FEMINIST ACTION NEXUS for Economic and Climate Justice

TAX JUSTICE NETWORK

TAX JUSTICE NETWORK AFRICA

The Principles of Tax Justice and the Climate Crisis in Africa's Resource-Rich Nations

Mukupa Nsenduluka (Tax Justice Network Africa)
and Rachel Etter-Phoya (Tax Justice Network)

INTRODUCTION

Most countries in sub-Saharan Africa are considered resource-rich.[1] Africa has a vast and varied range of natural resources, which hold intrinsic, aesthetic, cultural value and also contribute to the ways wealth is construed and moved across and out of the continent. Extractive industries are important sources of revenue in many African economies, with natural resources accounting for almost one-third of total government revenues in some countries.[2] Yet the revenue could be much higher, because Africa loses huge amounts in illicit financial flows.[3] Just one component, corporate tax avoidance from mining, costs the continent as much as US$730 million per year.[4] The resulting revenue losses undermine governments' ability to provide high quality services and make it harder to introduce more progressive tax systems. Women bear the majority of the impacts as they are typically overrepresented among lower-income households and have lower-paid jobs.[5]

---

1 James Cust and Albert G. Zeufack, *Africa's Resource Future: Harnessing Natural Resources for Economic Transformation during the Low-Carbon Transition* (2023) <https://openknowledge.worldbank.org/handle/10986/39599> [accessed 29 June 2023].

2 Cust and Zeufack, *Africa's Resource Future*.

3 Illicit financial flows are "Money that is illegally earned, transferred or utilized. These funds typically originate from three sources: commercial tax evasion, trade misinvoicing and abusive transfer pricing; criminal activities, including the drug trade, human trafficking, illegal arms dealing, and smuggling of contraband; and bribery and theft by corrupt government officials" (African Union Commission and United Nations Economic Commission for Africa, *Illicit Financial Flow: Report of the High Level Panel on Illicit Financial Flows from Africa* (2015) <https://repository.uneca.org/handle/10855/22695> [accessed 8 November 2017].)

4 Giorgia Albertin and others, *Tax Avoidance in Sub-Saharan Africa's Mining Sector* (2021) <https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2021/09/27/Tax-Avoidance-in-Sub-Saharan-Africas-Mining-Sector-464850> [accessed 10 February 2023].

5 Veronica Grondona, Nicole Bidegain Ponte and Corina Rodriguez Enriquez, *Illicit Financial Flows: Undermining Gender Justice* (December 2016) <https://library.fes.de/pdf-files/iez/12984.pdf> [accessed 24 July 2023].

Africa's extractive industries will need to navigate significant changes in the coming decade, as economies transition away from fossil fuels and demand grows for the metals and minerals needed for new technologies. Africa's extractive industries are made up of both fossil fuels (oil, gas, and coal) as well as metals and minerals (like copper, rare earths and lithium). Many African exporting economies are reliant on fossil fuel extraction—five sub-Saharan African economies hold at least 25 per cent of their wealth in fossil fuels.[6] Commitments to reduce carbon emissions will hurt those economies, though Africa has historically made and currently makes little contribution to the climate crisis.

As much as there are new opportunities for African metals and minerals as part of a transition to renewable energies and new technologies, the extractivist model that has characterized mining in the last century may remain if changes are not made domestically, regionally and internationally. Structural changes are needed across the value chain to avoid perpetuating the same inequities.

In this brief, we explore five principles of tax justice—the "5 Rs"[7]—as they pertain to the extractive industries in Africa's resource-rich economies, in light of the climate crisis and with a gender lens.[8] The functions of tax include raising **revenue**, **redistributing** wealth to create a more equal society, **repricing** to make activities that infringe on the rights of others more costly, improving **representation** by reinforcing the social contract between voters and representatives, and supporting **reparations** to redress historical and colonial legacies. This briefing considers the domestic, regional and international action that can be taken to use tax as a tool for tackling inequality in light of the climate crisis. Understanding how tax can be used as a tool to reprogram economies to shake deeply rooted inequalities[9] is important, given the primacy of revenue from extractives in many African economies.

The context for this brief is the commitment of feminist movements who are part of the Feminist Action Nexus for Economic and Climate Justice ("Action Nexus") to develop more resources and materials for popular education and legal advocacy that advance a comprehensive feminist agenda. This feminist agenda is not a separate or new initiative, but a well-articulated one that draws on the work of feminist movements over generations. More resources as well as the summary of the seven key demands of our work can be found on the **Action Nexus webpage**.[10]

---

6 David Manley, James Frederick Cust and Giorgia Cecchinato, 'Stranded Nations? The Climate Policy Implications for Fossil Fuel-Rich Developing Countries' (Rochester, NY, 2017) <**https://papers.ssrn.com/abstract=3264765**> [accessed 23 August 2023].

7 Tax Justice Network, *Beyond20* (12 May 2023) <**https://taxjustice.net/wp-content/uploads/2023/05/Tax-Justice-Network-beyond20-Strategic-Framework-May-2023.pdf**> [accessed 7 July 2023].

8 Franziska Mager and Sergio Chaparro, *Delivering Climate Justice Using the Principles of Tax Justice: A Guide for Climate Justice Advocates* (June 2023) <**https://taxjustice.net/wp-content/uploads/2023/06/Delivering-climate-justice-using-the-principles-of-tax-justice-Tax-Justice-Network-June-2023.pdf**> [accessed 22 June 2023].

9 *The State of Tax Justice 2023*, 2023 <**https://www.youtube.com/watch?v=AoS8x0LeqFs**> [accessed 27 July 2023]; Decolonising Economics, *Tax as a Tool for Racial Justice* (2022) <**https://decolonisingeconomics.org/wp-content/uploads/2022/09/Tax-as-a-Tool-for-Racial-Justice-report.pdf**> [accessed 24 August 2023].

10 Women's Environment & Development Organisation, 'Feminist Action Nexus for Economic And Climate Justice', WEDO, 2023 <**https://wedo.org/what-we-do/our-programs/feminist-action-nexus-for-economic-and-climate-justice/**> [accessed 11 May 2023].

