



TJNA STATEMENT

Covid-19 pandemic: An opportunity for structural reforms to create a people-centred economic system

Introduction

The COVID-19 pandemic has exposed systemic inequalities in the current social, political and economic systems. African countries are disproportionately bearing the brunt of the impacts of the pandemic as a result of decades of privatisation and austerity measures resulting in underfunding of social sectors. The crisis has also exacerbated the weak monetary and fiscal systems, with a limited fiscal capacity to respond. African countries are now also experiencing reduced tax revenues due to reduced economic activities as a result of the loss of export earnings and commodity price collapses.

The differentiated COVID-19 impacts in Africa as in many countries in the global south are as a result of **neoliberal, neo-colonial and patriarchal economic systems** of oppression through decades of [structural adjustment programmes](#) of the 1980/90s. **The main political mantra of the Structural Adjustment Programm was to minimise the welfare state by reducing the involvement of State in socio-economic programmes.** These policies focused on unviable capital-intensive industries often in commodity sectors, instead of promoting competitive labour-intensive industries. **Africa's low average [annual growth of 3.3% in 2014-19](#) has in turn constrained public finances, leading to underfunded social sectors including health and education systems, weak governance, rapid increases in public debt, and large infrastructure deficits.** This neoliberal system continues to **entrench a broken international financial architecture that enables illicit financial flows, tax evasion and avoidance by the rich and MNCs.** This broken tax system allows transnational corporates to minimise their taxation by shifting their profits to offshore tax havens.

Additionally, the MNCs lobby and obtain low or zero corporate income tax rates from governments growing use of generous tax giveaways aimed at attracting foreign investments. The private sector-led growth policies have resulted in **severely undermining the capacity of the State to generate domestic resources required to invest in social sectors and made African countries largely reliant on extern aid to support government programmes.** Trade liberalisation has also reshaped economies and relegated developing countries to mainly producing and exporting primary commodities and importing manufactured goods and now impacted by the drop in the price of commodities in the context of a global recession.

The Covid-19 pandemic has created an opportunity to address some of the underlying principles of neo-liberal economic theory and demand structural and systemic reforms for redistributive justice including progressive taxation reforms, and where the wealthy elite and multinational companies pay their fair share. It's about creating an opportunity to re-examine the continent's fiscal and economic-policy priorities and creating alternatives to the current structure's economic model that is fit for purpose and reinvigorating the role of the State.

The impacts of the global pandemic in Africa are not limited to health; it has also affected peoples' lives socially and economically. Firstly, the pandemic has exposed **weak public health systems which are understaffed and poorly resourced** due to decades of underfunding and privatisation. Africa is witnessing the vulnerability of privatised and discriminatory health systems, and COVID-19 is increasing the pressures on the already unresponsive public healthcare systems. Secondly, reduced economic activities as a result of lockdown containment measures have led to a **reduction in tax revenues** despite the increased spending in the health sector. Fewer exports from African countries due to reduced demand and less economic activity has the probability of leading to a [substantial economic recession](#) requiring governments to inject money into the economy for survival. However, **Africa's ability to use monetary and fiscal policies to mitigate the pandemic's economic impact is limited.** African countries' governments and central banks lack the fiscal policy space and capacity to adopt robust and often unprecedented short-run stimulus measures. Governments are constrained by monetary arrangements that prevent them from implementing national strategies. Besides, many African countries have **unsustainable sovereign debt levels**. Currently, the continent has a total external and domestic debt stock of \$500 billion, and the median debt-to-GDP ratio had risen from 38% in 2008 to 54% in 2018. By causing a collapse in exports and terms of trade, the COVID-19 pandemic is pushing African countries into negative per capita growth.

The effects of the coronavirus are also being felt disproportionately by the poor and the working class. The ILO estimates that [more than 72% of total employment in sub-Saharan Africa is in the informal sector](#). Despite this sizeable informal economy of up to 90%, African countries do not have social welfare systems to cover those without jobs as a result of lockdown measures. The pandemic has led to massive layoffs and non-payment of wages, pushing many workers into unemployment, poverty and starvation. The pandemic has also revealed and deepened existing gaps in **social protection systems** and has also translated into an intensified care burden for women. This has resulted in increasing the **underpaid and unpaid care work** and reinforcing patriarchal norms because women, on average perform 76.2 per cent of total hours of unpaid care work, more than three times as much as men. Lastly, **most African countries are agriculture-based, and the GDP is primarily built upon agricultural services.** However, food sovereignty and security is threatened as food supply chains are disrupted.

We urge African governments to:

- **Repeal value-added tax** and consumption taxes and provision of tax credits to SMEs, and low-income earners.
- Support **greater investment in publicly funded, quality, universal public services and universal social protection systems**. Prioritising well-staffed and resourced public health systems, equipped to respond to public health emergencies.
- Ensure **food sovereignty and security** during this crisis and post-crisis
- Urge **IFIs to cancel sovereign debt** for debt-distressed African countries to give governments sufficient fiscal space to respond to the current crisis, in compliance with human rights standards.
- **Progressively raise and spend tax revenues to address the impacts of the crisis**, including by gender-responsive budgeting (GRB).
- **Evaluate and assess tax incentives and exemptions** being given to non-essential corporations using a cost-benefit analysis to **scrap any wasteful tax breaks** that are a drain on public coffers.
- **Raise corporate income taxes (CIT) rates**. - a "race to the top" targeting profitable businesses, and incorporating progressivity in the CIT, by taxing highly profitable companies at a higher rate while promoting tax transparency and a reform of the international corporate tax rules.
- **Promote domestic and regional tax transparency measures to identify and curb illicit financial flows (IFFs)** by promoting **Public country by country reporting (CBCR)** for multinational corporations. (public information); **Public registers** of beneficial owners of legal entities and arrangements automatic **exchange of information**
- **Scale-up multilateral cooperation in combating illicit financial flows (including tax evasion and corporate tax abuse)** and ensure that multinational corporations pay their share of taxes where they do business by **rethinking and reinforcing the reform of the global corporate tax system** and **supporting the establishment of a global tax body** to establish global norms on tax rules.