Local Government Revenue Initiative

An initiative of the ICTD, based at the Munk School of Global Affairs & Public Policy

Accountability Actors and the Fiscal Contract

Wilson Prichard

Associate Professor, University of Toronto

Chair, Local Government Revenue Initiative

Research Fellow, International Centre for Tax and Development

PARTNERS

munk school OF GLOBAL AFFAIRS & PUBLIC POLICY

UNIVERSITY OF TORONTO

International Centre for Tax & Development

MINISTÈRE DE L'ÉCONOMIE, DES FINANCES ET DE LA RELANCE
Liberté Égalité Fraternité

Direction générale du Trésor

BILL & MELINDA GATES foundation

Norad

Defining the Fiscal Social Contract

What do we mean we we describe a social contract around taxation? Generally along these lines:

“An implicit agreement that citizens will agree to pay taxes to government in exchange for (a) the operation of a fair and equitable tax system, and (b) the delivery of effective governance, goods and services to citizens”

It is a “tax bargain” or implicit contract, involving commitments by both sides. It is not inherently “pro-tax” or “anti-tax” but about a mutual understanding of who will contribute, and how much, to national well being, and what they will receive in return.

ATI Action 4

"ATI members commit to enhance space and capacity for DRM accountability stakeholders in partner countries to strengthen the broader social contract"

Motivation for accountability stakeholders:

- Expanded taxation without accountability and reciprocity may amount to little more than coercion and extortion
- Public participation may be critical to ensure equity in contexts where elites exercise heavy influence over policy

Motivation for government:

- Through public participation governments may build public trust and support, strengthening compliance and the political feasibility of reform
- Public participation may help to balance the demands of elite actors

Creating space for accountability actors

ATI Action 4 is focused on:

- Encouraging governments to create space for engagement by accountability actors around taxation and public spending
- Channelling support to those accountability actors to strengthen their capacity to engage in policy dialogue and demand making

Those are clearly desirable goals in a world in which the design and implementation of tax systems has often been a closed process, and inequitable.

Are the actions that follow from it delivering on the promise of stronger social contracts? In what ways, and what might require more focus?

Conceptualizing a Tax-Based Social Contract

Version 1: Expert Influence and Advocacy

- Create space for tax focused accountability actors to contribute directly to policy dialogues
- Strengthening those voices gives greater priority and recognition to concerns around equity, reciprocity and service delivery
- Relies on expert influence and exercising power through the media etc..

Version 2: Broad-based and non-specialist "tax bargaining"

- Strengthen broad based accountability actors to engage in tax bargaining with government, offering compliance and political support **in exchange for** transparency, fairness and reciprocity
- Influence based on more grassroots political power, and using the power of tax debates as leverage to advance broader concerns. Maybe more relevant to the core idea of a broad-based social contract around taxation.

Strengthening Fiscal Contracts

The past decade has witnessed enormous progress in strengthening the role of accountability actors through expert engagement and policy advocacy. Until recently tax was not a central part of public debates. That has visibly changed.

There has been less progress in fostering broad based and non-specialist "tax bargaining", particularly around domestic tax questions. Most work has remained either:

- "anti-tax", focused on opposition to inequitable taxes, or taxes levied by unaccountable governments, or
- international tax focused, with emphasis on getting (multinational) corporations – and increasingly the most wealthy – to pay their fair share.

Less orientation around a broad based popular engagement around a domestic fiscal contract – a positive vision for tax systems that can mobilize popular support. But there may be openings

New Opportunities

Last summer saw mass protests against proposed tax reform in Kenya. They protests were largely labelled “anti-tax”. But there was an opening for a “pro-fair, equitable, reciprocal tax” movement.

In Ghana a burgeoning project, led by the People’s Dialogue on Human Settlements, Market Associations and others aims to mobilize a “pro-fair, equitable, reciprocal tax” movement, focused on building a fairer property tax system that delivers visible benefits to citizens.

How can governments, funders and accountability actors themselves build upon success in building stronger advocacy movements to then foster broader engagement to build new fiscal contracts for development?