BACKGROUND

Natural resources are abundant in Africa, which is home to almost a third of the world's mineral reserves.[11] Extractive industries—metals, minerals and hydrocarbons (timber is not included here)—are a significant sector in many African economies, especially in generating revenue. Most African nations have the ambition to increase revenue across the extractive industries value chain, aligned with the African Union's African Mining Vision: the continent's blueprint for making sure mining contributes to economic transformation through the "transparent, equitable and optimal exploitation of mineral resources underpinned by broad-based sustainable growth and socio-economic development."[12]

However, large-scale mining in Africa is underpinned by neoliberal, colonial, and capitalist structures. This affects both the revenue-raising and redistribution functions of tax. Most mining in Africa is in the hands of multinationals headquartered far from the continent, reliant on foreign direct investment, often channeled through many subsidiaries in no or low tax jurisdictions. This model, where company headquarters sit in a different country, far away from economic activity, typically results in profits artificially being shifted out of the continent. This erodes the domestic tax base in Africa, with companies paying less tax where minerals are extracted.

Of all the illicit financial flows that leave the African continent, corporate tax abuse is the largest component—far greater than those associated with money-laundering and grand corruption, for example.[13] This is bolstered by an international tax system that makes it difficult for source countries, where the resources are extracted, to capture fair tax revenues.[14] These flows accompany the export of minerals with limited value being added at a domestic level. Sub-Saharan Africa may be losing US$450-730 million per year in corporate income tax due to the pervasiveness of multinational corporate tax avoidance in mining.[15]

Corporate tax abuse undermines domestic revenue mobilization efforts so that governments cannot fulfil their obligations to provide fundamental economic and social rights—for instance, the provision of clean and safe water—even in the communities hosting extraction. Communities bear the brunt of a legacy of tax injustice while also facing severe climate injustice and environmental degradation brought about by the extractive industries and emissions.[16] Ironically, it is the big corporations located

11 United Nations Environment Programme, 'Our Work in Africa', *UNEP - UN Environment Programme*, 2017 <http://www.unep.org/regions/africa/our-work-africa> [accessed 11 May 2023].

12 African Union, *Africa Mining Vision*, 2009 <http://www.africaminingvision.org/amv_resources/AMV/Africa_Mining_Vision_English.pdf> [accessed 9 March 2018].

13 African Union Commission and United Nations Economic Commission for Africa, *Illicit Financial Flow: Report of the High Level Panel on Illicit Financial Flows from Africa*.

14 United Nations - Economic Commission for Africa, *Illicit Financial Flows: Report of the High Level Panel on Illicit Financial Flows from Africa*, 2015 <https://repository.uneca.org/handle/10855/22695> [accessed 23 May 2023].

15 Giorgia Albertin and others, *Tax Avoidance in Sub-Saharan Africa's Mining Sector* (2021), 15 <https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2021/09/27/Tax-Avoidance-in-Sub-Saharan-Africas-Mining-Sector-464850> [accessed 10 February 2023].

16 See, for example, Katharina Rall, '"They Destroyed Everything"', *Human Rights Watch*, 2016 <https://www.hrw.org/report/2016/09/27/they-destroyed-everything/mining-and-human-rights-malawi> [accessed 12 May 2023]; *Human Rights Watch*, '"What Do We Get Out of It?"', *Human Rights Watch*, 2018 <https://www.hrw.org/report/2018/10/04/what-do-we-get-out-it/human-rights-impact-bauxite-mining-guinea> [accessed 12 May 2023]; Tim Wegenast and Jule Beck, 'Mining, Rural Livelihoods and Food Security: A Disaggregated Analysis of Sub-Saharan Africa', World Development, 130 (2020), 104921.

in high-emitting Global North economies that continue to benefit from an unjust international tax system at the expense of mine host communities in Africa.

In many communities, women tend to act as primary caregivers, either of children or of family members suffering from health complications that arise from extractive-related pollution. While artisanal and small-scale mining can be an income-generating opportunity for women in Africa, women are often in less protected jobs. These factors combined often practically have the effect of excluding women from the formal job market and further affects their ability to seek out income-generating opportunities.[17] These issues have been elaborated on in greater detail in an earlier advocacy briefing in this series.[18]

The relationship between the extractive sector and the energy transition represents a complex challenge for African governments and citizens. Debates center on the rising demand for minerals and metals for the transition to renewable technologies, and the future of fossil fuel extraction. Decarbonization accompanied with a likely drop in demand for fossil fuels may result in stranded assets for African nations,[19] such as Chad, the Republic of Congo, Gabon, Mozambique, and Nigeria.[20] Countries may be counting on these resources both for revenue and to meet domestic energy needs. For almost half of African countries, two fossil fuels—petroleum and coal—are the most plentiful resources.[21]

While central to government revenue, fossil fuels also harm people's health and lives; for workers and for communities near upstream extraction of fossil fuels[22] and through emissions contributing to the climate crisis. At the same time, access to reliable, clean energy is fundamental for Africans, given that more than half of Africans do not have access to electricity and rely on biomass for cooking, which in turn is associated with detrimental health outcomes, especially for women.[23]

Urgent change is needed to address intersecting inequalities, which are overlaid with striking power imbalances in many contexts between men and women, from the farm and land ownership level all the way to global governance and decision-making on both climate and tax.[24] Without structural transformation, the increased global demand for transition minerals from African subsoils for renewable energy technologies risks reinforcing and replicating historic injustices.

---

17 Catherine Macdonald, 'The Role of Gender in the Extractive Industries', in *Extractive Industries: The Management of Resources as a Driver of Sustainable Development*, ed. by Tony Addison and Alan Roe (2018), 442–59 <https://doi.org/10.1093/oso/9780198817369.003.0021> [accessed 24 July 2023].

18 Melania Chiponda and Anne Songole, *A Feminist Analysis of the Triple Crisis: Climate Change, Debt, and COVID-19 in Zimbabwe and Kenya* (2023).

19 Manley, Cust and Cecchinato, 'Stranded Nations?'

20 Cust and Zeufack, *Africa's Resource Future*.

21 Al Jazeera Staff, 'Mapping Africa's Natural Resources', *Al Jazeera*, 15 February 2022 <https://www.aljazeera.com/news/2018/2/20/mapping-africas-natural-resources> [accessed 11 May 2023].

22 cf. Jill E. Johnston, Esther Lim and Hannah Roh, 'Impact of Upstream Oil Extraction and Environmental Public Health: A Review of the Evidence', *The Science of the Total Environment*, 657 (2019), 187–99.

