RESOURCES AND ECONOMIC SOCIAL AND CULTURAL RIGHTS
WHY RESOURCES?

INTRODUCTION TO BUDGETS MEASUREMENT TECHNIQUES
“Each State Party to the present Covenant undertakes to take steps, individually and through international assistance and co-operation, especially economic and technical, to the maximum of its available resources, with a view to achieving progressively the full realization of the rights recognized in the present Covenant by all appropriate means, including particularly the adoption of legislative measures”

*International Covenant on Economic, Social and Cultural Rights, Article 2(1)*
Fiscal myth or fiscal reality?

1. Economic growth is the only way to reduce poverty; so any policy designed to pursue growth must be good for human rights
2. Budget deficits are problematic. Just like individual households, governments must live within their means
3. Deep cuts to public spending (especially to social programs) are the only way to avoid financial crisis; they are an unavoidable necessity
4. Economic policy is gender-neutral
5. Higher taxes are unfair and discourage economic growth
6. Public-private partnerships are the best way to finance sustainable development and produce benefits for everyone
7. There is nothing we can do about austerity or other unjust economic policies
<table>
<thead>
<tr>
<th>Fiscal Fallacies</th>
<th>Human Rights Responses / Realities</th>
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<tbody>
<tr>
<td>1. Economic growth is the only way to reduce poverty; so any economic policy</td>
<td>Economic growth is no guarantee of poverty reduction; you have to look at <em>distribution</em> (who gets most of the benefits) too. According to the UN CESCR, regardless of economic competitiveness, any policy that does not respect ESC rights is unlawful.</td>
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<td>designed to pursue growth is human rights friendly.</td>
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<td>2. Budget deficits are problematic. Just like individual households and</td>
<td>Deficit spending is a tool to maximize resources for human rights, and is sustainable when investment in social, economic and cultural assets results in a higher rate of return than the interest rate payable.</td>
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<td>companies, governments must live within their means.</td>
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<td>3: Deep cuts to public spending, especially to social programs, are the only</td>
<td>Social investment often increases economic demand and has long-term benefits. Calls for reduced social spending are neither neutral, nor empirically founded, but are ideologically-driven. Governments are obligated to explore alternatives and to mobilize the maximum available resources to realize ESC rights.</td>
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<td>way to avoid financial crisis; they are an unavoidable necessity</td>
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<td>4: Economic policy is gender-neutral</td>
<td>Because of gendered social norms, women tend to play different roles in the economy and so are differently affected by economic policy decisions. E.g. Impacts on unpaid care work.</td>
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<td>5: High taxes are unfair and discourage growth</td>
<td>There is compelling evidence now that lowering tax rates for wealthy individuals and corporations does <em>not</em> produce more economic growth. We need to look at who bears the tax burden vs ability to pay.</td>
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<td>6: Public-private partnerships are the best way to finance sustainable</td>
<td>There is mounting evidence that PPPs end up costing the taxpayer more while making huge profits for the corporation. Some also have detrimental rights impacts (e.g. private hospitals).</td>
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<td>development and produce benefits for everyone.</td>
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<td>7: There is nothing we can do about austerity or other unjust economic</td>
<td>Human rights advocates (including NHRIs) are documenting the impacts of austerity / spending cuts and seeking accountability.</td>
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<td>policies.</td>
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There are various factors that influence the “availability” of resources.

Includes domestic resources, and those available through international cooperation – e.g. ODA

Those in the treasury right now, or in the future.

Need to think about the size of the whole pie, not just how it is sliced!

The Maximum Available Resource Star (CWGL, 2011)
The budget is the government’s key policy document. It reveals:

- how much money it intends to raise (revenue),
- from whom (sources), and
- how it will be spent (expenditure)

Most modern budgets are a year-long process with different phases that should (in theory) offer a range of actors, including civil society, opportunities to influence the budget.

