provision.

However, privatisation of education has been more accelerated at the tertiary level and early childhood education and childcare remains principally in the private sector.<sup>64</sup> This has created a situation where only those who can afford to pay for early childcare and education receive it, even though the benefits would accrue most dramatically to disadvantaged children, as well as their primary carers. There is a growing awareness of the need for governments to assume public responsibility to ensure equitable access to early childcare and education – this would require a significant expansion in recurrent budgets as the major costs are to cover staffing. Using women as volunteer staff in early childcare should be considered as wholly unacceptable: as Kate Lappin from Public Services International observes, *“This needs to be recognised as wage theft that is generated from the patriarchal assumption that women’s care work is not valuable.”*

We need to support demands for early childcare workers to secure at least the minimum wage – as well as supporting their right to unionise. There is potential for a double benefit: early childcare reduces women’s care work at home and generating decent employment in early childcare can be transformative for women entering the workforce.<sup>65</sup>

### 2.2.3 What a gender responsive public service should look like

There are some clear standards that have been established for determining the quality of public education and childcare. ActionAid’s Promoting Rights in Schools Framework offers a useful introduction to ten core rights that all schools should respect and Katarina Tomaszewski’s 4 A framework<sup>66</sup> can also be applied across all levels of provision:

**Availability** = fiscal allocations matching human rights obligations; schools matching school-aged children (number, diversity); teachers (education & training, recruitment, labour rights, trade union freedoms)

**Accessibility** = elimination of legal and administrative barriers; elimination of financial obstacles; identification and elimination of discriminatory denials of access; elimination of obstacles to compulsory schooling (fees, distance, schedule)

**Acceptability** = parental choice of education for their children (with human rights correctives); enforcement of minimal standards (quality, safety, environmental health); safe and non-violent spaces; language of instruction; freedom from censorship; recognition of children as subjects of rights

**Adaptability** = girls; minority children; indigenous children; working children; children with disabilities; child migrants, travelers

One of the challenges is to apply this framework to the provision of early childhood care and education provision on which there is very little mention in human rights law, aside from the Committee on the Rights of the Child’s **General Comment 7**. This gap is being addressed by, amongst others, the **Right to Education Initiative** who support global advocacy for an international legal framework on early childhood education.

There are of course differences between the levels of education which will lead to different levels of costs. Early childhood care and education provision needs to be located as close to home or women’s workplace as possible if it is to be truly available for carers to use. Primary schools should be within one or two kilometres. Secondary schools may be further away but routes to school need to be safe, especially for girls. The staff ratio to children will also vary. In early childhood education a ratio of one to 15 or one to 20 is considered important and in very early childcare an optimum level may be a ratio of one to five.

UNICEF estimate<sup>67</sup> that to meet the SDG target of universal pre-primary coverage by 2030, while achieving an ideal pupil-teacher ratio of 20 to one, low- and lower-middle income countries will need four times more pre-primary teachers than they have today –and that they must add over 8 million pre-primary teacher into the workforce. At present only half of pre-primary teachers in low income countries have any training. In primary and secondary education, a ratio of one trained teacher to 30 children is considered good practice – though the average in Sub-Saharan Africa is 1:60<sup>68</sup> and rural class sizes of over 100 are not unusual.

All public sector workers, including teachers and assistants at all levels, should have access to decent pay and working conditions, including the right to unionise and engage in collective bargaining. This is acutely important for those in early childhood education where there is a need to make sure care workers are treated with dignity, receiving proper recognition and remuneration.<sup>69</sup>

The standards for measuring primary and secondary schools tend to be relatively well established but those for earlier provision are often not as clearly defined or regulated. One of the biggest challenges in early childhood education is to actively avoid the premature teaching of formal literacy and numeracy which can do more harm than good. Valuing social and emotional development, creative stimulation of all senses and playing games is important – and in the very early years coordinating with health, vaccination and nutrition interventions can be crucial to maximise the positive impact on children themselves and on the burden on unpaid care and domestic work both in the present and future for carers.

#### 2.2.4 Financing Issues

There are well established international benchmarks for spending on education. Governments should spend 4-6% of GDP on education and allocate at least 15-20% of public expenditure to education<sup>70</sup> – with low income countries expected to reach or exceed the upper limits of these. Countries are presently falling short, with low income countries presently spending on average 14.8% on education and some of the countries with the biggest education challenges, such as Nigeria and Pakistan, spending less than 10% of their national budgets. However, even countries that spend a fair share of their national budget on education can still lack resources where the tax to GDP ratio is so low that overall government revenue is insufficient.

There are particular challenges in scaling up access to early childcare and education – which is recognised as a major priority but suffers serious under-investment from governments and donors. Projecting what it would cost to universalise access is a first step to understanding the scale of the challenge. In 2016 the Global Partnership for Education estimated that low and middle income countries would need to spend \$337 per child per year (based on an average cost per child per day of \$1.25 for adequate early childhood provision).<sup>71</sup> Based on this calculation GPE estimates that African countries would need to quadruple their spending on early childhood education to achieve an acceptable basic level of provision.

Other calculations suggest that countries would need to spend about 2% of their GDP in order to provide universal early childhood care and education. At present, on average, less than 0.1% of GDP is spent on this.<sup>72</sup> A recent study by UN Women looks at the costs of providing free universal childcare in South Africa, Turkey and Uruguay<sup>73</sup> – showing that whilst the initial costs of providing high quality childcare for **all** children below primary school age (from 0 to 6 years old) may be 3-4% of GDP, the employment-generating (especially for women) and fiscal effects would actually halve the costs (for example through those who are employed paying tax). Indeed, in the long run the fiscal return on the investment would outstrip all costs based on mothers closing their lifetime employment and earning gap following such a comprehensive childcare offer. The case for investment in early years is also evident from the work of Nobel prize winning economist James Heckman whose ‘Heckman Curve’<sup>74</sup> shows that the highest rate of economic returns comes from the earliest investments in children.

The total global cost of providing universal access to early childhood education was calculated by UNESCO in 2015 to be \$31.2 billion per year<sup>75</sup> – the equivalent of about six days’ worth of worldwide military spending.<sup>76</sup>

## 2.2.5 CASE STUDY The Unpaid Care Work of Early Childcare Workers in Malawi

Too often the provision of early childcare in disadvantaged communities depends on NGOs and on exploiting women as volunteer workers. Over the past eight years ActionAid Malawi, with support from the Roger Federer Foundation (RFF) of Switzerland has supported 80 model Community Based Childcare Centres (CBCCs) and an additional 400 satellite centres, reaching over 92,000 children aged between three and six. This practical engagement is used by ActionAid Malawi as a foundation for advocacy together with a national ECD coalition, engaging with the Parliamentary Committee on Social and Community Affairs to reform national policies and call for an increase in the budgetary allocation towards ECD services in Malawi (to reach at least 3% of the national education budget). In recent years the government's ECD budget has indeed risen dramatically (a seven-fold increase) but as it started from such a low base this still falls short.

The headline financing request from this programme is for the caregivers in the Early Childcare centres to be paid (at least the minimum wage) – as they are presently working as volunteers. This goes to the heart of a dreadful irony. For many women, such as Jenifer Makhalidwe from Majingo Village, the opening of a centre in her area was transformative, caring for her young children for four hours every day: *“Prior to this CBCC, I would be busy caring for children at home. The situation has improved for the better for me with this CBCC which is just a three-minute-walk away. When my child is at the CBCC, I have a lot of time to do other important tasks such as farming and selling merchandise at a nearby trading centre.”*



However, the centres still depend on volunteer workers and they are all women. Jennifer Sitolo, one of the seven care-givers at Kalumo CBCC in Ntchisi, says being a care-giver in the centre has been tough financially and calls upon stakeholders, especially government, to start recognizing care-givers in the country.

*“The biggest challenge that we face as caregivers is that, when others are doing economic activities, we spend much of our time at the CBCC doing unpaid care work of taking care of the children. The end result is that most care givers are poor,”* says Sitolo who has been a care-giver for the past two years at the CBCC.

Ellina Thomas, the head caregiver at Kendekeza CBCC in Lilongwe, says the caregiving role is in desperate need of recognition.

*“Just like most women, my household chores never really come to an end. I simply take a short break in order to do other things or to rest and then start all over again. When it is my turn to teach at the CBCC, I make sure I wake up as early as 5 am to finish my morning chores before I leave for the CBCC,”* she says.

Early childcare centres in Malawi reduce the burden on childcare at home and transform the life-chances of the next generation. Photograph: ActionAid

## BOX H: THE TRANSFORMATIVE EFFECTS OF A CHILD-CARE CENTRE IN NEPAL

I am Nisha Chaudhary. I belong to freed bonded labour family. We are five in our family. Earlier we were living on pennies. My husband used to go to work as a labour or go to India for seasonal work. We had a very hard time even to manage our meals. I had to do all the household work and look after children. With the little time I had from looking after the children, I used to cultivate vegetables; however, it was not sufficient. I could not go to work. It was also difficult for us to send our children to school. Things changed when a childcare center (CCC) was started in our community.

After the CCC, I have started cultivating vegetables and managed time to travel Nepalgunj and Mainapokhar (local market) to see them. I have also started livestock farming. Sometimes I go work as a wage labourer. This has tremendously boosted our family income. Earlier, since we were unable to pay fees, school asked us to stop sending my daughter. Now, we manage it easily. This has also reinstated the self-belief that I will do the work, earn and educate my daughter. I have also managed to invest in some capital. We bought a small piece of land in my name and took some land in mortgage. I have also started regularly saving some amount in the local saving group. Now, my family do not have to worry about food, clothes or education. We have been able to uplift our condition. My husband now works here in Nepal. He supports me with cultivation of vegetables, looking after cattle, and supports me in household chores. Even my younger son is developing and learning well in the CCC.



Community Child Care Center established in 2015, Bardiya, Nepal. Photographer Bikash Acharya/ActionAid

## 2.3 HEALTH AND SEXUAL AND REPRODUCTIVE HEALTH RIGHTS

### 2.3.1 Connections with unpaid care and domestic work

Care for sick and elderly family members is a major part of the unpaid care and domestic work that tends to be borne by women. Indeed, the Lancet estimates that women's contribution to healthcare constitutes nearly 5% of global GDP – or \$3 trillion to global health – but nearly half is unpaid and unrecognized.<sup>77</sup> The range of unpaid work will vary depending on households, ranging from caring for children suffering easily preventable and recurrent childhood illnesses to the long-term care of elderly relatives. The difficulties of accessing health services that are often distant from home, with long queues and waiting lists and with prohibitive costs, exacerbates the burden.

Improving public services can have a dramatic effect. Extending immunisation coverage can significantly reduce illnesses suffered in childhood and beyond. Increased access to sexual and reproductive health services can improve women’s control over their own bodies, including whether, when and how many children to have. This has a direct impact on the burden of care they must assume in future.

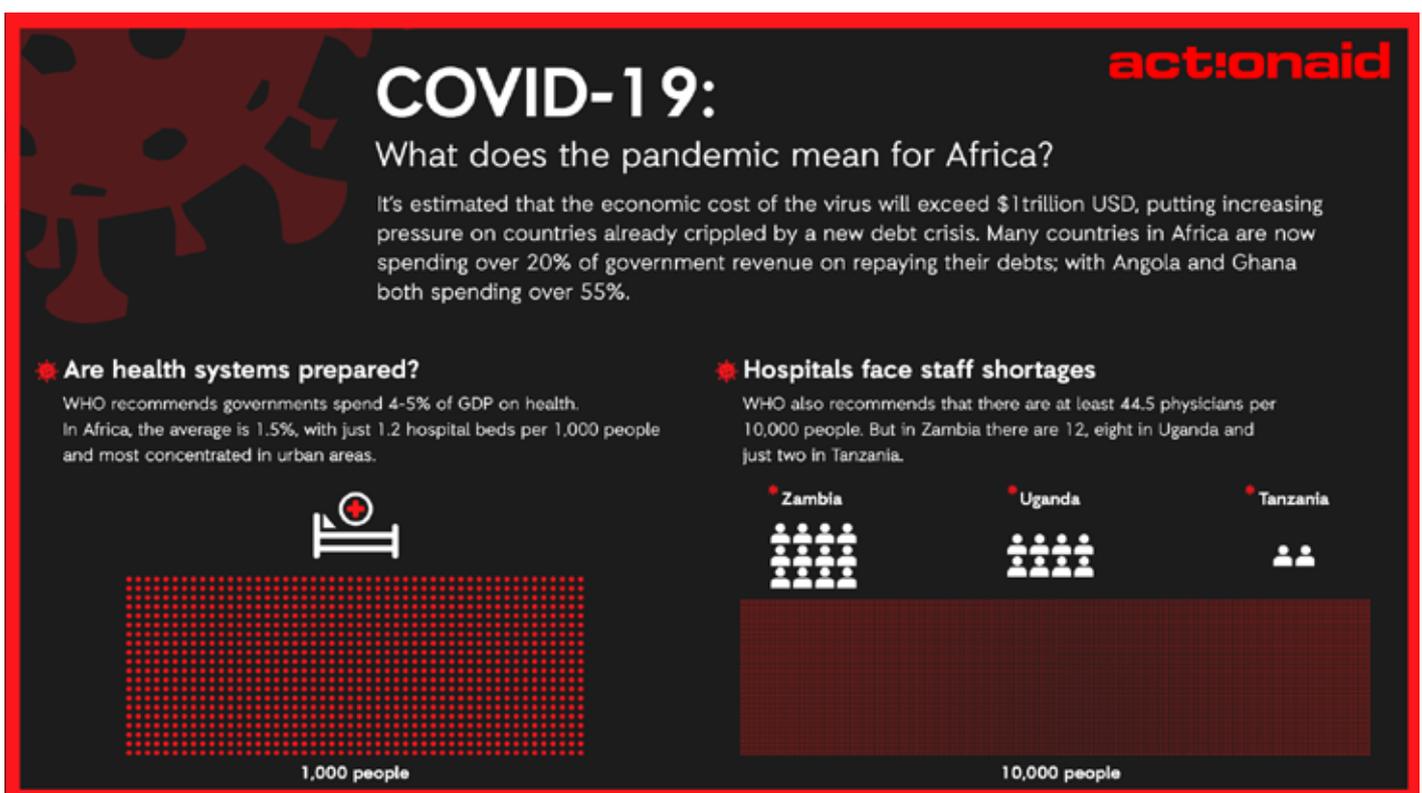
Improved neonatal and post-natal services impact women’s own health as well as their children’s immediate and future health. Comprehensive sex education directly links to reduced numbers of early pregnancies. More broadly, health awareness and better primary health care facilities reduces the incidences of ill-health. The overall burden of care on women is significantly reduced when there is a strong public health system with more doctors and nurses, good quality and appropriate facilities, affordable medicines, more accessible local health centres and more hospital beds, accelerating recovery from ill health and reducing the time pressures on women to care for sick dependents. There is growing attention also to the need for specific elder-care or social care services – ranging from providing home visits to respite support for carers.

It is worth noting how important health sector jobs are for offering women paid work – two-thirds of jobs in the health sector worldwide are held by women, though many work in low- paid frontline roles with poor conditions.<sup>78</sup> These poor conditions are even worse for elder-care or homecare workers who are often on zero hour contracts with almost no employment rights. Advancing public service responsibilities in these areas and protecting rights for these workers can be transformative.

At the Commission on the Status of Women in 2018, Gita Sen observed: ‘Addressing the burden of unpaid care work in the context of Universal Health Coverage will require substantial investments in health systems particularly in areas of long-term and palliative care, guided by principles of solidarity and integrating gender into policy and programme implementation’.<sup>79</sup>

### 2.3.2 Present state of provision

SDG3<sup>80</sup> sets an ambitious range of health targets, including reducing the global maternal mortality ratio, ending preventable deaths of newborns and children, ending the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases, reducing premature mortality from non-communicable diseases, addressing substance abuse and road accidents, universalising access to sexual and reproductive health-care service and achieving universal health coverage.





Nurse Margaret Kasolo, 57, at Kawala Health Center IV in Kampala, Uganda. Sexual and reproductive health facilities are overstretched and under-resourced. Photograph: Esther Mbabazi/ActionAid

Achieving universal health coverage would be transformative for women and girls, but there are some startling statistics that reveal the chronic shortcomings of present health provision, creating a situation in which women's unpaid care burden is perpetuated. In terms of sexual and reproductive health care, each year, 200 million women have an unmet need for modern contraception and more than 45 million women receive inadequate or no antenatal care. Over 1 million women and girls have HIV, and 25 million abortions are unsafe.<sup>81</sup>

In 2016 worldwide over 5.6 million children under five years old died – and in Africa 56% of all deaths were related to communicable, maternal, perinatal or nutritional conditions. Respiratory infections and diarrheal diseases remain amongst the top ten killers. In 2018 worldwide 22% of children were stunted for their age owing to malnutrition – that is 149 million children – and in Africa one in three children was malnourished. There is a clear connection between malnourishment and the likelihood of repeated and sustained illness that adds to the intensity of care and support required. Despite good progress with extending vaccinations for key illnesses, in 2018 there were still nearly 20 million infants worldwide who were not reached with routine immunisation services,<sup>82</sup> creating a cycle of suffering from chronic illnesses. There is a strong connection between the rates of early childhood illness, malnutrition and death, and the availability of early childhood care and development programmes as covered in the previous section.

There are about 20 million hospital beds in the world, on average 2.7 beds per 1,000 people. However, these are not of course evenly distributed. There are just 1.2 beds per 1,000 people in Africa and most of these are concentrated in urban areas.<sup>83</sup> In rural and poorer communities there are often no hospital beds available and the time and costs to access such a facility are beyond the means of large segments of the population.

Another key indicator of the adequacy of health coverage is the number of physicians per 100,000 people. This varies enormously across countries – from the upper end of 591 in Cuba and 337 in Germany to the lower end of 12 in Zambia, 8 in Uganda and just 2 in Tanzania.<sup>84</sup> It also varies within countries by location: whilst half the world's population live in rural areas, they are served by just a quarter of the world's doctors and a third of the nurses.<sup>85</sup> There are about 29 million nurses in the world

and again these are far from evenly spread. In Kenya the Health Workforce report estimates that the ratio of nurses per 10,000 Kenyans varied from as high as 9.7 for every 10,000 people in Nairobi to as low as 0.1 for every 10,000 in remote counties of northern Kenya. In the absence of health professionals and hospital beds very large numbers of sick people are dependent entirely on care at home, even when they have chronic and life-threatening conditions, and this care work falls overwhelmingly on girls and women. Where there are more informal community-based health workers and home carers these roles are often assumed by women and are either unpaid or underpaid. The ILO estimates that worldwide there is a large invisible workforce of 57 million unpaid workers, mostly women, who fill in for the huge shortages of skilled health workers.<sup>86</sup> There are a further 45.5 million low-paid health workers in jobs lacking decent working conditions, covering roles such as cleaning, administrative support and informal care – which again are highly gendered.<sup>87</sup> Improving the status and conditions of this invisible workforce would generate significant opportunities for decent work for tens of millions of women.

### 2.3.3 What a gender responsive public health service should look like

Public health systems “need to have a women’s and girl’s human rights perspective that not only puts the spotlight on the needs and rights, but that also address intersected power relations and oppressions”.<sup>88</sup> There is a growing rush for universal health coverage that comprises universal and equitable access to gender responsive, quality health services. The 4A framework from Tomasevski is referred to in health though rather than ‘adaptable’, WHO refer to ‘quality’ as the fourth element.<sup>89</sup>

- **Availability** – the sufficient supply and appropriate stock of health workers, with the competencies and skill-mix to match the health needs of the population;
- **Accessibility** – the equitable distribution of these health workers taking into account the demographic composition, rural-urban mix and under-served areas or populations;
- **Acceptability** – health workforce characteristics and ability (e.g. sex, language, culture, age, etc.) to treat all patients with dignity, create trust and promote demand for services;
- **Quality** – health workforce competencies, skills, knowledge and behaviour, as assessed according to professional norms and as perceived by users.

In many respects the first priority is to defend public health from privatisation. UN Women observes that ‘privatizing health care without guarantees of access for everyone has reduced services for women and pushed onto them additional care responsibilities for sick family members. This leaves them less time to care for themselves, and to pursue opportunities in school or work to improve their lives.’<sup>90</sup>

### 2.3.4 Financing issues

On average rich countries spend about \$2,000 per person on health, but poor countries spend twenty times less - an average of under \$100.<sup>91</sup> Even more starkly, the top ten countries spent \$5,000 per person and the bottom ten countries spent less than \$30 per person.<sup>92</sup> The WHO are unequivocal in saying that the levels of public spending are central to progress on universal health coverage, with a strong connection between levels of spending and health improvements.<sup>93</sup>

The World Health Organisation (WHO) stresses that it is important to look at where revenue for health comes from. At present more than 35% of health spending per country comes from out-of-pocket expenses and as a consequence 100 million people are pushed into extreme poverty each year.<sup>94</sup>

There is compelling evidence that public revenue resources are crucial for building effective health systems; “Evidence shows that for countries to make progress towards UHC [universal health coverage] their health system needs to rely predominantly on public revenue sources. By public, we mean those revenue sources which are prepaid, mandatory and pooled”. WHO adds: “Voluntary or private revenue sources tend to contribute little in terms of helping countries move their health systems towards universal health coverage, in particular cash payments at the point of service use, the focus of much political attention in recent years”.<sup>95</sup>

Globally, the average percentage of total government expenditure devoted to health falls short of the target set in the African Union's 2001 Abuja Declaration,<sup>96</sup> which called for 15% of budgets to be spent on health. In fact, average spending worldwide increased only slightly from around 9% in 2000 to 10.6% in 2016 (and almost a third less than that is spent in Africa).<sup>97</sup> High income countries are spending an increasing share of their national budgets on health (now rising to 14.9%) but low-income countries are actually reducing their spending on health – falling from 7.9% in 2000 to 6.8% in 2017.<sup>98</sup> Disappointingly only about 14% of governments in low and lower-middle income countries achieve the Abuja target. The challenges presented by Coronavirus are likely to reawaken concerns about the chronic underfunding of health systems in many countries, in the same way that Ebola raised short term attention to this critical issue in Africa in recent years. The challenge is to sustain the attention to address the underlying challenges to financing health systems and not simply take each new disease as a standalone or short-term problem to be addressed.

Even if higher shares of national budgets were allocated to health, the difficulty of course is that looking at shares of budgets is never enough if the overall government revenue in countries is too low – a 15% share of a small pie would still be a small amount – and more action is needed to increase the size of the pie.

Looking at spending on health as a percentage of GDP helps to provide a broader picture of government revenue as well as spending. The WHO's World Health Report in 2010 noted that "... it is difficult to get close to universal health coverage at less than 4-5% of GDP" and civil society organisations have increasingly focused on 5% of GDP as a target.<sup>99</sup> In high income countries, public spending on health over 2000–2016 grew more rapidly than GDP, rising from 4.5% to 6.1%, exceeding this target. But in low income countries, from 2010 to 2016 health as a percentage of GDP remained static at 1.5% of GDP,<sup>100</sup> despite economic growth in the period. There is clearly a desperate need for major new investment in low-income countries. In the absence of this, the cost of health care falls on households with often catastrophic effects for those without the ability to pay. The WHO recently sought to emphasise the urgency by calling for an extra 1% of GDP to be spent on primary health care in order to eliminate the most glaring gaps, warning that otherwise 5 billion people would be missing out on health care in 2030.<sup>101</sup> Meanwhile the ILO has started to project the costs and opportunities presented by expanding long-term care for the elderly and sick – and though the costs are high there is a recognition that this could generate major new employment opportunities at a time when other forms of employment are declining.<sup>102</sup>

It appears the frozen spending on health in low income countries may in part be due to their increased dependency on aid for health spending. Whilst external aid makes up less than 1% of global spending on health it can still be an important source of financing in low income countries and there is worrying evidence that aid for health is displacing domestic financing.<sup>103</sup> It makes little sense to depend on short term unpredictable funding and to crowd out more sustainable domestic financing.<sup>104</sup>

### 2.3.5 CASE STUDY

#### **The reality of health care in Nigeria<sup>105</sup>**

In 2019 ActionAid Nigeria conducted qualitative research in the North, Central and Southern regions of Nigeria. They found healthcare centers suffering a severe lack of care and maintenance, with collapsed structures and without basic medical equipment like weighing machines and thermometers. The documented women in labour waiting in line for delivery and sometimes giving birth on bare floors. In Lelyi Gwari in FCT, where there were available beds and rooms equipped by a donor funded healthcare programme, there was no tap water. The only source of water was a nearby pond located a few miles away from the healthcare center. The family members of patients fetch buckets of water from this nearby pond for use by healthcare workers. Tools are used without sterilisation and one bucket of water is used to deliver two births. In the small community of Tunga Ashere in FCT ten maternal mortalities were recorded within a period of 10 months in 2019.

Health workers in these centers were found to be underpaid and overburdened. Doctors and nurses do not get posted by the government to grassroots health care centres, so lots of the health workers



Orji is an unpaid nurse and midwife in a local hospital with no water source, no electricity and no government funding. Photographer: Tom Saater/Actionaid

interviewed said they were working as volunteers, still pending confirmation of promised employment contracts from government, sometimes for several years. Those health extension workers who were employed by the government were untrained and ill-equipped and, complained of being so badly paid that they were unable to cater for their basic needs like transport and food. As a result, many health facilities are only open for 4-6 hours a day as is the case for example in Owode Oja community in Kwara State where the center opens at 10 and closes at 2pm and is unavailable at other times of the day regardless of the emergency. When emergencies do arise, women often have to go to general hospitals that are located 3 to 4 hours away from the community.

## 2.4 WATER AND SANITATION

### 2.4.1 Connections with unpaid care and domestic work

For tens of millions of women collecting water is a daily ritual that can take hours. In rural areas water may have to be collected for both household use and agricultural work and can take hours every day, with multiple trips carrying back-breaking quantities of water. The work can vary hugely from one village to another and from one season to another, with longer walks in the dry season but treacherously muddy routes in the wet season. In urban areas there are different challenges, often with long queues at communal handpumps or water delivery trucks – and rising prices. Inadequate drainage and sewerage, particularly in urban areas can be a major cause of ill-health that exacerbates women's care roles in other ways (as noted in the health section above).

Collecting water is work that falls to women in eight out of ten households who lack a piped supply worldwide. Mongolia is the only country where collecting water is considered to be the primary responsibility of men and boys.<sup>106</sup> Household care surveys conducted by Oxfam showed the dramatic impact of access to improved water supply. Across the Philippines, Zimbabwe and Uganda they found that women with access to improved water spent one to four fewer hours in care activities every day.<sup>107</sup>

In Kenya it is estimated that over 75% of the population walks to fetch water, with this falling disproportionately on women, despite the right to water being enshrined in Article 43 of the 2010 Constitution of Kenya. Nationally, just 62% of the population have access to clean and safe water. This is considerably lower in some of the more marginalised or poorer counties of Kenya.

For example, in an ActionAid study in Baringo County in 2019 the average walk to collect water was found to be five kilometres – way below the globally accepted standard of half a kilometre. This lack of access to water was found to have a significant impact on women’s unpaid burden of care. Adult females carried out two-thirds (64%) of the responsibility of fetching water for drinking and domestic use, while girls bore around 18% of responsibility. The scramble for scarce water resources and pasture were shown to be at the centre of intercommunal conflicts in Baringo County and during dry seasons several schools are often forced to shut down due to water shortages. Local disaster planning highlights the likelihood that things will get much worse in the context of the climate crisis, with communities ill prepared to cope.