23 Mikel González-Eguino, 'Energy Poverty: An Overview', *Renewable and Sustainable Energy Reviews*, 47 (2015), 377–85.

24 Rebecca Pearse, 'Gender and Climate Change', *WIREs Climate Change*, 8/2 (2017), e451.

THE INTERNATIONAL FINANCIAL ARCHITECTURE IS UNJUST AND UNDERMINES REVENUE MOBILIZATION

Colonial legacies are woven into the current global tax system shaping how tax havens facilitate capital flight and plunder Africa's extractive activities.[25] Illicit financial flows can be seen through three imperial ages: in the first age, tax supported violent dispossession and extraction; in the second age, former imperial powers denied newly independent states' efforts to reclaim stolen wealth and removed income streams in the countries where they were generated; and in the third and current age, global cross-border tax abuse is enabled by tax havens, especially the UK and its dependencies.[26]

In this third age, through the international financial system, multinationals are able to shift profits away from where these real economic activities take place—a phenomenon that may be heightened through the energy transition as demand increases for minerals like copper, cobalt, lithium, aluminum.[27] **Simply transitioning from fossil fuels without accompanying systemic transformation would enable ongoing corporate tax abuse**. With the current international financial architecture, increased extraction of these minerals for renewable technologies presents great revenue risks.

The richest and most complicit nations—in both global tax abuse and greenhouse gas emissions—have set the agenda. African countries have continuously led and supported efforts to reform global tax systems. But African engagement in processes to foster international tax cooperation have been hindered. Power over tax rule-setting has been captured by the Organisation for Economic Cooperation (OECD) for the last 60 years. The OECD was set up to protect the interest of its members, the richest nations of the world. No African nation is a member. The OECD has controlled the forum for decision making on global tax reform, with financial and technical capacity mismatches, and limited priority afforded to the needs of African countries.[28]

OECD countries and their dependencies are responsible for the world losing US$219 billion in corporate tax each year. They enable a staggering 70 per cent of global corporate tax abuse.[29] The richest nations also historically and presently contribute most to emissions. Since 1850, North America and Europe have created half of all accumulated global greenhouse gas emissions, although they have just a small fraction of the world's population.[30]

---

25 Nicholas Shaxson, *Treasure Islands: Uncovering the Damage of Offshore Banking and Tax Havens* (2012); Vanessa Ogle, '"Funk Money": The End of Empires, The Expansion of Tax Havens, and Decolonization as an Economic and Financial Event*', Past & Present, 249/1 (2020), 213–49.

26 Alex Cobham, 'Imperial Extraction and "Tax Havens"', in *Imperial Inequalities*, ed. by Gurminder K. Bhambra and Julia McClure (2022), 280–98 <https://www.manchesterhive.com/display/9781526166159/9781526166159.00025.xml> [accessed 30 August 2023].

27 Ricardo Soares De Oliveira, 'Researching Africa and the Offshore World', *The Journal of Modern African Studies*, 60/3 (2022), 265–96.

28 Tax Justice Network Africa, *Tax Justice Network Africa's Inputs to the Tax Report 2023 on Promotion of Inclusive and Effective Tax Cooperation at the United Nations*, 2023 <https://financing.desa.un.org/sites/default/files/2023-03/Tax%20Justice%20Network%20Africa_Input%20Tax%20Report.pdf> [accessed 24 July 2023].

29 *The State of Tax Justice 2023*.

30 Lucas Chancel, Philipp Bothe and Tancrède Voituriez, *Climate Inequality Report 2023: Fair Taxes for a Sustainable Future in the Global South* (2023), 19 <https://wid.world/wp-content/uploads/2023/01/CBV2023-ClimateInequalityReport-1.pdf> [accessed 11 May 2023].

The control over decision making has resulted in global solutions to tackle tax avoidance that have favored the richest nations (to the extent that they have been effective at all), and which, as a result, are not aligned with the pressing tax, development and climate issues within the continent.[31]

More recent efforts by the OECD to include almost half of African states in its Inclusive Framework resulted in a solution that would not sufficiently enable African countries to collect more revenue from multinationals and places limits on taxing rights of digital multinationals.[32] Kenya and Nigeria did not endorse the OECD proposal and there is in practice no globally agreed instrument to implement. The "inclusive framework" itself was not democratic, with African participants facing administrative and other barriers for meaningful participation and influence.[33] The African Tax Administration Forum went so far as to call out the pressure exerted on developing nations.[34] African nations would be unable to achieve the necessary structural changes to international tax within a forum that is undemocratic.

THE 5R'S OF TAX JUSTICE

1. RAISING REVENUE

One of the primary reasons most African governments develop their extractive industries is to generate revenue.[35] For this reason, the first principle of tax justice is given the greatest attention in this briefing. Various fiscal policy instruments are used, including mineral royalties, corporate income tax, and other sector fees. Revenue generation from extractives should ideally be driven by an industrial strategy that balances both broader economic linkages and human rights. With insufficient tax revenues, countries are forced to take on debt, meaning that too often revenue that is collected may be needed to pay back loans.[36]

Companies are expected to pay their share of taxes in exchange for the right to extract resources. However, this is too often undermined by tax abuse driven by profit shifting, tax incentives that do not result in any additional investment, double taxation treaties that limit the taxing rights of resource-rich countries, and a general race to the bottom in a bid to attract investment—all of which undermines tax collection and regional integration.

---

31 United Nations General Assembly, 'Promotion of Inclusive and Effective International Tax Cooperation at the United Nations Report of the Secretary-General', 2023 <https://financing.desa.un.org/sites/default/files/2023-08/2314628E.pdf> [accessed 29 August 2023].

32 Irene Ovonji-Odida, Veronica Grondona and Abdul Muheet Chowdhary, *Two Pillar Solution for Taxing the Digitalized Economy: Policy Implications and Guidance for the Global South*, The South Centre: Research Paper (Geneva, 26 July 2022) <https://www.southcentre.int/research-paper-161-26-july-2022/> [accessed 18 August 2022].

33 Rasmus Corlin Christensen, Martin Hearson and Tovony Randriamanalina, *At the Table, Off the Menu? Assessing the Participation of Lower-Income Countries in Global Tax Negotiations* (December 2020) <https://www.ictd.ac/publication/at-table-off-menu-assessing-participation-lower-income-countries-global-tax-negotiations/> [accessed 11 January 2023].