(International Budget Partnership, 2010)
### LINKING NORMS AND THE BUDGET

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<th>ALLOCATION</th>
<th>GENERATION</th>
<th>SPENDING</th>
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<td><strong>MINIMUM CORE OBLIGATIONS</strong></td>
<td><strong>Allocations should prioritize the achievement of basic levels of rights for all.</strong>&lt;br&gt;Red flag: Allocating a significant portion of the education budget to secondary or tertiary education, when a significant proportion of the population has not completed primary school.</td>
<td><strong>Fiscal policy should mobilize sufficient revenue for the Government to invest in realizing basic levels of rights for all.</strong>&lt;br&gt;Red flag: Government revenue only makes up a comparatively small percentage of GDP.</td>
<td><strong>Financial management systems should ensure the Government is able to efficiently manage the flow of funds.</strong>&lt;br&gt;Red flag: Wasteful or extravagant spending diverts resources away from spending on basic rights.</td>
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<td><strong>NON-DISCRIMINATION</strong></td>
<td><strong>Allocations should prioritize closing the gaps in human rights enjoyment between different groups.</strong>&lt;br&gt;Red flag: If budget allocations for the particular needs of women are clearly inadequate.</td>
<td><strong>Resources should be generated in a way that is “progressive” so as not to disproportionately burden the poor or other marginalized or disadvantaged groups.</strong>&lt;br&gt;Red flag: Taxing poor people more than rich people (as a percentage of their total income).</td>
<td><strong>A diversion of funds or redirection of expenditures must not disproportionately impact particular disadvantaged groups.</strong>&lt;br&gt;Red flag: Cuts to assistance programs for particular disadvantaged groups without an adequate justification.</td>
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<td><strong>PROGRESSIVE REALIZATION</strong></td>
<td><strong>Allocations should increase as available resources become greater and not unjustifiably backslide.</strong>&lt;br&gt;Red flag: Allocating the same amount to the education sector, when the overall budget is growing.</td>
<td><strong>The Government should be able to generate additional resources as the country’s economy grows.</strong>&lt;br&gt;Red flag: The Government’s budget shrinks as a proportion of overall GDP.</td>
<td><strong>The effectiveness of the Government’s financial management systems should improve over time.</strong>&lt;br&gt;Red flag: The proportion of allocations that remain unspent increases over time.</td>
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<td><strong>PROCESS PRINCIPLES</strong></td>
<td><strong>The process of deciding on resource allocation should reflect the principles of participation, access to information, transparency and accountability.</strong>&lt;br&gt;Red flag: A budget that is prepared in secret, with no information given to the public.</td>
<td><strong>The process of deciding on resource generation should reflect the principles of participation, access to information, transparency and accountability.</strong>&lt;br&gt;Red flag: A budget that is prepared in secret, with no information given to the public.</td>
<td><strong>The process of deciding on resource expenditure should reflect the principles of participation, access to information, transparency and accountability.</strong>&lt;br&gt;Red flag: Corruption affects the way resources are spent.</td>
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TYPES OF GOVERNMENT EXPENDITURE

Recurrent expenditures: expenses incurred year-after-year for running public administration (e.g. for paying salaries, procuring goods and services, providing subsidies).

Capital expenditures: one-off expenses for building assets (e.g. purchasing land, developing infrastructure) to improve the productive capacity of the economy.

Economic classifications: identify how much money is being allocated to different “inputs” (e.g. salaries and wages; utilities; travel; printing). They may also be referred to as line-items or object classifications.

Administrative classifications: identify the entity responsible for managing the allocated funds, such as the ministry of education and health or, at a lower level, schools and hospitals.

Functional classifications: categorize expenditure according to the purposes and objectives for which they are intended.
TYPES OF GOVERNMENT REVENUE

Direct taxes (income)
• E.g. personal and corporate income tax.
• Main tool for income redistribution to fight post-tax income inequality.
• Income tax can be regressive, proportional or flat, or progressive.
• Challenges include income tax evasion and avoidance, esp. for wealthy and corporate sectors.

Indirect taxes (consumption)
• E.g. Value Added Tax (VAT) or Goods and Services Tax (GST)
• Broad-based, expected to be more efficient, have higher tax yield.