#### 2.4.2 Present state of provision

The right to water is enshrined in international human rights treaties and governments remain the primary duty bearers for ensuring the fulfilment of this right. However, over the last thirty years many governments have opted to privatise water supply, which has tended to limit the expansion of provision particularly in rural areas where companies struggle to make a profit (as the costs to establish systems are too high and people are too poor to pay).

SDG6 commits countries “to ensure availability and sustainable management of water and sanitation for all by 2030” with eight distinct goals ranging from access to water, to improved water quality, and better sanitation and hygiene. In practice there are many gaps. Over 2 billion people lack access to water that meets the new SDG standards and 844 million lack access to clean drinking water, whilst 2.3 million lack basic sanitation – an area where progress has been shockingly slow. There are huge inequalities both between and within countries, with half of the people drinking water from



Walking long distances for water is unpaid work that falls on women and girls. Private companies rarely invest in new infrastructure in remote communities where there is little profit to be made. Photograph: Alice Oldenburg/ActionAid

unprotected sources living in sub-Saharan Africa and 80% of them living in rural areas. Projections suggest that with the climate crisis the number of people facing acute water scarcity and water stress will rise in the coming years.<sup>108</sup> Over 40% of people lack access to clean water in Ethiopia, Tanzania and Mozambique – though in terms of the numbers of people India and Nigeria are the most startling with 75 million and 57 million people lacking access respectively.<sup>109</sup>

Health and education are interlinked as, shockingly, one third of all primary schools lack basic drinking water, sanitation and hygiene services (which has a particular effect on exclusion of girls during menstruation). One in four health-care facilities worldwide lack basic water services, affecting more than 2 billion people.<sup>110</sup>

### 2.4.3 What a gender responsive public service should look like

In the field of water, as in health, there is reference to the AAAQ framework, that is rooted also in the 4As framework from Tomasevski. This summary draws on human rights reference points, particularly the International Covenant on Economic, Social and Cultural Rights:<sup>111</sup>

**Available** = facilities, goods and services must be available in sufficient quantity and continuous supply within the country

**Accessible** = services must be accessible to everyone without discrimination

**Acceptable** = consumer acceptability, cultural acceptability and sensitivity to marginalised groups

**Quality** = services must be of good quality

It is important to emphasise that in the pursuit of these rights any evidence of discrimination against women – or indeed against any other group – requires immediate action as it represents a direct violation. Given the clear gendered division of roles in most societies, failure to address some aspects of the right to water can be seen to be direct or indirect discrimination and in some cases this can be a basis for legal action.

There is a strong movement to resist the privatisation of water with many successful efforts at bringing water back under public control – usually framed as ‘re-municipalisation’. Over the past 15 years there have been at least 267 cases of water re-municipalisation in 37 countries, affecting more than 100 million people.<sup>112</sup> The emphasis is on public control as a means to ensure universal access, extending water availability to areas which may not be profitable for a market-oriented actor – in recognition that the right to water should not depend on people’s ability to pay.

### 2.4.4 Financing Issues

It is a sign of the extent to which water is privatised that the average spending on water by governments is \$19 per person, which represents less than one third of overall spending on water – meaning households bear the brunt of the costs.<sup>113</sup> There are large variations in overall Water Sanitation and Hygiene (WASH) expenditure per capita – ranging from \$152 in South Africa to \$52 in Ghana, \$12 in Kenya and just \$5 per person in Bangladesh and Pakistan.<sup>114</sup>

There is also a wide range in level of spending by governments as a percentage of GDP – ranging from 3.7% in Ghana to 2.6% in South Africa, 1.3% in Brazil and down to 0.9% in Kenya and 0.4% in Bangladesh. There are no well-established internationally recognised benchmarks on spending relating to WASH. One complication is that national spending on water can also be significantly distorted by large scale infrastructure projects, such as dams, that may be driven more by other objectives (energy generation, for example, or irrigation for rich farmers) than achieving progress towards SDG6. Even without these large projects, key costs in WASH budgets tend to be focused more on capital investment than recurrent costs (in contrast to health and particularly in contrast to education) – but if this tilts too far then you can end up with infrastructure that rapidly falls into disuse for lack of maintenance and repair, particularly in rural areas.

WHO estimates that people need an average of 50 litres of water per day for health, hygiene and domestic uses but the cost of getting this varies dramatically – and it is sometimes prohibitive. WaterAid have estimated that 50 litres of piped water in the UK costs consumers just £0.07 – but the same amount will cost you £0.45 from a water tanker in Accra, Ghana and £1.84 in Papua New Guinea.<sup>115</sup>

There is a mounting crisis in financing with 80% of countries reporting they lack the public financing needed to hit WASH targets and 50% of countries saying that household tariffs are not enough to cover operation and maintenance costs – leading to services being in a serious state of disrepair. There is clearly a need for a dramatic change in the financing of water, if SDG targets are to be met.

The estimated capital costs of achieving universal access to clean water and sanitation are projected to be \$114 billion per year – to which operation and maintenance costs need to be added.<sup>116</sup>

## 2.4.5 CASE STUDY

### GHANA: YOUNG URBAN WOMEN AND WATER <sup>117</sup>

People often assume that collecting water is a more time-consuming task for women in rural areas than in urban areas – but our recent research shows this to be untrue. ActionAid works with 10 partners and over 7,000 young women across 13 cities in Ghana, Kenya, India and South Africa through its Young Urban Women programme. A recent report in Ghana on Gender Responsive Public Services and Macro-economic Policies documents how IMF policies have squeezed the financing of essential public services and accelerated privatisation, especially of health and water. The impact on the unpaid care work of young women has been devastating.

In Ga West District near Accra, Ghana, young women gave insights into the complexities involved in fetching water in the context of privatised provision. They are now largely dependent on private water vending points to purchase water. These may be within a 10-minute walk but are only open at certain times of the day and long queues often form.

“Until they are ready or comfortable to sell water, they will not open up the place for us. So it is not like you need water and you just go and fetch it...at times when you go it is closed till maybe evening. Sometimes they don’t even open it at all. In that case, you have to go farther to access water.”

Each time the water has to be paid for. A single bucket costs ₵0.50, and to serve an average household you would need to fetch 10 buckets every day so the total cost is significant – and even though the water is close the accumulated time taken can be significant.

Of course, even small costs can be prohibitive for families with little cash income and so many choose to go further to collect water – which involves at least a 35-minute walk to the nearest stream – and further in the dry season. Once you get to the stream, queues can also be long. And once this stream water gets home, it has to be boiled and sieved before it can be used – extending the unpaid labour involved.

This situation should be easily solved. As one young woman observed: “The pipeline from Accra passes through the community... so we know there are pipelines around, but the problem is that we don’t have the state tap in the community, and we don’t know who to ask.”

For now, these young urban women continue to spend a lot of time and money on simply accessing water every day. What should be a critical role of the state has been taken over by private individuals and businesses who can increase prices without reference to any regulatory body. As private enterprises, the primary motive is profit maximisation – so prices have doubled in the past year. Government could and should prevent this by providing public boreholes or water stands – this would transform the unpaid care work of young urban women, enabling them to assume more productive roles.

## 2.5 HOW TO ACHIEVE GENDER RESPONSIVE PUBLIC SERVICES: TOWARDS A COMMON FRAMEWORK

### 2.5.1 Other Public Services

This report cannot address all the public services that can have a dramatic impact on women's unpaid care and domestic work but below we make a few observations on some other services:

**Energy:** Many women spend as much time collecting fuel as they do collecting water. Providing affordable energy through electrification can be transformative both for women's work and for the climate (depending of course on how the electricity is generated in the first place) and can increase women's access to other services (for example with street lighting making mobility in urban areas much safer). In most countries, electricity is now a privatised service and the costs for some households are increasingly prohibitive. Other research, including Oxfam's recent Time to Care report has some valuable material analysing the importance of addressing energy needs, particularly for women living in poverty in remote areas.

### BOX I: COLLECTING FIREWOOD IN RWANDA

Jeanette Kanzayire is a rural farmer from Karama Village in Rwanda. She is a widow, living with five children. For years her life was dominated by unpaid work, spending "at least half a day...cooking, fetching water and firewood and taking care of children." Collecting firewood was a particular burden as it was getting ever more scarce and required walking ever greater distances. Her life was transformed when she bought cooking gas. Not only did this mean she no longer needed to collect firewood, it also reduced time spent cooking. "I could not believe that in such a short time, like 30 minutes, the food could be ready to eat. I compare this with the past when I spent two hours or more."



Annick in Rwanda – lighting a gas stove  
Caption – Investments in simple technology can transform the unpaid workload of women – saving many hours a week that used to be spent collecting fuelwood. Photograph: Prossy/ActionAid

## BOX J: TRANSFORMING AGRICULTURAL EXTENSION FOR WOMEN IN GHANA



The priority for public investment in agricultural extension services is to support women smallholder farmers. Photograph: ActionAid

The Female Extension Volunteer (FEVs) programme in Ghana resulted from ActionAid's support for communities through participatory reflection processes. In these processes, a farmer-led extension support programme was identified as a way of bridging the extension gap. Selected female farmers identified as natural leaders in their communities were trained in agroecology practices and basic extension delivery methods. The FEVs were also supported with simple tools and logistics to enhance their work. The main focus of the FEVs is to promote agroecology and support smallholder farmers' transition to climate resilient sustainable agriculture. This programme has helped women smallholder farmers to take control of their agricultural production and food sovereignty, leading to increased and more sustainable agricultural production with less dependence on external inputs (e.g. through developing local seed banks and using crops residues for compost) and better connections to government agriculture extension services and other support programmes.

**Agriculture:** The majority of smallholder farmers in Africa are women but many struggle to make a viable livelihood, exacerbating the multiple burdens women face. Appropriate public extension services can make a huge difference, converting unpaid or underpaid work into a source of productive and sustainable income for women. However, the majority of present investment ignores the needs of women. A recent study of Farm Input Subsidy Programmes in Southern Africa revealed a systematic failure to focus on women.<sup>118</sup> In the past, public provision of agricultural extension services was widespread, even if support was often geared to the minority of big farmers and men more than to women smallholder farmers. Extension services are now widely privatised or subject to overwhelming corporate influence that undermines their focus on the real needs of women farmers. Where public extension services do offer support for appropriate and gender sensitive technology this can be dramatic in reducing the labour burden of women farmers and improving productivity.

## BOX K: SAFETY IN NAVIGATING CITIES: THE INNOVATIVE SAFETIPIN PROJECT: DELHI, BOGOTÁ AND NAIROBI

Saftipin is a project aimed at building safe cities for women through technology. It is being rolled out in Delhi, Bogotá and Nairobi. Women and men use their smart phones to upload data and photos about where they feel safe and unsafe in a city. The crowd-sourced data is available for others to use when they make decisions about how to move around a city. The app has a simple home page with alarm features and also allows friends and family to track routes taken.

Kalpna Vishwanath, co-founder of Safetipin, envisions the app as generating a solidarity movement where women are more confident to speak out and record harassment – both on the app and with the police (one of the features of the app is that it can display the nearest police station and medical centre). Vishwanath hopes that the data provided can be used to identify why some areas and transport routes are safer than others – and help to hold transport providers accountable as well as influencing government and city planners.



Ninine Lorraine in Heliopolis, Brazil campaigns for safer public transport. Photograph: ActionAid

**Public transport:** Women often rely on public transport for safe access to public services, which in turn can reduce their burden of care. When women face harassment and intimidation on transport or when unlit and unsafe streets exclude women from public spaces in urban areas, domestic roles are reinforced. Most transport services are in private hands with limited accountability; strengthening accountable and affordable public transport systems can transform women's mobility.

It is important to also consider **social protection** – this is not strictly a public service but, if well designed, can play an important role in supporting the most economically disadvantaged groups. The provision of decent pensions can help to reduce the care burdens on family members with older relatives and the provision of child-benefits can help women to access support with childcare. Social

protection can also be crucial for supporting women to access decent work, enabling them to have maternity pay and protections when they need it, with a right to return to work. Good social protection schemes can offer support for women who want to work but are unemployed, under-employed or made redundant.<sup>119</sup>

Social protection policies are critical in a world where 2 billion people are in informal employment, especially in regions where the majority of workers are self-employed, without an employer to contribute to their social insurance. In Africa, Asia and Latin America there are more women than men in the informal economy<sup>120</sup> so there is an important gender dimension to the case for comprehensive social protection schemes. Increasing social protection can be a particularly important demand for women in domestic services, 90% of whom have no cover.<sup>121</sup>

A useful overall framework for social protection floors is laid out in ILO Recommendation 202<sup>122</sup> which proposes that they include essential health care including maternity care and basic income security for children and the elderly as well as those who are sick, unemployed or have disabilities.

## 2.5.2 Common threads

Across all the public services that are touched on in the sections above there are some significant common threads:

- Public service provision has a significant impact on the burden of women's unpaid care and domestic work. Where services are inadequate or not gender responsive, women's unpaid work increases.
- There is a strong compulsion to universalise access to services in order to meet human rights obligations and reduce unpaid care and domestic work.
- Ambitious goals and targets have been set, most recently in the SDGs, to universalise access to services in an equitable way.
- These goals and human rights obligations are far from being met.
- Chronic underfunding of public services is a root cause of goals not being met and leads to an increased burden of women's unpaid care.
- There is a rising tide of privatisation<sup>123</sup> which threatens to exacerbate women's limited access to services (when fees are changed women and girls are often the first to be excluded) and increase their burden of care.
- Different public services are often played off against each other. The argument is made that there is a limited pool of funds so if you want more recurrent spending for education it needs to come from, for example, health or if you want more capital spending on water it needs to be traded off against, for example, transport or energy infrastructure. This happens with both domestic budgets and external aid.
- We need a common framework for approaching work on all public services (see below).
- Our key common concern should there be to achieve increases in overall spending on **all** public services. To do this we need to understand the wider economic forces at work which frame the resources available for investment in public services. The following chapters provide new evidence on key factors that determine this
  - 1 The impact of debt – especially in the light of the new debt crisis. When countries have to service debt they have less money to spend on public services.
  - 2 The power of the IMF and the impact of austerity – when countries have to accept loan conditions or follow advice from the IMF this usually leads to less money to invest in public services – especially when public sector wage bills are 'contained'
  - 3 The power of tax – many countries could expand their tax base in progressive ways to achieve a sea change in the finance of public services.

Actions that address debt, austerity and tax will be fundamental to releasing resources for the dramatic scaling up of investments in gender responsive public services – this will also reduce the burdens on women of unpaid care and domestic work.

### 2.5.3 A common framework for Gender Responsive Public Services

Public Services International (the global union federation representing over 30 million public sector workers) has powerfully argued the case for advancing women's rights through Gender Responsive Public Services.<sup>124</sup> Womankind have articulated how such gender responsive public services fit within a just feminist economy.<sup>125</sup> ActionAid's 45 years of experience in 45 countries has led us to elaborate four key pillars that are essential for building gender responsive public services. Our GRPS framework<sup>126</sup> outlines that services must be:

#### 1 Publicly funded (addressing 4Ss)

- With a fair **Share** of budgets to key services
- With good **Size** of overall budget (a progressive tax base / macroeconomic policies)
- With **Sensitivity** of budget allocations (driven by a focus on equity)
- With effective **Scrutiny** of spending (so funds arrive and are well spent)

#### 2 Publicly delivered and universal

- Truly accountable
- Decentralised – but with a strong redistributive centre
- Not privatised or commercialised

#### 3 Gender equitable and inclusive

- Free from discrimination and sexism
- Safe for all users
- Developed and monitored through inclusive participatory processes

#### 4 Offering quality in line with human rights frameworks (addressing 4 As)

- Accessible
- Available
- Adaptable
- Acceptable

It is only when public services are truly gender responsive in line with this framework that we will maximise the impact on redistributing unpaid care and domestic work.

# 3 THE IMPACT OF THE NEW DEBT CRISIS ON PUBLIC SPENDING

*This report went into production before the dimensions of the COVID-19 crisis were clear. We have added some material to the text, but this box highlights ActionAid's urgent demands for action on debt as the crisis continues to grow*

*With the COVID-19 Pandemic there is added urgency to addressing the debt crisis. There is a compelling case for developing country governments to announce an immediate suspension of all debt payments to all creditors (public & private) through at least 2021.*

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

How can a government increase spending on gender responsive public services when a significant percentage of its spending disappears to pay back past debts? This is the reality faced by a growing number of countries as we confront a new debt crisis around the world. In many countries more than one fifth of the money that could be spent on public services is simply unavailable. The consequence of this is that countries continue to depend on women's unpaid care and domestic work – persistently violating women's rights. To address this, we need to understand the history of debt crises and the new forces at work behind the present debt crisis.

Debt is a crucial tool for governments, including developing ones. Governments need to borrow if they are to provide for development and developing nations in particular need to borrow to invest in improving public services as well as infrastructure for development. As Anis Chowdhury remarks about the 1940s, "Had the European governments worried about deficits and debts, they could not have rebuilt Europe from the ruins of war, nor could they have built welfare states."<sup>127</sup> But in the case of debt it is very true that too much of a good thing can be very dangerous, for it was the debt crises of the 1980s and 1990s that forced countries to accept IMF austerity programs that undermined development throughout Africa, Asia-Pacific, and Latin America and the Caribbean, with many countries yet to recover. Now there is increasing worry, including from the IMF, and more emphatically from UNCTAD, that a new debt crisis is emerging in developing countries.<sup>128</sup>

## 3.1 REVISITING DEBT CRISES

"Debt crisis" is a familiar phrase in developing countries. From the late 1970s, debt problems plunged countries throughout Latin America, Asia, and Africa into decades of financial recession and social regression. This was only partly, and temporarily, resolved through civil society campaigners' victories in getting the IMF and World Bank to institute debt relief programs, starting with the Heavily Indebted Poor Countries (HIPC) Initiative in the late 1990s and culminating in the Multilateral Debt Relief Initiative (MDRI) in 2005.

The first global developing country debt crisis was generally attributed to a confluence of factors in the mid-1970s. These include:

- the end of the established currency exchange regime in 1973 and the consequent floating of currency rates;

- the booming appetite for spending on the part of Latin American countries, as well as among African and other recently-independent countries;
- Oil price crises;
- and moves by the U.S. Federal Reserve to fight inflation with high interest rates, peaking at 21.5% in 1981.

Of these factors the oil price crises are generally considered the most significant; indeed, they were the trigger for the high inflation some years later. The actions of the Oil Producing & Exporting Countries (OPEC) cartel, limiting access and raising prices dramatically in 1973 and 1979, caused massive financial pressures worldwide, and developing countries had to go into debt to maintain energy access. In a circular move, the money that was lent was in large part the profits made by the OPEC countries, parked in large multinational banks. The global oil crisis helped spark a worldwide recession that provoked inflation in rich countries, and the drastic solution of the U.S. — home to the dollar, the currency most used in both oil and debt transactions — meant that developing country debts became virtually unpayable.<sup>129</sup>

In 1982, Mexico became the first large developing country to seek a “bailout” loan from the IMF to pay off its creditors. The IMF responded with a program that became the template for its **structural adjustment programs (SAPs)**, described in Chapter 4, to reform national economies and, ostensibly, assure repayment of the IMF loans. Most other developing countries similarly sought help from the IMF and World Bank in the 1980s, and ended up on a “debt treadmill” — borrowing from the IMF (with SAP conditions) to pay off creditors, and still finding that they lacked adequate funds for governing, including providing adequate public services (which were greatly reduced under SAPs) and so borrowing more, taking on more conditions, and getting deeper into debt. This process also had the effect of transforming debt owed to private banks into public, multilateral debt owed to the IMF or World Bank.

Because countries were paying so much on external debt payments — about 16% of their revenue by 1998 — those concerned about poverty and inequality identified debt as a primary bottleneck for finding adequate funds for public services; the IMF conditions compounded that concern. The civil society campaign known as Jubilee 2000 (or other permutations with “Jubilee”) formed in the mid-1990s, initially in the UK and then throughout much of the world, with the goal of cancelling developing country debt by the new millennium. One of the biggest and longest-lasting global citizens’ campaigns, it achieved some success with the combination of HIPC and MDRI. Debts were cancelled, but at the cost of countries having to commit to several additional years of structural adjustment. By 2006, many countries had significantly reduced debt burdens, and with an infusion of cash from rising commodity prices, average payments reached a low of 5.4% of government revenues in 2011.<sup>130</sup> But they did not take long to start

## BOX L: DEBT RELIEF LAST TIME AROUND

As the global developing country crisis entered its second decade in the 1990s, the IMF and the World Bank — to which a large portion of the debts were owed and which, in a conflict of interest that continues today, were entrusted to prescribe remedies for indebted countries — came under heavy pressure from civil society and governments to take decisive steps to curtail the deepening morass. They introduced the Heavily Indebted Poor Countries Initiative (HIPC) in 1996, which provided a promise of debt cancellation after a six-year process in which countries demonstrated their commitment to getting “back on track” through a series of IMF program loans not substantially different from standard structural adjustment programs [see Chapter 4]. The countries were required to continue paying their debts during the process. Welcomed by some as a light at the end of the tunnel but scorned by others who saw it as an extension of pointless austerity in already-suffering poor countries, HIPC had marginal success. Uganda was rushed through the program as its first beneficiary, but others got caught in the hoops erected by the program. Laudable efforts were made to ensure the savings from debt relief were used well, including setting up multi-stakeholder bodies to oversee new spending. But it was the Multilateral Debt Relief Initiative (MDRI), largely in response to the intense civil society pressure around the “Make Poverty History” campaign at the G7 summit in 2005, that dispensed with many of the hoops and wiped out debt for a substantial number of poor countries.

climbing again, and so debt campaigners have continued to monitor the situation and issue warnings as it has escalated. In March 2018, the UK campaigning and policy group Jubilee Debt Campaign (JDC) found that **developing country external debt payments increased 60% just from 2014 to 2017; a year later it found that external debt payments by developing countries had grown 85% between 2010 and 2018, from 6.6% of government revenue to 12.2%.<sup>131</sup> Some 21 countries were spending over 20% of their government revenue on debt service in 2018; Angola and Ghana were both spending over 55%.**

### 3.2 WHY ARE WE BACK IN CRISIS MODE?

Why did the debt start climbing so quickly after the broad cancellation in 2006, and again reach unsustainable heights? There is no single answer to this question, as it differs from country to country, but in general we can point to these factors, many of them unchanged since the previous crisis:

- Unbalanced development owing to the legacy of colonialism.
- Terms of trade under WTO rules and bilateral and plurilateral deals with rich countries continue to disadvantage developing countries. The IMF and World Bank have pushed many developing countries to expand their networks of trade deals, regardless of their terms.
- The proliferation of “public-private partnerships (PPPs),” promoted heavily by the World Bank as a favoured mode of development finance in recent years, saddles governments with debt risks in order to incentivise private partners. These debts, being “contingent liabilities,” often don’t appear on the books as risks until they suddenly become substantial debts.<sup>132</sup>
- Many developing country governments struggle with raising tax revenues, particularly with trade rules substantially reducing income from tariffs (see Chapter 5).
- Conditions and advice from the IMF continue to limit developing countries’ fiscal space for growth (see Chapter 4).
- Official development assistance (ODA) has been reduced by many governments or become less predictable.
- Commodity prices, which many developing countries rely on, have plummeted since 2014.
- The increasing incidence of natural disasters, many climate-induced, particularly in tropical areas, has upset economic policy planning and forced countries to borrow substantial sums for relief and reconstruction, with little hope that those funds will generate a return capable of paying off the added debt.
- Because interest rates dropped to historical lows in many developed countries, lenders were eager to lend at higher rates to developing country governments.
- As UNCTAD puts it, ‘too many governments, at all levels, have for decades been extending incentives and protections to international finance in the hope of boosting capital formation. Instead, they have been sucked into an unstable financial world geared to short-term trading in existing assets, prone to boom and bust cycles, with baleful distributional outcomes and large debt overhangs that act as a persistent drag on the real economy.’<sup>133</sup>

With so many willing lenders, developing country governments were perhaps too willing to borrow, sometimes with poor transparency and accountability, and too often with misdirected priorities. The ready availability of Chinese loans in Africa and Asia since the debt cancellations, along with the advent of global bond issues (in dollars or another ‘hard’ currency, often called ‘eurobonds’) by developing countries are new factors that did not exist before the last debt crisis.

This means that the composition of the debt which developing countries owe has shifted to include new bilateral (governmental) creditors like China, Brazil, and the Gulf states, in addition to the OECD governments which are members of the ‘Paris Club’ of official creditors who negotiate debt arrangements collectively. More private investors, including bondholders and a much wider range of private banks, are implicated than in the last debt crisis. Brussels-based policy group Eurodad has found that the share of all public debt in sub-Saharan Africa held by non-Paris Club government



Abie Jobe is a teacher in Upper Nuimi, The Gambia. Despite her best efforts it is clear that the right to education will not be fulfilled without greater public investment Photograph: Basiru Jallow/ActionAid

creditors “doubled, from 15% in 2007 to 30% in 2016. At the same time, the share of Paris Club bilateral debt plummeted from 25% to 7%.”<sup>134</sup> When the Jubilee campaigns got underway, most of the debt had already been converted, through the debt/loan treadmill process, into multilateral debt owed to either the IMF or World Bank. Now, we are facing a more complex debt crisis but trying to interrupt it before it becomes as serious as the 1980s to early 2000s.

Eurobonds are the most novel addition to the debt mix for developing countries. Ghana was one of the early beneficiaries of the HIPC program, and in 2007 became the first of those to raise capital through a eurobond issue, but by 2009 it had already been forced to seek a new loan from the IMF.<sup>135</sup> In 2016 it was spending more than 42% of its budget on debt payments, one of the highest rates in the world. The risks of selling eurobonds are highlighted by Myriam Vander Stichele of Dutch thinktank SOMO, who examines Ghana’s most recent bond issue in 2019 as indicative of the kind of finance lower-middle-income countries are increasingly seeking, and the debt consequences.<sup>136</sup> Three bond maturities were offered, with the longest coming due in 2051 — the longest maturity date yet for an African bond — at 8.95% interest on \$1 billion. The long-term bond issue was intended to finance the re-purchase of a previously issued bond with a higher interest rate. The issuance came as Ghana’s last program with the IMF, which did not succeed in reducing the country’s debt, was coming to an end. The IMF apparently concurred with Ghana’s strategy.<sup>137</sup>

The Ghanaian government estimates that, for the long-term bond, debt service (through interest payments to bond holders) will total \$89.5 million per year, amounting to \$2.77 billion over the life of

the bond. This is a great deal to spend on retiring \$1 billion worth of old bonds, and to *not* spend on gender-responsive public services. The volatile dynamics of global bond markets make Ghana and other 'frontier market' (not yet 'emerging markets') bond issuers vulnerable to rapid shifts in their credit ratings, with the risk increasing with the duration and interest rate on the loan. Because investors tend to treat all frontier markets as a single class, problems in one can cause investors to pull out of all.<sup>138</sup> These can make bonds more expensive for the issuing country to service, and, if its credit rating goes down, make accessing more finance harder.