34 African Tax Administration Forum, *130 Inclusive Framework Countries and Jurisdictions Join a New Two-Pillar Plan to Reform International Taxation Rules – What Does This Mean for Africa?*, 1 July 2021 <https://www.ataftax.org/130-inclusive-framework-countries-and-jurisdictions-join-a-new-two-pillar-plan-to-reform-international-taxation-rules-what-does-this-mean-for-africa> [accessed 13 October 2022].

35 International Institute for Environment and Development, 'Breaking New Ground - Chapter 8: Minerals and Economic Development', *International Institute for Environment and Development* <https://www.iied.org/g00900> [accessed 24 July 2023].

36 Liz Faunce and Joseph Cotterill, 'Zambia's Plan to Dig Its Way out of Debt with a Copper Revival', *Financial Times*, 13 August 2023.

The 2015 seminal report published by the African High-Level Panel on Illicit Financial Flows out of Africa reported that Africa lost over US$1 trillion in illicit financial flows in the last 50 years.[37] The issue remains widespread. In 2020, the United Nations Conference on Trade and Development revealed that Africa loses USD$89 billion annually through illicit financial flows with two thirds—USD$40 billion—coming from the extractive sector alone.[38] These figures paint a bleak picture of how a resource-rich continent loses the much-needed revenue that could finance public services such as health, education, social protection, and water and sanitation. This is particularly true for mine host communities where the social, economic, and environmental impacts of the extractive industries are borne mostly by women and children.[39]

The cost of tax abuse in Zambia

Zambia is the second biggest producer of copper in Africa and the seventh globally. Yet 6.3 million Zambians (36 per cent) still lack reliable access to clean water and 10.4 million (68 per cent) have inadequate sanitation facilities, both of which are fundamental human rights.[40]

Where government revenues are insufficient to pay for basic services related to childcare and schooling, women often take on unpaid care work[41] and are similarly disproportionately impacted by the climate crisis and related disasters.[42] A disproportionate part of the burden of collecting water from remote water sources also falls to women and children, which further challenges access to schooling. At the same time, children are severely affected by water borne diseases associated with inadequate clean water and sanitation.[43] And because most of the burden of household chores also fall to them, they are more prone to the negative health effects of, for example, cooking with biomass fuels.

According to a 2021 study by Oxfam, one of the major factors contributing to insufficient public services is corporate tax avoidance from Zambia's mining sector.[44] Oxfam estimated the Glencore group generated nearly US$6 billion in total revenue via its subsidiary, Mopani Copper Mines PLC, but paid just US$28 million in corporate income taxes over an eight-year

---

37 United Nations - Economic Commission for Africa, *Illicit Financial Flows*.

38 United Nations - Conference on Trade and Development, *Trade and Development Board - Economic Development in Africa: Tackling Illicit Financial Flows for Sustainable Development in Africa*, 20 July 2020 <https://daccess-ods.un.org/access.nsf/Get?OpenAgent&DS=TD/B/67/3&Lang=E>.

39 Macdonald, 'The Role of Gender in the Extractive Industries', 442–59.

40 USAID, *Zambia: High-Priority Country Plan: Global Water Strategy 2022-2027* <https://www.globalwaters.org/sites/default/files/zambia_hpc_plan.pdf> [accessed 24 July 2023].

41 Grondona, Bidegain Ponte and Rodriguez Enriquez, *Illicit Financial Flows: Undermining Gender Justice*.

42 Lucas Chancel, Philipp Bothe and Tancrède Voituriez, *Climate Inequality Report 2023: Fair Taxes for a Sustainable Future in the Global South* (2023) <https://wid.world/wp-content/uploads/2023/01/CBV2023-ClimateInequalityReport-1.pdf> [accessed 11 May 2023].

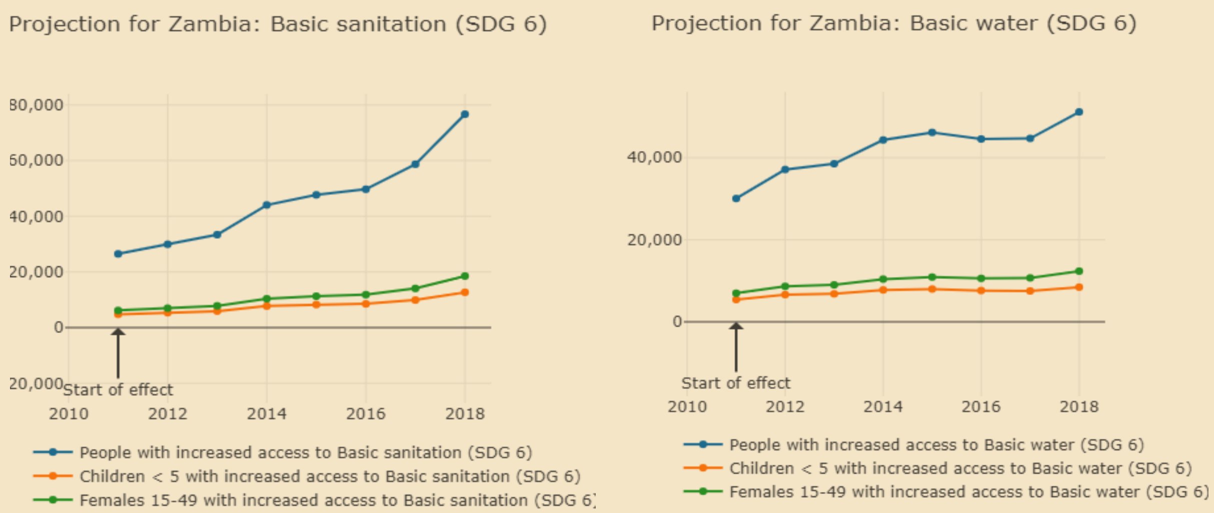
43 USAID, *Zambia: High-Priority Country Plan: Global Water Strategy 2022-2027* <https://www.globalwaters.org/sites/default/files/zambia_hpc_plan.pdf> [accessed 24 July 2023].

44 Daniel Mulé and Mukupa Nsenduluka, *Potential Corporate Tax Avoidance in Zambia's Mining Sector? Estimating Tax Revenue Gains from Addressing Profit Shifting or Revising Profit Allocation Rules: A Case Study of Glencore and Mopani Copper Mines*, Oxfam Research Backgrounder Series (2021) <https://www.oxfamamerica.org/explore/research-publications/potential-corporate-tax-avoidance-in-zambias-mining-sector/> [accessed 24 July 2023].

period (average of US$3.5 million per year), from 2011 to 2018, while Glencore disputed the findings of the report.[45] Oxfam's analysis argues that had profits not been artificially shifted, Zambia should have received up to US$91 million annually in taxes from Mopani—more than half of Zambia's national water supply and sanitation budget in 2020.

