

II. Concepts, methods, sources and context

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1 Three Country Reports and the Synthesis Report

This report attempts to synthesize as short as possible the main findings of three separately conducted but coordinated country studies. In other words: This Synthesis Report tries to bring together core observations and concerns arising from our three-year research project and three very different countries.

Due to its summarizing character, this report focuses upon information considering the situation at the national level. This implies that information beneath the national level i.e. on the state, regional, county and municipal levels, will be referred to and included only if necessary, and this even though for the German report the state of Bavaria, one of the 16 states making up the German federation, was the focal point of research. Also issues above this level is not main focus and concern of this report.

For the sake of brevity and readability, this Short Report contains only few direct references. This means that whoever is interested in more evidence and a closer knowledge of sources we used, is recommended to look them up especially in the Country Reports. This is made easy by mirroring the Tables of Content of the Short and Extensive version of the Synthesis Report to a large extent.

For better orientation, it is recommended to the reader to familiarize oneself with our system of cross-referencing among the different reports of our research which can be accessed at <http://tinyurl.com/tjp-referencing>

Finally: *The country reports are the decisive authoritative source for statements and findings. From this follows, that the authors of the country reports are the proper persons to address questions to.*

The three country reports are available online at <http://www.taxjustice-and-poverty.org/results.html>

2 Research interest, key concepts

The original research interest is expressed in title and subtitle of this research and advocacy project: “Tax Justice & Poverty: Narrowing the wealth gap and decreasing governmental dependence on external financing.”

Inequality – Poverty

The reader will spot immediately two overlapping, but not identical terms: Inequality (inherent in the term “Wealth Gap”) and poverty: According to some theoretical assumptions, inequality may increase and yet, at the end of the day, everybody within a given society may be better off. Under those circumstances, inequality would not be a bad thing, but contribute to the combating of poverty. This research will argue that this hypothesis is not holding in our three countries as will be explained in #. Saying this, however, this research adopts the position that poverty cannot and must not be measured solely in monetary categories. This project follows Catholic Social Teaching or Amartya Sen’s understanding of poverty. While Sen agrees that no or low of income may be a major cause for poverty, he advocates shifting “primary attention away from *means* to *ends* that people have reason to pursue and, correspondingly, to *freedoms* to be able to satisfy these ends.” (Sen, 2000, p. 94). Poverty reduction, therefore, certainly involves food security and shelter. But it also involves issues of empowerment and participation, which require, for example, the provision (and funding!) of adequate health care and education for all.

Income – Wealth

There is widespread agreement about the meaning of „income” namely: Income is the total amount of money or financial assets which give liquidity. This can be broken down to the examination of market income, disposable/household income, or income after taxes and transfers. On the contrary, there is no agreed understanding of “wealth”. In Africa, a person owning 500 cows may be wealthier than a labourer earning USD 500. But: The example illustrates already that wealth is not only about the amount of money available for spending, but the possession and control of assets, most commonly businesses, real estate or the like. And: It this control of assets which provides its private or corporate owner with a lot of influence on policy maker or public opinion within any given society

Governmental dependence on external financing

The expression “external financing” originates within the business sector and refers to funds and capital for a company acquired outside as opposed to internally raised capital, e.g. from profits. Analogously, the World Bank uses the phrase when distinguishing capital and investment raised within and between states and/or “the markets”. In other words: the

distinction is drawn between finance raised within the state by public institutions such as taxes or levies on the one side, and money acquired from outside, e.g. banks, funds, donor institutions etc. on the other side. The expression “governmental dependence on external financing” refers to a situation where a state is structurally and over a long time dependent on external financing and therefore bound or severely restricted in its own spending decisions.