The IMF says that since 2007 more than 20 frontier markets have made their first issue of foreign-currency bonds,<sup>139</sup> meaning that despite, or perhaps in part because of, the global financial crisis, developing country governments are taking on more debt risk to manage their finances. The World Bank reports that bonds issued in sub-Saharan Africa now total \$116 billion, with 89% of them issued by the Bank's poorest class of countries.<sup>140</sup> The *Financial Times*, citing figures from M&G Investments, says that 21 African countries now have outstanding eurobonds, and that they face a 'wall of debt,' with maturities peaking in 2024-25. This is making some investors nervous, while others remain confident based on recent repayment records.<sup>141</sup> Either way, there will be a lot of African government cash that is not be available for spending on public services.

Mischek Mutize maintains that the problem in Africa (from which most of the 'at risk' debtor countries come) is less excessive borrowing than that the interest rates they're paying are too high.<sup>142</sup> He argues that credit rating agencies relying on outdated perceptions combined with naïve African governments unwilling to negotiate for better deals result in the current scenario: "African governments are paying interest of 5% to 16% on 10-year government bonds, compared to near zero to negative rates in Europe and America. On average, the interest repayment is the highest expenditure portion and remains the fastest growth expenditure in sub-Saharan Africa's fiscal budgets."<sup>143</sup>

While Mutize points out, quite plausibly, that over-subscription rates to bond issuances of as much as 300% indicate that African governments can get better deals, he also acknowledges the flexibility of eurobonds' proceeds' "flexibility to be utilised for purposes other than the ones they were raise[d] for – exposes the funds to the downside vulnerabilities of misappropriation and non-productive expenditures." This 'blank cheque' feature of developing country eurobonds is pointed to by debt restructuring expert Andrew Roche as precisely what makes interest rates stay relatively high.<sup>144</sup>

### 3.3 THE MAGNITUDE OF THE NEW DEBT CRISIS

Debt has been growing everywhere – in developed, emerging, and developing countries alike.<sup>145</sup> The *Financial Times* deduces that global sovereign debt has now reached its highest peacetime levels ever,<sup>146</sup> and the World Bank recently sounded an alarm about emerging economies' \$55 trillion 'tower of debt,' making them more vulnerable than before the 2008 global financial crisis, and recommending as a remedy greater transparency in borrowing and broadening of tax bases as an alternative to more borrowing.<sup>147</sup> But it is in the poorest countries, and particularly those in Africa, that the danger is rising most quickly. The World Bank notes that more than half of sub-Saharan African countries have seen external debt stocks double since the global financial crisis, with some growing exponentially: 885% in Ethiopia, 521% in Zambia, 437% in Uganda, and 395% in Ghana.<sup>148</sup>

## BOX M: COUNTRY SELECTION

This report's research uses a set of 56 countries, which includes all those defined as low income countries (LICs) by the World Bank,<sup>149</sup> except for Eritrea and North Korea, for which statistics are largely unavailable and a selection of lower-middle income countries (LMICs) and upper-middle income countries (UMICs). The latter categories include some countries with substantial IMF programs, such as Argentina, Ecuador, and Pakistan, and some with substantial debt burdens such as Congo-Brazzaville and Ghana. No high-income or developed countries are included. The specific countries (listed alphabetically within categories) are:

**Low-Income Countries (LICs):** Afghanistan, Benin, Burkina Faso, Burundi, Centrafrique (Central African Republic), Chad, Comoros, Congo-Kinshasa (DRC), Ethiopia, The Gambia, Guinea-Bissau, Guinea-Conakry, Haiti, Liberia, Madagascar, Malawi, Mali, Mozambique, Nepal, Niger, Rwanda, Senegal, Sierra Leone, Somalia, South Sudan, Tanzania, Togo, Uganda, Zimbabwe

**Lower-Middle Income Countries (LMICs):** Bangladesh, Bolivia, Cambodia, Congo-Brazzaville, Ghana, Guatemala, India, Indonesia, Kenya, Myanmar, Nigeria, Pakistan, Palestine (West Bank), Philippines, Sudan, Vietnam, Zambia

**Upper-Middle Income Countries (UMICs):** Argentina, Brazil, Colombia, Ecuador, Jamaica, Jordan, Lebanon, Mauritius, South Africa, Thailand

What will the impact of the new debt crisis be on developing countries trying to meet the UN's Sustainable Development Goals (SDGs) by the target year of 2030? UNCTAD has done calculations for a sampling of 31 developing countries in their projected efforts to achieve just the first four of the 17 SDGs (on poverty, food security, health, and education) and found that obtaining the required finance "would result in an increase of public debt-to-GDP ratios from around 47% at present to no less than 185%, on average, if current expenditure and financing patterns prevail. Alternatively, to achieve these SDGs without an increase in existing debt-to-GDP ratios by 2030, developing countries would have to grow at an average annual rate of 11.9% per year. Clearly, neither scenario is remotely realistic."<sup>150</sup>

The standard source for debt statistics is the IMF/World Bank debt sustainability analyses (DSAs), which since 2017 have been performed for 63 developing countries, a list which excludes some of the largest relevant countries (such as Democratic Republic of Congo and Nigeria) and includes a number of small-island developing states (SIDS) with higher incomes but special vulnerability to debt. As of August 2019, the IMF ranks 9 countries as being in "debt distress,"<sup>151</sup> 25 countries at high risk, 23 countries at moderate risk, and 16 countries at low risk of reaching the same category.<sup>152</sup> UNCTAD has criticized the IMF/World Bank definition of debt sustainability, and by extension these analyses, saying that: "under this approach, whether or not a debt is sustainable is a short-term concern of meeting performance benchmarks defined independently of longer-term developmental goals, be this the general goal of raising living standards or more specific goals such as the SDGs. As a consequence, domestic policy spaces, and in particular fiscal policy, are permanently constrained by the effort to ensure short-term debt sustainability as an end in itself."<sup>153</sup> Further, as former IMF economist Peter Doyle argues, the cost of paying off debt in terms of economic output foregone is never factored into the DSA, and it can far outweigh the benefits of paid-up debt.<sup>154</sup>

Jubilee Germany/Erlassjahr's annual *Global Sovereign Debt Monitor* uses a more nuanced standard than the IMF, which, as noted by UNCTAD does not take into account the impact of debt payments on development and human rights: if the money is in the treasury, the debt is considered sustainable, regardless of the impact of using it to pay debt instead of providing for the population. The latest *Global Sovereign Debt Monitor* has determined that fully 122 of 154 countries analysed should be considered "critically indebted."<sup>155</sup> It also notes that 14 countries have suspended debt payments since 2015; the countries from this report's pool of 56 that have suspended payments are: Chad, Congo-Brazzaville, The Gambia, Mozambique, South Sudan, and Zambia.<sup>156</sup>

Developing countries' average annual debt payments have been increasing; for example Kenya's debt payments as a proportion of its revenues tripled in two years.<sup>157</sup> For the developing countries as a group, after the 2011 low of an average of 5.4% of government revenue being spent on debt service, IMF statistics show that average debt payments increased from 12.1% of government revenue in 2015 to 13.9% in 2017, and are projected to peak at 17.9% of government revenue in 2022, an increase of nearly 50% since 2015.<sup>158</sup> Eight years after the peak, in 2030, the rate is still estimated to be high: 16%, the same as in 1998, when only a handful of countries had benefited from HIPC.

We need also to bear in mind that IMF projections assume that countries will adopt the policies it suggests, and that those policies will work well to create strong economic growth. The IMF is frequently criticized for being too optimistic; to address those concerns it now provides an alternative scenario called 'one economic shock,' such as natural disaster, a collapse of prices on a vital commodity, civil strife, etc. Under those scenarios in all 63 countries with DSAs, debt payments would rise to 24.7% by 2022 and remain at that level through 2030, which would represent an average increase of over 100% since 2015.<sup>159</sup> Given the recent discoveries of 'hidden debt' — contracts that were signed by governments in secret, such as Mozambique with London branches of Russian and Swiss banks — there is good reason to be concerned that there may be more debt to factor in on top of what is now known.<sup>160</sup>

Noting that the IMF recommends that countries aim for at least a 'moderate' level of debt risk with a capacity to absorb shocks, which using their figures would mean between 9% and 15% of government revenue,<sup>161</sup> **we choose the median point of 12% as our threshold marking the maximum acceptable proportion of revenues being spent on debt servicing.** Using IMF projected figures for 2019 for the 33 countries that are both in this report's pool of 56 and have adequate data, the 19 over 12% are:

TABLE 1: DEBT SERVICING IN 2019

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

Source: Jubilee Debt Campaign. Debt services figures are % of government revenues

### 3.4 THE IMPACT ON PUBLIC SERVICES

Because data for public sector salaries is too uneven to draw conclusions and make comparisons, we use government expenditure as a proxy to track trends in spending on public services. The government expenditure figures we use, following JDC’s methodology, cover a broad range, including salaries, infrastructure, investment, and routine consumption, but not payments on debt previously contracted (this last factor limits us to the 63 DSA countries, as only the DSA offers this breakdown).

JDC examines the 60 countries of those 63 with adequate data and finds that **in the 30 (half the total) with the highest debt payments – over 13% of government revenue – real public spending per person (taking account of inflation) fell by 6% between 2015 and 2018. In the 30 countries with debt payments under 13% of government revenue, public spending per person grew by 14%.<sup>162</sup>** (Note that this dividing line of 13% is very close to our 12% threshold above; we maintain that 12% is the prudent target).

To illustrate this trajectory for specific countries, we took selections of the two groups that JDC’s research found – 16 of the 30 low-spenders on debt and 16 of the 30 high-spenders<sup>163</sup> – and tracked their public spending as a percentage of GDP in 2015, 2019, and projected for 2023 or the latest year available (highlighted in **aqua** where earlier than 2023), and found similar results. **Twelve of the 16 low-spenders on debt servicing see their expenditure take an upward trajectory over this period, while only two of the 16 high-spenders do.** Countries on a trajectory counter to expectations are highlighted in **yellow**.

TABLE 2: THE IMPACT OF DEBT SERVICING ON PUBLIC SPENDING

COUNTRY – LOW SPENDERS	YEAR	DEBT*	EXPEND**	COUNTRY – HIGH SPENDERS	YEAR	DEBT*	EXPEND**
Afghanistan	2015	0.97	25.89	Benin	2015	14.81	24.59
	2019	1.80	26.78		2019	16.19	19.81
	2023	1.45	33.05		2023	16.43	18.64
Burkina Faso	2015	9.6	22.20	Chad	2015	32.74	16.65
	2019	11.6	26.00		2019	14.70	14.04
	2023	10.4	25.32		2023	19.16	13.42
Cambodia	2015	3.85	20.64	Congo-Brazzaville	2015	7.92	54.57
	2019	5.5	23.66		2019	42.65	22.45
	2023	6.56	24.19		2023	14.13	26.94
Central African Republic	2015	7.89	14.41	Ethiopia	2015	13.74	21.08
	2019	11.83	18.75		2019	12.67	18.43
	2023	10.88	18.18		<b>2022</b>	17.76	18.23
Comoros	2015	4.01	27.53	<b>The Gambia</b>	2015	57.94	14.62
	2019	10.90	34.86		2019	51.80	20.82
	2023	9.14	29.14		2023	33.75	20.38
Guinea-Bissau	2015	1.70	22.42	Ghana	2015	40.38	15.18
	2019	5.11	22.07		2019	59.00	14.51
	2023	3.17	25.19		<b>2021</b>	44.44	14.27
<b>Guinea-Conakry</b>	2015	21.53	20.88	Kenya	2015	17.03	25.97
	2019	7.65	17.57		2019	35.97	22.34
	2023	13.69	17.45		<b>2020</b>	37.05	21.78
<b>Haiti</b>	2015	2.35	20.57	Malawi	2015	21.69	27.28
	2019	6.79	20.54		2019	20.28	23.47
	<b>2020</b>	13.27	18.95		<b>2022</b>	20.26	24.53
<b>Liberia</b>	2015	4.10	18.68	Mozambique	2015	10.61	34.29
	2019	9.13	14.75		2019	26.54	32.47
	2023	21.97	12.20		2023	17.99	28.30

COUNTRY – LOW SPENDERS	YEAR	DEBT*	EXPEND**	COUNTRY – HIGH SPENDERS	YEAR	DEBT*	EXPEND**
Madagascar	2015	18.25	14.38	Myanmar	2015	18.44	23.89
	2019	9.78	17.71		2019	16.84	22.40
	2023	16.14	19.28		2020	15.31	22.57
Mali	2015	5.78	20.34	Senegal	2015	10.49	21.46
	2019	8.53	22.51		2019	18.43	20.10
	2023	8.56	23.86		2023	13.71	21.57
Nepal	2015	7.06	23.24	Sierra Leone	2015	7.60	19.91
	2019	4.47	38.17		2019	42.99	18.66
	2023	3.52	34.81		2023	28.67	16.32
Niger	2015	7.49	31.73	Sudan	2015	22.53	11.68
	2019	16.53	27.23		2019	85.97	7.39
	2023	12.02	26.93		2022	165.78	3.89
Rwanda	2015	5.60	14.93	Tanzania	2015	12.16	17.24
	2019	14.56	17.91		2019	19.54	20.29
	2023	26.68	16.32		2020	21.19	19.92
Uganda	2015	13.20	16.50	Togo	2015	12.92	28.32
	2019	11.99	23.40		2019	15.68	24.20
	2020	13.62	23.47		2023	13.26	24.98
Zimbabwe	2015	1.77	19.93	Zambia	2015	23.99	24.85
	2019	8.5	21.60		2019	50.99	19.02
	2022	5.4	17.01		2023	52.57	15.05

Statistics: JDC, using IMF/World Bank sources; calculations for expenditure by ActionAid. Green highlights indicate countries where the trajectory of government spending runs counter to that of debt payments; blue highlights indicate where last year available is earlier than 2023.

\*servicing of external debt and domestic interest as a percentage of government revenues

\*\*government expenditure as a percentage of GDP

# COVID-19:

The new debt crisis is leaving health systems ill-prepared for the pandemic:

- ✦ Six countries (including Ghana, Zambia and Sierra Leone) are spending more on debt servicing than they are on health and education combined.
- ✦ When developing countries have to spend more on debt repayments, they spend less on health, education and other vital services.



**This makes it clear that higher spending on debt means lower spending on the services that people need.** It is important also to bear in mind that in few of these countries is the quality of and access to public services fully satisfactory, so even those that seem to be doing comparatively well almost certainly require significantly higher levels of spending on services.

Kenya and Senegal present clear cases of the level of government spending declining with each rise in debt, and vice versa. As Kenya's debt servicing costs skyrocketed between 2015 and 2019, its government spending fell by nearly four percentage points of GDP, and both trends are expected to continue; in Senegal the trajectory of debt servicing fluctuates, matched by the fluctuating levels of government spending. Congo-Brazzaville and Sudan present more extreme cases: Congo-B's debt servicing rose even faster than Kenya's between 2015 and 2019 and its spending plummeted by an astounding 32 percentage points in the same period. Sudan has the highest debt servicing to government revenues of all countries surveyed, with a projection that it will hit 165.78% in 2022 (although this could be altered if the US drops its designation of the country as a supporter of terrorism and a debt conference proposed by France goes forward). Its government spending levels, already by far the lowest of any country surveyed at 7.39% in 2019, could fall to 3.89% in 2022. The challenges for the new post-revolutionary government in Khartoum are formidable indeed.

Using more specific figures for spending on public services (as versus the total expenditure line, which can only show trends for budgetary outlays), we look at the amounts countries are projected to spend on debt servicing in 2019 as a percentage of the amount they are projected to spend on health. We find that countries are in many cases spending more on debt than they are on health. For the countries in our pool of 56, 27 countries have adequate data to show the relative spending in 2019, with the highest proportions listed at the top:

TABLE 3

# Debt is Strangling Public Spending

Country	2019 Total Debt Servicing	2019 Domestic Debt Interest	2019 External Debt Service	Health Spending 2019	% of External Debt Servicing vs Health
Congo	\$1.56bn	\$192m	\$1.37bn	\$256m	527%
Kenya	\$6.68bn	\$2.67bn	\$4.01bn	\$1.11bn	361%
The Gambia	\$199m	\$53m	\$146m	\$45m	328%
Ghana	\$6.48bn	\$2.38bn	\$4.10bn	\$1.28bn	319%
Senegal	\$891m	\$190m	\$701m	\$358m	196%
Zambia	\$2.27bn	\$819m	\$1.45bn	\$771m	188%
Cote d'Ivoire	\$1.54bn	\$354m	\$1.19bn	\$653m	182%
Bangladesh	\$9.31bn	\$4.43bn	\$4.88bn	\$2.77bn	176%
Tanzania	\$1.85bn	\$742m	\$1.11bn	\$758m	146%
Mozambique	\$1.06bn	\$405m	\$655m	\$463m	141%
Benin	\$348m	\$189m	\$159m	\$114m	139%
Niger	\$386m	\$96m	\$289m	\$233m	124%
Central African Republic	\$51m	\$4m	\$46m	\$46m	102%
Ethiopia	\$1.58bn	\$208m	\$1.37bn	\$1.39bn	99%
Rwanda	\$349m	\$97m	\$252m	\$255m	99%
Haiti	\$213m	\$52m	\$161m	\$189m	86%
Mali	\$312m	\$129m	\$183m	\$215m	85%
Madagascar	\$198m	\$54m	\$144m	\$171m	84%
Sierra Leone	\$287m	\$199m	\$88m	\$109m	81%
Malawi	\$407m	\$285m	\$122m	\$162m	76%
Togo	\$210m	\$126m	\$85m	\$111m	76%
Liberia	\$85m	\$32m	\$53m	\$82m	65%
Uganda	\$586m	\$210m	\$376m	\$626m	60%
Burkina Faso	\$392m	\$172m	\$220m	\$424m	52%
Lesotho	\$109m	\$34m	\$75m	\$184m	41%
Afghanistan	\$94m	-	\$94m	\$240m	39%
Nepal	\$377m	\$149m	\$228m	\$596m	38%

Sources: JDC and ActionAid, using IMF/WB data.

With the advent of the COVID-19 crisis, spending as much (or more) on debt servicing as on health and education is unsustainable. As culpable as a government may be — and Congo-Brazzaville’s borrowed heavily and non-transparently, using oil, despite its price volatility, as collateral — the fate of the most vulnerable in the country must be kept in mind when crisis strikes.<sup>164</sup> The plummeting of spending on public services in a country like Congo-Brazzaville is in no-one’s interest, but the IMF applauds (before the COVID-19 crisis) such budget reductions in order to recover ‘economic stability’. Ghana, on the other hand, despite spending an amount equal to 161% of its health and education budget on debt servicing actually managed in 2018 to scale up spending on education in order to meet its commitment to free secondary schooling for all (with a 36% rise in enrolment), but the IMF is now urging it to reduce expenditures (though its loan program in Ghana expired in 2019).

Finally, we estimate how much extra cash countries would have had on hand to add to their overall budgets for public services (including water and others) in 2019 if their debt servicing was reduced to the acceptable threshold of 12% of government revenues (in countries spending more than that in 2019). It should be noted that using any of the methods detailed in this chapter’s final section to accomplish that is no simple matter and comes with costs of its own; our purpose here is merely to demonstrate what excessive debt servicing is costing countries in terms of resources available for public services.

**TABLE 4: EXTRA REVENUE IF DEBT SERVICING WAS LIMITED TO 12%**

COUNTRY	2019 DEBT SERVICE (% OF GOVT REVENUES)	EXTRA \$ AVAILABLE IF DEBT SERVICE LIMITED TO 12%
<b>Sudan</b>	85.97	1,489,699,000
<b>Tanzania</b>	19.54	713,464,000
<b>Ghana</b>	59.00	5,165,083,000
<b>Senegal</b>	18.43	310,727,000
<b>The Gambia</b>	51.80	153,145,000
<b>Myanmar</b>	16.84	549,485,000
<b>Zambia</b>	50.99	1,737,179,000
<b>Niger</b>	16.53	105,719,000
<b>Sierra Leone</b>	42.99	206,912,000
<b>Benin</b>	16.19	89,919,000
<b>Congo-B'ville</b>	42.65	1,122,227,000
<b>Togo</b>	15.68	49,321,000
<b>Kenya</b>	35.97	4,448,305,000
<b>Chad</b>	14.70	45,203,700
<b>Bangladesh</b>	29.00	5,456,135,000
<b>Rwanda</b>	14.56	61,500,853
<b>Mozambique</b>	26.54	581,031,000
<b>Ethiopia</b>	12.67	83,690,560
<b>Malawi</b>	20.28	166,232,000

None of these amounts is trivial. Even a large country like Ethiopia, which in 2019 was spending just over the 12% benchmark, would find an extra \$83 million extremely useful to boost its social spending. For Bangladesh, Kenya, and Ghana, which would each save over \$4 billion (indeed, over \$5 billion in Ghana and Bangladesh), this is a hard lesson in the costs of excessive borrowing. But again, it is the most vulnerable who lose the most. It is incumbent on governments and creditors, like the IMF, to look at remedies now that will go beyond piecemeal assistance and truly prioritize the welfare of the most vulnerable citizens over the satisfaction of lenders and the preservation of statistical equilibrium (‘economic stability’).



Rehema Messo (L), Ward education officer, and Headteacher Mary Kikote (R) of Chamwino school, Tanzania. The government spends nearly 20% of its budget just repaying debts – yet that money is urgently needed for education. Photograph: Natasha Mulder/ActionAid

## 3.5 WHAT CAN BE DONE?

As already acknowledged, the new debt crisis is more complex than the one that started in the 1970s, and attention is being drawn to it at an earlier point. Indeed, it's likely that the statistics pointing to the impact of this new crisis have not really matured yet, in the sense that we don't yet know enough about trajectories to predict what will happen, e.g., whether developing countries will enter another period of going from one IMF program to another, gradually converting private debt to official status, or what conditions they will have to agree to in the future. But all indications are that the trends are going in a negative direction and developing country governments need to take stock of all the options.

### 3.5.1 Multi-Country Debt Relief Mechanisms

At the April 2019 meetings of the IMF and World Bank, debt was featured prominently on the various programs of seminars. At one panel, IMF Deputy Managing Director David Lipton said bluntly “there is no appetite for another round of debt relief” among the wealthy governments that control the institution's agenda. The US State Department's highest-ranking official focused on Africa, Tibor Nagy, asked about the fact that 40% of African countries are in debt distress or at high risk, made it more explicit in June: “We went through, just in the last 20 years, this big debt forgiveness for a lot of African countries. Now all of a sudden are we going to go through another cycle of that? [...] I certainly would not be sympathetic, and I don't think my administration would be sympathetic to that kind of situation.”<sup>165</sup> We may hope the US administration will shift its position in light of the COVID-19 crisis, but there are no indications of that as we go to press.

For now, there appears to be no momentum at the international institutional level, where the US is a crucial player, for an intervention to address the crisis. The gap between the first big structural adjustment loan in response to the 1970s debt crisis – the IMF loan to Mexico in 1982 – and the announcement of the HIPC program in 1996 was 14 years (just a bit longer than the gap before Mexico's next debt crisis in 1994). But the HIPC program by no means solved the debt problem for developing countries; it was the MDRI in 2005, 23 years after Mexico's loan, that cleared the balances of a substantial number of countries. If we cite 2012 as the starting point for this debt crisis – when countries' debt servicing rates started to rise again after MDRI – that pace would make it 2035 before a similar moment is reached. We cannot afford two more ‘lost decades’ for developing countries –

particularly in the context of the international community having committed to achieve an ambitious range of SDGs by 2030. Investing in public services on the scale needed to achieve any of those goals will be almost impossible until action is taken to address the new debt crisis.

But there are grounds for hope that individual creditors may reach agreements on cancellation of debt with individual debtor governments. Creditor governments and institutions should recognize their responsibility in creating conditions which make provisions of quality public services impossible and take immediate steps to alleviate debt burdens. The Chinese government has already taken some steps in this direction but is not likely to go beyond a case-by-case basis.

Despite this international pessimism, thankfully there are some developments that point to a possible way forward to accelerate action on debt so that countries can reduce debt servicing to the more manageable threshold of 12%.

### 3.5.2 Climate Debt and Loss & Damage

Climate debt, caused by the increasing incidence of natural disasters, has become an issue at the UN climate talks, thanks to civil society. This started in the Caribbean where repeated hurricanes have nearly bankrupted several countries, including some ranked as upper-middle-income countries. A proposal from Jubilee Caribbean has been expanded into a call for an automatic financing mechanism, including debt relief, to be part of the Warsaw International Mechanism on Loss and Damage, within the UN Framework Convention on Climate Change.<sup>166</sup> While such a fund was not adopted at the 2019 Madrid UN climate conference, it was squarely placed on the agenda of developing countries and civil society.<sup>167</sup> Those forces are continuing to push the agenda on funding and debt relief in the context of loss and damage in 2020.

### 3.5.3 National Participatory Debt Audits

During the 2000s, Jubilee South, a grouping of debt campaigns in Latin America & the Caribbean, Africa, and Asia-Pacific, called for national debt audits, conducted in parallel, where possible, by civil society and government, which would determine which debts were legitimate and which were not. Of particular concern were debts contracted by authoritarian and anti-democratic governments with little consultation with legislatures and citizens. Such debts, often siphoned off by corrupt officials, would be declared illegitimate and ideally void under the little-used doctrine of 'odious debt'.<sup>168</sup>

As the movements put it, the dual audits were meant "to examine not only the figures or sums of money involved concerning the debt [but] to evaluate the policies, existing laws, and institutions that perpetuated this problem, including the responsibility and culpability of institutions and personalities involved[, and] to assess the costs and impacts of the problem, and who really benefitted."<sup>169</sup>

Ecuador was the sole country to carry out a full process with government participation, in 2007-08 after Rafael Correa became president. The audit uncovered substantial dubious practices by both past governments and their financial advisors, and Correa effectively repudiated some payments.<sup>170</sup> Few other governments, unfortunately, wished to investigate so deeply and co-ordinate with civil society. Massive civil society pressure would be required to make audits happen now, especially with many countries building up the debt only in the last decade, meaning that those responsible may still be in office, or at least still influential. Governments generally resist any tactic that hints at default or repudiation, on the grounds that it may reduce the country's attractiveness to creditors in the future. But the tactic remains one that civil society should bear in mind.

One new element to look at in any participatory debt audit would be investor guarantees that are provided by national governments, as they have become more common with public-private partnerships (PPPs) and can result in unanticipated debt build-up because they are contingent liabilities so don't appear in debt tallies until problems occur.

### 3.5.4 Repudiation

Repudiation of debts, essentially an assertive default on grounds of illegitimacy or extreme circumstances, rarely happens, as governments fear that they would find getting credit much more difficult after such a move. The Ecuador example cited above is one of the few recent ones of repudiation being operationalised. The credible threat of repudiation or default should be recognized as a legitimate right of countries facing illegitimate or crushing debt and is often the only bargaining chip that heavily indebted countries have. Their failure to recognize and use it consigns their citizens to lasting poverty and deprivation. It remains a potent demand for civil society to make upon indebted country governments.

### 3.5.5 Restructuring

Restructuring of government sovereign debts, including rescheduling of payments, is one of the more practical (i.e. politically plausible) remedies for heavily indebted countries. As with other means of reducing debt, countries are often reluctant to pursue it because they are told it could render them less creditworthy in the eyes of lenders. It is defined as “an exchange of outstanding sovereign debt instruments, such as loans or bonds, for new debt instruments or cash through a legal process.”<sup>171</sup> The end result can (and should) be substantially reduced debt servicing costs as payments are cut by agreement among creditors or extended over a longer period.