We used the Government Revenue and Development Estimations (GRADE) tool to translate the potential of additional government revenue equivalent to Oxfam's estimates of taxes paid and taxes avoided on people's lives from 2011 to 2018. Based on US$3.5 million (US$3.08 million in constant 2015 US$) income tax paid per year, revenue equivalent to Glencore's contribution to public finances ensured 700 women had access to basic sanitation, almost 500 women had access to basic water and 200 girls attended school every day. In contrast, if the Zambian government had additional revenue equivalent to Oxfam's stated losses of US$91 million per year (US$80.15 million in 2015 US$), we find using GRADE that over 18,500 women would have had access to basic sanitation, 12,000 women would have had access to basic water, and almost 5000 girls would attend school every day.[46] Education, particularly educating girls, is critical to enhancing women's capacity to prepare for and respond to the impacts of climate change.[47]

***Figure 1*. Basic sanitation and water access in Zambia with increased revenue equivalent to tax losses (2011-2018)**



45 Charles Watenphul to Daniel Mulé, 'Glencore's Response to Oxfam's Report', 28 May 2021 <https://webassets.oxfamamerica.org/media/documents/OTC_Glencore_Letter_to_Oxfam.pdf> [accessed 30 August 2023].

46 University of St Andrews and University of Leicester, 'Government Revenue and Development Estimations Model,]GRADE', *GRADE*, 2022 <https://med.st-andrews.ac.uk/grade/> [version 3.7.2, accessed 30 August 2023]

47 Raya Muttarak and Wolfgang Lutz, 'Is Education a Key to Reducing Vulnerability to Natural Disasters and Hence Unavoidable Climate Change?', Ecology and Society, 19/1 (2014) <https://www.jstor.org/stable/26269470> [accessed 15 November 2022]; Erich Striessnig, Wolfgang Lutz and Anthony G. Patt, 'Effects of Educational Attainment on Climate Risk Vulnerability', *Ecology and Society*, 18/1 (2013) <https://www.jstor.org/stable/26269263> [accessed 15 November 2022].

A just transition and its impact on revenue

The current unfair financial architecture has implications not just for tax justice but also for climate justice, as it erodes revenue required for loss and damage, mitigation and adaptation, including transitioning away from fossil fuels to cleaner energy sources.

Phasing out fossil fuels will be key to transforming energy systems in the quest to keep global temperature rise below 1.5 degrees Celsius. Major systemic shifts are needed in the coming years to make this a reality. These are unlikely to happen due to the dominance of the fossil fuel economy. Nevertheless, even smaller shifts than what is really required will have revenue implications for fossil fuel-rich countries.

Nigeria, for instance, is Africa's largest oil producer and 11th globally, with 75 per cent of government revenue being generated from oil extraction.[48] Given that this is a significant revenue stream, the Nigerian government must adequately prepare for the phasing out of oil production through sustainable development investments and diversification initiatives that will enable the country to become less dependent on oil.

A just transition away from fossil fuels must consider the revenue impacts of phase-outs and the common but differentiated responsibilities between so-called higher income and lower income countries—a status resulting largely from historic legacies of plunder. Lower income countries that are heavily reliant on fossil fuels must have adequate time and resources for phase-outs. This will have manifold impacts, including on government revenue mobilization efforts, and on communities, especially women and children.

A more sustainable approach to ensuring the extractive industries meaningfully contribute to revenue generation is set out in the Africa Mining Vision.[49] It emphasizes key tenets centered on value addition and local content (using local skills and services) that create forward/backward linkages to the local economy and the environment, moving away from just revenue generation and export. If the mineral value chains in African countries are transformed and diversified through improved linkages, as the vision suggests, this may present opportunities for women, including through improved employment or opportunities for business.

2. REDISTRIBUTING WEALTH

Emissions reflect the deep inequalities in and across nations. Southern and Eastern Africa have the lowest emissions in the world. Sub-Saharan Africa could increase its per capita emissions by 20 per cent and still be in line with the 1.5 degrees Celsius ceiling of the Paris Agreement.[50] However, this

---

48 Saskia van Drunen and others, *Big Business, Low Profile: Shedding Light on Oil Trader Vitol's Operations in Nigeria* (October 2020) <https://www.somo.nl/big-business-low-profile/> [accessed 24 July 2023].

49 African Union, *Africa Mining Vision*.

50 Chancel, Bothe and Voituriez, *Climate Inequality Report 2023: Fair Taxes for a Sustainable Future in the Global South*.

masks the emissions inequality within African countries: the "carbon footprint of the bottom half of the population in SSA [sub-Saharan Africa] is the smallest in the world by a wide margin, while that of the top 10% is in the same range as the middle 40% in the MENA [Middle East and North Africa] region and East Asia." Nevertheless, the top emitters in Africa still emit less carbon than North America's bottom half of emitters.[51] Correspondingly, income inequality across Africa is very high. In 2021, on average, the richest 10 per cent of households accrued 49 per cent of the share of income.[52]

Tackling inequality is vital for mine host communities, where impacts of the climate crisis are often amplified by existing environmental degradation caused by the extraction of fossil fuels and minerals. Unfortunately, it is precisely these same communities who often face harsh realities of high material poverty and inequality.

Catherine Kabwe, a woman from a mine host community in Mufulira, Zambia, makes the point clearly:

> ***"We have suffered for a long time here; just look at these houses we live in, just look at them! These are death traps. We have been promised over the years that we would be relocated to safer places, but we are still waiting and nothing has come up…."***[53]

Implementing redistributive policies in resource-rich countries should be a priority in order to narrow the inequality gap within and across regions. Taxation can be used as a redistributive tool to address poverty and inequality. This includes considering wealth and property taxes, and reducing taxes on goods and services where lower-income households spend most of their income, such as essential food and medical items. Wealth taxes, for example, provide a way to raise revenue, reduce the tax burden on lower income households and redress historical legacies of inequality. At the same time, putting in safeguards to protect against capital flight is vital.[54]

Another form of redistribution may happen specifically in the extractive industries to target mine host communities. Redistribution of revenue, or revenue sharing, can help compensate women and children especially for the disruptions that occur socially, culturally, environmentally, and economically due to mining projects that inhibit access to land, water, and even safety (with a reported increase in gender-based violence[55]). For example, a percentage of revenue collected from extractive projects could be explicitly and transparently provided to sub-national governments, with the expectation that the residents would mobilize for this to support public service delivery and economic development projects that could help improve the livelihoods of women.

