



University of
St Andrews

Policy Brief - #2.4 Case study – Lesotho



GRADE
Government Revenue and
Development Estimation



UNIVERSITY OF
LEICESTER

The impact of tax abuses on Determinants of Health
and Mortality rates in Lesotho

The consequences of tax abuse

Tax abuse (evasion and avoidance) is increasingly being recognised as a significant barrier to development. Government revenue in low and middle -income-countries relies more heavily on corporate tax than in high-income-countries, and tax abuses by international players can have a much more significant impact on their ability to accrue government revenue and invest in healthcare and education ([Moore, 2015](#)). African countries particularly suffer from the consequences of tax abuse. Many countries have signed unfavourable double tax agreements, which deprive the countries of their rights to accrue revenue from taxes ([Tax Justice Network Africa, 2020](#)). Our [peer-reviewed research on Government Revenue and Development \(GRADE\)](#) has demonstrated that an increase in government revenue in low-income-countries (e.g. through curtailing losses to tax abuse) can have a significant impact on their ability to provide Determinants of Health (e.g. sanitation and drinking water) and reduce under-5 (U5) and maternal survival rates.

The impact of tax abuses on Lesotho

In 2020, the Tax Justice Network released [a report on the State of Tax Justice \(SOTJ\)](#). For the first time, the report revealed an account of how much each country loses annually to tax abuses. From the SOTJ report, we know that Lesotho suffers annual tax losses of \$279 US Million. We deflated this value into 2017 US Dollars (\$265 US Million), as this was the most recent year for which total government revenue figures were available, then converted this value into percentage of government revenue (26.1%). We then ran this percentage through our visualization tool as an increase of percentage of government revenue per capita to estimate the impact that curtailing these losses would have on Lesotho's ability to provide health determinants and increase survival rates. The figures we provided are analysed from 2002-2017, with the assumption that effects on health determinants and survival rates are not accrued for the first 5 years following an increase in revenue. This means that the results are projected over a ten-year period from 2008-2017.

Impact on drinking water in Lesotho

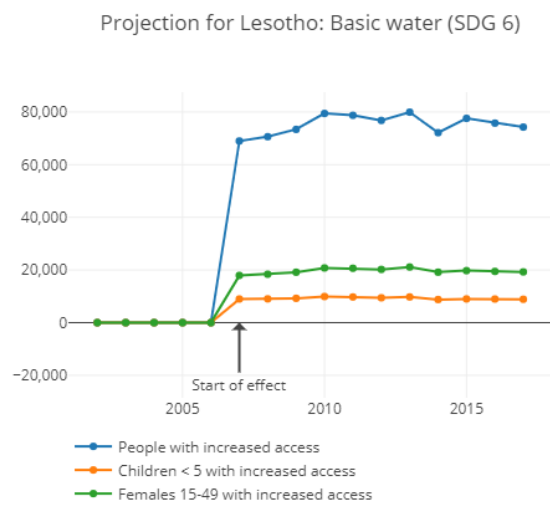


Figure 1 Projection for Lesotho: Basic drinking water

Using our GRADE tool, we can demonstrate that over a ten-year period, on average 75,227 people (9,250 of which are children and 19,624 are women of reproductive age) would have access to basic drinking water if the revenue lost to tax abuses in Lesotho were curtailed.

Impact on sanitation in Lesotho

Using our GRADE tool, we can demonstrate that over a ten-year period, on average 82,232 people (10,137 of which are children and 21,451 are women of reproductive age) would have access to basic sanitation if the revenue lost to tax abuses in Lesotho were curtailed.

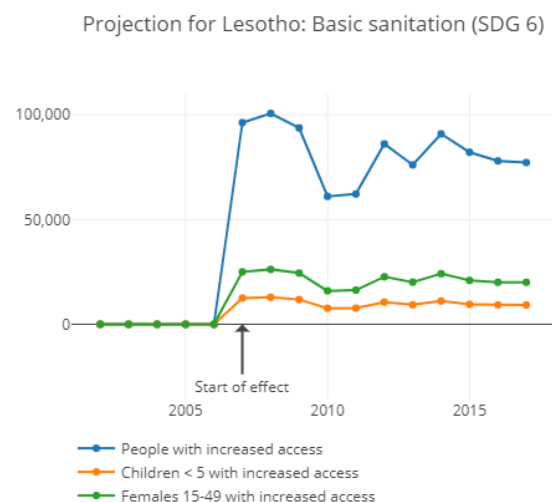


Figure 2 Projection for Lesotho: Basic sanitation

Impact on additional school years in Lesotho

Using our GRADE tool, we can demonstrate that over a ten-year period, 8,191 children would attend school for an extra year if the revenue lost to tax abuses in Lesotho were curtailed.