UNCTAD stresses the urgency of a more systematic approach to restructuring for countries facing debt problems: “When financial and debt distress reaches levels that require intervention, effective and fair sovereign debt restructuring mechanisms are essential to preserving a constructive role for developmental credit creation and debt in the future. The current ad hoc frameworks for sovereign debt restructurings are costly, fragmented and fraught with inefficiencies and perverse incentives, largely tilting the balance of power in favour of creditors. This, more often than not, leaves sovereign debtors in a ‘prison world’ in which they suffer all the stigma of de facto default and lose future access to affordable finance, even as they do not receive the benefits of substantial debt relief and financial restructuring that would allow their economies to recover and avoid future debt distress. The logic is one of deterrence rather than of enabling future potential.”<sup>172</sup>

For its part, the IMF has recently issued a paper concluding, “Debt resolution frameworks show worrying signs that they are not effective enough. The increased importance of non-traditional lenders and instruments has complicated debt resolutions. As a result, recent restructurings have been drawn out and not fully effective in reducing public debt levels. A review of the architecture for sovereign debt resolution is needed.”<sup>173</sup> Clearly they’re not ready to go as far as UNCTAD, but this is a sign of progress from the IMF.

In light of the burgeoning debt crisis, civil society has been analysing the existing processes that UNCTAD criticizes. One of the results is a call on the IMF to adhere more closely to its own policies in terms of making large loans to countries with unsustainable debt, an issue which gained considerable publicity with the problematic reform programs in Greece in the 2010s and the apparent failure in 2019 of the IMF’s Argentina program, supported by its largest ever loan (\$57 billion). The argument, made by many in and beyond civil society, is that large loans should not have been made to these (and other) governments without first conducting a restructuring/rescheduling to make their debt sustainable.

As JDC summarizes, civil society’s aim is to:

- 1 reduce the recourse to ever-harsher conditions, including cuts to public services, as new IMF programs are introduced
- 2 avoid situations in which the IMF is effectively bailing out reckless lenders, and
- 3 reduce the risk of deepening debt crises requiring large collective solutions like HIPC and MDRI.<sup>174</sup>

### 3.5.6 The Debt Workout Mechanism

Civil society hopes to push indebted governments and the creditors further toward a recognition that restructurings must become more routine, and that a standard and fair mechanism be introduced to ease their accomplishment. Eurodad, together with many allies in civil society, has taken up this call most forcefully, with the demand for a 'debt workout mechanism' (DWM) rooted in ten principles that should bind all the parties, including:<sup>175</sup>

- The mechanism must be independent of all debtors and creditors (including the IMF).
- The debtor can initiate the process, which, when approved by the independent mechanism, will lead to an automatic standstill on debt payments and any litigation concerning them.
- The process should be comprehensive, treating all the country's external debt, public and private, at once.
- The process should include all stakeholders, including creditors, debtors, and citizens of the country.

The legality and legitimacy of all debt must be impartially assessed, with illegal and illegitimate debt cancelled (a process resembling the debt audits described above).

- The needs of the country's citizens and sustainable development must be the priority in making decisions about debt sustainability.
- All decisions must be transparent and enforceable.

### 3.5.7 Reforming Debt Contracting Processes

The most important, as well as the most basic, tool for avoiding and limiting debt crises in developing countries is transparent and accountable systems of debt contracting and provision of investor guarantees. Governments commit their countries to huge debts which will have to be repaid by the citizenry, in many cases long after the government that contracted them has left office. They often do this by ignoring rules of transparency that already exist or failing to ensure that such guidelines are in place and well-understood and practiced. All governments should mandate that borrowing decisions over a modest limit are fully debated and approved by national legislatures, with information about the debates publicized widely to citizens before those debates. This may not resolve existing debts, but it should help to prevent the intensification of debt crises in the future. Debt payments, too, should not be automatic, but subject to parliamentary approval. A comprehensive civil society definition of how fair and development-enhancing financing can be carried out, with provisions for both lenders and borrowers, is Eurodad's *Responsible Finance Charter* (2011).<sup>176</sup> It contains provisions on transparency, public participation, safeguarding of human rights and the environment, development effectiveness (including alignment to national development goals), compliance with all tax regulations, eschewing tax incentives, transparent exchange of tax information, fair procurement procedures, and fair and independent dispute settlement mechanisms.

Eurodad notes that "current rules regulating foreign investment are heavily skewed towards protecting investors' rights," and urges "a rules-based system which lays out the rights and obligations of lenders and investors, borrowers and host states, but most importantly which protects the rights and welfare of the citizens across the world."<sup>177</sup> The United Nations Special Rapporteur on Foreign Debt and Human Rights has attempted to construct principles for both borrowers and lenders, including "borrower states should have a comprehensive legal and institutional framework that promotes and ensures transparency and accountability in the loan negotiation and contracting as well as public debt management processes."<sup>178</sup>

Jubilee Debt Campaign picks up on this last recommendation and suggests that "information on loans to governments, or with any form of government guarantee, should be disclosed via a global publicly-accessible registry within 30 days of contract signature, and should include: the value of the loan, fees, charges and interest, the law the debt is owed under, any available information on the use of proceeds and the payment schedule." They also recommend the registry is backed by the G20.<sup>179</sup>

In the end, developing country governments which contract debt need to be held accountable politically, by their citizens. International guidelines have little persuasive power without a mobilized population. Activists in developing countries need to intervene continuously to monitor government borrowing, and hold it accountable for plans to borrow that do not advance development and benefit the people of the country, or whose repayment is likely to result in public services being under-funded in order to satisfy creditors.

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It is clear that to achieve increased investment in gender-responsive public services we need to address the new debt crisis and take action to prevent a similar crisis in the future. When significant percentages of government revenue disappear in paying interest on debts, the scope for investing in services and reducing women's unpaid care and domestic work is greatly diminished. But high levels of debt also create other challenges, not least making countries dependent on the conditions and advice of the IMF – whose recommendations all too often contribute to a further squeeze on public spending. The power of the IMF is closely linked to debt and the impact of the policies that they advocate on public services is explored in Chapter 4.

### 3.6 WHAT ACTION ON DEBT COULD PAY FOR IN PUBLIC SERVICES

ActionAid has looked at the levels of government revenues that could be generated from renegotiating debt that exceeds 12% of government revenues, and then examined how this could fund key sectors for four countries.

In **Bangladesh**, debt servicing currently runs at 29% of government revenues – that's 86% of the health and education budgets combined. If it was at 12% this would yield an additional \$5.5 billion to spend on public services. This could lead to more funds that could help with financing public services. The reduction in debt payments could translate into turning around the healthcare shortages in Bangladesh, for instance: there are currently only 8 health-workers per 10,000 people,<sup>180</sup> in spite of WHO setting a global target of 44.5 per 10,000 people to meet the SDG commitments to universal healthcare, and it is estimated that around 60,000 doctors and 280,000 nurses are required to fill immediate gaps in Bangladesh.<sup>181</sup> Reducing debt servicing to no more than 12% could pay the average salaries of more than 60,000 junior doctors in primary healthcare; alternatively, it could pay for 115,000 nurses (on an average wage).<sup>182</sup> These gains would be difficult to achieve if the Bangladeshi government continues to follow the IMF's dogmatic advice of keeping inflation at no more than 5.5% whilst also reducing its deficit from 2.4%. There would also need to be a clear break with the IMF's standard advice to contain public sector wage bills.

**Ghana** has one of the highest debt servicing costs in the world, at 59% of GDP. If that debt servicing figure was reduced to 12% through cancellation, rescheduling, or other methods, Ghana would have had an extra \$5 billion available for spending on public services. Action just on debt could boost current spending levels on health and education by one and a half times (collectively). This could help pay for ensuring that healthcare services are able to employ more staff. In the Northern Region of Ghana, where geographical inequality intersects with poverty, the proportion of births delivered by a skilled provider is far less than half (36%).<sup>183</sup> Currently, funds are so restricted in the Ghanaian health budget that newly trained nurses cannot be taken on. As a result, over 2,000 newly qualified nurses waiting to be employed into the public sector due to lack of funds,<sup>184</sup> and 8,000 diploma midwives.<sup>185</sup> The funding just from avoiding debt servicing could pay the salaries of 200,000 fully trained midwives annually.

**Kenya** has very high debt servicing costs, at 36% of GDP in 2019. This is causing debt payments to triple (as a proportion of its revenues) in just 2 years – as much money goes in paying debt as the total spending on education and health combined. If that figure was reduced to 12% through cancellation, rescheduling, or other methods, Kenya would have had an extra \$4.4 billion available for spending on public services. At the same time, if a 15% share of the potential US\$4 billion excessive debt servicing

was freed-up this could also raise another \$13 per person to be spent on health, in a country which is spending around \$30 per person this could boost spending.<sup>186</sup> Currently in secondary and primary schools there is a shortage of 96,345 teachers in primary and secondary schools<sup>187</sup> – less than a quarter of this amount could pay their annual wages.<sup>188</sup> However, under the present IMF guidance that the public sector wage bills should be frozen at 4.5%, this would not be possible

**Senegal** is spending 18.43% of government revenues on debt servicing. The amount it spends comes to 57% of what is spent on health and education. If, through cancellation, rescheduling, or other methods, it was able to reduce its debt servicing to 12% of government revenue, it would have had an additional \$310 million available for public services in 2019. The amount it spends on debt comes to about half the amount it spent on health and education in 2019.

# 4 THE IMPACT OF THE IMF ON PUBLIC SPENDING

**NOTE: This report went into production before the dimensions of the COVID-19 crisis were clear. We have added some material to the text, but this box highlights ActionAid's urgent demands for action on debt as the crisis continues to grow.**

**With the COVID-19 Pandemic there is added urgency to addressing the damage of IMF austerity policies. There is a compelling case for developing country governments to announce multilaterally if at all possible, that they will stop observing IMF policy conditions and advice where it obstructs their capacity to mobilize resources to protect citizens and provide a comprehensive response to the pandemic. This would involve immediately lifting constraints on public sector wage bills so more doctors, nurses and care workers can be recruited. It would also involve lifting IMF targets on deficits and inflation rates so that public spending can rise immediately in developing countries (enabling governments to respond in a similar way to many of those in richer countries).**

## 4.1 THE IMF'S HISTORY & FUNCTIONS

The International Monetary Fund (IMF) has long been one of the most powerful forces in determining the shape of economic policies followed by developing countries (and some emerging and developed countries). These policies profoundly affect the resources available for investment in gender responsive public services, so it is important to understand where the IMF's power comes from and how it uses that power.

A multilateral institution founded in 1944 which now includes virtually all of the world's countries<sup>189</sup> as members, the IMF originally had a narrow mandate of monitoring currency valuation in member countries. It assumed a prominent role in shaping countries' broader economic policies from the late 1970s when it began providing deeply indebted countries with what came to be known as bailouts. Bailout loans were used by governments to pay off creditors and were accompanied by stringent conditions that became known as austerity programs, or in the IMF's erstwhile lexicon, structural adjustment programs (SAPs). Indebted countries had little choice but to accept these conditions, since they could not get credit elsewhere. Failure to adhere to IMF conditions could, and still can, result in suspension or cancellation of loans and damage to the country's reputation with investors and other creditors. Those conditions have proved to carry a range of deleterious side effects for countries, most notably, for our purposes, greatly constraining the ability of developing country governments to pay for quality gender-responsive public services.

Its sister institution, the World Bank, was founded at the same time, and is located across the street from the IMF in Washington, DC. It too makes conditional loans to developing countries, was deeply implicated in the SAP period, and continues to call for budget cuts and reduced wage bills, among other provisions.<sup>190</sup> It has focused on promoting private sector led development, including through the public-private partnerships described briefly in Chapter 3. Because of space limitations and the fact that the IMF tends to take the lead on macroeconomic conditions, this paper focuses on the IMF rather than the World Bank.

As covered in Chapter 3, during the 1980s and '90s, most developing countries found themselves on a debt treadmill, where they went from one IMF program to the next (or a similar World Bank program) as they struggled to pay off their debts, including the growing debts held by the institutions themselves. These IMF programs, known as structural adjustment programs (SAPs), are described at greater length below. The period became known as 'lost decades'<sup>191</sup> for development in Latin America, the Caribbean, Africa, and parts of Asia-Pacific as a result of SAPs' restrictions on government spending in efforts to



Mary, 32, is a nurse living in village in Upper West state, northern Ghana, where health services urgently need more investment  
Photograph: Ruth McDowall/ActionAid

contain budget deficits and inflation so that they could pay off their debt. **Government expenditure in developing countries dropped from 19% of GDP in 1981 to 16% in 1998**; there seemed (and still seems) to be a presumption that this sort of drop would be regained by private investment lured by economic stabilisation and incentives such as low corporate tax rates and public-private partnerships.<sup>192</sup> That hasn't been the case, and even if it had happened, there are sound reasons to prefer universal public services to for-profit schemes (see Chapter 2).

Although the IMF largely stopped using the term 'structural adjustment' around the turn of the millennium, neither the power dynamic between the institution and governments nor the economic policies themselves have changed greatly.<sup>193</sup> Even when governments don't face a looming debt crisis, they have little negotiating power; but in fact, many developing country finance ministries now seem to be in broad agreement with IMF orthodoxy, a form of neo-liberalism for developing countries which seeks to reduce government intervention and regulation, despite the damage it stands to do to the large populations of people living in poverty in their countries. This shift in conventional wisdom occurred swiftly, with the right-ward changes in government in two big powers, the UK (Thatcher in 1979) and the US (Reagan in 1981), following on recession and soaring inflation in the late 1970s. The new orientation overturned the previous Keynesian model that supported state intervention and expansionary fiscal policy to stimulate or modulate growth as necessary. By the 1990s, with the end of the Soviet Union, university economics departments had succumbed to the tide of neo-liberalism and developing countries dependent on external finance had little hope of instituting substantially different policies. In this century, developing country finance ministries have been dominated by staff trained in neo-liberal approaches, indeed, often alumni of the IMF or World Bank. Although the IMF publicly disowned the term 'neo-liberalism' in 2016,<sup>194</sup> this appears to have been more about appearances and public relations than substance. The test lies in whether real practices on the ground have changed.

The IMF remains the internationally acknowledged 'lender of last resort' for indebted governments, and also is designated a preferred creditor, meaning that debt owed to it must be paid before others.<sup>195</sup>

Its published reports (“Article IV reports”) on national economies, usually annual or even more frequent for countries with loan programs, are widely consulted by international investors and other governments as guidance for their own investment and aid decisions.

While the IMF made loans to developed countries in its first quarter-century or so, and did so again in Europe, from Iceland to Greece, in the wake of the global financial crisis starting in 2007-08, that was very much the exception to the historical rule. The IMF’s loan clients since the late 1970s have largely been developing or emerging economies. However, the IMF’s foray into Europe between 2008 and 2015 restored some of the prominence it had lost with its mishandling of the East Asian financial crisis of the late 1990s and with the rise of Chinese lending to developing countries without macroeconomic conditions in the new century. A major injection of cash into the IMF to deal with the impact of the global financial crisis starting in 2008 no doubt also helped.

The IMF is governed by an Executive Board, which consists of representatives of the member countries grouped into 24 constituencies (seven of them containing a single country). The voting power of each member country is determined by the size of the country’s quota payment to the IMF, based on a formula that continues to favor the US and European countries, an arrangement sometimes derisively referred to as ‘one dollar one vote.’ This means that the richest countries hold most of the power, and the U.S., as the largest shareholder, holds veto power over major IMF decisions.<sup>196</sup> The loan conditions and country reports, which are approved by the board, therefore tend to more closely reflect the priorities of the U.S., Japan, and the European Union than those of other countries, civil society, or indeed of the IMF’s own research department, which in the last decade has expanded its scope of research and articulated conclusions even at the risk of sometimes appearing to be at odds with official IMF positions.

## 4.2 OUR RESEARCH METHODOLOGY ON IMF POLICY ADVICE & LOAN CONDITIONS

The IMF has several loan facilities, with the names and purposes shifting slightly over the years. The most common for the countries we’ve surveyed are the Extended Credit Facility (ECF) for low-income countries and its counterpart for middle-income countries, the Extended Fund Facility (EFF). Both are medium-term lending windows, with the typical period being three years, though loan programs are frequently extended.<sup>197</sup>

Below we present the results of our analysis of the most recent IMF advice or loan conditions for 56 countries, analyzed by issue: wage bill targets, deficit targets, inflation targets, gender issues, social spending, and labour issues. Loan documents were analyzed for countries with current programs or ones which ended no earlier than 2017. The ‘letter of intent’ along with its attached Memorandum of Economic & Financial Policies (MEFP) is the central document for loans. They are ostensibly written by the borrowing country’s finance minister to commit to the conditions, but it is widely presumed that they are largely written by IMF staff.<sup>198</sup> This disingenuousness goes to the heart of the IMF’s function in the global political economy: responsibility for the policies is shared by the institution’s staff, the countries that dominate the board, and the borrowing governments: in this way blame can always be deflected to someone else. For non-borrowing countries, we have looked at the most recent Article IV Reports, which are the annual “surveillance” evaluations of national economies mandated by the IMF’s constitution, the Articles of Agreement. Despite being mandatory, they don’t always happen as scheduled, as the IMF’s enforcement power in this regard is limited.

The countries we have reviewed are listed and explained in Chapter 3 (see Box M page 33) The documents we consulted are in the endnote here <sup>199</sup>

We have taken an intentionally broad approach to IMF conditionality in our research. Some studies look at the different official categories of conditionality, such as structural benchmarks, performance criteria, and quantitative performance criteria. But there has always been contention about which

conditions are considered legally binding or instead merely evaluation criteria. Indeed, the notion of 'binding conditions' in a relationship between a multilateral institution and a sovereign government is itself fraught with contradictions. In any case, violations of ostensibly binding targets do not always lead to suspension or cancellation of IMF programs.

At the same time, it is clear that what a country is judged on — by the IMF and other creditors and investors — is not limited to official conditions such as structural benchmarks or performance criteria; as Gino Brunswijck of Eurodad writes, "policy measures embedded in the narrative of IMF programme documents are de facto conditionality even though they are not explicitly so."<sup>200</sup> A government trying to enhance its reputation with investors and creditors through successful performance in IMF programs — as a private banker says is common in sub-Saharan countries<sup>201</sup> — will be cognizant of what aspects of the program might be explicitly evaluated in the next review. So, in our analysis we cover documents from both IMF programs, usually accompanied by loans and official conditions, and annual Article IV reports, which have neither, but which can be just as influential in determining a government's economic policies, and certainly just as indicative of the prescriptions the IMF is offering worldwide. For the purposes of this review, all IMF advice, including formal conditions, is treated equally.

It should also be noted that the format of the data provided by IMF country documents is not consistent. Gauges used differ from country to country, as do the years over which they are measured, estimated, and projected. As one example, the IMF uses at least 14 different terms in the reviews of the 56 countries for its evaluations of budget deficits and surpluses.<sup>202</sup>

We should also clarify that while we use the term targeting in a normative way, there is a formal definition of inflation targeting which goes deeper than simply setting expectations or projections. Related to this is our interpretation of the IMF projections for wage bills, inflation, and deficits (for the documents we have reviewed, usually to 2023 or 2024): these are frequently calculated using an assumption that the government will accept the IMF advice and implement it smoothly, without any economic shocks, which can include natural disasters, supply shortages, sudden changes in demand levels, or, as we now so well know, a global pandemic). The projections, then, are assessments of what the IMF thinks the government could and should be aiming for, and so constitute policy advice; former IMF senior economist Peter Doyle interprets them in this way.<sup>203</sup>

Based on this approach, below we focus on the targets the IMF sets for public sector wage expenditures (the wage bill), inflation, and budget deficits, plus its advice on social spending, gender and labour issues, which are not technically part of the IMF's mandate, but which still carry real weight.

### 4.3 THE NATURE OF IMF CONDITIONALITY TODAY

Our research shows that, just as in the 1980s and 1990s,<sup>204</sup> the IMF continues to require that governments overcome or avoid debt crises by adopting policies that both constrict their economies and open them up. The constriction comes through sharp limits on public spending and public investment by limiting fiscal deficits and holding inflation down, usually to about 5%. One result of these demands is caps, or containment, of the amount a government spends on public sector wages, which directly curtails the public services governments can offer. The opening up comes in the form of liberalisation: relaxing regulations and adopting incentives to seek foreign investment and international trade opportunities to stimulate the economy using outside funds. This combination results in developing countries depending on external actors interested mainly in quick capital gains rather than fostering long-term domestic production through industrialisation.<sup>205</sup> This recipe for stasis in the global economy — where power and wealth remains in the hands of the rich countries and poorer countries try to join the game as junior partners rather than creating self-sufficient multi-faceted economies — sentences most people in developing countries to continued poverty. There is always a gendered dimension to this as the lack of resources for public services disadvantages women most and leaves them having to pick up the pieces through their unpaid care and domestic work.

Limiting government budgets is compatible with a neo-liberal approach, which seeks to reduce government intervention in a country's economy by eliminating price controls, financial regulation, capital controls, labour regulation, stimulus spending, etc. As Ha-Joon Chang and others have pointed out, this laissez-faire or free market approach is the opposite of the one that most developed economies, from older ones like the UK and US to relatively recent ones like Japan and South Korea, and up to China today, have used to achieve their status.<sup>206</sup> Without exception, they focused on protecting and developing their own economic capacity, even where it has meant foregoing superior imported products for a period of time or essentially pirating intellectual property (a relatively recent concept) developed elsewhere.<sup>207</sup>

Of course, it is important for countries to keep inflation and deficits under control, but the question is what constitutes control and how to balance this with the weight of different priorities. As a human rights-based organisation, ActionAid believes that safeguarding basic rights is paramount. Rather than judging a government by its GDP, its deficit, or its inflation rate, should a government not be judged by how well it is educating its citizens, safeguarding their health, providing for necessities of life like water, fostering satisfactory and productive livelihoods for all citizens and addressing gender-based and other injustices?

Our fundamental concern is that a uniquely powerful institution, the IMF, is mandated by the international financial system to set guidelines for developing country economic policy working from the imperative to maintain certain indicators in a conventional band it judges sound for neoliberal capitalist systems. We maintain that governments have a broader obligation: to avoid financial and economic crises, yes, but to make their first priority the overall welfare of their citizens and environment. In other words, we argue for turning away from neo-liberal orthodoxy in favor of a rights-based perspective. The IMF would likely respond that there are other international institutions – UN agencies, most prominently – which work from this starting point. But countries rarely consult the UN Development Program (UNDP) or the United Nations Conference on Trade & Development (UNCTAD),



The life of women and girls in rural West Pokot, Kenya is dominated by unpaid care and domestic work. Photograph: Ashley Hamer/ActionAid

which have little or no funding to offer, about their policy frameworks. The balance of power is overwhelmingly on the side of the IMF and other international financial institutions including the World Bank. The global endorsement of the UN's Sustainable Development Goals (SDGs) provides some leverage to IMF critics making this point, but the IMF's response to the SDGs thus far has been to re-label, rather than change, what it already does.

This is also an argument to redefine investment: economists often privilege investment (infrastructure) over recurrent costs (primarily public sector wages), but we argue that educating people, keeping them healthy, reducing exploitation of women's unpaid care and ensuring people are able to acquire the necessities of life constitutes genuine investment in the country's future. What is needed, immediately, is meaningful investment in high-quality, universal, and accessible gender-responsive public services. Public sector workers, the key providers of public services, should be adequate in number, well-trained and fairly compensated. Spending on quality public services, including the people who make them possible, is an investment rather than an expense. Any economic model that essentially ignores people will end up exploiting people. As observed in Chapter 2, those who end up most exploited when public services are under-resourced are women, who both lose decent work opportunities and whose burden of unpaid care and domestic work ends up propping up an unjust economy and undermining national economic development.

### 4.3.1 The Need for Counter-Cyclical Economic Policies

The role of government as provider of essential services is especially important in times of economic downturn, when people are less able to tap into the resources they need for survival. At such times, regardless of a country's economic statistics, government needs to step up to fill the gaps left by a slowing or collapsed economy. This approach to *counter-cyclical* public spending was widely adopted by mainstream economists throughout the world from the 1930s through the 1970s until it was eclipsed by the ascendancy of neo-liberal economics in the 1980s. The IMF, however, does not promote such spending, and routinely advises or requires countries to respond to economic difficulties with heightened budget austerity. As former UNDESA and UNESCAP economist Anis Chowdhury notes, "the pro-cyclicality of fiscal policy in developing countries has become part of conventional wisdom."<sup>208</sup>

Externally imposed conditions are, at any rate, a poor substitute for budget priorities determined by national politicians responding to people's needs and demands. While democratically responsive budget-making is far from the norm in many countries, multilateral institutions should be fostering economic democracy rather than employing policy coercion.

In September 2019, the UN Independent Expert on Foreign Debt & Human Rights, Juan Pablo Bohoslavsky, declared that there is no evidence that fiscal consolidation — austerity, as recommended by the IMF — contributes to economic recovery, but substantial evidence that it puts access to essential public services at risk and increases unpaid care work for women.<sup>209</sup> He also found international financial institutions can and should be held accountable under international law for violations of human rights caused by their policy advice.<sup>210</sup>

## 4.4 THE IMF ADJUSTING TO THE 21ST CENTURY

In the last decade, the IMF's research department has moved beyond the confines of neo-liberalism; it has offered useful papers on natural resource payments, taxation, inequality, and other subjects. It has also made an effort, flawed as it may be, to integrate gender concerns into its research.<sup>211</sup> Its work on inequality has drawn particular notice, as the institution seems to have reversed a previous disavowal of the relevance of the issue to their work, now saying that inequality harms growth rather than being an unavoidable side effect of it.<sup>212</sup> Most of this research has been published in staff or working papers not requiring the approval of the IMF's Executive Board, but sadly our research shows that this has had little discernible impact on the institution's country-specific policy advice, regardless of the IMF's claim to have 'operationalised' changes on gender, climate, and inequality policy.<sup>213</sup>

#### 4.4.1 The IMF's 2019 Strategy on Social Spending

The IMF has struggled to make itself appear relevant as development discourse has become dominated by the UN Sustainable Development Goals (SDGs). However, its recently-published 'Strategy for Engagement on Social Spending' is a tepid attempt at joining the crowd, arguably more a public relations effort than a serious plan. In it, the IMF contends that its programs "have increasingly attempted to address the potential adverse effects of adjustment on poverty and inequality"<sup>214</sup> including through spending floors and other conditions. But as our research below highlights, with its concurrent emphasis in practice on low inflation targets, low budget deficits (or surpluses), and wage bill containment, the IMF accords governments little fiscal space – budget flexibility – to follow their own priorities. The IMF has long trumpeted its 'floors' for social spending as a key shift to ensure public welfare,<sup>215</sup> dating to 1999 when the term 'structural adjustment' was dropped in favor of 'poverty reduction and growth'. But civil society has charged that the floors are insufficient to safeguard human rights; and even the IMF itself is reportedly now contemplating whether they require adjustment in light of the SDGs.<sup>216</sup>

The IMF strategy sets out as one of its criteria for social spending "adequacy for inclusive growth and protecting the vulnerable."<sup>217</sup> This is, at first, encouraging, hinting as it does at seeing public services as an end in themselves, an investment in development and human rights. But the commentary on it focuses on the need to reduce non-priority spending to achieve adequacy, as opposed to changing rigid inflation, deficit, and wage bill targets. In other words, they recommend shifting how the budget is shared out rather than measures that will expand, rather than contract, the size of the total budget – the kind of substantial shift that will be required to meet the SDGs. This IMF recommendation, then, is as much rooted in the IMF's definition of fiscal sustainability as any normative definition of development or human rights.