---

51 Chancel, Bothe and Voituriez, *Climate Inequality Report 2023: Fair Taxes for a Sustainable Future in the Global South*.

52 Anne-Sophie Robilliard, *What's New About Income Inequality in Africa?*, World Inequality Lab Issue Brief (November 2022) <**https://wid.world/document/ssafrica2022/**> [accessed 25 August 2023].

53 Chief Editor, 'Zambia : Mufulira's Kankoyo Residents Cry over Persistent Pollution', 2019 <**https://www.lusakatimes.com/2019/06/02/mufuliras-kankoyo-residents-cry-over-persistent-pollution/**> [accessed 24 July 2023].

54 Léo Czajka, Amory Gethin and Aroop Chatterjee, *Taxing Wealth in a Context of Extreme Inequality Legacy: The Case of South Africa*, 24 April 2021 <**https://cepr.org/voxeu/columns/taxing-wealth-context-extreme-inequality-legacy-case-south-africa**> [accessed 25 August 2023]; Khanyisa Mbalati, *Implementing Wealth Tax and Wealth Redistribution in Sub Saharan Africa* (30 June 2023) <**https://www.southcentre.int/wp-content/uploads/2023/07/SV249_230630.pdf**> [accessed 25 August 2023].

55 Jane Pillinger and Nora Wintour, *Risks of Gender-Based Violence and Harassment: Union Responses in the Mining, Garments and Electronics Sectors* <**https://www.industriall-union.org/sites/default/files/uploads/documents/2022/GBVH/gbvh_mining.pdf**> [accessed 24 July 2023].

3. REPRICING TO CURB EMISSIONS

Tax policy can be used to change the price of socially or individually harmful products or activities, with varied impacts on producers and/or consumers of these goods depending on policy design.

Carbon pricing is a relatively new and emerging area in Africa, though based on a history of taxation to influence consumer behavior and potentially fund related services. Where using products like tobacco or alcohol lead to a greater burden on public health services, increasing prices may disincentivize use and generate further revenue for the public health budget. Similarly, repricing carbon at the consumer level can influence purchasing behaviors that better align markets with the Paris Agreement goals and also raise revenue. Carbon taxes move the price of carbon closer to its true social cost.

While taxes on consumers are a potential policy lever to be considered, the suite of tax codes must be reviewed to ensure activities that are detracting from climate goals are not being subsidized. Many African nations still subsidize fossil fuels. Fossil fuel subsidies are handouts to corporate actors that prolong the exploration for and extraction of fossil fuels. Moving to eliminate these subsidies, while also considering taxes on windfall profits, is imperative and can be done separately from enacting any carbon taxes on consumers.

South Africa is the only country in Africa to have introduced carbon taxes. However, many have fossil fuel-related taxes, like a fuel tax on carbon dioxide. As the African Tax Administration Forum notes in its policy brief, *Carbon Taxation in Africa*, eliminating fossil fuel subsidies and introducing any carbon tax has to be done gradually so as to consider the social and economic consequences, especially for low income households.[56] In and of itself, though, carbon pricing cannot bring about the needed structural transformation, nor does it account for historic climate and tax injustices as espoused by proposals for a feminist, intersectional and decolonial Global Green New Deal.[57]

For a carbon tax to be successful and equitable, it needs to be accompanied with a clearly communicated plan for smooth upward adjustments, and low-income households must be considered, for example through tiered pricing or supports such as tax rebates to the lowest-income households. Poorly designed taxes on carbon-emitting fuels could make energy more expensive, forcing more people to rely on biomass like charcoal and fuelwood, which in turn just further depletes carbon sinks.[58] New taxes must be at most poverty-neutral and ideally poverty-reducing, and constraints in budgets and/or administrative capacity cannot justify a response to emissions that undermines rather than improves human wellbeing. Here is where tax policy can also be deployed to subsidize cleaner fuels, ensuring the redesigned tax code captures revenue from fossil fuels, incentivizes investment in renewable energy, and ensures affordability and access to cleaner fuels by consumers.

---

56 Tatiana Falcão, *Carbon Taxation in Africa* <https://events.ataftax.org/includes/preview.php?file_id=199&language=en_US> [accessed 22 June 2023].

57 Bhumika Muchhala, 'Towards a Decolonial and Feminist Global Green New Deal', *Rosa-Luxemburg-Stiftung*, 2020 <https://www.rosalux.de/en/news/id/43146/towards-a-decolonial-and-feminist-global-green-new-deal> [accessed 24 July 2023].

58 Diana Szpotowicz, 'No "green Bullet" - Should Carbon Taxes Be Introduced in Sub-Saharan Africa?', *ICTD*, 3 September 2021 <https://www.ictd.ac/blog/no-green-bullet-carbon-taxes-sub-saharan-africa/> [accessed 22 June 2023].

While realignment of tax codes can support greener national industries and markets and achievement of climate goals, the application of new tax regimes across borders increases the complexities to be considered. There is a risk of national or regional tax repricing tools being employed to the detriment of other countries. For example, the European Union, in a bid to reduce its greenhouse gas emissions, has entered into a provisional agreement on the Carbon Border Adjustment Mechanism, which puts a tariff on carbon intensive products imported into the European Union, and is intended to reduce the emissions of imported goods.