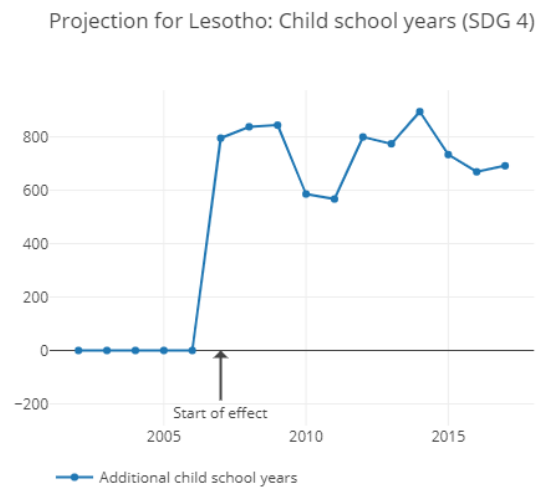


Figure 3 Projection for Lesotho: Child school years

Impact on child survival in Lesotho

Projection for Lesotho: Under-5 survival (SDG 3)

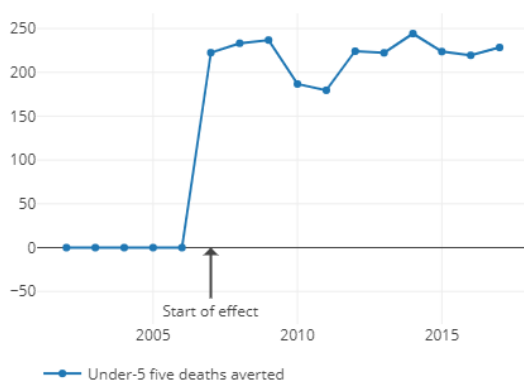


Figure 4 Projection for Lesotho: Under-5 survival

Using our GRADE tool, we can demonstrate that over a ten-year period, 2,421 child deaths could be averted if the revenue lost to tax abuses in Lesotho were curtailed.

Impact on maternal survival in Lesotho

Using our GRADE tool, we can demonstrate that over a ten-year period, 249 maternal deaths could be averted if the revenue lost to tax abuses in Lesotho were curtailed.



Figure 5 Projection for Lesotho: Maternal survival

Total harm caused to Lesotho through tax abuses

To summarise, we estimate that over a ten-year period, 2,421 Under-5 deaths would be averted, children would attend school for an extra 8,191 years, 75,227 people (of which 9,250 are children) would access basic drinking water and 82,232 people (of which 10,137 are children) would access basic sanitation. These figures demonstrate that tax abuses have significant human consequences for people in Lesotho and must be carefully reconsidered and validate the huge potential for children if these policies are reviewed.

The impact of curtailing these losses could make a great difference in Lesotho's ability to provide healthcare and education and reduce mortality rates. A minor increase in government revenue within low- and middle-income- countries will assist in the promotion of fundamental human rights, a condition of treaties such as the Universal Declaration of Human Rights and the United Nations Convention for the Rights of the Child, it is vital that the impact of tax abuses is recognised.

Call for Action

These figures demonstrate that tax abuses come with a serious human cost and impact the right to health for many children in Lesotho. It is essential that governments worldwide recognise the impact tax abuses have on the Determinants of Health and mortality rates, particularly within low-income-countries. Allowing tax abuses to continue actively undermines fundamental human rights, which stands in direct opposition to the Universal Declaration of Human Rights and the United Nations Convention for the Rights of the Child. We are calling for action from leaders worldwide to take measures to prevent policies which allow tax abuses to continue.

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