

TACKLING HUNGER WITH TAX JUSTICE

POVERTY

One in eight people on this planet are living with the pain of hunger, and yet our world provides enough food for everyone. Tax dodging is one of the reasons why hunger persists. This briefing explains how tax is a critical part of the solution to ending hunger for millions of people.

Hunger: the facts

- 868 million people – one in eight of the world's population – do not have enough food to eat.¹
- In sub-Saharan Africa, one in four people go to bed hungry every night.²
- Childhood malnutrition is the underlying cause of an estimated 35 per cent of deaths of children under five.³
- Over 2 billion people – almost 30 per cent of the world's population – suffer from a lack of essential nutrients, with permanent effects on their health and potential.⁴

Why tax is important

Christian Aid believes that tax is a vital part of the solution to the scandal of hunger, because it can pay for the public services that people need to live healthy, productive lives and to buy or grow enough to eat. Many countries still depend on aid to tackle poverty, and aid remains important. But aid alone will not end global hunger. Moreover, aid can dry up if the policies of foreign

donor governments change. In short, tax is a more reliable source of finance than aid. It also helps to ensure that governments are more accountable to their citizens. The higher a government's tax revenues, the more citizens tend to question how those revenues are spent.

Yet the world's poorest countries raise very little money from taxation: only 13 per cent of their national wealth (GDP) on average, compared to 35 per cent in industrialised countries like the UK.⁵

Why can't developing country governments raise enough tax revenues to eradicate hunger?

Here in the UK, news that certain companies have not paid their fair share of tax has caused widespread public anger at a time when unemployment is high and many are struggling to feed their families. The scandal of tax dodging is even more shocking in the world's poorest countries.

There are several reasons why developing countries cannot raise sufficient tax revenues. First of all, a large proportion

Freedom from hunger is everyone's human right

The right to food is enshrined in international law:

- The Universal Declaration of Human Rights adopted by the United Nations (UN) in 1948 states that everyone has the right to a standard of living adequate for health and wellbeing, including food.
- The UN's International Covenant on Economic, Social and Cultural Rights states that governments have a responsibility to improve methods for producing, conserving and distributing food so that nobody goes hungry.

However, governments frequently fail to meet their citizens' basic human right to food, partly because of a lack of tax revenues. It is estimated that an additional US\$42.8bn a year would be needed to end hunger⁶ and an extra US\$10bn to address the problem of malnutrition.⁷

'A lack of tax revenues has seriously hampered government programmes designed to tackle hunger'

of people in these countries do not earn enough to pay any income tax. Other factors include a lack of resources for collecting taxes and the generous tax breaks often given to foreign companies, supposedly to encourage investment.

But tax dodging by some unscrupulous multinational companies is a major factor too. Christian Aid estimates that developing countries are losing up to US\$160bn a year – more than the total global aid budget – just through a form of tax dodging known as 'trade pricing abuse'.⁸ Generally, this involves multinational companies manipulating the prices of the goods and services they sell to their sister companies based in tax havens, so as to reduce their profits – and therefore their tax bills – in the countries where they operate. In this way, their profits are shifted to tax havens where little or no tax is charged, no questions are asked and secrecy is absolute.

How could tax revenues help to end hunger?

More than 70 per cent of poor people in developing countries live in rural areas and depend directly or indirectly on farming to make a living.⁹ At least half of the food consumed worldwide is produced by small farms of a few hectares. Boosting small-scale farming therefore holds the key to ending hunger. The problem is that smallholder farmers are often trapped in poverty, not making enough profit to invest in their farms and increase their yields, and not even producing enough to feed their families when harvests are poor.

The World Bank estimates that growth in the agricultural sector is three times more

effective in reducing extreme poverty than growth in other sectors.¹⁰

The examples below, from India and Ghana, demonstrate how a lack of tax revenues has seriously hampered government programmes designed to tackle hunger. Tax dodging by some multinational companies is one of the reasons why tax revenues remain low in these countries.