As a strategy rather than a policy paper, this IMF publication is more focused on internal processes than delineating policy recommendations; more policy content is promised in a staff note to be completed by the end of 2020. The document focuses a good deal on communications strategy (including the IMF's intranet), engagement with the World Bank and other actors, and management of the IMF's own internal resources. That the paper was nonetheless released with considerable fanfare – including its launch by the IMF's head at the 100<sup>th</sup> anniversary conclave of the International Labor Organization (ILO) and a hard sell to CSOs as the IMF's contribution to the SDGs – suggests that the IMF is increasingly concerned about its reputation as an obstacle to achievement of the SDGs. Indeed, a 2017 report by its internal watchdog found that the IMF's approach to social protection – targeting the most vulnerable rather than universal benefits – was increasingly out-of-step with "the rights-based approach to social protection espoused by UN agencies."<sup>218</sup>

But even as the paper attempts to show openness to country-driven social policy, the leopard's spots show up again, as it pledges "greater attention" to "encouraging and assisting a member to pursue its own objectives related to protection of vulnerable groups and social spending during adjustment (if these objectives are consistent with the primary goal of helping the member correct its balance of payments problem and achieve external viability)."<sup>219</sup> At any rate, we should not expect too much change from the IMF, as it is clearly not anticipating a shift in its *modus operandi*: "Since IMF engagement on social spending is already extensive, the additional resources to implement the strategy are at this point not expected to be significant, beyond some set-up costs."<sup>220</sup>

## BOX N: THE IMPACT OF IMF POLICIES ON WOMEN

The reliance on gross domestic product (GDP) as a key indicator with deficits, wage bills, social spending and more all expressed as a percentage of GDP — means that unpaid and unrecognized work, which is largely done by women, is absent from the IMF's economic discourse altogether. Feminist economists have long pointed to the blindness of mainstream economics to the overall economy's dependence on gendered practices which leaves the crucial care work largely unpaid or marginalized, and sentences women to stereotyped work roles with lower pay, fewer legal and social protections, and virtual exclusion from most decision-making and influencing processes.

Common macroeconomic measures recommended by the IMF and other international financial institutions such as reducing subsidies (for fuel, bread, etc.), privatizing public services and entities, 'rationalizing' social safety nets and social protection, wage cuts, reductions in the numbers of public employees, the flexibilization of labour regulations, cuts to services, and dependence on revenue from indirect, and consumption taxes like value-added tax (VAT) all harm women disproportionately.<sup>221</sup> As a recent letter (endorsed by ActionAid) to IMF Managing Director Kristalina Georgieva points out, "This has had the effect of pushing women into informal, low-waged work, increased their unpaid care burdens, and negatively impacted on their access to education, health and social protection."<sup>222</sup>

Indeed, the loss of public services is often made up for by women taking on extra responsibilities without compensation: what looks to a macroeconomist like increased efficiency is in reality a cost transferred to poor women whose voice is seldom heard.<sup>223</sup> For instance, a recent study found that women in Egypt are spending 30.25 hours per work on unpaid work.<sup>224</sup> In addition to the loss of services for women themselves and the increased time and energy spent on making up for that loss in their families, women also suffer more from the layoffs of public sector employees, as it is one of the sectors they are best-represented in. Fully two-thirds (67%) of jobs in the health sector worldwide, for instance, are held by women,<sup>225</sup> and they are usually in the more vulnerable (first laid off) positions, including front-line service delivery (teachers, nurses, etc.), lower-level administration, and temporary or part-time positions.<sup>226</sup>

### 4.5 FINDINGS FROM OUR RESEARCH

An important precursor and companion to this study is a series of papers chronicling the return of the IMF to pushing austerity policies after a pause at the height of the global financial and economic crisis starting in 2008, published by Isabel Ortiz, Matthew Cummins and colleagues in 2013, 2015, and 2019, through Columbia University's Initiative for Public Dialogue and others.<sup>227</sup> Collectively the reports have analyzed 779 IMF documents relating to the economies of 187 countries, including rich ones. The most recent paper found that the most frequently advised strategies (in descending order) in 161 documents for 2018-19 were:

- pension and social security reforms – 86 countries
- cutting or capping the public sector wage bill, including the number and salaries of civil servants (e.g. teachers) delivering public services – 80 countries
- labour market reforms (revising minimum wage, limiting salary increases to cost of living, flexibilization in hiring, firing, and bargaining, etc.) – 79 countries
- elimination or reduction of subsidies, including on fuel, agriculture and food products – 78 countries
- reducing and targeting (rather than universal provision) social assistance/safety nets – 77 countries
- introducing or broadening consumption taxes (e.g. VAT) – 73 countries
- privatising state assets and services – 59 countries
- healthcare reforms – 33 countries<sup>228</sup>

Among the IMF conditions we consider in this paper are declining spending on public services, constraints on wage bills, regressive taxation, and flexibilization of labour markets. What all of these have in common is that they are justified as measures to reduce inflation, budget deficits, or debt levels. Controlling those indicators is what motivates virtually every piece of advice the IMF offers. Even revenue-generating measures such as tax reforms and privatisation of state-owned enterprises have as their signal function, in the IMF's perspective, to pay debts and lower deficits, as opposed to providing funds to pay for the services that poor people require. In other words, it's all about the bottom line and not the 'bottom billion' (economist Paul Collier's term for the people of the 58 countries that experienced zero growth from 1970 to 2000).<sup>229</sup>

**In our review of IMF documents, we found that the IMF recommended reducing deficits in 70% of the 27 low-income countries (LICs) with adequate data, reducing inflation rates in 75% of those LICs whose currency is not linked to the euro, and reducing wage bills – our chosen indicator to track commitment to public services – in 30% of LICs with adequate data, while calling for an effective freezing in an additional 48%. Over three-quarters of LICs thus are warned against upgrading public services with additional staffing.**

Although their inter-linkages are clear, we will take them up one by one, just as they are treated in IMF documents, along with findings from our research:

#### 4.5.1 Inflation

Inflation rates, the annualized rate of change in an economy's prices for goods and services, are considered by most observers to be the IMF's bottom line. And for over a generation now, it has had a golden rule, recommending holding inflation below 5%, with some variations. But, as Rathin Roy and Raquel Almeida Ramos of the International Policy Centre for Inclusive Growth ask, "are the gains of a lower inflation rate worth the negative consequences of a restrictive policy on the economy's output?"<sup>230</sup> Anis Chowdhury and Vladimir Popov note that "low inflation policy tends to suppress output growth," and that "sustained high economic growth [which can cause higher inflation] is necessary to reduce poverty."<sup>231</sup>

The primary tool which governments – usually the central banks – use to control their inflation rate is to raise or lower interest rates on cash provided to banks. A higher interest rate puts less money in the economy, which by the law of supply and demand should lead to a decrease in prices and thus a decrease in inflation. This equation has led governments to sharply limit the amount of money circulating in the national economy, including reducing spending on vital public services. UNCTAD comments that arguments for spending contraction assume *"that public spending cuts drive down interest rates by lowering demand for funds in bond markets and that lower interest rates in turn generate higher private investment [... and] that cuts to government spending have relatively little adverse effect on aggregate demand. In reality, interest rates are not that sensitive to demand for funds and investment is not very sensitive to interest rates"*.<sup>232</sup>

One of more notorious illustrations of this took place when US Treasury Secretary Paul O'Neill and rock star Bono visited Uganda together in 2002. Told that the government was going to have to turn down millions from the Global Fund for AIDS, Malaria, and Tuberculosis in order to maintain its commitments to the IMF on inflation rates, both expressed disbelief. But in fact, this incident was, and is, far too common.<sup>233</sup>

The overarching question is what is the correct inflation rate to aim for? Low inflation usually requires proactive moves to reduce the amount of money flowing into the economy: cutting wages, raising interest rates to limit the amount of credit on offer, slashing public budgets. All of this means sacrificing public investment and public services. Economist Rick Rowden points out that suppressing inflation to very low levels with higher interest rates *"makes credit less affordable and prevents the government from engaging in more affordable deficit financing or public investment. Higher interest rates also prevent the domestic private sector from expanding production and employment, which has negative*

*long-term implications for revenues [and] national budgets.*<sup>234</sup> Further, Elissa Braunstein and James Heintz find that when inflation reduction spurs job loss, “the ratio of women’s to men’s employment tends to decline.”<sup>235</sup>

Economists agree that *hyperinflation*, with rates going into the hundreds or thousands such as we have seen in recent years in Zimbabwe and Venezuela, or historically in Germany in the 1930s, is bad for everyone, as it diminishes the value of earnings and makes things so expensive as to be out-of-reach for most. They also agree that *deflation* is to be avoided, as it can too easily lead to a deflationary spiral (as in the Great Depression of the 1930s), where price reductions lead to decreased production, which leads to decreased demand and wages or employment, which leads to even lower prices.

But there is a lot of space between 5% and 1000%. Does the IMF have the balance of benefits and problems correct? Could it be that IMF strictures are preventing countries from offering more and better services and investments in social infrastructure that would improve the quality of life, when the countries would be at little economic risk from doing so?

Chowdhury maintains that the IMF’s adherence to the 5% inflation limit “has failed to ignite rapid economic growth except when stabilisation occurred in a hyperinflationary situation” and is rooted in a few cases of extreme inflation coupled with weak or limited growth, ignoring the safe middle-ground between extreme lows (5% or lower) and dangerously high inflation, which he says starts in the range of 35 to 40%.<sup>236</sup> South Korea, for example, grew at a clip of 8% during the 1960s and 1970s, when its inflation rate was steadily around 17%.<sup>237</sup> **The former Deputy Managing Director of the IMF during the “SAP years,” Stanley Fischer, has reckoned that when inflation is below 25%, there is a 95.4% chance it will not rise higher.**<sup>238</sup>



Olwethu Giba is a teacher at the school in Ngqushwa, South Africa, where the shortage of teachers means she has to teach three classes at the same time. Photograph: Lungiswa Majamani/ActionAid

Many economists believe that while developed countries should aim for the kinds of rates the IMF talks about, circumstances are very different in developing countries, where the threshold for inflation having a negative impact is higher.<sup>239</sup> Chowdhury and Popov conclude that “the conventional wisdom of very restrictive monetary policy aimed at keeping inflation very low, usually below 5%, has very weak empirical support” and that the optimum inflation level is between 10 and 20%. Even the 20% figure is not a “cliff-edge,” they maintain, but more of a “plateau” after which benefits become negligible.<sup>240</sup> Roy and Ramos quote one economist team recommending rates of one to three percent for developed economies and seven to eleven percent for developing ones; another economist puts the numbers at two and 19 percent.<sup>241</sup> But, as Roy and Ramos’s report considering a range of Article IV reports finds, “none of the 26 IMF country reports examined presented a cost-benefit analysis of the targeted inflation rate.”<sup>242</sup>

In terms of impacts on poor people, higher inflation does pose one challenge: there is a lag between the rise in inflation and rises in paychecks, meaning workers’ real wages decrease. But there are two mitigating factors: in developing countries, the majority of workers are in the informal rather than the formal sector,<sup>243</sup> meaning that wages can be adjusted more rapidly, and inflation reduces the value of debt, which is something most of the poor have in abundance.<sup>244</sup> Chowdhury does warn however that food prices need to be monitored closely; if inflation drives them too high, the poor can experience greater stress.<sup>245</sup> Chowdhury’s observation about debt losing value would apply to creditors too — they see the value of the payments decline (or, for hard currency debts, the chances of default rise). Could this be a usually-unspoken reason that the IMF and rich countries are so rigid on the low inflation targets?

Both Roy and Ramos and Chowdhury say that monetary policy — adjusting central bank lending rates — can reduce demand-driven inflation, but that inflation caused by problems with the supply chain is generally less responsive to it.<sup>246</sup> That is, people can stop using credit in response to higher interest rates, and thus, by the law of supply and demand push prices down, but a shortage of desired items is not affected by interest rates. Roy and Ramos conclude that the IMF generally, but not always, recommends tightening (raising) interest rates in response to inflation regardless of its source, and that it does so not because it will make a difference, but because this is the most effective way to signal vigilance on inflation to investors, credit rating agencies, and lenders.<sup>247</sup> In other words, governments should take what is universally recognized as *the* step to fight inflation, even if it’s likely to be ineffective, just to flatter the preconceptions of external gatekeepers of credit and investment. If the inflation rate is truly too high for the economy, and it’s being driven by supply problems, why not prescribe more suitable measures to solve the problem? As Roy and Ramos say in relation to the IMF’s similar conservatism on budget deficit and debt levels, this amorphous “credibility” with external agents “is given more importance than an analysis of public investments themselves”; indeed, “it seems inappropriate to discard an investment with the sole goal of enhancing the possibility of future funding.”<sup>248</sup>

The following table gives the latest inflation rate data (IMF, October 2019) for the 56 countries this study is looking at. Those with inflation rates over 5% but still moderate are highlighted in **yellow**. Those with inflation rates over 35% — in the danger zone by most reckonings — are highlighted in **red** (as it happens, the highest rate below that threshold in our data is a full 15 percentage points lower). Arrows indicate the advice of the IMF on inflation in the latest full documents available (to push it down, hold steady, or in rare cases, push it up). Bear in mind that the inflation rates may have been different at the time of giving the advice (though in most cases the differences are small).

Just four of the 55 countries with adequate data are in the clear danger zone while 18 countries have inflation rates between 5% and 21%. Most countries have rates below 10% (36 out of the 46 = 78% who have currencies not linked to the euro). All four of the highest rates are in countries currently in serious social crisis. **Despite the fact that most countries are thus in what should be considered a safe zone on inflation, in 43 of the 55 countries (78%, excluding Tanzania) the IMF is recommending to either freeze inflation at present rates (in 17 countries — 31%) or drive inflation even lower (in 26 countries — 47%, including a majority of the low-income countries). This squeezes the space for public investment on the scale needed to achieve the SDGs** as countries often fear that spending

TABLE 5: INFLATION RATES IN 2019 AND THE DIRECTION OF IMF ADVICE

COUNTRY	INFLATION - OCT. 2019/ IMF STEER (↑↓↔)	COUNTRY	INFLATION - OCT. 2019/ IMF STEER (↑↓↔)
<b>LICs</b>		<b>LMICs</b>	
Niger*	0.4 ↔	Philippines	1.6 ↓
Benin*	0.5 ↔	Congo-B'ville	1.9 ↑
Mali*	1 ↑	Bolivia	2.3 ↑
Guinea-Bissau*	1.5 ↔	Cambodia	2.3 ↔
Togo*	1.7 ↔	Indonesia	3.4 ↑
Burkina Faso*	2 ↔	Vietnam	3.7 ↓
Senegal*	2 ↔	Guatemala	3.8 ↑
Centrafrique*	3 ↔	India	3.9 ↓
Uganda	3.5 ↔	Bangladesh	5.5 ↔
Somalia	4 ↓	Kenya	6.2 ↓
Tanzania	4.1 **	Myanmar	7.2 ↓
Afghanistan	4.5 ↔	Pakistan	8.9 ↓
Comoros*	4.8 ↔	Ghana	9.3 ↓
Rwanda	5 ↑	Nigeria	11.7 ↓
Congo-Kinshasa	5.5 ↓	Zambia	12 ↔
Nepal	6.2 ↓	Sudan	56.9 ↓
Madagascar	6.4 ↓	Palestine*	n/a ↑
The Gambia	7 ↓		
Mozambique	8.5 ↑	<b>UMICs</b>	
Malawi	8.6 ↓	Ecuador	0.5 ↓
Guinea-Conakry	8.6 ↓	Thailand	1.3 ↑
Burundi	9 ↓	Mauritius	2 ↑
Chad*	9.1 ↔	Jordan	2.5 ↔
Sierra Leone	14 ↓	Lebanon	3.4 ↔
Ethiopia	14.5 ↓	Brazil	3.6 ↑
Haiti	19.8 ↓	Colombia	3.9 ↔
Liberia	20.6 ↓	Jamaica	4.7 ↑
South Sudan	35.9 ↓	South Africa	4.7 ↓
Zimbabwe	182.9 ↓	Argentina	57.3 ↓

\*Countries with currencies linked to the euro (or the shekel, for Palestine), so inflation largely controlled externally

\*\*Tanzania does not allow publication of most of its IMF country documents

Source: ActionAid review of IMF country documents & IMF World Economic Outlook Database, October 2019, <https://www.imf.org/external/pubs/ft/weo/2019/02/weodata/index.aspx>

significantly more on public services might increase inflation (and though there may a modest risk, it tends to be overstated). This also means that 43 of the 51 “safe zone” countries — 84% —are advised not to let inflation rise, even when doing so would assist development efforts.

A comprehensive analysis, preferably with the IMF participating but not coordinating, of the IMF’s inflation rate advice, especially now that most countries are within its limits, is long overdue.

Looking at some particular countries helps us to understand the implications on this. Liberia has the highest moderate rate in our survey — 20.6%, and projected to increase in years to come unless the country takes serious action. The IMF has recommended tightening its monetary policies (raising interest rates) so that it will have single-digit inflation by 2021. That would be a very rapid de-escalation, and likely have substantial negative impacts on the poor in terms of reductions in already poor public services. A new IMF program, the first since 2017, was announced on 11<sup>th</sup> December 2019, but substantial detail is not available yet. The announcement did say that the government introduced ‘monetary tightening’ in the month beforehand in order to prevent inflation reaching 30%.<sup>249</sup>

In Ethiopia, one of the countries with the fastest economic growth in the past decade, the IMF Article IV report notes only that its most recent inflation rate (Sept. 2018) was around 12%, which is above the central bank’s target of single-digit inflation. The report says that the government plans further monetary tightening to attain that target but given that in many respects the economy is healthy for a developing country, Ethiopia’s may be a classic case in which the economists we’ve cited above would say that an inflation rate above 10% is no cause for concern. At any rate, the Ethiopian government seems not to have made reducing inflation its highest priority, a positive example of putting its development interests before adherence to arbitrary IMF standards that other countries should follow.

On rare occasions, the IMF recommends or tolerates a rise in inflation rates in low-income countries. In Mali, the IMF suggested a rise in inflation when it was at just 1%; for countries like Mali linked to a hard currency, ultra-low inflation or deflation is a risk, and the IMF’s typical calls for austerity increase it. The IMF countenanced a rise in Mozambique’s inflation rate in 2019 because of the two cyclones that devastated the country. Both Chad and Comoros, where the currencies are linked to the euro, had very low inflation that the IMF thought worth mentioning, but in both the rate seems to have gone up, in Chad because of a hike in water prices and in Comoros, like Mozambique, because of the impact of Cyclone Kenneth in 2019. Only in one ordinary LIC case, Rwanda, does the IMF recommend an easing of monetary policy to allow the inflation rate to rise; there the rate was forecast to reach a low of 1.4% in 2018, though elsewhere the IMF has stated that the rate needs to remain below 5%, and that the Rwandan government is considering formal inflation targeting. IMF advice to middle-income countries is more varied than for low-income countries, with 9 of 27 we reviewed advised to raise their inflation rates; the bitterest medicine is given to those least able to resist it.

India, an LMIC, hit a 17-year low inflation rate of 3.6% in 2017/2018. Noting that the rate had started rising since then, to a projected 5.2% for 2018/2019 (now at 3.9%), the IMF was already expressing concern just a few months after that apparent success. It flagged that the Indian government should be cautious about using agricultural minimum support prices as they can be inflationary. Fortunately, India is big enough, and the agricultural support program crucial enough to the way India supports its rural population and bargains in international trade, that it is unlikely to heed this piece of IMF advice, another positive example of how countries can defy the IMF when their priorities are clear.

Finally, in the Philippines, another LMIC, inflation exceeded the central bank’s target range of 2–4% in 2018, leading the IMF to warn that rising inflation is a “major threat,” and that its economy is in danger of overheating. The economists we have cited above, who believe that inflation rates of up to 20% are acceptable if an economy is healthy and growing, might well scoff. With an inflation level of 1.6% in 2019, it will be interesting to see what the IMF’s next report says on the subject.

## 4.5.2 Deficits

Deficits are intimately connected to debt, especially external (foreign) debt, which is treated in Chapter 3; suffice it to say here that high debt levels are usually what force countries to seek IMF assistance, so deficit levels are watched closely, both in relation to debt trends and to ensure that there will be sufficient capital to pay off debt as scheduled. Accounts balances (deficits and surpluses), along with international reserve levels, are the key statistics that creditors study in IMF documents, which tend to have the most current information.<sup>250</sup>

In a sense, deficit problems are easy to solve: just stop spending. Unlike inflation, it's a factor which countries can directly control. The IMF puts heavy pressure on countries to reduce deficits especially in seriously indebted countries, another measure of the dangers of debt. But in taking a short-term approach — pay off the debts, lower the deficits — governments, guided by the IMF, risk foreclosing the longer-term future. Spending on basic services such as education, health, and water and sanitation, may cause rising deficits now, but without those services, the chances of a country growing in the medium or long term are severely compromised (in addition to denying people their basic rights, of course). As Chowdhury and Popov note, "Insufficient government spending on public goods such as education, healthcare, infrastructure, law and order, and administration can lead to a collapse of output."<sup>251</sup>

Because the IMF uses so many different deficit gauges, it is not a simple matter to identify a single deficit target, nor to compare countries with one another. We follow the example of Peter Doyle, former senior IMF economist, in looking at the figures for "primary balance" (the most commonly-referenced deficit gauge in IMF country documents) as a reference point. John Williamson, the economist who coined and defined the term Washington Consensus for the neoliberal policy approach typified by structural adjustment policies, said the operational budget deficit should not exceed 2%; while the IMF has not adopted a clear standard, it has not strayed far from Williamson's dictum, and is in fact frequently stricter.<sup>252</sup> What is clear from our research is that the trajectory is usually downward: 70% of 27 LICs were advised to lower their deficit or balances.

But countries, and especially developing countries, need to employ deficit spending in order to improve the services they offer their citizens. Developed countries also use deficit spending to finance expansion, as the US deficit flirting with the trillion-dollar mark illustrates.

Ha-Joon Chang explains the logic of governments running deficits:

*"[D]eficit spending in a stagnant economy will increase demand in the economy, stimulating business and making consumers more optimistic. If enough businesses and consumers form positive expectations as a result, they will invest and spend more. Increased investment and consumption then generate higher incomes and higher tax revenues. If the tax take increases sufficiently, the government deficit may be eliminated, which means that the government had the money that it spent after all."*<sup>253</sup>

As noted in Chapter 3, on debt, Anis Chowdhury says that "had the European governments worried about deficits and debts, they could not have rebuilt Europe from the ruins of war."<sup>254</sup> Even in good economic times, LICs, virtually by definition, have insufficient resources to spend what they need to create and maintain a full slate of public services, much less to meet the SDGs.<sup>255</sup>

As Rowden points out, however, the IMF often undermines governments seeking to do this by:

*"[Advising] central banks of developing countries to raise the interest rate at which they lend to other banks to between 15 and 25 percent or higher, which can quickly make any deficit financing by governments unaffordable. The net effect is to constrain governments' ability to increase long-term public investment as a percent of GDP in key SDGs target areas. The deficit reduction policies reduce resources available for long-term capital expenditure and [...] often lead to layoffs, hiring freezes and public sector wage caps."*<sup>256</sup>

The following table indicates the IMF's projected 2020 primary balance figures for 54 of the 56 developing countries in our research group (two have insufficient data). We have ranked them with those having the most stringent targets at the top. We again include the trajectory of IMF advice on deficits from our review of IMF country documents; bear in mind that a down-arrow will be recommending a more stringent target.

TABLE 6: DEFICITS IN 2020 AND THE DIRECTION OF IMF ADVICE

COUNTRY	PRIMARY BALANCE FOR 2020 / IMF STEER (↑↓↔)	COUNTRY	PRIMARY BALANCE FOR 2020 / IMF STEER (↑↓↔)
<b>LICs</b>		<b>LMICs</b>	
Chad	+2.9 ↓	Congo-B'ville	+11.5 ↓
The Gambia	+2.5 ↓	Ghana	+2.5 ↓
Togo	+1.9 ↓	Philippines	+0.7 ↔
Malawi	+1.6 ↓	Indonesia	-0.2 ↔
Benin	+1.2 ↔	Guatemala	-0.3 ↔
Central African Rep	+0.4 ↔	India	-1.6 ↔
Afghanistan	-0.1 ↑	Kenya	-1.8 ↓
Rwanda	-0.5 ↔	Pakistan	-2.0 ↓
Guinea-Conakry	-0.6 ↓	Myanmar	-2.3 ↔
Senegal	-0.9 ↔	Bangladesh	-2.4 ↓
Haiti	-1.3 ↓	Vietnam	-2.7 ↔
Congo-Kinshasa	-1.6 ↔	Nigeria	-2.9 ↔
Guinea-Bissau	-1.6 ↔	Cambodia	-4.4 ↓
Burkina Faso	-1.7 ↓	Bolivia	-4.5 ↓
Tanzania	-1.7 *	Zambia	-4.8 ↓
Mali	-2.0 ↓	Sudan	-4.9 ↑
Niger	-2.5 ↓	(Palestine)	n/a
Sierra Leone	-2.5 ↓		
Ethiopia	-2.5 ↓	<b>UMICs</b>	
Comoros	-2.5 ↔	Jamaica	+6.5 ↑
Uganda	-3.1 ↓	Colombia	+1.4 ↑
Nepal	-3.6 ↓	Argentina	+1.1 ↓
Mozambique	-4.1 ↓	Ecuador	+1.0 ↓
Burundi	-4.6 ↓	Lebanon	+0.5 ↓
Liberia	-4.7 ↓	Jordan	+0.1 ↑
Zambia	-4.8 ↓	Thailand	-0.4 ↔
South Sudan	-4.9 ↓	South Africa	-0.4 ↓
Zimbabwe	-5.2 ↓	Mauritius	-0.8 ↓
(Somalia)	n/a	Brazil	-1.0 ↓

Figures from compilation by Peter Doyle from IMF World Economic Outlook Oct. 2018, <https://ptdyblog.files.wordpress.com/2018/12/MMTable.pdf> and IMF steer from ActionAid review of IMF country documents.

\*Tanzania does not allow publication of most of its IMF country documents.

**The IMF expects fully 70% of the 27 LICs with adequate data to reduce their deficit and another 26% to maintain it at current levels, despite the need for greatly increased spending on quality public services in virtually all of them.** Only one LIC, Afghanistan, is advised to let its deficit, already nearly zero, rise. The only country with a deficit over Williamson's 2% threshold which is not expected to take measures to lower it is Comoros, which is recovering from Cyclone Kenneth.

Among the LICs, the IMF has praise for the Central African Republic, which kept its deficit below its target of 2.1% — in fact in surplus — due to “prudent public spending,” confirmed by its low spending figures (see table in Chapter 3). It has also steadily reduced its external debt. But given the country's extreme social and political circumstances, with a civil war perhaps only on pause and 20% of the population refugees or internally-displaced, a little more “imprudence” may well be warranted. The IMF does note that the Central African Republic missed its social spending targets, already very low, for the end of March 2019 because of “unrest” in provinces, which presumably means it was unsafe or impossible to deliver services there. This may explain the government's “prudence,” but it does not bode well for human welfare, and the IMF does not explicitly recommend boosting spending.