In an analysis of the mechanism's impact on African economies, the African Climate Foundation and the Firoz Lalji Institute for Africa at the London School of Economics and Political Science assert that it "departs from the principles of just transition and Common but Differentiated Responsibilities (CBDR) and Respective Capacities".[59] They anticipate the mechanism may create administrative hurdles for African administrations, increase the costs of exports, exacerbate existing inequalities, and perpetuate trade imbalances. South African participants in a workshop on the CBAM expressed the importance of inclusive policymaking when measures could have such far-reaching consequences, and felt the process here failed to be inclusive and participatory of those it could affect. A takeaway was that a just transition must be achieved by countries building trust through fulfilling existing obligations, such as for climate finance, and designing policies, such as carbon taxes, that examine dynamics of power to ensure just outcomes.[60]

4. REPRESENTATION FOR WOMEN

The fourth principle of tax justice holds that expanding the tax base helps to build the state and to foster the relationship between the state and citizens. This increases accountability and responsiveness in the use of revenue, including using revenue generated through the extractive industries to adapt to and mitigate the impacts of the climate crisis. Indeed, there is evidence of the virtuous circle between increased revenue on the one hand and improved governance on the other.[61] Even though evidence supports tax for state building and improving the social contract in Africa, a word of caution is needed: it "depends on the broader characteristics of the state doing the taxing, the nature of the political resources possessed by taxpayers, and the characteristics of tax systems themselves."[62] The long legacies of colonial extraction including illegitimate tax systems, where there was a distinct separation of where taxes were collected and where they were used, not bettering the taxpayers' lives.[63]

59 African Climate Foundation and Firoz Lalji Institute for Africa, London School of Economics and Political Science, *Implications for African Countries of a Carbon Border Adjustment Mechanism in the EU*, May 2023, vii <https://africanclimatefoundation.org/wp-content/uploads/2023/05/800756-AFC-Implications-for-Africa-of-a-CBAM-in-the-EU-WEB_rev1.pdf> [accessed 12 May 2023].

60 Heinrich-Böll-Stiftung European Union, Heinrich-Böll-Stiftung Cape Town and the Institute for Advanced Sustainability Studies. *Summary and Findings: Online workshop The EU's Carbon Border Adjustment Mechanism and its implications for a global Just Transition: The case of South Africa.*, December 2022. <https://eu.boell.org/sites/default/files/2023-02/cbam_southafrica_report2022_web.pdf> [accessed 31 August 2023].

61 Stephen Hall and Bernadette O'Hare, 'A Model to Explain the Impact of Government Revenue on the Quality of Governance and the SDGs', *Economies*, 11/4 (2023), 108.

62 Mick Moore, Wilson Prichard and Odd-Helge Fjeldstad, *Taxing Africa. Coercion, Reform and Development* (London, 2018), 13.

63 Cobham, 'Imperial Extraction and "Tax Havens"', 280–98.

Representation of women is fundamental in shifting power dynamics that currently too often discriminate against them. Taxation and the focus on climate justice does not necessarily translate into improved rights and access to public services for women. Rather, a tension of priorities, political support and budgetary allocation reflects the complicated relationship between the goals of economic, climate and gender justice in extractives. This includes for instance the mentioned challenge that African nations face in deciding to start, continue or stop extracting fossil fuels and/or minerals that are required for non-carbon intensive technologies.

Competition for resources, where gender equality is not deeply embedded in the response to climate change and in decision-making on the future of extractives, may push out opportunities for women. For example, in Zambia, the newly elected government in 2021 sought to prioritize climate change and created a new Ministry of Green Economy and Environment. But to do so, in order to release funding, it demoted the Ministry of Gender to a division in the Office of the President. Elizabeth Phiri, former gender minister, lamented the lack of representation: "Talking about women in this new dawn government, we have been left out. Even our ministry has been scrapped off. We have no platform, we are voiceless. When you look at the appointment in the Cabinet, the women that are there don't even make a quarter of the Cabinet."[64] This had definite budget allocation implications on gender-related issues.

5. REPARATIONS TO ADDRESS HISTORIC LEGACIES

Reparations to address historic legacies of colonization and ecological damage through reform of the global tax architecture are needed.[65] Estimates put loss and damage as high as US$290-580 billion per year by 2030 in lower income countries.[66]

Feminist and decolonial proposals for a Global Green New Deal advance the longstanding call for climate reparations from developed countries to compensate for their historic carbon emissions, as well as for the loss and damage incurred through ecological harm over centuries in developing countries.[67] The extractive sector has been a major polluter and contributor to greenhouse gas emissions, with most companies operating in Africa being headquartered in the richest nations. Since the 1990s this has resulted in calls by lower income countries for compensation, and for higher income countries to take up responsibility for past and present environmental damage through loss and damage financing.[68]

---

64 Julia Malunga, 'Us Women Have Been Left out of New Dawn Govt, Laments Phiri', *Zambia: News Diggers!*, 30 September 2021, section Local <https://diggers.news/local/2021/09/30/us-women-have-been-left-out-of-new-dawn-govt-laments-phiri/> [accessed 24 February 2023].

65 Mager and Chaparro, *Delivering Climate Justice Using the Principles of Tax Justice: A Guide for Climate Justice Advocates.*

66 Anil Markandya and Mikel González-Eguino, 'Integrated Assessment for Identifying Climate Finance Needs for Loss and Damage: A Critical Review', in *Loss and Damage from Climate Change: Concepts, Methods and Policy Options*, ed. by Reinhard Mechler and others, Climate Risk Management, Policy and Governance (Cham, 2019), 343–62 <https://doi.org/10.1007/978-3-319-72026-5_14> [accessed 24 July 2023].

67 Bhumika Muchhala, 'Towards a Decolonial and Feminist Global Green New Deal', Rosa-Luxemburg-Stiftung, 2020 <https://www.rosalux.de/en/news/id/43146/towards-a-decolonial-and-feminist-global-green-new-deal> [accessed 24 July 2023].

68 Calliaria, E. (2018). Loss and damage: a critical discourse analysis of Parties' positions in climate change negotiations. *Journal of Risk Research*, 21(6), 725–747. Available at: https://doi.org/10.1080/13669877.2016.1240706 [Accessed 23 August 2023].

However, higher income countries have resisted taking up responsibility for financing loss and damage given the legal implications this would have for past and present emissions. This, however, is climate injustice, especially within the context of the 'polluter-pays principle'69 of international law, which asserts that those who pollute (i.e., extractive industry companies) should bear the costs relating to damage to human health and the entire environment. In 2022 at COP27 in Sharm El Sheikh, the final text[70] called for windfalls from oil and gas companies to be ring-fenced for loss and damage financing. This progressive proposal may rein in major polluters in the fossil fuel industry, resulting in reduced greenhouse gas emissions.

Beyond loss and damage financing, African countries are deeply concerned that higher income countries have failed to meet their commitment made in 2009 at the COP15 climate meetings: payment of US$100 billion per year to fund climate action. African leaders are now increasingly demanding more sustainable climate financing solutions by calling for systemic global tax reforms.[71] This agenda aims to secure current and future funding pledges made by richer countries under the Paris Agreement. This includes measures that will eliminate the tax loopholes that deprive resource-rich lower income countries in Africa of substantial tax revenue and for climate and development financing.