1. India's Public Distribution System

India's national wealth more than doubled between 1995-2010.¹¹ Yet India is home to a quarter of the world's 868 million hungry people,¹² and nearly half of all children in India are underweight.¹³ A lack of tax revenues is one of the reasons why.

The Indian Government's Public Distribution System (PDS) is supposed to ensure that up to 75 per cent of the rural population and 50 per cent of the urban population have access to cheap, subsidised grain. However, three different national surveys have indicated that half of the poorest households cannot access subsidised grain through the PDS.¹⁴ More finance is needed to extend the reach of the PDS to rural areas, through improvements to transportation and food storage facilities.

Tax revenues could help to provide this finance. The problem is that India's tax revenues are woefully low compared to the size of its economy: they represent only 17 per cent of national wealth¹⁵ (compared to around 35 per cent in the UK).

Niyanci Miranda lives in the state of Jharkhand, where rates of hunger are among the highest in India. Most households in her village are registered

To combat hunger, governments in developing countries need to:

- Help smallholder farmers, particularly women, to access cheap credit, seeds, irrigation, food storage facilities, research and advice on how to get the best out of their farming and cope with the increasingly extreme and unpredictable weather that climate change is causing.
- Improve the access of smallholder farmers (especially women) to markets, so that they can sell their produce: for example, by building roads and bridges in remote rural areas.
- Create special schemes or safety nets that save the poorest families from hunger and starvation, such as the School Feeding Programme in Ghana or the Public Distribution System in India (see examples above and overleaf).
- Fund the education and health services that people need in order to work and earn enough money, or grow enough food to feed their families and live productive lives.

All of these measures cost money – and that's where tax comes in.

as being Below the Poverty Line, which means that they are entitled to subsidised grain through the PDS scheme.

In the past, women had to walk 8km to the nearest depot to collect the grain. 'We had to carry it on our heads and cross the river during the rainy season,' says Niyanci. 'It would take us an entire day, and when we got there we were often told the rations hadn't come.'

The situation improved when the women's group in her village took over the running of the PDS. Now, nobody goes hungry. But other villages are still struggling. 'Most of the government's programmes do not reach people in need,' Niyanci says.

2. Ghana's Free School Feeding Programme

Approximately a third of Ghana's population live on less than US\$1.25 a day,¹⁶ and around a quarter of Ghanaian children under five are stunted – an indicator of chronic malnutrition.¹⁷

In 2005 Ghana introduced a free School Feeding Programme, which now provides one hot nutritious meal a day to more than 1 million pupils. Since 2005 enrolment rates have risen by as much as 30 per cent in some areas. However, it has yet to reach many schools. The School Feeding Programme is funded partly by the government and partly by foreign aid, but funding shortages have meant that by the end of 2010, the programme had only reached 67 per cent of those targeted.¹⁸

Tax revenues would be the best means of plugging this funding gap. A study of Ghana's mining sector indicates that around US\$36m is lost every year due to companies manipulating the price of mineral exports, in order to shift profits to tax havens and dodge tax in Ghana.¹⁹ US\$36m would go a long way towards covering the shortfall in the free School Feeding Programme.

Fuseini Fatmata didn't start school until she was nine. Now 12, she is determined to do well so she can help her widowed mother provide for the family and become less dependent on others. But with money tight in her large family, breakfast is never guaranteed.

On the days she misses breakfast, Fuseini struggles to concentrate in class. For pupils like Fuseini, Ghana's School Feeding Programme is invaluable, as it means they get at least one good meal a day and can make the most of their lessons.

3. Ghana's Agricultural Sector Investment Plan

Some 41 per cent of Ghanaians depend directly on agriculture as a livelihood.²⁰ Smallholder farmers (over half of whom are women) are poorer and more food insecure than other groups in Ghana. Many parents in the poorest regions in the north put their children to work on the farm rather than send them to school, in the hope that this will increase yields.