Given the centrality of deficit spending to development, it is questionable whether any of the LICs forecast to be running surpluses in 2020 — Chad, The Gambia, Togo, Malawi, Benin, and Central African Republic — should do so. These are all countries that need to be spending substantially more in order to develop and provide quality public services to their population, but the IMF's priorities are elsewhere. Even Williamson's strict figure — a deficit of 2%, cited above — would allow over half of the LICs to devote more resources to public services and other development needs.

Nine of the middle-income countries (MICs) we reviewed have been urged to achieve surpluses; six of those have faced serious debt problems, and the surplus requirement ensures that their people will pay the cost. In the case of Argentina's controversial IMF program, one of the central conditions is legislative approval of a requirement for a zero primary balance.

Two of the countries we surveyed, both MICs, have deficit (actually surplus) targets over +3%, and those targets are both considerably above that figure. Congo-Brazzaville is targeting a surplus of 11.5% in 2020, an outlandish percentage which is modulated only by the fact that oil exporters can boost revenue lines in their accounts more easily than others. The government had been waiting for over two years to get a deal with the IMF, which it finally did in July 2019; the deal was contingent on an agreement with China to a rescheduling of the debts it holds as the country's largest creditor, which was reached in April 2019.<sup>257</sup> Congo-Brazzaville owes about \$9 billion, with fully a third of that owed to Chinese entities; much of the remaining debt is owed to private creditors which accepted oil as collateral before the price plummeted.<sup>258</sup> The country's people are in for very harsh austerity measures now, which could be eased if they were not pushed into targeting such a high surplus.

While Congo-Brazzaville has only recently entered into a deal with the IMF, Jamaica has been operating under IMF programs since 2009, at the height of the global financial crisis. Going into 2020 with an initial target for its budget surplus of 7%, the IMF in its last review of a Stand-By Arrangement now completed, agreed to lowering the target to 6.5% because of “revenue overperformance” in the preceding period. In January 2019, the former IMF senior economist Peter Doyle, wrote in the *Financial Times* that the original target was a 9% surplus, and that “*anyone with even a passing acquaintance with applied macroeconomics over the past decade or so — and certainly anyone familiar with the disaster of such requirements imposed on Greece — knows that all this is not just ridiculous: it is totally beyond the pale.*”<sup>259</sup> Doyle notes that growth in the last 10 years has reduced by 50% compared to the three previous decades, which he says the IMF attributes to “*reform fatigue, chronically high crime, and weather shocks,*” to which Doyle, employing language he presumably had few opportunities to use at the IMF, writes: “*Well, duh! to ‘reform fatigue.’ And consider what such surplus targets [...] imply for incentives to make a living within the law and for public spending on police and weather defences.*” Claiming that the IMF has been “capture[d] by creditors,” to become a sovereign debt collector, Doyle goes on to make the case that economists need to police the field more actively to end such instances of “macroeconomic malpractice.”<sup>260</sup> Such exorbitant cases as Jamaica's, along with the

constant war on LICs' deficits regardless of a country's needs for public services, point to a powerful institution that either is a glorified debt collector, as Doyle charges, and/or in the grip of an ideological fundamentalism that is preventing poor people from accessing the quality public services needed to improve their lives.

#### 4.5.3 Public Sector Wage Bill Spending

Nowhere is the IMF's choice between public goods and economic orthodoxy clearer than in its strictures on public sector wage bills. And it makes sense, from its narrow perspective: spending more on wages puts pressure on the budget deficit and puts more cash directly into the national economy, which could have an inflationary effect — and inflation is the enemy. However, we need to challenge such a flawed logic because **the IMF's position on wage bills has serious consequences for the capacity of countries to invest more on public services, deliver on basic rights and achieve the SDGs.** The IMF likes to give the impression, with its common condition that countries eliminate “ghost workers” from their payrolls, that public sector wage bills sometimes pay for bloated government bureaucracies — as if there are endless civil servants on the payroll who are not making a productive contribution. However, the reality is that the largest groups of people on the public sector wage bill are education and health workers— teachers, doctors and nurses —and any expansion of public services, for example to extend early child-care or elder-care, will require many more people on the government payroll. In many countries there is also an urgent need to improve the salaries and conditions of existing public sector workers, particularly those in lower paid frontline caring roles, who tend to be women.<sup>261</sup>

After ActionAid and others campaigned against wage bill caps in 2005-07,<sup>262</sup> the IMF scaled them back, announcing that its Executive Board said that it “welcomed the declining incidence of such ceilings in Fund-supported programs,” and hoped to dispense with them entirely, in the meantime using them “in exceptional cases” and allowing for “spending of scaled-up aid, particularly in priority sectors such as health and education”.<sup>263</sup>

But while the wage caps became less common, the IMF's advice on limiting deficit spending and inflation rates had much the same impact: meeting those targets still meant less money to pay the providers of public services. The IMF has since backtracked more explicitly on its 2007 pledge, and today it tends to use the term “containment” instead of “caps.” Indeed, already by 2010, Ortiz found a proliferation of wage constraints as a result of IMF policies.<sup>264</sup>

Limiting, freezing, or cutting the public sector wage bill has two direct impacts: reducing the capacity of the government to offer public services, and raising unemployment rates. As noted above, both have disproportional impacts on women, who generally fill in for absent services and who make up a substantial percentage of those workers subject to layoffs, outsourcing or reduction of benefits.<sup>265</sup> Brunswijck notes that in his survey of 26 countries' programs with the IMF, 21 had wage bill reform included in the policy advice, but “only seven have explicit safeguards in the programme to protect priority sectors (health, education) from cuts.”<sup>266</sup> Even those safeguards are often insufficient.

The IMF notes that the public sector wage bill consumes about 30% of government spending in most developing countries, and has been on an “upward trend over the past decade, reflecting an expansion of public services in areas such as health and education,” with further increases to come as demand (or to use the non-IMF term, need) continues to rise.<sup>267</sup> It warns that as governments try to balance wage bill increases with cuts in other places, funding for development and poverty reduction could be “crowded out.”<sup>268</sup> While rhetorically this might read as support for poverty reduction and development, it ignores the fact that spending on wages for public services is arguably the most crucial component of development and poverty-reduction programming.

The IMF also finds that about 65% of countries do not fully finance wage bill increases (whether through cuts or increased revenues), meaning that increases generally widen the deficit, a problem which usually persists “into the medium term.”<sup>269</sup> Instead of “crowding out” other budgetary expenditures, the IMF says, increased wage spending is often accompanied by increased spending

in other areas as well, further damaging fiscal balances.<sup>270</sup> This increased spending may indicate a consistent dedication to providing for public services and development; for the IMF, ever the deficit-fundamentalists, it is one sin compounding another.

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

The following table shows the percentage of GDP expected to be spent in 2019 on public sector salaries, in ascending order for each of LICs, LMICs, and UMICs where adequate data is available from the IMF country documents we reviewed. Once again, arrows indicate the direction of the IMF’s advice, together with a rough estimate of the change over the projection period of the document, in percentage points of GDP (obviously this does not apply to “holding steady” countries).

TABLE 7: PUBLIC SECTOR WAGE BILLS AND THE DIRECTION OF IMF ADVICE

COUNTRY	WAGE BILL 2019 / IMF STEER (↑↓↔) / CHANGE FORECAST (PCT PTS)	COUNTRY	WAGE BILL 2019 / IMF STEER (↑↓↔) / CHANGE FORECAST (PCT PTS)
<b>LICs</b>		<b>LMICs</b>	
South Sudan	2.6 ↑ (+4.8)	India	1.1 ↔
Nepal	3.1 ↓ (-1.0)	Sudan	3.5 ↔
Somalia	3.2 ↑ (+0.3)	Myanmar	3.9 ↔
Guinea-Conakry	3.6 ↔	Guatemala	4 ↔
Uganda	3.9 ↔	Kenya	4.5 ↔
Guinea-Bissau	4.7 ↑ (+0.7)	Philippines	5 ↔
Centrafrique	4.7 ↔	Indonesia	5.5 ↔
The Gambia	4.8 ↓ (-0.3)	Ghana	6.6 ↔
Niger	5.1 ↑ (+0.5)	Cambodia	7.5 ↑ (+0.4)
Tanzania	5.1 ↔	Zambia	8.4 ↓ (-0.4)
Comoros	5.5 ↑ (+0.8)	Bolivia	11.7 ↓ (-0.4)
Madagascar	5.7 ↔		
Mali	5.8 ↔	<b>UMICs</b>	
Rwanda	5.8 ↔	Argentina	3.4 ↓ (-0.5)
Sierra Leone	6.2 ↓ (-0.9)	Colombia	5 ↔
Benin	6.3 ↔	Jordan	5.1 ↔
Chad	6.7 ↓ (-1.3)	Mauritius	6.2 ↔
Togo	6.7 ↔	Thailand	6.3 ↔
Malawi	7.4 ↔	Jamaica	9.1 ↓ (-0.3)
Burkina Faso	9.9 ↓ (-1.5)	Ecuador	9.4 ↓ (-0.5)
Liberia	10 ↓ (-1.7)	South Africa	11.6 ↔
Mozambique	11.6 ↓ (-1.5)	Brazil	13 ↓ *
Afghanistan	13.1 ↔		

Source: Review of IMF country documents. All wage bill figures in % of GDP; change in percentage point shift anticipated from the 2019 data.

\*No projection of the reduction is given for Brazil, but a 5-year hiring freeze is recommended.

Clearly, the IMF prefers to see wage bills well “contained.” But, particularly in low-income countries (LICs) which cannot afford to lose their capacity to deliver public services, and indeed urgently need to expand delivery to have any hope of achieving the SDGs, reductions in the amount spent on public sector staff should not even be on the table. Any reductions that occur due to resolving corruption issues (ghost workers, etc.) or streamlining of bureaucracies — two mainstay pieces of IMF advice — should make funds available for better-value investment in staff who will be part of realizing citizens’ human rights. **Freezing public sector wage bills is unacceptable for countries with desperate shortages of teachers, doctors, nurses and other frontline public service workers. This is a direct contradiction of the SDGs and human rights guidelines.**

In Burkina Faso, an LIC in which a decrease in the wage bill is anticipated, the IMF’s 2019 Extended Credit Facility loan made reducing the number of planned recruitments to the civil services in 2019 a “structural benchmark” — a distinct condition of its continued funding — with a second structural benchmark mandating a continuous reduction in the ratio of civil service salary expenditures to tax revenues, which it hoped would peak at 55% in 2019. This is a metric we did not observe in any other programs we reviewed. This will mean that Burkina Faso, a country which is currently enduring regular terrorist attacks, will also be facing reductions in its public sector. The IMF does not tell governments where precisely the cuts needs to be made (teachers or “bureaucrats,” for example), but we can be pretty certain that no schools or hospitals will be getting more staff.

Another LIC, Nepal, is difficult to explain. It already has one of the lowest wage bills of any LIC, at 3.1% of GDP, but the IMF is suggesting a further decrease of a full percentage point, to 2.1%. Nepalese citizens should brace for further cuts to their already inadequate public services. Also in South Asia is India, an LMIC, with the lowest wage bill of any country surveyed, at just 1.1%. It is possible that as the giant of the region, it is seen as a pacesetter for countries like Nepal, but this would be a true race to the bottom. The IMF does not recommend increased public spending in India.

In Brazil, an upper-middle-income country (UMIC), which has among the highest proportions of its GDP spent on public sector wages (about 13%), the IMF suggests a five-year hiring freeze. In a country that recently adopted a constitutional amendment effectively freezing its federal spending for 20 years,<sup>271</sup> this may be redundant advice, but it is nevertheless harsh. The reason for the high wage bill, says the IMF, is that Brazil has extremely high wages in the public sector, about 50% higher than in the private sector. There may well be a case there for reform, but it is far from clear that effectively cutting the capacity to deliver public services is the solution.

Ecuador, another UMIC in South America, also faces tough times ahead. Its program with the IMF, agreed on in 2019, has proven one of the harshest in recent memory. Protests against its elimination of fuel subsidies captured international headlines, led the government to temporarily abandon the capital Quito for Guayaquil, and finally forced the government to rescind the subsidy provision. But despite reports that the government had withdrawn from the IMF program entirely, the other provisions remain in force. “The program calls for an enormous tightening of the country’s national budget — about 6% of GDP over the next three years,” writes economist Mark Weisbrot, and “will include firing tens of thousands of public sector employees,” with “even the IMF” projecting a recession as a result.<sup>272</sup> The IMF program document doesn’t actually say how many people should be fired, but it does say that the number of public sector jobs needs to be reduced, noting that it increased 23% between 2005 and 2015, and that pay rates must come down, noting that they increased 78% since 2007. It is surely no coincidence that Rafael Correa, a maverick economist and leftist, was president between 2007 and 2017, during which time “poverty was reduced by 38% and extreme poverty by 47% [and] public investment — including hospitals, schools, roads, and electricity — more than doubled as a percent of the economy”.<sup>273</sup> The IMF’s goal is to reduce the wage bill from 9.9% of the country’s GDP to 8.9% by 2023. Once again, it is likely to be a difficult period for providers and consumers of public services in Ecuador.



Mariama Stevens, a community health worker of Mbundoru in Bo District, Sierra Leone, stands next to a poster that remembers a health worker who died in the health clinic during the Ebola crisis. Photograph: Ruth McDowall/ActionAid

#### 4.5.4 Mission Creep: IMF Advice in “Non-Mandated” Areas

Inflation and deficit targets are macroeconomic areas in which the IMF has a mandate to give policy advice to its members. But the IMF has sometimes been accused of “mission creep” in that it has begun giving advice, though usually not with official conditions, in areas outside its explicit mandate, such as gender and “social spending” (although as argued in section 4.2, advice outside of the official body of conditions can still be construed as requirements by governments on the receiving end). While the IMF Articles of Agreement mandate that it should work towards high employment rates, its recommendations for labour “flexibilization” and similar measures seem to be in a different category. While civil society has to some degree balked at the IMF’s “mission creep,” there is also a strong sense that if IMF conditions are going to have a negative impact on women, workers, and spending on social services, it should try to take those into account, with the hope that doing so would modulate its hard-nosed macroeconomics. Feminist economics should be integrated into the world’s most powerful macroeconomic actor’s approach, as should its impact on labour and development. The question remains, always, whether that integration will make its policy advice less harmful, or will instead allow the IMF to co-opt, trivialize or otherwise abuse these concerns without really changing its broader orientation

In our review of IMF country documents, we scanned for advice on labour, gender, and social spending, and found frequent trade-offs that could undermine basic rights. Because these areas are outside its mandate, there is little consistency in what is covered in the IMF documents, thus we do not attempt comparisons. We cite some examples however:

- The most ubiquitous advice on social spending is to introduce, or improve, “targeting” of social programs. The IMF opposes universal social benefits, arguing that benefits will be going to those who do not need them, wasting money and distorting the economy. Civil society generally argues that the expense and fallibility of targeting processes makes them untenable: too many needy people are excluded from benefits, so universal coverage is necessary.<sup>274</sup> This is an especially serious debate with regard to social protection, where the IMF has pushed this approach quite vocally, and civil society points to repeated failures to target the most vulnerable. In essence, the IMF’s calls for targeting are an additional austerity measure.

- In Madagascar, the IMF suggests the government could find more resources for social spending by “reforming” fuel prices (reducing or eliminating subsidies) — a frequent condition of IMF loans (outside the scope of this paper), and one which often leads to increased costs for the poor and to protests. Indeed, in the Madagascan case the IMF reports that the reforms failed because of “social and political unrest.” The large-scale demonstrations in 2019 in both Haiti and Ecuador were also triggered by slashing fuel subsidies.
- In Chad, the IMF says that targets for social spending are not being met because of decreases in wages. But the IMF is also urging reductions in the public sector wage bill, a direct contradiction.
- In Sierra Leone, the IMF warns that if revenues are not raised (presumably through tax), financing and debt sustainability constraints “could curtail necessary capital and social spending” — a clear indication of the IMF’s prioritizing accounting over quality of life and development. As Eurodad points out, Africa saw its health spending go down by 42% in the 1980s alone, and in the two countries that both faced the worst Ebola outbreak in history (2013-14) and have current IMF programs — Sierra Leone and Guinea-Conakry — the health budgets are already programmed to decline.<sup>275</sup>
- In many countries, the IMF’s agenda on gender inequality consists of increasing women’s participation in the banking system and in formal employment. While these are often positive for women, they also come with dangers: new loans can increase debt held by women, sometimes unsustainably, and seeking employment can mean getting jobs with abusive conditions and poor pay. In the Niger country document, the IMF emphatically supports efforts to increase women’s labour force participation rate, but also notes that workers are coming onto the labour market much more quickly than the private sector can create jobs. It should be noted that the IMF’s gender agenda, focused on jobs and financial systems, while eschewing ideas such as introducing VAT exemptions for items women usually buy, is also designed to boost macroeconomic indicators, so it plays to the IMF’s interests. There is little evidence of the IMF being ‘joined up’ in considering how their standard policy advice on austerity shifts the care burden back on to women.<sup>276</sup> In fact, recent research suggests that “IMF conditionality lending is detrimental to FLFP (female labour force participation) as it induces a shrinkage of the public sector by fostering labour flexibilization, trade de-regulation and increased privatisation of public enterprises and by imposing restrictive macroeconomic targets.”<sup>277</sup>
- Advice on the labour market often entails reforms to create a more business-friendly environment, including more public-private partnerships (PPPs) — although it also warns about the potential fiscal traps of PPPs elsewhere (see Chapter 3 for a bit more on PPPs) — and scaling back job protections such as the right to organize, minimum wage standards, and restrictions on firing employees, despite a lack of evidence that this creates more quality jobs.<sup>278</sup> When the IMF suggests that The Gambia pursue “labor market efficiency” to reduce poverty, or criticizes Senegal’s regulatory “rigidities” that limit the private sector, this sort of flexibilization is almost certainly what it means. These largely echo the standard advice of the World Bank, which has a mandate in this area.
- In Liberia, the IMF notes that half of the wage bill is spent on health and education, that salaries are below standards to attract professionals, and that better education and training are needed to create a skilled labour force. But in the same report the IMF also emphasizes the imperative to reduce the public sector wage bill, another clear contradiction.
- For Nepal, the IMF cautions that moves to increase employee benefits by hiking contributions from employers could hurt small firms and “reduce competitiveness.” Before the document was even published, Nepal’s representative on the IMF board added a note to say that the law had been amended to make it “business-friendly.”
- In the Philippines, the IMF says that a government plan to eliminate short-term labour contracts which are used by the private sector to avoid paying benefits is reasonable, but to avoid adverse impact on employment, it should be matched by new flexibilization, such as reducing “pecuniary costs required for laying off workers.” In other words, it acknowledges that employers should be stopped from cheating workers, but insists they be compensated with cost-free layoffs.

## 4.6 WAYS FORWARD

Developing country governments often approach the IMF when they are in desperate economic circumstances; indeed, the IMF often points to this fact when criticized, saying that the situations they have to work with seldom have few good alternatives. We surveyed advice from both programs and annual surveillance reports to try to reflect the range of advice offered, in good times and bad. But regardless of how poor a government's negotiating position may be with the IMF, **it is incumbent on civil society to put the requisite pressure on their governments to refuse advice or conditions that endanger rights to quality gender-responsive public services.** Saying "no" to the IMF is difficult, but if people's demands are loud enough — as they were recently in Ecuador with regard to the elimination of fuel subsidies — they can prevail. Of course, not every country can mobilize massive protests, and not every condition can be contested. What is required is consistent monitoring by national civil society of the government's negotiations with the IMF and introducing the threat of vocal opposition to deleterious conditions, backed up by credible threats of holding officials accountable at election time. This is by far the most important recommendation we can make to change the impact of the IMF in developing countries.

National governments need to approach talks with the IMF as genuine negotiations, and with the human rights of their citizenries and redressing gender and wider societal inequalities as their foremost considerations. While it is folly to try to formulate across-the-board policy recommendations, we can, after reviewing the evidence above, identify some red flags that government negotiators should be watching for:

- **Inflation targets below 5% are almost certainly unreasonable** and will limit governments' capacity to invest in their people and development. Governments should feel confident in defending inflation rates that may rise as high as 20%, so long as good governance and resources for people's long-term development needs are growing.
- **Deficit spending is a vital tool;** any suggestions that governments should reduce their deficits below 3% (or even attain surplus status) should be closely interrogated for the impacts on development.
- Any country that needs better access to and quality of education, health, water, social protection, and other public services should be increasing its spending on the personnel that can make that happen. Of course, governments have limited resources, but unless there's a case of negative population growth, **improvement and expansion of public services must be a priority**, which means protecting the expenditure that exists and increasing it as possible.
- Resources for social spending that are obtained by putting additional burdens on the poor are self-cancelling. Priority should be assigned to long-term development, which requires public services.
- **Women should not be instrumentalised by economic policy.** The demands and interests of women may in some contexts coincide with the IMF's view of macroeconomics and national aims of economic growth, but governments need to be aware of the range of economic steps beyond financial inclusion and labour force participation that women require, as set-out by the UN Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) and the Beijing Declaration and Platform for Action.<sup>279</sup>
- Labour flexibilization policies erode workers' rights and foster inequality; investment should not come at such a cost. Governments should recognize that a stable society heading toward greater equality, greater justice, a more educated workforce and more even development is what will prove most attractive to investors, domestic or foreign.

The IMF itself, or the "international community" (in practice, those countries with the most power) should also consider reforms:

- The UN Special Rapporteur on Foreign Debt recommends that the IMF conduct a Human Rights Impact Assessment before and after each program it agrees to with governments (and it would be good to see these include an explicitly gendered analysis). This would be on the model of environmental impact assessments that are commonly conducted for large infrastructure projects funded by the World Bank and other IFIs. Ideally these would identify potential harm to people's basic rights before they happen, or at least analyse it after the fact.<sup>280</sup> Also recommended are declarations by the IMF and other IFIs on their intention to adhere to human rights standards, something they have long resisted.

- The Rapporteur also recommends an independent accountability mechanism at the IMF, on the model of those at other IFIs; Daniel Bradlow adds that, like those mechanisms, the IMF's should be easily accessible and accept complaints from affected communities, even though this could be a much broader group for IMF programs than it is for location-specific infrastructure projects funded by the World Bank, for example.<sup>281</sup>
- Eurodad suggests that the IMF should only be allowed to impose one, most basic condition on borrowers: full re-payment within the agreed-upon time limit.<sup>282</sup> This would have an effect rather like what is regularly proposed for the "Big 4" accounting firms: a separation of functions. For the Big 4 it means a separation between the auditing and consulting functions; for the IMF it would mean a separation between the lending and policy advice (or consulting, if you like) functions. This would have the virtue of clarifying countries' legal obligations as versus their policy choices; they could also seek policy advice from other institutions.

# 5 THE POTENTIAL IMPACT OF PROGRESSIVE TAX REFORMS

*This report went into production before the dimensions of the COVID-19 crisis were clear. We have added some material to the text, but this box highlights ActionAid's urgent demands for action on tax as the crisis continues to grow.*

*Providing a comprehensive response to COVID-19 will require rapid and significant expansion of government revenues. Governments and international institutions should consider:*

- Create (or expand) a wealth tax targeting the wealthiest individuals. It is now time to (re-)introduce taxes on net wealth. This would ideally be permanent, but a temporary or even one-off "solidarity tax" imposed on net wealth could also be a solution.*
- Suspend all corporate tax incentives with immediate effect (and only reinstate them later where their worth can be proven).*
- Raise corporate income tax rates, with higher rates for the most profitable companies. After the Second World War corporate rates of 50% were normal. A special tax on excess profits could also be considered.*
- Reduce VAT rates and expand the list of items zero-rated or exempted so that basic foods, household fuel, medicines and other products needed by people living in poverty remain affordable.*

## 5.1 INTRODUCTION

The previous chapters have outlined how rising debt, continuing austerity and public sector wage constraints are undermining the capacity of countries to finance gender responsive public services. But there is one area where there is growing consensus that countries can make significant strides to expand the revenue available for investment in basic services – and there is growing evidence that this revenue can be raised in a gender-responsive way – through action on tax justice.

Taxation is widely recognized as the most reliable, sustainable and democratic way of funding the state budget and public services. While aid and loans might provide temporary support, it is clear that they are not a sustainable solution and often they come with conditions that create new challenges. Even for countries receiving high levels of grants, taxation is an important protection against fluctuations in aid.<sup>283</sup> Tax revenues are particularly important now as the levels of aid have been falling globally.<sup>284</sup> This is also crucial for countries graduating from Least Developed Country status, because of the impact that this change might have on their access to LDC-specific instruments and benefits.<sup>285</sup> As discussed in the chapter on debt, loans are an even more problematic source of funding for many reasons.

What is more, the power of tax lies not only in its revenue generating potential, but also in the way that taxation policies can contribute to strengthening democratic accountability and can be used to support a wide range of other public policies, including gender equality, public health and environmental protection.<sup>286</sup> A well-designed taxation system is also the key tool in fighting economic inequality.<sup>287</sup>

Increase in taxation is an integral part of economic and social development. Tax levels (measured as tax-to-GDP ratio) seem generally proportional to the national income levels.<sup>288</sup> They are also strongly correlated with higher social spending<sup>289</sup> (see figure 2), suggesting that for countries wanting to invest more in public services taxation is key.

There is not a one-size-fits-all answer for how much tax a country should collect, but it is clear that most developing countries should be aiming to increase their tax revenue. The average tax-to-GDP ratio for

Low Income Countries remains below 17%, while LMICs reach only 25%,<sup>290</sup> and some countries, even major economies like Nigeria and Pakistan, still struggle to get their tax-to-GDP ratio to double digits.<sup>291</sup>

According to the UN a minimum of at least 20% tax-to-GDP ratio is needed to deliver on the Sustainable Development Goals.<sup>292</sup> However, OECD's average tax-to-GDP ratio reached 34% in 2018 and, upon a closer look, countries consistently coming up highest in various human development and quality of life rankings – like Norway, Denmark and Sweden<sup>293</sup> – tend to have a tax-to-GDP ratio of close to or above 40%.

