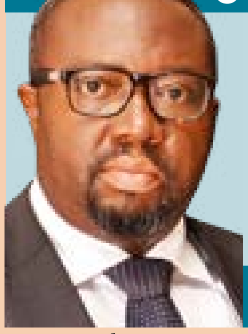
STATES & LOCAL FINANCE



The IGR Initiative

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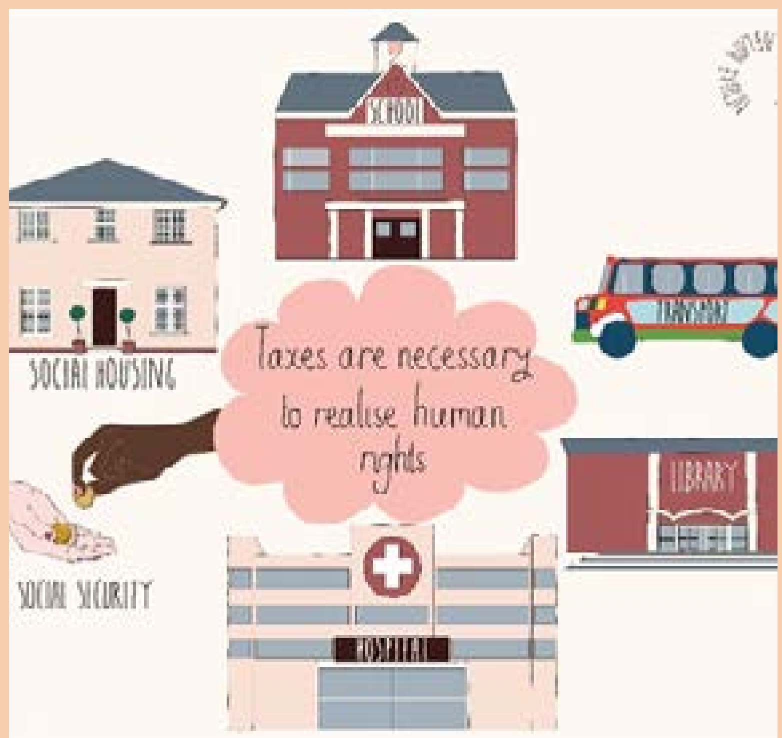
Subnational IGR expansion as a human rights enabler



GOVERNMENT REVENUE EXPANSION strategies, particularly in the era of ancient monarchies, were antithetical to human rights protection. Medieval monarchies' tax-demand behaviour never seemed to have recognized the rights of their subjects to life, liberty, freedom from slavery and torture, freedom of opinion and expression, and rights to work and education, among others. It contrasts significantly with the revenue pursuits of most modern-day democracies, which firmly uphold citizenship, liberty, and the social contract notion. In straightforward terms, governments must compensate taxed citizens by providing them with policies and structures that improve their well-being. The Universal Declaration of Human Rights [UDHR] sets out the fundamental human rights to be universally protected and enjoyed by everyone, no matter who they are, who they worship, or where they live. The rights are in five classes: civil rights, the rule of law, rights of political expression, economic and social rights, and rights of communities. And because they are all interrelated, progress in one leads to improvement in others. But ultimately, recording significant progress in each of these human rights classes requires substantial financial commitments. For instance, the UN declaration on the right to development expects countries to implement policies for equitably improving citizens' well-being. A significant element of this charge includes creating favourable conditions for actualizing citizens' rights to valuable opportunities and access to essential resources such as housing, health services, food, and education.

Nigeria and, by extension, many of its subnational governments do not perform up to the global averages in human rights protection. The 2021 data on human freedom compiled by the Cato and Fraser Institute shows that Nigeria's human rights performance is below sub-Saharan Africa's average on personal, economic, and human freedom measures. For instance, while the global and sub-Saharan African averages for human freedom are 7.2 points and 6.5 points, Nigeria scored 6.3 points to become the 123rd country on the worldwide ranking. Under the rule of law indicator, Nigeria scored 4.1 points and 2.4 points on security and safety. It scored poorly on legal systems and property rights, with 3.7 points. In fact, over the last decade, Nigeria's ranking in human freedom has continuously declined. Overall, Nigeria performed worse than such African countries as South Africa [7.3 points], Senegal [7.1 points], Namibia [7.6 points], Ghana [7.5 points], Cape Verde [8.3 points], Botswana [7.9 points], and Benin [7.3 points]. Therefore, Nigeria and its sub-nationals can only successfully remedy these chronic human rights deficiencies with good leadership and properly targeted investments addressing them. Again, consistent with one of the global human rights declaration principles, the government has to use the maximum available resources to realise its citizens' economic, social, and cultural rights. These deployable resources primarily originate from the tax and non-tax sources available to the government.

Many libertarian schools of thought, such as the Austrian school of economics, still believe that all forms of taxation by the government are anti-human rights. A central plank of their argument is the gap between the choices of rulers who appropriate taxes and the citizens forced to forgo theirs to assuage the former based on their promises. An example of such is the use of tax revenue in procuring war armaments and, indeed, going to war or bailing out poorly run and collapsing banks, which many citizens may not ordinarily accept if they are allowed their freedom to choose. Again, they argue that it is morally unjust to compel citizens to pay taxes without a sufficient mechanism for aggregating and implementing precisely the well-being-creating wishes of the taxpayers. Large-scale public sector corruption and mismanagement, in which more than 90 percent of those involved go unpunished, may lend credence to the notion that taxation, the source of the revenue, is some form of robbery. Individuals' inalienable rights to their life also confer them exclusive rights to the enjoyment of their labour, generally regarded as property rights. Except where the state is the author of life, its compulsory infringement on these nature-given property rights through taxation is against human rights. But beyond that, except in circumstances of very high positive fiscal impacts and booster sources of revenue, such as the oil boom, tax imposition affects freedom and economic prosperity. It can also be a fundamental source of market distortion. Overall, it unquestionably has devastating impacts on the incomes of the poorest, who are an inexcusable constituency of the taxpayers. At the same time, the government does not reallocate the net benefits of the additional tax income to those who need it the most.