To reduce hunger and food insecurity, the Ghanaian government needs to invest in irrigation and technical support services, such as soil and water conservation. At present only a third of Ghanaian smallholder farmers have access to government support services. Storage facilities are also needed, as up to 50 per cent of Ghana's fruit and vegetables and 30 per cent of cereals either rot or are lost to pests. Credit is another issue, with 84 per cent of smallholder farmers unable to borrow any money to invest in their farms.²¹

All of these actions are hampered by a lack of finance. An estimated US\$766m is needed to implement Ghana's Agricultural Sector Investment Plan,²² but there is currently a shortfall of US\$518m in the budget.²³ An increase in tax revenues would help to plug this gap.

Hardi Mumuni's harvest is vivid proof that investing government funds in providing technical support to smallholder farmers brings impressive results. Having carefully followed the advice of government fieldworkers, Hardi's yard is full to bursting with yellow ears of maize drying in the sun. 'We eat three meals a day. I am able to do this because I adopted the new methods of farming coming from the Ministry of Agriculture,' says Hardi.

With just one field worker for every 1,000 farmers in northern Ghana, stories like Hardi's remain all too rare: a situation Ghana's government cannot address unless it raises more tax revenue.

'In Ghana, around US\$36m is lost every year due to companies manipulating the price of mineral exports, in order to shift profits to tax havens and dodge tax'

What can you do? Join the ENOUGH FOOD FOR EVERYONE IF campaign!

In 2013, Christian Aid is joining many other organisations in Britain to drive home the message to our government and to world leaders that **there is enough food in the world to feed everyone if** our leaders tackle the structural causes of hunger. While the causes of hunger are complex, the IF campaign has chosen to focus on four areas that we regard as key: aid, tax, land and transparency.

The campaign has two demands that would help developing countries boost their tax revenues. We want the UK government to:

- Seek to use UK tax policy to help collect taxes, not only in the UK but also in developing countries.²⁴ A first step would be to require companies registered in the

UK to report on their use of tax avoidance schemes that affect developing countries, and not just the UK. The Government should include this requirement in its Finance Bill.

- Use its presidency of the G8 this year to launch a new Global Tax Transparency Convention. This should require public disclosure of the real owners of companies, foundations and trusts so that tax haven secrecy can no longer be used to disguise ownership. The G8 should also require tax havens to share information with poor countries about the wealth they are holding, and help countries recover the taxes due on this wealth.

For more information on how to get involved in the campaign, visit: christianaid.org.uk/if – or contact our campaigns staff on 020 7523 2264 or campaigns@christian-aid.org

‘There is enough food in the world for everyone if our leaders tackle the structural causes of poverty’

Endnotes

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7 Action Contre Le Faim/Institute of Development Studies, *Aid for Nutrition: Using innovative financing to end undernutrition*, undated, p13. These figures are based on a 2010 estimate by the World Bank of US\$11.8bn a year, of which US\$10.8bn needed to be raised from public resources. See Susan Horton et al, *Scaling Up Nutrition: How much will it cost?* World Bank, 2010, p24.

8 For more details on how the US\$160bn figure was compiled see Christian Aid, *False Profits: Robbing the poor to keep the rich tax free*, 2009, and Christian Aid, *Death and Taxes*, 2008.

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16 See note 13.

17 See note 13.

18 Figure quoted in the *GSFP 2011 Annual Operating Plan*, p14, sign-schoolfeeding.org/_dynamic/downloads/AOP%202011%20final%20draft.pdf

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22 These figures are the dollar equivalent on the prevailing exchange rate as at December 2012; they are taken from *Ghana's Medium Term Agriculture Sector Investment Plan*, Government of Ghana, 2011-2015, slideshare.net/courage10/metasisp-final1

23 Ibid.

24 This has been recommended by the IMF, OECD, UN and World Bank 2011 (www.oecd.org/ctp/48993634.pdf) and the International Development Committee of the UK Parliament, 2012 (www.publications.parliament.uk/pa/cm201213/cmselect/cmintdev/130/130.pdf)

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Poverty is an outrage against humanity. It robs people of dignity, freedom and hope, of power over their own lives.

Christian Aid has a vision – an end to poverty – and we believe that vision can become a reality. We urge you to join us.

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