Globally, the rate of increase in tax-to-GDP ratios has been extremely slow. Still, according to many experts, most developing countries have a significant tax potential (based on the analysis of their tax effort).<sup>294</sup> According to the World Bank, most lower income countries (LICs and LMICs) could increase their revenue collection by some 2-4% relative to their GDP, which would generate an extra US\$125-250bn.<sup>295</sup> For comparison, ODA in 2018 amounted to an estimated US\$150bn.<sup>296</sup> In their recent analysis of financing the SDGs<sup>297</sup> the IMF suggest that many countries could increase their tax-to-GDPs ratios by 5% in the medium term (around five years) though a combination of tax policy and tax administration measures. In some countries even more ambitious goals are realistic. A recent report by the IMF suggested that with a set of well targeted reforms Nigeria could increase the tax-to-GDP ratio by 8% in the medium term.<sup>298</sup>

## BOX O: WHAT ABOUT CONTRIBUTORY AND CO-PAYMENT SCHEMES?

***While there is an ongoing debate on the advantages and disadvantages of contributory and co-payment schemes in social protection and wider public services, for many developing countries taxation is the option of choice for funding social protection.<sup>299</sup> Especially in countries with high levels of poverty and informal employment, universally accessible public services financed from general taxation tend to produce better results in terms of access and equality.<sup>300</sup> Contributory schemes related to employment tend to reproduce, among other problems, the gender bias present in employment and income patterns.<sup>301</sup>***

## 5.2 NOT ALL TAXES ARE THE SAME

Increasing tax revenue is crucial, but how it is done also matters, as not all taxes are the same. They might have different levels of revenue potential and reliability, but also different impacts on economic and gender inequality. For example, because of often high levels of poverty and informal employment, personal income taxes might not have a high revenue potential in some developing countries. At the same time, in resource-rich countries taxation of the extractive industry might have a significant revenue potential, but taxation of non-renewable resources is – by definition – not a sustainable source of funding long-term, especially in relation to carbon-intensive products. Consumption taxes such as value-added tax (VAT) – currently a major generator of tax revenues in many developing countries – might be more reliable in terms of sustainable revenue, but they have been known to have an adverse impact on poverty levels<sup>302</sup> and are often considered to be overall regressive as well as containing an implicit gender bias, with more burden falling on women. When thinking about ways of increasing tax collection, it is crucial to take all of these factors into consideration.

As Magdalena Sepulveda, former UN Special Rapporteur on extreme poverty and human rights and current ICRICT<sup>303</sup> commissioner, put it “Overall, high tax rates for goods and services and low rates for income, wealth and property bring about inequitable and discriminatory outcomes”.<sup>304</sup> A progressive tax system, where those with more means contribute relatively more than those with less, requires a well-designed mix of well-designed taxes. There are different approaches to measuring progressivity of taxes as well as the broader distributional impact of tax systems and their impact on poverty and inequality. Many analyses have shown that direct taxes, such as personal and corporate income taxes and various wealth taxes tend to be progressive, while indirect taxes, such as VAT and goods-

and-services taxes (GST) or most excise taxes tend to be regressive, especially if not adjusted with well-designed exemptions and differentiated rates.<sup>305</sup> In discussing the overall progressivity of the tax system, for simplification, the ratio between revenue generated from direct (usually progressive) and indirect (often flat or regressive) taxes tends to be a useful indication.

Well-designed, progressive tax systems are crucial for addressing poverty and inequality, but also for ensuring economic stability and prosperity. As stressed by the recent UNCTAD Trade and Development Report (2019): “Taxation has the highest potential of contributing to demand growth and economic stability when it targets high incomes (which are largely saved) and speculative activities.” The report also highlights how VAT can suppress domestic spending, undermining economic objectives.<sup>306</sup>

However, tax systems have become less progressive globally since the 1980s<sup>307</sup> with developing countries having on average less progressive and less redistributive tax systems than OECD countries.<sup>308</sup> Currently the average share of consumption taxes (VAT - or its equivalents - and excise taxes) – generally considered flat or regressive – reaches almost 50% in lower-income countries.

What is more, if the so-called “informal taxation” (tax-like fees and levies, formal and informal, associated with the use of public services and systems), which is prevalent in many developing countries and usually strongly regressive, was included in the official tax statistics, the trends would be even more worrisome.<sup>309</sup>

There are a number of drivers behind the increasing regressivity of tax systems around the world. Globally, neoliberal policies have driven corporate and top personal income tax rates down, while the rise of tax havens together with financialization and deregulation created new opportunities for tax avoidance and evasion. In developing countries, the roll-back of tariffs resulting from the proliferation of World Trade Organization and other multilateral trade treaties left a significant gap. Indirect taxes were touted as ‘easy to collect’, compared to direct taxes, but as many experts assert the challenges in legislating and collecting direct taxes are often more of political than technical nature.<sup>310</sup> “[...] Collecting more progressive taxes is not difficult as in nuclear-physics-difficult. It is difficult in terms of the political economy and getting all the right elements lined-up,” said a senior IMF staff at an event in 2017.<sup>311</sup> Given the wealth and power dynamics in most countries, it is hardly surprising that the policies that have been in most cases the easiest to pass are those that benefit the wealthy, well represented in political processes, and harm the poorest, who often have the least voice.

The expansion of consumption taxes such as the VAT and GST was spurred in large part by a significant push from the IMF, which has made them a core part of their standard “advice”.<sup>312</sup> While a recent IMF paper highlights the revenue generation benefits of the VAT,<sup>313</sup> other research has found that the IMF’s tax policy advice generally has not necessarily resulted in increased tax revenues, but rather a shift in composition of taxes, from direct to indirect.<sup>314</sup> Since 2012, the IMF has been changing its narrative on economic inequalities and taxation and the technical advice offered to governments on taxation has become more nuanced, it was recently found to still rarely take into account issues of progressivity.<sup>315</sup> Reduction of VAT exemptions and zero rating is still a frequent element of the IMF’s advice. While these measures do make the VAT system, they are can also play an important role in mitigating the distributional impact of the VAT, as recognised even in the IMF policy papers.<sup>316</sup>

The IMF maintains that: “[...] while there is no doubt that worthwhile additional revenue could be obtained by addressing evasion by the wealthy and avoidance by multinationals, and developing property taxation, the prospects for revenues from these sources to substantially replace VAT in the near future are remote.” However, both experience and research show that more progressive options for raising tax revenue were – and are – available, also in shorter term.

## 5.3 GENDER BIAS IN TAX POLICIES

As the key source of funding for public services, the amount of tax revenue collected is central to women's rights. But how taxes are raised also matters. While explicit gender bias has become rare in tax codes around the world, taxes can still indirectly impact men and women in different ways, because of the different patterns in employment, ownership and spending. Generally, because women are overrepresented among the poor, regressive taxes disproportionately affect women. Underuse and under-enforcement of taxes on wealth and income also holds an implicit bias, as men are more likely to hold wealth, formal jobs and higher salaries.<sup>317</sup>



### EXAMPLES OF THE POTENTIAL IMPACT OF TAX SYSTEM DESIGN ON WOMEN'S RIGHTS

TAX SYSTEM FEATURE	WHY DOES IT MATTER?
Progressivity and anti-poverty measures	Women are over-represented among the poor and tend to earn less than men
Joint filing for Personal Income Tax	Gender wage gap means women tend to be the lower-earning spouse and joint filing might have impact on their labour market participation
Overreliance on VAT	Women tend to spend a larger share of their income on goods and services.
'Tampon taxes'	VAT on essential female hygiene products disproportionately affects women and might limit their access to such products, especially when they are classified as luxury items entailing a higher tax rate.
Taxing mobile money services	Excise taxes on mobile money services make financial inclusion harder for informal sector traders, the majority of whom are women.
Property and wealth taxes	Women have much less ownership and control over assets and wealth, which means that underuse of these kinds of taxes might disproportionately benefit men.
Informal sector taxes (e.g. market tax)	Women are over-represented in the informal sector and within the informal sector they are concentrated in the lowest-paid and most vulnerable types of work.

## 5.4 RAISING TAX REVENUE PROGRESSIVELY

There are a number of success stories in countries which have rapidly increased their tax revenue. Many of them, however, have done it by introduction or scaleup of consumption taxes or natural resource taxation. Nepal has increased its tax-to-GDP ratio from under 10% in 2000 to over 20% in 2017,<sup>318</sup> thanks to the introduction of VAT and modernizing tax administration.<sup>319</sup> Mongolia has increased its tax-to-GDP ratio from just over 15% to 26% in 2011, largely thanks to improved taxation of extractives, including introduction of a significant windfall tax.<sup>320</sup> Bolivia increased its tax-to-GDP ratio by over 10% in just 3 years – from 18% in 2003 to 29% in 2006, largely thanks to a new tax on the hydrocarbon sector.<sup>321</sup> This trend, however, has not lasted, demonstrating among others the challenges linked to the reliance on revenue from natural resources.<sup>322</sup>

But progressive taxation can also work. In Mozambique such a significant increase in tax revenue collection took a little longer, but the results were similarly impressive with the revenue to GDP ratio increasing from 9% to 23% between 2002 and 2014, thanks to administrative reforms and an emphasis on corporate taxation.<sup>323</sup> Mozambique ranked 6<sup>th</sup> in Sub-Saharan Africa on the progressive taxation component of the Commitment to Reducing Inequality Index (CRI),<sup>324</sup> indicating a relatively progressive system – though this could be further improved by revising its generous tax incentives regime.

Georgia, which has managed to double its tax-to-GDP ratio between 2003 and 2008 to 25%,<sup>325</sup> was called by the IMF one of the best examples in successful tax reforms. Government's efforts included simplification of the tax code, curbing corruption and investing into modern tax administration systems. Replacing a progressive PIT system with a flat rate was offset by a number of progressive reforms, including removal of the usually regressive social security contributions,<sup>326</sup> leaving Georgia in the impressive 4<sup>th</sup> place globally on the CRI tax component.<sup>327</sup>

Another country praised by the IMF on this front is Cambodia. While the tax-to-GDP ratio there remains rather low at 16%, it has maintained a strong, steady increase in that ratio over recent years, thanks to, among others, investing in improving the compliance of the largest taxpayers.<sup>328</sup>

There are also smaller successes in the application of specific progressive taxes. After years of different experiences and experiments with a wealth tax, Colombia has seen some very promising results.<sup>329</sup> The city of Mzuzu in Malawi increased its revenue from property taxation seven-fold, thanks to a new approach.<sup>330</sup> In 2012 Mozambique received \$170m in capital gains tax from just one transaction and might be expecting \$880m from another recent major transaction.<sup>331</sup>

### 5.4.1 Progressive taxation potential – ActionAid research

There is no one-size-fits-all approach to increasing tax revenue, as it strongly depends on the country's economy and demographics. ActionAid's new research into the revenue potential from just six progressive tax reforms in Malawi, Mozambique and Nigeria has shown there is considerable space for a significant revenue increase.<sup>332</sup> The proposed reforms, focusing on PIT, CIT incentives, property taxes and luxury goods, could translate into an increase in the tax-to-GDP ratio of 1% in Nigeria, 2% in Malawi and a staggering 6% in Mozambique (see table 1). Out of the proposed measures, in all three countries revising corporate tax incentives has by far the largest revenue potential, capturing more than half of the prospective increase. Improving property taxation and increasing taxes on luxury items can also provide significant gains, while the potential in improving compliance among High Net Worth Individuals (HNWIs) and increasing PIT rate on the top earners depends very much on the country context. The estimations of the potential revenue gains in the case of revising the limitations on withholding taxes on interests and dividends in tax treaties in these three countries came out relatively low, compared to the other areas. However earlier ActionAid research on a larger group of countries shows that this can also be a significant source of revenue loss, especially if other provisions are taken into account.<sup>333</sup>

TABLE 8: ESTIMATED REVENUE POTENTIAL FROM PROGRESSIVE TAX REFORMS

	REFORM	MALAWI	MOZAMBIQUE	NIGERIA
<b>PIT – HNWI compliance</b>	Improved compliance from setting up a HNWI unit	\$2,273,652	\$4,200,321	\$106,080,189
<b>Property tax</b>	Improving property taxation	\$26,616,434	\$54,489,217	\$466,620,979
<b>PIT – top earners</b>	Increasing the tax rate on the top income bracket	\$6,111,912	\$1,736,538	\$2,098,177
<b>Excise on luxury items</b>	Introducing an 10% excise on imported luxury items	\$9,655,000	\$12,891,000	\$134,568,000
<b>Tax incentives</b>	Removing tax incentives	\$88,759,517	\$621,780,200	\$1,313,892,260
<b>Tax treaties</b>	Addressing losses to limitations on WHTs on dividends and interests in tax treaties	\$1,715,259	\$6,100,400	\$4,472,044
<b>TOTAL:</b>		<b>\$135,131,775</b>	<b>\$701,197,676</b>	<b>\$2,027,731,649</b>
<b>Revenue increase relative to GDP:</b>		<b>2%</b>	<b>6%</b>	<b>1%</b>

Source: ActionAid estimations.

This research is consistent with the IMF's estimations suggesting that higher rates on top incomes could provide extra revenue of 1.9% of GDP with 1.1% coming from wealth taxes, 3% from property taxes and 3% from corporate taxes.<sup>334</sup> Investing in these taxes could mean a significant increase in countries' tax revenues in a way that increases the progressivity of their tax systems.

The scale of **tax incentives** offered to companies in developing countries is truly astonishing. The World Bank estimates that just reducing tax incentives in developing countries could increase tax collection by an extra 2-4% relative to GDP, which could translate to over \$190bn in extra revenue.<sup>335</sup> Nepal's tax administration estimates that tax incentives offered to investors could amount to 5% of its GDP,<sup>336</sup> while the World Bank's estimations for Cambodia put tax incentives at 5.7% of GDP in 2015.<sup>337</sup> The scale of the potential impact of ending tax incentives in terms of impact on public services is dramatic. ActionAid's own research has demonstrated this in four countries, as outlined below.

**TABLE 9: THE IMPACT OF ENDING HARMFUL TAX INCENTIVES ON FINANCING FOR EDUCATION**

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

Source: ActionAid, Tax, privatisation and the right to education (2017).

What is even more striking are redundancy rates of tax incentives. According to investor surveys, almost all the investment made in Rwanda (98%) would have happened regardless of the incentives offered. The rates for Guinea, Tanzania, Uganda, Vietnam and Thailand also exceeded 80%. Indeed, there are only a few countries where tax incentives seemed to play a role in supporting industrialisation and economic development, such as South Korea and China. In general, the link between tax incentives and increases in FDI in most developing countries remains questionable at best.<sup>338</sup>



School in Supanburi Province, Thailand. Education budget constraints mean small schools in rural areas are threatened with closure. But these schools are often the only hope that many children have for getting an education. Abolishing unnecessary tax incentives could transform the education budget. Photograph: Keswari Yensudjai/ActionAid

Rationalising tax incentives and removing the most harmful ones, including tax holidays and discretionary tax incentives which pose the largest challenge in terms of transparency and accountability, has thankfully become part of the standard advice of the IMF, as well as many other actors. While cost-benefit analyses of tax incentives remain a challenge in terms of providing a reliable insight into the real value of such measures, there are some promising experiences from countries like the Dominican Republic and international organisations supporting this area of research.<sup>339</sup>

As our research over the years has consistently shown, **tax treaties** can also be a major source of revenue loss through restricting countries' capacity to apply withholding taxes, as well as impacting the collection of profit, capital gains and other taxes. Just one clause in Bangladesh's tax treaties has been estimated to cost the country US\$ 85 million every year.<sup>340</sup>

**Property and other taxes on wealth** also have a significant potential in developing countries and – like corporate income taxes – are considered strongly progressive. Given the growing inequalities – and the quickly growing number of extremely wealthy individuals in developing countries, taxing wealth becomes central to a progressive taxation system. The number of extremely wealthy people with large property portfolios has been growing steadily in developing countries.<sup>341</sup> However, property taxes in developing countries tend to be significantly underused. While in OECD countries they tend to correspond to around 2% GDP on average, in developing countries they rarely exceed 1%.<sup>342</sup> Excise taxes on luxurious products are also considered progressive and, according to some researchers, revenue from this measure could be doubled in most African countries.<sup>343</sup> As mentioned earlier, net wealth taxes in developing countries also have potential, with some positive examples coming from countries like Colombia.<sup>344</sup>

Taxing **personal income** of the wealthy is also important. Given that a large proportion of the PIT revenue comes from the richest 10% (30-50% in advanced economies) compliance among this group is crucial to ensuring sustainability of revenue from this tax, especially in more unequal societies.<sup>345</sup> Positive experiences in this area come from countries like Uganda and Cambodia which have both succeeded in improving tax compliance among top earners through investing in dedicated tax administration units.<sup>346</sup> However, the capacity to avoid taxes seems to rise with income with the wealthiest being those most likely to have financial advisers and most likely to use offshore bank accounts in tax havens, which makes coordinated international action in this area key.<sup>347</sup>

## BOX P: NATURAL RESOURCES TAXATION

**Revenue from natural resources extraction** is an important source of revenue for many developing countries. Given the structure of the industry, it tends to be strongly redistributive, however many countries struggle with transparency and effectiveness issues. If well managed and invested, taxes on natural resources extraction can be truly transformative, as shown by the examples of Botswana<sup>348</sup> and Norway. In many developing countries extractive industry remains under-taxed, leaving a large potential for increased revenue with the right reforms and political will.<sup>349</sup>

However, the finite nature of most natural resources, vulnerability to changes in commodity prices as well as the environmental cost associated with their extraction and use make this stream of revenue less reliable and present a number of trade-offs.<sup>350</sup> Experience from countries heavily reliant on this source of income, like Angola and Timor-Leste, has clearly shown the need for more diverse, reliable and sustainable sources of government revenue.<sup>351</sup>

## 5.5 INTERNATIONAL ACTION

The above-mentioned measures are probably among the most promising single reforms that developing countries can undertake unilaterally to increase their revenue potential in a progressive manner. However, there is a significant – if not higher – amount of potential revenue lost to issues requiring multilateral action.

Addressing the problem of tax incentives, fueled by **international tax competition**, would be much easier if countries cooperated in regional frameworks, agreeing to collectively reduce the amount of incentives handed out. At the same time, such cooperation could also address the problem of the race to the bottom in headline corporate tax rates, which has been yet another factor impacting revenue from corporate taxes around the world.<sup>352</sup>

It is estimated that annually \$500bn is lost globally to **corporate tax avoidance**, \$200bn of it in developing countries.<sup>353</sup> The IMF estimated that revenue lost to profit shifting in some developing countries might correspond to as much as 20% of total tax revenue.<sup>354</sup> While developing countries can try to protect themselves from some of the worst forms of tax avoidance through anti-abuse measures in tax treaties and national legislation, without a meaningful reform of the international approach to corporate taxation, it is next to impossible to effectively end this problem. Such a reform should also address the question of taxing rights, currently unfairly tilted towards richer economies. Formulary apportionment and a minimum effective corporate tax rate, two measures that could make a real difference in this area, are not new ideas, but they have seen an increased interest from governments and other groups with the current debate in the Inclusive Framework on BEPS.<sup>355</sup> However, being hosted by the OECD, the process has been criticised for not being responsive to other countries' interests.<sup>356</sup> How strong and fair the outcome of it will be remains to be seen.

**International cooperation** is also crucial in ending the problem of tax havens, where the wealthy can stash their money, away from the sight of tax authorities. It is estimated that as much as \$190 billion in revenue might be lost globally due to individuals evading their tax through tax havens, with some \$70bn of it in developing countries.<sup>357</sup> This adds to the trillions in capital that is playing no productive

purpose, lying idle in tax havens.<sup>358</sup> A strong push for greater tax transparency and truly global tax information exchange systems, combined with a Global Asset Registry, are desperately needed to end this problem and allow developing countries to more effectively tax their wealthiest. Stronger international cooperation would also open up opportunities for joint application of various progressive taxes, where countries have been hesitant to undertake unilateral action. While many countries have been implementing some forms of net wealth, carbon, and financial transaction taxes (FTT), a unified, collective approach could strengthen their application, limit opportunities for avoidance – and encourage more countries to join in. There have been advanced efforts, backed by countries such as France, to establish an FTT through the G20, and subsequently the EU. While the efforts have so far not been successful, international debates on the potential of ‘global’ taxes continue.

However, any truly global tax would require a global, political institution to adopt and enforce it. Such an institution could also help address the other issues, such as international tax competition and inadequate international corporate taxation rules, in a more democratic and inclusive platform. The discussion on a potential International Tax Organisation – or a similar body – has been going on for more than two decades and received a strong backing from the High-Level Panel on Financing for Development in their 2001 report, known as the Zedillo Report.<sup>359</sup> An idea for a UN tax body received another important political push from the G77, around the 3<sup>rd</sup> International Conference on Financing for Development in Addis Ababa in 2015, but failed to produce significant results, apart from commitments to strengthen the existing UN Committee of Experts on International Cooperation in Tax Matters.<sup>360</sup> The proposal remains among the demands of the G77 – and a large number of progressive political and non-governmental groups.

Currently international tax cooperation is driven by most advanced economies and even in the Inclusive Framework on BEPS, which was touted as a platform open to all countries on an equal footing, developing countries’ participation and influence remains in effect limited. These facts are not only decried by civil society, but also acknowledged by the IMF.<sup>361</sup> In 2016 Platform for Collaboration on Tax was established by the IMF, the OECD, World Bank and the UN with the aim “to better frame technical advice to developing countries as they seek both more capacity support and greater influence in designing international rules”.<sup>362</sup> It is unclear, however, whether the Platform has had any impact on increasing developing countries’ influence in this area. It becomes clear that a UN tax body, with a strong mandate and sufficient resources, is likely the only structure that could make a real difference in revising and strengthening international taxation rules in an inclusive and democratic way.

## 5.6 WHAT INCREASED TAX REVENUE COULD MEAN FOR PUBLIC SERVICES

As mentioned earlier, studies suggest that for many countries a goal of increasing their tax-to-GDP ratios by 5% in the medium term (3-5 years) is ambitious, but reasonable. We have, therefore, calculated what additional revenue could be generated by a 5% increase, by 2023, five years from the latest available data. In many countries even more ambitious goals are achievable but we believe this is a realistic target.

It is important to note this calculation does not look at the mechanisms for achieving the 5% increase (i.e. which tax reforms are pursued). For ActionAid any future revenue generation should be done with a focus on progressive and gender-responsive tax reforms, so that any new taxes do not hurt the poorest and most vulnerable, but rather fall to those most able to pay. Our analysis above shows that there are ways to achieve this 5% increase progressively.

Of course, generating new revenue is not an end-in-itself, but rather is a means towards an end: investing in gender-responsive public services. In order to show what this new increase could pay for, we have identified current spending levels for key public services – education, health and WASH (where data is available) and we have added investment in social protection, which can also play a crucial redistributive role where it is available universally and equitably.

The table below<sup>363</sup> shows what a transformative difference even 5% increases in tax-to-GDP ratio could make, in most cases enabling governments to double their spending on key public services and still have money left over.

**TABLE 10**

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



Mary Solange is a nurse in a village health centre in Bavette, Jeremie Commune, Haiti where the education and health budget could be more than doubled through action to expand the country's tax base. Dylan Roberts/FreeSociety/ActionAid

## 5.7 EXAMPLES OF HOW EACH PUBLIC SERVICE COULD BE TRANSFORMED

Below we lay out some examples of what the increased revenue from tax could mean for different public services in different countries, in each case using a reasonable percentage allocation of the revenue based on existing reference points. As such this echoes the table above – most governments would be able to dramatically increase spending on health **and** on education and on water – **and** on much else, ending the dilemma of having to advance investment in one public service at the cost of investments in others.

### 5.7.1 What could this pay for in health?

ActionAid has looked at what a 15% share to health – as per the Abuja commitment<sup>364</sup> – of the new revenue raised from the tax could pay for in five African countries. This could:

Nearly double the health budget in Kenya, releasing more than a billion dollars of additional spending.<sup>365</sup> This could double per-capita health spending. Just half the sum could enable deployment of 10,000 new GP doctors and 30,000 new nurses.<sup>366</sup>

Nearly double the health budget in Ghana, releasing more than a billion dollars of additional spending. This amounts to around US\$39 per person, which could help to mitigate some of the very high levels of out-of-pocket health spending, which cripples many poor people and currently amounts around a third of all health spending.<sup>367</sup>

Lead to a three-fold increase in public spending on health in Senegal. This would lead to an increase of \$68 per capita of public spending in 2019<sup>368</sup> – with over one quarter of the population pushed into poverty by “catastrophic” levels of health spending this would help to mitigate this and redistribute spending from poor people onto the state. An increase in spending could also help to halt the very low levels of healthcare workers in Senegal. In Senegal, the ratio of doctors is 0.1% to 1000 people, and the ratio for nurses and midwives was 0.3 per 1000 people in 2016 – some of the lowest in Africa. The

new funds from additional tax revenues, and allocating 15% to health, could pay the average salaries of 30,000 district nurses and 8,500 general practitioner doctors.<sup>369</sup>

A two-thirds increase in health spending in Malawi (around US\$100 million annually). This would still make a profound difference as Malawi is in desperate need of trained health professionals: of over 42,000 openings in the public health sector, only 45% roles are filled and in nursing 65% of public nursing positions remain vacant.<sup>370</sup> Government statistics show that Malawi has only three nurses per 10,000 people (well below the WHO recommendation of 10 nurses for every 10,000 people).<sup>371</sup> This is partly due to restrictions on government expanding the public sector wage bill so action would also be needed to push back on that. The new funds for health could pay the annual salaries of nearly 12,000 nurses.<sup>372</sup>

An increase of 45% of the health budget in Mozambique where there are only three doctors per 100,000 people – a proportion that is among the lowest in the world.<sup>373</sup> In 2015, there was estimated to be just 20 practicing surgeons for a total population 26 million.<sup>374</sup> The number of nurses in Mozambique is well below the WHO recommended of 10 nurses per 10,000 inhabitants, at just 4.6 per 10,000 inhabitants.<sup>375</sup> There is an estimated 12,608<sup>376</sup> nurses and just 694 doctors.<sup>377</sup> The increased spending could easily pay the annual salaries of enough nurses and doctors to double this<sup>378</sup> – and still leave over US\$260 million to be spent in other areas.

In Bangladesh, this could increase the health budget over one and half times. This new money would amount to US\$29 per person in public funding.<sup>379</sup> This could help to reduce the very high out-of-pocket expenditure in Bangladesh. Around 74% of all primary health care spending is spent out of the pockets of its citizens in 2017<sup>380</sup> – which forces 5.7 million Bangladeshis into poverty each year<sup>381</sup> and is currently around US\$27 per person (i.e. around the same as the new funds available).

### 5.7.2 What could this ALSO pay for in education?

As noted in section 2 there is a well-established international benchmark on spending on education – set at 20% of national budgets.<sup>382</sup> We have calculated what a 20% share of the new tax revenues (generated by a 5% increase in tax to GDP) could pay for in education.

Using an estimate of per pupil costs for ensuring a *quality*<sup>383</sup> pre-primary school place in low- and lower-middle income countries (generated by the Global Partnership for Education, and the Global Education Monitoring Report<sup>384</sup>) this could:

- Cover the annual costs for every single child of pre-primary school age<sup>385</sup> to go to school in Bangladesh, Benin, Republic of Congo, Ghana, Kenya, Mali, Nepal, Senegal, and Zambia.<sup>386</sup>
- Cover the annual costs for around 50% of children of pre-primary school age in Afghanistan, Burkina Faso, Ethiopia Haiti, Lesotho, Tanzania.<sup>387</sup>

In some cases, this could easily cover a place for every child and leave significant sums for other areas: in Bangladesh it could cover a place for every child of pre-primary age, with enough left over to cover an early childhood stimulation programme for all under 5s,<sup>388</sup> and still have enough to subsidise a quality primary education for 10,000 pupils (estimated to be US\$259 per child in 2019<sup>389</sup>).