SOLUTIONS

In November 2022, Nigeria, on behalf of the Africa Group, put forward a resolution at the UN to start intergovernmental discussions on international taxation and setting up an intergovernmental tax body within the UN. The resolution was adopted with consensus.[72] This reflects sustained efforts of African nations over decades to be able to tax multinational corporate economic activity within their borders and to tackle illicit financial flows. It marked a significant shift after 60 years of international tax rules being set by the OECD.

In mid-2023, in response to the resolution, the Secretary General of the UN published a report making recommendations on the way forward for international tax, including "a United Nations intergovernmental process [that] would leverage existing strengths and address gaps and weaknesses in current international tax cooperation efforts".[73] The Secretary General's efforts build upon recommendations made under several human rights conventions on their cross-border obligations

69 Ward, B., & Hicks, N. (2022). What is the Polluter Pays Principle? Available at: https://www.lse.ac.uk/granthaminstitute/explainers/what-is-the-polluter-pays-principle/ [accessed 23 August 2023].

70 Carrington, D. (2022). COP27: 'significant' moves on climate disaster funds lift COP27 hopes. *Guardian*. Available at: https://www.theguardian.com/environment/2022/nov/09/cop27-egypt-climate-disaster-funds. [accessed 23 August 2023]

71 '*We Need a Global Financial Tax,' President Ruto Makes Proposals on Global Financial Reforms*, 2023 <https://www.youtube.com/watch?v=oK-FzdzAXvro> [accessed 24 July 2023].

72 Rachel Etter-Phoya, 'A Win for African Leadership on International Tax', *Tax Justice Network*, 2022 <https://taxjustice.net/2022/12/07/a-win-for-african-leadership-on-international-tax-rules/> [accessed 11 January 2023].

73 United Nations General Assembly, 'Promotion of Inclusive and Effective International Tax Cooperation at the United Nations Report of the Secretary-General'.

of domestic tax policy. The Netherlands,[74] Switzerland,[75] and Ireland[76] have all been called out for the harmful spillovers of domestic tax policy. Later this year, the UN General Assembly will weigh up the Secretary General's proposals for the future role of the UN on international tax and a possible new convention. Pan-African coordination and cooperation on international tax must be sustained and supported by other regional blocs, like the first Latin American and Caribbean Summit for an Inclusive, Sustainable and Equitable Global Tax Order held recently in Cartagena de Indias, Colombia.[77] Continued efforts by the African Union and particularly its sub-committee on tax and illicit financial flows and the African Tax Administration Forum must also be supported.

Regionally, integration and cooperation through domestication of the African Mining Vision and the African Continental Free Trade Area may contribute to reprogramming the tax system to ensure Africa's extractive industries contribute to national development plans and do not widen inequalities. These pan-African instruments must continue to come under scrutiny. While the pan-African vision of economic integration is desirable and the African Mining Vision's aims of broad-based development are essential, without structural transformation, the neoliberal economic system will further entrench inequalities, especially for women and workers.[78]

At the national level, African governments must have a clear strategy on the future of fossil fuels and minerals needed for the transition. This includes resetting fiscal regimes to close loopholes that undermine domestic revenue mobilization and being proactive in ensuring that mining communities benefit. Governments need to undertake or improve on policy measures domestically to curb abusive profit shifting practices, including the automatic exchange of financial information between countries, beneficial ownership registers, country by country reporting for multinational companies, and unitary taxation of income with a global minimum tax rate.[79] Implementing these measures could ensure revenues are secured for development.

Given their shared vision and common objectives, the collaboration between the feminist, tax justice and climate justice movements must be urgently strengthened. As such, more synergy and tactical advocacy will be required if both tax justice and climate justice are to be realized on the resource-rich African continent. To achieve this, African countries will require good representative governance and leadership at both domestic and global levels, adequate revenue mobilization and redistribution

---

74 Luke Holland, 'UN Calls on Netherlands to Account for Tax Policy Impact on Child Rights - Tax Justice Network', *Tax Justice Network*, 2022 <**https://taxjustice.net/2022/02/23/un-calls-on-netherlands-to-account-for-tax-policy-impact-on-child-rights/**> [accessed 30 August 2023].

75 Naomi Fowler, 'UN Criticises Switzerland and Pressure Mounts over Human Rights Impacts of Tax Havens', *Tax Justice Network*, 2016 <**https://taxjustice.net/2016/12/01/un-criticises-switzerland-pressure-mounts-human-rights-impacts-tax-havens/**> [accessed 30 August 2023].

76 Layne Hofman, 'UN Calls on Ireland to Ensure Tax Policies Don't Harm Children's Rights Abroad', *Tax Justice Network*, 2023 <**https://taxjustice.net/2023/02/14/un-calls-on-ireland-to-ensure-tax-policies-dont-harm-childrens-rights-abroad/**> [accessed 30 August 2023].

77 UN High Commissioner for Human Rights, 'UN Experts Welcome First Latin American and Caribbean Tax Summit', *OHCHR*, 2023 <**https://www.ohchr.org/en/statements-and-speeches/2023/07/un-experts-welcome-first-latin-american-and-caribbean-tax-summit**> [accessed 25 August 2023].

78 Fatimah Kelleher, *The African Continental Free Trade Area (AfCFTA) and Women: A Pan African Feminist Analysis* (2021) <**https://www.femnet.org/wp-content/uploads/2021/04/AfCFTA-Paper-Policy-Brief-English-2.pdf**> [accessed 24 August 2023].

79 Rachel Etter-Phoya and others, 'Global Financial Systems and Tax Avoidance', in *The Routledge Handbook of Global Development*, ed. by Kearrin Sims and others (New York, NY / Abingdon, Oxon, 2022), 326–40 <**https://www.routledgehandbooks.com/pdf/doi/10.4324/9781003017653-32**> [accessed 5 June 2023].

for climate and development financing, a commitment to climate reparations, and the deployment of repricing mechanisms in order to reduce carbon emissions. Both climate and tax justice movements need to gather more momentum and develop broader alliances with feminist and natural resource justice movements at the grassroots where the needs, rights and aspirations of all people, especially women and others facing marginalization, intersect with regional and international tax law making.

This is necessary to build on existing gains and solidarity to keep fighting for a greener, fairer and more economically and socially prosperous Africa.

FEMINIST ACTION NEXUS for Economic and Climate Justice

TAX JUSTICE NETWORK

TAX JUSTICE NETWORK AFRICA