Others
• Payroll taxes
• Property taxes
• Social security contributions (employee and employer)

EQUITY IMPACTS; PROGRESSIVE VS REGRESSIVE?
3 WHY RESOURCES?
INTRODUCTION TO BUDGETS
MEASUREMENT TECHNIQUES
Examples for resource allocation:
• Expenditure ratios (percent out of a total) by sector
• Expenditure ratios by sub-sector
• Per unit or per capita expenditure by sector and sub-sector

Examples for resource generation:
• Government revenue as percent of GDP
• Tax revenue as percent of government revenue
• Different tax types (e.g. income, corporate, VAT) as percent of total tax revenue
• Change in corporate tax rate; effective vs statutory corporate tax rate
• Tax (by type) as a share of a taxpayer’s total income
• Average illicit financial flows

Finance Ministries and international financial institutions keep a lot of data on these indicators.
STEP TWO: MAKE COMPARISONS

• To other comparable countries.
• To national or international targets or commitments agreed to by the government.
• To guidelines from international bodies.
• To other parts of the budget.
• To other relevant economic indicators.
COMPARISONS BY GROUPS – ALLOCATIONS

- Ideally, budget figures would show allocations per capita, disaggregated by social groups – but they rarely do.
- Regional data may offer insights.
- May be possible to infer who is benefiting from budget allocations, by looking at the classification of budget lines.
- Other techniques, such as ‘benefit incidence analysis’, can complement.

**FIGURE 16**

Early School Leaving and Government Spending on Education per Student by Autonomous Community

- Pearson Correlation Coefficient: -0.76

Source: Ministry of Education of Spain, 2010 and 2011
Gender budgeting is:

- a particular type of budget analysis used to assess the differential impact of government revenue and spending on women, men, girls and boys. *Why might impact be different?*
- a way to visualize and address the discriminatory effects of resource decisions.
- a way to promote equality through fiscal policy. Should lead to different decisions re. resource allocation and spending.

Table 2.1: 2010-20 cumulative individual impact of changes in taxes and benefits (real-term £ per annum by 2020) by household income groups, gender and ethnicity (selected)
COMPARISON BY GROUPS – GENERATION

- Is tax policy equitable in design and effect?
- Who benefits, i.e. how are these taxes effectively distributed across society?
When using budget figures, understanding real vs. nominal expenditure is vital to credibly commenting on progressive realisation.

Nominal budget figures need to be “adjusted for inflation” to enable valid, accurate comparisons over time.

**Formula for Adjusting for Inflation**

\[
\text{Real Value} = \frac{\text{Target year’s nominal value} \times \text{base year’s consumer price index (CPI)}}{\text{Target year’s CPI}}
\]

**Example: 2010 money in 2000 values**

\[
\text{Real Value} = \frac{2010 \text{ value} \times 2000 \text{ CPI}}{2010 \text{ CPI}}
\]
EXAMPLE: NOMINAL VS REAL DIFFERENCES

US Nominal vs Real Earnings (1950-2000)
EVALUATING PUBLIC SPENDING

There is a *variety of tools and methods* that track expenditure and assess it against the criteria of participation, transparency and accountability. Some are more formal, structured and macro-level (or big picture). Others are more ad hoc, informal and micro-level (or small scale).

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<th>Government Oversight and Auditing</th>
<th>Non-government Oversight and Auditing</th>
<th>Public Procurement and Bidding</th>
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<tbody>
<tr>
<td>• Financial audits</td>
<td>• Performance/ Social Audits</td>
<td>• Differential Expenditure Efficiency Measurement (DEEM), Philippines</td>
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<tr>
<td>• Compliance audits</td>
<td>• Public expenditure tracking surveys (PETS)</td>
<td>• Integrity Pact</td>
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<tr>
<td>• Performance audits</td>
<td>• Quantitative service delivery surveys (QSDS)</td>
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<td>• Audit opinions</td>
<td>• Gender budgeting</td>
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<td>• Citizen score cards (on inputs, outputs and outcomes of government expenditure)</td>
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