A more detailed explanation of these concepts and different meanings is given in the Introductory Part to this research, especially chapter IV, which can be accessed under <http://tinyurl.com/tjp-I4technical-1-4> and <http://tinyurl.com/tjp-I4technical-5-8>

3 Research methods and sources

This research combines different research methods such as comprehensive literature review, own surveys and interviews with experts and informants. That way, this research uses instruments both of quantitative and qualitative research and thus adopts a Mixed Methods Approach. Accordingly, the research results are built upon three pillars:

Material produced by the participating institutions

First of all material produced in the context of this research project by the participating institutions. The Kenyan and Zambian partners did research into the aspects and dimension of poverty by using a Basic Needs Basket approach, the Zambian and German partner did some research and campaigning on tax related issues previous and during this research project. In the course of the research, the Zambian and German partner also conducted surveys or circulated questionnaires among stakeholder.

Material published by institutions and NGOs

Another category of material comprises those published by national and international institutions and NGOs. Accessible information of tax data is of varying quantity and quality: While there is plenty for Germany, there is some for historic periods in Zambia, whereas it exists for only 1% of the adult population in Kenya.¹ It ranges from quantitative-macroeconomic analyses by the OECD or Global Financial Integrity, publications by the three national tax administrations or statistical offices, to qualitative-analytical descriptions such as Action Aids analysis of tax avoidance by Zambia Sugar or publications by banks and asset managers regarding the development of wealth, and trade unions and welfare organizations regarding the development of poverty.

Material collected via interviews

A core element of qualitative sociological research are interviews conducted formally (by official arrangement and permission) and informally (with experts wanting to remain anonymous), thus trying to establish a coherent impression about how things work in practice in complex administrative matters. Those interview partners also provided researchers with material for further reading and guided their selection and research for other material both for

¹ See p. 76 of the World Income Report 2018 <http://wir2018.wid.world/files/download/wir2018-full-report-english.pdf>

elucidating issues arising from those interviews and for better understanding of the more general context within which those issues arise and need to be understood.

Overlapping and contradiction between material and insights collected that way determined the validation and verification of information, e.g. via triangulation of information arising in two or even all three categories.

All this is explained more deeply in chapter II of the Introduction and can be accessed via <http://tinyurl.com/tjp-02methods-scope>

4 Research difficulties

A first and major research difficulty were the inadequate resources available at the three hosting institutions: The researchers were employed only half-time, and on part of the two African institutions the researchers changed mid-way through the project, requiring additional time for the subsequent researchers to work themselves into the complex object matter under investigation. Beyond that, the environment and culture within which the three researches took place determined greatly their ability to collect and evaluate data. This, in turn determined the comparability of data regarding concepts or year of publication. A common problem in all three states was that tax secrecy related issues and interests of powerful and influential groups were always present and felt by the researchers. Different was the availability and accessibility of information online and via interview partners: The willingness to talk to the researcher was considerable higher in Germany than it was in Kenya and Zambia. In Germany, conversation partners take part in a research like this without asking too many favours in return. It is either part of their job or it is their interest. In Kenya and in Zambia, however, some conversation partners asked explicitly “What is in there for me?”, which at times contained the expectation of getting a little “baksheesh” in return for information, which is why the Kenyan and Zambian partners requested a specific “Hospitality Fund” for their work. This in turn posed questions regarding the “truthfulness” of information provided. For this and more details see chapter III of the Introductory part to this research (“Differences in culture and working environment”), which can be retrieved from the project website via the short link <http://tinyurl.com/tjp-I3culture>

5 Evolution of research focal points

Given the differences and difficulties depicted so far, shifts and evolutions in research focal points over the entire three years followed as a consequence. When the research started, for example, the team concluded that not much own efforts should be spent on problems relating to the efficient spending of tax revenue or the taxation Transnational Corporations since into both areas a number of experts and NGOs are looking already – decisions which turned out to be right. Instead, the team originally thought, a focus should be set on elaborating taxation problems arising in the context of private wealth. Here, however, the team encountered many barriers of legal and institutional secrecy which made progress very difficult and, in the end, left the team with issues arising from possessing Real Property (i.e. real estate and houses). Or: At the beginning, the team had the assumption that there is no need to go into the ethics of taxation, assuming that this area is covered among social ethicists or moral theologians and/or

that the team could get those experts interested in the research project. Here the team was subject to double-errors: Neither could any significant reflections upon tax justice issues be found, nor could experts be interested in contributing to the research, which made the team add a chapter about ethics to the research. Similar developments lead to the discarding of the original goal to investigate the impact of corruption and bribery upon taxation, and replace it with some work regarding Illicit Financial Flows. A point of importance right from the beginning to the end were taxation related problems arising in regard to the informal economy in Kenya and Zambia on the one side, and to the Shadow Economy in Germany on the other.