This extra revenue from simple actions to expand the tax base could also be a huge boost to overall education spending. For instance:

- In 2011, Ghana was spending 8% of their GDP on education,<sup>390</sup> but in 2019 it had dipped below 4% – almost certainly as a result of high debt servicing. This means that Ghana is struggling with less revenue for education at the same time as trying to expand its provision, especially at pre-primary and secondary levels. The new money from tax revenues could increase the education budget by 80%.
- In Kenya, if the government allocated just 20% of new tax revenues this could increase the education budget by around 50% from current (2019) levels. This could cover a place in pre-primary (as noted above) for all children, and still cover the costs of a quality education in public schools for over 1m girls in marginalised communities at US\$259 per pupil<sup>391</sup> – compared to the

current 1,420 shillings (about \$14) per student.<sup>392</sup> This could also help the government to ensure that they are tackling a largely stagnant education allocation (in share of budget and GDP terms), at a time when young Kenyans are going to school in ever greater numbers.

- Senegal spent 24% of their budget on education, and just over 5% of GDP on education in 2017. But that has dropped in the last few years, as budgets have been squeezed – even though Senegal needs to improve quality of education and respond to increased demand from a growing youth population.<sup>393</sup> Both require more spending: more spending on more pupils, and, ultimately, spending more to raise per-pupil levels; this is especially important for spending at pre-primary and primary which are currently well below the levels required to ensure quality. For instance, pre-primary per pupil spending was just US\$20 per child in 2016; and, primary was US\$149.<sup>394</sup> If the government allocated a 20% share of the new funds from a 5% tax increase to education – as per the international recommendations – this could increase the education budget by 130% on present (2019) levels.
- In Mozambique there is a teacher pupil ratio of 64 to one and in rural Nampula this is 74 to one. Moreover, only 25% of teachers in rural areas have no formal qualifications, and only 50% per cent has a basic education.<sup>395</sup> The government has been trying to overcome this by increasing education spending and training and recruiting 10,000 teachers annually – an annual increase of over 10%.<sup>396</sup> This progress is currently under threat from debt crisis – spending 27% of its budget on debt servicing<sup>397</sup> – and there is now a cap on public sector wage expansion, which has significant consequences for teacher recruitment. In 2018, UNICEF noted that the number of new teachers hired was below the average for previous years or annual commitments to expand the teacher workforce – with a 35% decrease relative to the number of new hires in 2017 – due to constraints places on wage expansion.<sup>398</sup> Yet, if they raised the tax by 5% and allocated 20% to education this could raise the education budget by 30% – or more than \$250 million.

### 5.7.3 What this could ALSO pay for in WASH and Social protection

Of course, with only a share of the budget being spent on health and education (15% and 20% respectively), this would still leave new funds for other areas. Specifically:

- In Kenya less than 1% of GDP, and 2% share of the budget is allocated to WASH. New budgets must be found especially as only 63% and 31% of the population, respectively, have access to clean water and basic sanitation. Low access exposes the underserved population to various risks including water borne diseases and high health expenditures. Moreover, fetching water also severely reduces time available for women's other activities. The Kenya Integrated Household Budget Survey by KNBS (2015/16) reveals that 75% of the population walk to fetch water. Girls are deprived of quality time for education and leisure since they are forced to fetch water from long distances for the family.<sup>399</sup> Just 4% of the new revenues from the potential increase in tax-GDP ratios could double the 2019 budget for WASH.
- In Bangladesh the remaining funds could *easily* lead to a doubling of per head spending on WASH from the incredibly low US\$5 per person to US\$10 per person.<sup>400</sup>
- In Ghana just 1% of the new funds that could be raised by a 5% tax-GDP ratio increase could lead to a doubling of WASH budget. This could help to address a steep decline in domestic budgets in recent years. This would be welcome, considering according to UNICEF at current rates of public investment it will take Ghana 380 years to achieve the SDG targets for sanitation services.<sup>401</sup> It could also still leave substantial new funds for other areas identified as important. For instance, 20% of these new funds could double the current social protection spending, which could: fill the financing gap in the flagship (LEAP) social protection programme, and expand social protection to help the 1.1 million poorest to access the national health scheme.<sup>402</sup> Or fill the gap in the implementation of the Ghana Family Planning Plan 2016 – 2020.<sup>403</sup>

## 5.8 WAYS FORWARD ON TAX

Achieving a 5% increase in tax-to-GDP ratios by 2023 should be a starting point. Developing countries that are serious about sustainably financing public services and achieving the SDGs ought to set a trajectory for achieving 10% tax-to-GDP increase by 2030. This is the type of bold financing ambition that would match the boldness of the SDG targets. It may be that achieving this financing base in 2030 would be too late to actually achieve the SDGs, but it would ensure that states have the financial muscle to deliver and sustain quality public services for the next generation.

### **To governments:**

- Set ambitious goals around increasing tax-to-GDP ratios in a progressive way, generally seeking to increase by at least 5% in 5 years aiming for a tax-to-GDP ratio of at least 10% in the longer-term.
- Revise tax incentives regimes and remove the wasteful ones.
- Revise and where necessary renegotiate or cancel tax treaties leading to an excessive revenue loss.
- Consider increasing property tax collection through revising legislation and investing in improved and digitalized administration systems.
- Consider introduction or scale-up of other types of taxes on wealth, including inheritance taxes and net wealth taxes.
- Invest in tax revenue authorities to effectively implement tax policies and collect taxes, especially from wealthy individuals and multinationals.
- Support a meaningful reform of the international corporate taxation system, focused on the principle of unitary taxation and an ambitious minimum effective corporate tax rate.
- Support introduction and scale-up of strong and inclusive transparency and information exchange measures, including information exchange on financial accounts, public corporate country-by-country tax reports and public beneficial ownership registers.
- Support creation of a global tax body, under the auspices of the UN, with an adequate mandate and resources.

### **To the IMF:**

- Continue support for developing countries' rapid increase of tax revenue.
- Undertake gendered distributional analyses of all proposed tax reforms.
- Refrain from advising reforms which would decrease the overall progressivity of the countries' tax systems.
- Ensure that all knowledge products, such as the Tax Policy Assessment Framework, include robust analyses of gendered distributional aspects of various policy options and recommend solutions that promote gender and economic equality.

# 6 OVERALL CONCLUSIONS AND RECOMMENDATIONS

There is a compelling case for massive increases in investment in gender responsive public services. It is essential if developing countries are to deliver on long-recognised commitments on women's rights and human rights, crucial for achieving the Sustainable Development Goals and transformative in addressing the gendered injustice of women's vastly unfair share of unpaid care and domestic work.

When public services are underfunded there is a disproportionate impact on women – they are the first to lose access to services when fees are charged, they must walk further to collect water or fuel, they assume the burden of care for children or the sick, and lose some of the best opportunities for decent work. For too long government ministries and activists in the fields of health, education, childcare, water, energy, agriculture and transport have been played off against each other, scrambling for a better share of a small pie – rather than joining forces to demand a larger pie from which they would all benefit. This report seeks to redress that balance, focusing on the big picture issues that affect the financing of public services: issues sometimes over-mystified by economists.

In many countries public services have been chronically underfunded ever since the onset of the IMF's structural adjustment programmes in the 1980s. Despite the increasingly progressive rhetoric coming from IMF policy and research papers, the IMF loan conditions and policy advice at country level remain little changed. Low inflation and deficit targets compel countries to hold down overall spending and the obsession with public sector wage bill containment has a direct impact on the capacity of countries to invest in public services. The new debt crisis threatens to take away even more resources that are urgently needed to expand public services. The tax policies pursued by most countries lack the ambition needed and depend too much on regressive taxation that disadvantages women.

There are alternatives. It is time for developing country governments to resist the worst excesses of IMF advice and to listen to their own citizens, making the necessary investments in gender responsive public services to deliver on gender equality, human rights and the SDGs. Countries can find greater fiscal space than the present economic fundamentalism permits. Rather than focus only on narrow measures of GDP growth, progress on fulfilling rights and redressing discrimination based on gender and other systems of oppression, should be seen as a key measure of a successful economy. Modest levels of inflation and deficit spending can be justified if these are used to make strategic investment that will contribute to both growth and justice.

There is an urgent need for a sea change in the financing of public services. If we do not rebuild people's confidence that quality public services can be delivered, the basic social contract between citizens and their States will be broken. Those who can afford to do so will access fee-charging private provision, exacerbating already high levels of inequality and injustice. Those who cannot afford to pay, especially women and girls, will both be excluded from securing their basic rights and driven to assume ever higher levels of unpaid care and domestic work. Privatisation offers a false solution that entrenches gendered injustices. When States fail, women are left to pick up the pieces. What is clear is that this is a political and economic choice – one advanced by those with vested interests, who get away with it because of the persistent invisibility of the injustices around unpaid care and domestic work. This is changing but it needs to change much faster than it is. It is clear now that it is through taking action on the strategic financing of public services, though action on debt, austerity and tax justice, that we will achieve the transformations that are necessary.

Indeed we estimate that **the recommendations made in this report could reduce the number of hours women spend on unpaid care and domestic work globally by 9 billion hours every single day by 2030.**<sup>404</sup> That dramatic shift comes from the impact of more than doubling spending on education,

early childcare, health, water, social protection and other services such as energy and agricultural extension. This would cut by at least half the time spent by women on caring for children and the sick, and the time spent collecting water and fuel – which constitute a major part of the unpaid care and domestic work.

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## BELOW ARE SOME OF OUR KEY FINDINGS FROM THIS REPORT AND RELATED RECOMMENDATIONS

**FINDING 1:** Based on a comprehensive review of 56 countries (all LICs and cross section of MICs) we find that, despite some progressive rhetoric in its research papers, in practice at country level the **IMF advice or conditions** remain largely un-changed from the bad old days. Although only 8% of countries surveyed have problematic levels of inflation nearly 80% of countries are advised to freeze or reduce inflation rates, even when they are already very low. Although six low income countries run surplus budgets and most other LICs have acceptably modest deficits (with only eight having deficits over 3%), the IMF only advises one low income country to increase its deficit levels in order to invest in development. These two crucial factors mean that the IMF is continuing to block countries from having the fiscal space to invest in gender responsive public services, thus making economies and societies depend on the continued and even expanded exploitation of women’s unpaid care and domestic work.

**RECOMMENDATION:** Governments should pursue expansionary macro-economic policies and counter-cyclical investments in gender responsive public services – resisting the IMF cult of austerity and wider constraints to public financing. Inflation rates of up to 20% should not automatically be deemed a problem and deficit rates of under 3% should be considered as modest and acceptable for countries needing to make transformative investments in public services in order to achieve the SDGs or respond to the COVID-19 pandemic.

**FINDING 2:** After backing down from the use of public sector wage bill caps in 2007, the IMF is now coercively encouraging **public sector wage bill ‘containment’**. Indeed, the IMF is anticipating a freezing or a cut in public sector wage bills in almost 80% of the 56 countries we surveyed. Even where these are not absolute conditions or where there are exemptions, in practice this has the same effect as a cap, blocking countries from employing more teachers, doctors, nurses and other public sector workers. At times of recession the IMF makes no attempt to protect key personnel even whilst corporate infrastructure projects are protected. Public sector workers (especially those in the more care-based professions who tend to be women) are the first to suffer, losing their jobs or having their pay and conditions squeezed.

**RECOMMENDATION:** Governments should invest more in non-military public sector personnel – and resist the public sector wage bill ‘containment’ being advocated by the IMF – particularly investing in public sector care roles that are presently underpaid and undervalued. Governments should recognise that public sector personnel (many of whom are women) are an essential investment and their conditions needs protecting and improving as much as capital investment at a time of recession, requiring a pushing back against the IMF’s narrow understanding of what constitutes a sound investment in such contexts. Governments should recognise how investment in public services benefit the whole economy (including through expanding the future tax base). In order to respond to COVID-19 there is a particular urgency to massively increase the number of nurses, doctors and care workers – which is not possible without removing present constraints on public sector wage bills.

**FINDING 3:** Countries desperately need to **expand tax revenues** to finance development but most of the IMF advice still focuses on regressive tax rather than the many progressive alternatives. Many countries have expanded their tax bases in an accelerated way in the past and our new research shows that this can be done in a progressive and gender-responsive way. In Mozambique a set of six progressive tax reforms could lead to an increase in tax revenue by 6% relative to GDP.

**RECOMMENDATION:** Governments of developing countries should set ambitious targets for increasing tax to GDP ratios in a progressive way to ensure a long-term sustainable resource base to deliver gender responsive public services – seeking to increase the ratio by at least 1% per year so that the tax-to-GDP ratio is 10% higher by 2030 (in the case of some countries like Nigeria and Pakistan this would be doubling their present low base). There needs to be more focus on progressive and gender responsive revenue collection, including ending harmful incentives as well as promoting and enforcing fair corporate tax and progressive taxes on personal income and wealth. As world leaders are set on a ‘war footing’ to respond to COVID-19, it is worth recalling that in the years following the second world war, tax rates for the highest earners were usually above 80% and often over 90%. When everyone is truly ‘in it together’, the case for radical tax reforms becomes compelling.

**FINDING 4:** There is a **new debt crisis** looming with debt servicing likely to rise significantly in the next few years in many developing countries (at least 50% by 2023 and possibly a 100% rise in any country that suffers a shock), undermining the potential for governments to invest in public services. Much of the debt that has accrued in recent years is with China or private banks, but loans were rarely negotiated with full transparency to national parliament and citizens. This debt drives countries back into a dependency on the IMF which in turn leads to coercive austerity. High debt service payments directly link to falling spending on public services. New debt relief and rescheduling measures are urgently needed – especially for any country spending over 12% of its national budget on debt servicing.

**RECOMMENDATION:** Governments should renegotiate existing debt and push for new and independent debt workout mechanisms so that debt servicing does not exceed 12% of national revenue. Governments should ensure that all new loans taken out are negotiated with full transparency to national parliament, media and citizens – so as to reduce the likelihood of needing future IMF loans. In the immediate context of responding to COVID-19 all debt payments (to public and private creditors) should be suspended (ideally multilaterally) so that all developing countries have instant access to all the resources in their own treasuries.

**FINDING 5:** The **obsession with measuring GDP** makes women’s unpaid care and domestic work invisible – and despite multiple challenges the IMF has not moved away from this in practice.

**RECOMMENDATION:** All governments should factor progress of human rights and SDGs, including unpaid care and domestic work, into national economic measurements and targets, moving away from the simplistic focus on GDP and towards a care economy – demanding that the IMF take such broader measurements as their central reference point. Governments should appoint Ministers of Finance and senior Ministry staff who can offer a range of economic ideas and alternatives, including feminist alternatives that prioritise human rights and the care economy, rather than perpetuating the limiting revolving door with IMF and WB. COVID-19 is an opportunity for a global re-set, with a profound revaluing of investments in public health, education and the care of those who are most vulnerable in our societies.

**FINDING 6:** The chronic underfunding of public services for two generations has led to shortcomings in the quality of their provision, fostering disillusion and opening the door to **privatisation of services** – thereby excluding the most disadvantaged, fuelling inequality and increasing the burdens of care passed on to women. Many donors are now contributing to PPPs or the privatisation of public services.

**RECOMMENDATION:** Governments should focus on rebuilding the national social contract around public services, resisting the ideological push for privatisation and PPPs. Governments need to reclaim democratic sovereignty over critical social and economic decisions and put their citizens first. Governments should refuse to accept loans or grants from any source that contributes to privatisation of public services, working towards a renewed vision of gender responsive public-public partnerships where public services are truly accountable to people. Effective responses to COVID-19 have depended on strong government action and public investment, with some countries renationalizing health, transport provision and other services. This should be a global turning point where collective action and public services are valued over self-interest and private profit.

**FINDING 7: A sea change in the financing of gender responsive public services is possible** – by taking action on strategic finance issues. Action can be taken in every country to expand the tax base progressively. In the face of a new debt crisis many countries need to reprofile or reschedule debt. Most countries need to push back on the tight fiscal constraints from the IMF and particularly to resist continued pressure to contain public sector wage bills. By a combination of actions countries could more double their spending on health, education and early childcare, WASH and social protection. Taking action along these lines would have a transformative impact on women’s unpaid care and domestic work, leading to a structural rather than just tokenistic redistribution.

**RECOMMENDATION:** Countries should make these strategic investments in gender responsive public services and to do so they need to resist the conditions and advice and hegemonic ideology of the IMF. Citizens need to unite to demand this – linking women’s rights activists, education, health and water activists, trade unions and tax justice movements etc. it is time to defend the public sector as a whole and not allow one service to be played off against another. It is time to build economies and societies that care for people and the planet. It is time to show who cares!

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- A4 = Article IV report, the annual "surveillance" report the IMF theoretically does for each member country.
- ECF = Extended Credit Facility, lending program for LICs and LMICs
- EFF = Extended Funds Facility, lending program for middle-income & advanced countries, usually longer-lasting than an SBA.
- FCL = Flexible Credit Line, a line of credit for UMICs that acts as assurance in case of unforeseen crisis; three countries have it and none have taken funds from it.
- PCI/PSI = Policy Coordination Instrument (formerly Policy Support Instrument), agreed economic program with LICs, without loans
- RCF = Rapid Credit Facility, emergency loan for LICs
- RFI = Rapid Finance Initiative, emergency loan for any member country
- SBA = Stand-By Agreement, lending program for middle-income, emerging, and advanced countries
- SMP = Staff Monitored Program, a short-term program preparing a country for loans
- |                                   |                              |                           |   |
|-----------------------------------|------------------------------|---------------------------|---|
| Afghanistan: ECF R5 '19           | Burundi: A4 '14 & ECF R5 '14 | (limited info)            | Guinea-Bissau: ECF R5 '18                           |
| Argentina: SBA R3 '19             | Cambodia: A4 '18             | Congo-Kinshasa: A4 PR '19 | Guinea-Conakry: ECF R3 '19                          |
| Bangladesh: A4 '18                | Centrafrique: ECF R6 '19     | Ecuador: EFF '19 & A4 '19 | Haiti: SMP '18, A4 '19, & ECF staff-level agreement |
| Benin: ECF R4 '19                 | Chad: ECF R4 '19 & A4 '19    | Ethiopia: A4 '18          | India: A4 '18                                       |
| Bolivia: A4 '18                   | Colombia: FCL R1 '19         | The Gambia: SMP '19       | Indonesia: A4 '17 & A4 '19 PR                       |
| Brazil: A4 '18 + notes for A4 '19 | Comoros: RCF/RFI '19         | Ghana: ECF R6/7 '19       | Jamaica: SBA R5 '19                                 |
| Burkina Faso: ECF R2 '19          | Congo-Brazzaville: ECF '19   | Guatemala: A4 '19         |   |

Jordan: EFF R2 '19	Mozambique: A4 '19	Philippines: A4 '18	Sudan: A4 '17
Kenya: A4 '18 & SBA R2 '18	Myanmar: A4 '18	Rwanda: A4 '19 & PCI '19	Tanzania: PSI R7 '18
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Liberia: A4 '19	Niger: ECF R4 '19 & A4 '19	Sierra Leone: ECF '18	Togo: A4 '19 & ECF R4 '19
Madagascar: ECF R4 '19	Nigeria: A4 '19	Somalia: A4 '19 & SMP R2 '19	Uganda: A4 '19
Malawi: ECF R1 '18	Pakistan: EFF '19	South Africa: A4 '18 & notes for A4 '19	Vietnam: A4 '18
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  - Revenue losses incurred due to tax incentives
  - Revenue potential of an increase of 3% in PIT rate for the top income bracket, adjusting the bracket where relevant
  - Revenue potential from obtaining 50% of full potential of property tax collection from property, mostly from urban areas.
  - Revenue potential from improved compliance with PIT among the wealthiest individuals thanks to the establishment of a HNWI unit.
  - Revenue potential from introduction of a 10% import excise duty rate on the selected luxury items.
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363 **NOTE on data sources and limitations**

**Final number of countries**

We started with a sample of 56 countries which we set out to analyse: due to a lack of data for tax calculation or available spending data, the final number stood at 34.

## Tax data and calculations

The tax calculations carry out an estimate for the likely new revenues that could be generated in 2023. They are in US dollar figures. This has been done by using datasets that predict future GDP growth, and overlaying these with current tax-GDP ratios, and predicting a 5% growth rate. This has then been converted into a US\$ amount for an estimate of what additional revenue could be achieved. As such, this is an estimation, based on the best credible sources of data, which AAI has carried out across a dataset of 56 countries.

### The data used for this was a combination of the following sources:

- Tax-to-GDP ratios: revenue (local currency unit - LCU), and GDP levels, were taken from the ICTD/UNU-WIDER database (2017 data). In a few cases, this was supplemented by either using the World Bank WDI database and/or using IMF Article IV reports.
- GDP growth rate predictions: DataBank Global Economic Prospects.
- Conversion of LCU to USD was carried out using the World Bank WDI.

The ratio increase was calculated with GDP figures from 2017 as most of other data also comes from that year; as such, the 2023 projections are only compared to 2017 (not 2019). We have used the GDP growth rate predictions from the World Bank for estimating into the future. Thus, there are some limitations, albeit inevitable ones, from comparisons of datasets in terms of predictive power.

### Spending data

AAI has attempted to measure public sector spending on the areas that AAI believes to be central to reducing women's unpaid care work across a sample of 56 countries:

- Spending for delivering quality inclusive and equitable public education for all;
- Spending to meet targets towards delivering universal health coverage through public spending;
- Spending to on delivering quality basic water and sanitation for all;
- Spending on social welfare through public spending on social protection schemes.

These are measured using common sector measurement standards, and by identifying spending which the government itself classifies as these areas.

Wherever possible, we have tried to measure this against all four sectors; however, for a substantial number of countries either/both of social protection or WASH data is unavailable. In all countries included, health and education data are available, which in lower-income countries is the vast majority of spending on "social services".

We have indicated the sector data by noting what this could "pay for" (i.e. sectors named). In a few countries data was available for more than the sectors which we have noted could be paid for due to the new revenue only covering one or more sector(s), rather than a lack of data in this handful of cases. For those, we have clearly noted this within/below the table. It is important to note this as this means when we refer to the calculation of "doubling spending" which sectors this refers to.

All spending on services is government spending (i.e. public spending excluding any private spending). In order to have government spending data which is up to date, the researchers accessed the latest data from Government Spending Watch (GSW) data (2019). Other databases track spending on one sector only (i.e. WHO or UNESCO for health and education, respectively), however, and often this data has a delay of two years, i.e. the GSW data was used as the timeliest data (2019), and comprehensive across sectors.

Clearly, this thus refers to 2019 planned spending in these sectors, and is not directly comparable; thus, we clearly refer to this as "current spending".

- 364 This is based on the Abuja declaration recommending 15% of budgets on health. This was an Africa specific benchmark, but the only one which has ever been suggested as a percentage of the budget, so we have applied this.
- 365 This is around 143% increase.
- 366 This is according to one estimate of salaries. There are highly varied salaries, and significant array of allowances given to nurses. Given nurses require incentives to be based in rural areas where most needed, we used the information in this article which gives the full allowances also available (total salary and allowances KSH100,100 per month, this leads to an annual salary of KSH1,202,320).
- 367 This is according to one estimate of salaries. There are highly varied salaries, and significant array of allowances given to nurses. Given nurses require incentives to be based in rural areas where most needed, we used the information in this article which gives the full allowances also available (total salary and allowances KSH100,100 per month, this leads to an annual salary of KSH1,202,320).  
<https://www.the-star.co.ke/sasa/lifestyle/2019-02-02-reject-nurses-push-for-pay-rise-governors-told/>  
This broadly correlates to the salary average here: <http://www.salaryexplorer.com/salary-survey.php?loc=111&loctype=1&job=12&jobtype=2>  
This is 37% out of pocket spending. [https://www.savethechildren.org.uk/content/dam/gb/reports/uhc\\_index\\_2019.pdf](https://www.savethechildren.org.uk/content/dam/gb/reports/uhc_index_2019.pdf)
- 368 This is based on WHO population figures 2019, and 2019 budget estimates.
- 369 The average salaries were taken from <http://www.salaryexplorer.com/> which estimates the average district nurse salary to be around USD23,000 per annum, and doctor USD53k (using conversion rates December 19th).
- 370 WHO <https://www.who.int/news-room/commentaries/detail/female-health-workers-drive-global-health>
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- 372 This was calculated taking the average (median) salary from here:  
<http://www.salaryexplorer.com/salary-survey.php?loc=129&loctype=1&job=12&jobtype=2>
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- 376 <https://clubofmozambique.com/news/mozambique-faces-shortage-nurses/>
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- 378 An average wage is around \$6,116 using this website: <http://www.salaryexplorer.com/salary-survey.php?loc=147&loctype=1&job=12&jobtype=2>  
we calculated this by
- 379 The WHO OOP figures are from 2017 (latest available year), while the OOP figure is based on the 2023 figures for new tax revenues, splitting this with a 15% allocation.
- 380 WHO 2017 figures: <https://apps.who.int/nha/database/ViewData/Indicators/en>
- 381 9% of households facing catastrophic health payment, 6% facing impoverishment, and 7% facing distress financing (borrowing or selling household assets to finance healthcare costs).
- 382 Incheon/UNESCO. Education 2030 Incheon Declaration and Framework for Action. 2015. Page 67.

- 383** This would cover paying for new teachers, new classrooms and resources to ensure a quality education and is way above what most countries are currently spending.
- 384** See <https://www.globalpartnership.org/funding/education-costs-per-child>
- 385** Population of pre-primary school from UIS, figures for per pupil from GPE (Ibid).
- 386** Benin was slightly short of full coverage by about 10% of children, in Mali it covered only 85% of all children.
- 387** Burkina Faso this slightly less than 50%, for the others it comfortably covered 50%.
- 388** One study of per child costs of an early childhood care and stimulation programme estimated the unit cost of just \$7-14, we have taken the upper end and applied this to the number of children under five.
- 389** See <https://www.globalpartnership.org/funding/education-costs-per-child>
- 390** <http://data.uis.unesco.org/#>
- 391** Population of girls of secondary aged from UIS, figures for per pupil from GPE (Ibid).
- 392** Taken from (US conversion rates, as of December 2019). Shillings estimates 2019 from:  
<http://theconversation.com/where-kenya-is-spending-money-on-education-and-whats-missing-119393>
- 393** <https://borgenproject.org/tag/youth-population-in-senegal/>
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- 403** <https://www.unicef.org/ghana/media/2286/file/Budget%20Brief%20-%20Summary.pdf>
- 404** This is based on data from 64 countries representing two thirds of the world's working age population showing that 16.4 billion hours per day are spent in unpaid care work (see endnote 2). If we add a third to that we get a global figure of approx. 24 billion hours a day doing unpaid care and domestic work. The major elements in the workload that are referred to by Magdalen Sepulveda's UNSR report are: domestic work (meal preparation, cleaning, washing clothes, water and fuel collection) and direct care of persons (including children, older persons and persons with disabilities, as well as able-bodied adults). Table 10 shows that by taking action on expanding taxes progressively, alone many countries could double their spending within 3-5 years on health, education (including early childhood care and education), water and sometimes also social protection or other services (e.g. energy – a big one for reducing time spent on fuel collection). Other actions to suspend or reschedule debt (see table 4) could also dramatically increase spending on public services. Equally action to end austerity and lift public sector wage bill containment could release more resources. The combination of these actions could, by 2030 transform the financing base for all public services in all developing countries (sometimes even quadrupling resources available). The impact of this should be to half the time spent on care of children and the sick and elderly at home – and improvements in infrastructure for water and energy would cut by more than half the time spent on collecting water and fuel. At a conservative estimate that would mean saving 12 billion hours per day (for both women and men). As women do approximately three-quarters of the present unpaid care and domestic work they would save 9 billion hours every day.

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