Despite these differences in perspective, it is undeniable that subnational IGR has a direct impact on their capacity to meet citizens' human rights requirements through the delivery of their expected social and economic commitments. Governments rely essentially on two windows for their IGR earnings. Aside from the tax revenue window, subnational governments can directly improve their earnings by providing paid-for social services such as hospitals, schools, environmental services and many others. In the former, the citizens act first and expect the subnational government to respond by mobilising tax revenue to fund such citizens' rights as access to water, health, education and security. In the latter, subnational governments take the lead by providing these welfare-improving social services as public investments or corporations making profits that enable the expansion to serve more of the population over time. Non-tax revenue expansion almost always creates developmental opportunities consistent with human rights. For instance, the non-tax revenue earnings of the government-built schools and hospitals aid the continuous fulfilment of the citizens' rights to education and health. It is, therefore, without a doubt that sustainably achieving the social, economic and cultural rights of citizens depends considerably on the availability of internally generated revenue. Even where subnational governments rely on credit to finance such rights, such confidence substantially counts on the fund-matching capacity made possible by its independently mobilised revenue.

The implication is that subnational governments that do not substantially close their independent revenue gap are short changing their citizens on access to fundamental human rights. Not fully exploiting their fiscal capacity and optimising all opportunities for sustained revenue performance is anti-human rights satisfaction. As of 2021, the average revenue gap of subnational governments in Nigeria was approximately 89 percent at a revenue-to-GDP ratio threshold of 10 percent. Again, the statistics show that subnational governments' failure to optimise their revenue-maximising potentials makes citizens lose approximately 90 percent of the rights to development and the associated well-being. Another variant of the same argument is treating tax avoidance and evasion by the HNIs, VIPs, transnational organisations and the informal sector with kid gloves. It is well-established that the compliance rates of the politically connected and ultrarich persons in Nigeria are pretty low relative to their incomes. Their access to the corridors of power enables them to obtain illicit quasi-executive cover to evade tax payments. But aside from that, members of this socioeconomic class also possess the capacity to [and do] bribe tax collection officers and secure the approval to pay far lower than they ordinarily should. In many other instances, they enjoy tax incentives, rebates and concessions not available to ordinary taxpayers. In turn, almost as a protest against this discriminatory practice, many citizens, mainly those more susceptible to the hounding of tax collection officers, consequently hide their business operations from the eyes of the government. The government's guilt in orchestrating these revenue-depriving activities, and incompetence in dealing with evasion, directly taxes human rights access opportunities.

1765 European history laid the foundations for the relationship between taxation and representation, which is essential to people's freedom. The idea presupposes that citizens' compliance is contingent on their legislative representation, which monitors tax collection and deployment. Therefore, taxation or government revenue maximisation behaviour strengthens the political participation of citizens by giving them the necessary stake and the attendant right to demand that those in authority are transparent and accountable. Taxpayers generally are keen on understanding details of the utilisation of a significant part of their earnings committed to the government purse. That is why some analysts attribute Nigeria's problem to the discovery of crude oil, which made many subnational governments rely more on the monthly statutory allocations from the Federation Account while playing down their internal fiscal capacity exploitation and independent revenue generation sources. Low interest in mobilising tax revenue also created weakened incentives to demand accountability from those in authority. Subnational governments' increased interest in internally generated revenue in recent years since the outbreak of COVID-19 has put pressure on taxpayers, who are encouraged to scrutinise fiscal expenditure programmes even more closely.

Income and other forms of economic inequality have consequences for human rights protection. Depending on the extremities of such disparities may mean that some citizens have jaundiced access to fundamental economic and social rights such as health, education, and housing, among others. Without a doubt, those with higher incomes in Nigeria will naturally have better and privileged access to justice and political participation, which in some zero-sum sense prevents others from such access. Taxes are essential in correcting this lopsided distribution, hampering human rights protection. Properly targeting and taxing luxury goods is theoretically expected to close disparities in income. That, however, works well where it is difficult for HNIs, VIPs and the ultrarich to evade taxes. Ideally, tax policies in combination with other non-tax revenue-maximising government behaviour have re-distributional impacts. The use of taxation in correcting negative externalities and other forms of market imbalances is an example cited quite often.

Finally, fulfilling the state's human rights obligations places subnational IGR expansion at its core. The standard expectation is that subnational governments must do all within their means to optimise available financial and other economic resources to accomplish the citizens' economic, social and cultural rights. What flows out of this is that subnational governments do not have the privilege of tolerating tax abuses such as questionable tax avoidance, evasion, and incentives and concessions without impact. Beyond taxes, anything that denies a subnational government the opportunity to enhance its revenue prospects to strengthen citizens' access to various aspects of their human rights is harmful. Inefficient and low-quality fiscal spending programmes are good examples. It, therefore, follows that the pursuit of human rights should be at the centre of subnational governments' design and implementation of their tax policies to minimise tax abuses and optimise their non-tax fiscal capacities. Such human rights-focused tax policy will also guarantee increased rights to citizens' participation and a stronger voice in demanding accountability, transparency, equality, nondiscrimination and access to information necessary for good governance.

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