6 Differences and difficulties in comparison

A comparison of the three countries is not without problems because they are very different in history, tradition and wealth. While Germany was never colonized and has ethnic homogeneity, both Kenya and Zambia gained independence from British colonial rule only some 50 years ago and consist of many, at times very different, ethnic and tribal groups. While Germany enjoys centuries of uninterrupted development, Kenya and Zambia are, at best, at a beginning – a beginning which is also hampered by a much weaker economic and financial foundation and, accordingly, more social and political tension.

Some indicators, drawn together from various parts of the three Country Reports, shall illustrate those differences.

Tabelle 1 Indicators for the differences between Germany/Bavaria, Kenya and Zambia²

	Bavaria /Germany	Kenya	Zambia
Inhabitants	Ca. 12.6 million (2014, Bavaria)	Ca. 45 million (2014)	Ca. 14 million (2012)
Ethnic/language groups	Homogeneous	42	73
Size Economy/GDP nominal	EUR 533 billion (2014, Bavaria)	USD 69.0 billion (2015, estd.)	USD 26.6 billion (2014, estd.)
Tax Revenue (2014, USD) ³	114,628,911,000 (Bavaria)	9,871,940,000	2,718,970,000
Self-used residential building	44% (2010, Germany)		53.9% (2010)

² For the first three rows Wikipedia information available in summer 2016.

³ Information provided by the Bayerische Landesamt für Steuern, KRA and ZRA. In Kenya 1,001.00 billion Kenyan Shilling, In Zambia 27,631.3 million Zambian Kwacha. The German amount of Euros converted on 28 July 2016 at the Exchange Rates 1 Euro = 1,1097 Dollar

Household ownership of a motor vehicle	71% (2010, Germany)		4.2% (2010)
Public debt (% of GDP, 2016) ⁴	68.1% (Germany)	55.2%	66.7%
Number of Ultra High Net Worth Individuals (2015) ⁵	9,310 (Germany)	105	16
Share of informal /shadow economy as percentage of official GDP (2006/2007) ⁶	16% (Germany)	33.2%	47.1%

While all indicators above may be expected, the one about house-ownership sticks out – but then one may immediately realize again the difference in kind between houses owned in a country like Germany and a country like Zambia. Even more difficult is the comparison in terms of qualitative concepts, as indicated already above with the illustration of the difference between the African owner of 500 cows vs. the labourer earning 500 Dollars.

There is more to know than has been presented and discussed in this introductory chapter, for example: In the case of Germany, Kenya and Zambia, tax policy, legislation and administration is located on different levels of the federal, state, county or even municipal level. How exactly those multilayered governance institutions operate will be explained in the introductions to the relevant parts IV (on tax law) and V (on tax administration).

We acknowledge our limitations and limits in drafting this report and want to emphasize that, nevertheless, that what has been collected is presented to our best conscience and knowledge. For further improvement researchers and institutions would welcome feedback, correction and addition to this publication. We sincerely hope that our research arouses interest with others who themselves might endeavour to do some research in this field, adding more insights to the emerging body of knowledge.

All in all, we try to be as transparent as possible about our sources both in the extended Synthesis Report and in the Country Reports, to make sure that we draw conclusion from that which can be compared and provide as many sources and citations as needed for our statements and refer you once more to the Country Reports as the basic and most authoritative documents of our research.

⁴ This data was retrieved from a website comparing all three states with similar and compatible criteria, namely <https://tradingeconomics.com/>. Obviously, there are diverging (national) assessments, based on different criteria and methods, some of which were discussed in the country reports.

⁵ (Knight Frank, 2016)

⁶ (Schneider & al., 2010)

7 Bibliography

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