Local Government Revenue Initiative

www.logri.org / www.ictd.ac

org

PARTNERS

munk school OF GLOBAL AFFAIRS & PUBLIC POLICY

UNIVERSITY OF TORONTO

International Centre for Tax & Development

MINISTÈRE DE L'ÉCONOMIE, DES FINANCES ET DE LA RELANCE
Liberté Égalité Fraternité

Direction générale du Trésor

BILL & MELINDA GATES *foundation*

Norad

Local Government Revenue Initiative

An initiative of the ICTD, based at the Munk School of Global Affairs & Public Policy

Accountability Actors and the Fiscal Contract

Wilson Prichard

Associate Professor, University of Toronto

Chair, Local Government Revenue Initiative

Research Fellow, International Centre for Tax and Development

PARTNERS

munk school OF GLOBAL AFFAIRS & PUBLIC POLICY

UNIVERSITY OF TORONTO

International Centre for Tax & Development

MINISTÈRE DE L'ÉCONOMIE, DES FINANCES ET DE LA RELANCE
Liberté
Égalité
Fraternité

Direction générale du Trésor

BILL & MELINDA GATES foundation

Norad

Defining the Fiscal Social Contract

What do we mean we we describe a social contract around taxation? Generally along these lines:

“An implicit agreement that citizens will agree to pay taxes to government in exchange for (a) the operation of a fair and equitable tax system, and (b) the delivery of effective governance, goods and services to citizens”

It is a “tax bargain” or implicit contract, involving commitments by both sides. It is not inherently “pro-tax” or “anti-tax” but about a mutual understanding of who will contribute, and how much, to national well being, and what they will receive in return.

ATI Action 4

"ATI members commit to enhance space and capacity for DRM accountability stakeholders in partner countries to strengthen the broader social contract"

Motivation for accountability stakeholders:

- Expanded taxation without accountability and reciprocity may amount to little more than coercion and extortion
- Public participation may be critical to ensure equity in contexts where elites exercise heavy influence over policy

Motivation for government:

- Through public participation governments may build public trust and support, strengthening compliance and the political feasibility of reform
- Public participation may help to balance the demands of elite actors

Creating space for accountability actors

ATI Action 4 is focused on:

- Encouraging governments to create space for engagement by accountability actors around taxation and public spending
- Channelling support to those accountability actors to strengthen their capacity to engage in policy dialogue and demand making

Those are clearly desirable goals in a world in which the design and implementation of tax systems has often been a closed process, and inequitable.

Are the actions that follow from it delivering on the promise of stronger social contracts? In what ways, and what might require more focus?

Conceptualizing a Tax-Based Social Contract

Version 1: Expert Influence and Advocacy

- Create space for tax focused accountability actors to contribute directly to policy dialogues
- Strengthening those voices gives greater priority and recognition to concerns around equity, reciprocity and service delivery
- Relies on expert influence and exercising power through the media etc..

Version 2: Broad-based and non-specialist "tax bargaining"

- Strengthen broad based accountability actors to engage in tax bargaining with government, offering compliance and political support **in exchange for** transparency, fairness and reciprocity
- Influence based on more grassroots political power, and using the power of tax debates as leverage to advance broader concerns. Maybe more relevant to the core idea of a broad-based social contract around taxation.

Strengthening Fiscal Contracts

The past decade has witnessed enormous progress in strengthening the role of accountability actors through expert engagement and policy advocacy. Until recently tax was not a central part of public debates. That has visibly changed.

There has been less progress in fostering broad based and non-specialist "tax bargaining", particularly around domestic tax questions. Most work has remained either:

- "anti-tax", focused on opposition to inequitable taxes, or taxes levied by unaccountable governments, or
- international tax focused, with emphasis on getting (multinational) corporations – and increasingly the most wealthy – to pay their fair share.

Less orientation around a broad based popular engagement around a domestic fiscal contract – a positive vision for tax systems that can mobilize popular support. But there may be openings

New Opportunities

Last summer saw mass protests against proposed tax reform in Kenya. They protests were largely labelled “anti-tax”. But there was an opening for a “pro-fair, equitable, reciprocal tax” movement.

In Ghana a burgeoning project, led by the People’s Dialogue on Human Settlements, Market Associations and others aims to mobilize a “pro-fair, equitable, reciprocal tax” movement, focused on building a fairer property tax system that delivers visible benefits to citizens.

How can governments, funders and accountability actors themselves build upon success in building stronger advocacy movements to then foster broader engagement to build new fiscal contracts for development?

Local Government Revenue Initiative

www.logri.org / www.ictd.ac

PARTNERS

munk school OF GLOBAL AFFAIRS & PUBLIC POLICY

UNIVERSITY OF TORONTO

International Centre for Tax & Development

MINISTÈRE DE L'ÉCONOMIE, DES FINANCES ET DE LA RELANCE
Liberté Égalité Fraternité

Direction générale du Trésor

BILL & MELINDA GATES *foundation*

Norad