



INITIATIVE FOR PRINCIPLES FOR
HUMAN RIGHTS
 IN FISCAL POLICY

Principles for human rights in fiscal policy



STEERING COMMITTEE

Asociación Civil por la Igualdad y la Justicia (ACIJ) – Argentina
Centro de Estudios Legales y Sociales (CELS) – Argentina
Centro de Estudios de Derecho, Justicia y Sociedad, Dejusticia – Colombia
FUNDAR – Centro de Análisis e Investigación – Mexico
Instituto de Estudios Socioeconómicos (INESC) – Brazil
Red de Justicia Fiscal de América Latina y el Caribe (RJFALC) – Regional
Center for Economic and Social Rights (CESR) – International (Secretariat of the Initiative)

EXPERT COMMITTEE

Dayana Blanco	Jonathan Menkos
Juan Pablo Bohoslavsky	Bibiana Leticia Ramírez
Horacio Corti	Pedro Rossi
María Goenaga	Magdalena Sepúlveda
Verónica Grondona	Rodrigo Uprimny
Ricardo Martner	María Fernanda Valdés

DRAFTING COORDINATORS

Sergio Chaparro (CESR)
María Emilia Mamberti (CESR)

The Principles for Human Rights in Fiscal Policy have benefited from the significant contributions of the following individuals:

Dalile Antúnez (ex ACIJ)	Ana Carolina González (Fundación Ford)	Haydeé Perez (Fundar)
Mayra Báez (CESR)	Livi Gerbase (INESC)	Iara Pietricovsky (INESC)
Nathalie Beghin (INESC)	Diana Guarnizo (Dejusticia)	Alba Ramírez (Fundar)
Iván Benumea (Fundar)	Mariana Gurrola (Fundar)	Eduardo Reese (ex CELS)
María Elena Camiro (Fundar)	Julieta Izcurdia (ACIJ)	Greg Regaignon (Wellspring Philanthropic Fund)
Michelle Cañas (CELS)	Juan Pablo Jiménez (Asociación Iberoamericana de Financiación Local)	Alejandro Rodríguez (Dejusticia)
Paulina Castaño (Fundar)	Nicholas Lusiani (ex CESR)	Carmen Ryan (ex ACIJ)
Grazielle David (RJFALC)	Luna Miguens (CELS)	Ignacio Saiz (CESR)
Kate Donald (CESR)	Olivia Minatta (CESR)	Leandro Vera (CELS)
Adrián Falco (RJFALC)	Alicia Ojeda (Fundar)	Malena Vivanco (ACIJ)
Victoria Faroppa (REDESCA/OAS-IACHR)	Gaby Oré-Aguilar (ex CESR)	Pablo Vitale (ACIJ)
Soledad García (REDESCA/OEA-CIDH)		

The Initiative for Human Rights Principles in Fiscal Policy acknowledges the contributions of individuals and organizations who joined national, regional and thematic dialogues to discuss previous drafts of this document. The Initiative specially acknowledges the following organizations that contributed to co-host these dialogues.

Centro de Estudos de Conjuntura e Política Econômica, Cecon-Unicamp (Brazil)	Global Alliance for Tax Justice (International)
Centro de Derechos Económicos y Sociales, CDES (Ecuador)	ILEX, Acción Jurídica (Colombia)
FES Brasil	Latindadd (Regional)
Foro Social Panamazónico (Regional)	Observatorio de Políticas Económicas, OPES (Chile)
Fórum Solidaridad (Peru)	Relatoría de Derechos Económicos, Sociales, Culturales y Ambientales (OEA-CIDH) (Regional)
Global Initiative for Economic, Social & Cultural Rights (International)	

Editorial design: Pilar Fernández Renaldi - Sebastián Bergero

Suggested citation: The Initiative for Human Rights Principles in Fiscal Policy, "Human Rights Principles in Fiscal Policy," May 2021.

This document summarizes the Principles for Human Rights in Fiscal Policy. It outlines the core values and basic concepts of each Principle. CESR prepared this text as the Secretariat of the Initiative for Human Rights Principles in Fiscal Policy. To learn more about this project, visit www.derechosypoliticafiscal.org/en.

INDEX

Introduction	5
15 Principles for Human Rights in Fiscal Policy	6
Principio 1: Purpose of fiscal policy and human rights.....	7
Principio 2: Human rights' obligations applicable to tax policy ..	8
Principio 3: Socially just fiscal policy	9
Principio 4: Environmentally sustainable fiscal policy	10
Principio 5: Equality and non-discrimination in fiscal policy	11
Principio 6: Gender equality and fiscal policy	12
Principio 7: Transparency and participation in fiscal policy	13
Principio 8: Adoption of fiscal measures and human rights	14
Principio 9: Fulfilment of essential levels of human rights through fiscal policy.....	15
Principio 10: Use of the maximum available resources for the fulfilment of rights	16
Principio 11: Progression in human rights' fulfilment.....	17
Principio 12: Regulatory use of fiscal policy	18
Principio 13: International institutions and fiscal policy	19
Principio 14: Role of non-State actors.....	20
Principio 15: Reparations.....	21



INTRODUCTION



When people demand to be vaccinated against COVID-19, for improvements in public infrastructure within their communities, for action on climate change, for adequate social security payments, to combat sexist violence or other necessities for living with dignity, they are usually met with the same argument. Governments as well as experts claim that States lack the resources to address these issues or cannot invest in these priorities without sacrificing values such as the sustainability of public finances.

Fiscal policy is not a purely technical matter. Fiscal matters are fundamentally related to our rights. Without resources, there are no rights. We all can and should be involved in how fiscal policy is designed, implemented and evaluated.

But whether due to insufficient political will, the inability to gain a consensus, or because decisions are made behind the public's back, the fact is that many decisions about the management of public resources are often not aimed at guaranteeing our rights.

Contrary to a deep-rooted prejudice in the Latin American region, fiscal policy is not a purely technical matter. What does fiscal policy refer to? It refers to the policies that deal with the revenues and expenditures of the State, i.e. how public resources are obtained and administered. This includes all matters related to taxes, debt, public enterprise management, and budgets. These policies define who these taxes are levied on, how and when they are levied, when the State must go into debt and with whom, what it does with the profits of its enterprises and how the public resources obtained in these ways are invested or spent.

Fiscal matters are fundamentally related to our rights. Without resources, there are no rights. Therefore, we all

can and should be involved in how fiscal policy is designed, implemented and evaluated.

The collection of public resources in Latin America is often insufficient, their distribution unequal and their use inefficient to guarantee rights. **¿Cómo cortar estos problemas de raíz? Necesitamos:**

1. States that fulfill their human rights obligations.
2. Entities that monitor them.
3. Taxpayers who are more willing to pay and to ensure that the State fulfills its promises.
4. An active citizenry that continuously demands better fiscal policy.

Seven Latin American organizations grew tired of waiting for governments and economists to give civil society a voice and to be included in the technical spaces to change how fiscal policy is designed. So, we decided to call upon other actors to speak out, to raise their voices and to show that States can and should mobilize more resources to guarantee our rights based on solid evidence. How can they do that? By creating fairer fiscal policy based on the human rights obligations States have acquired under international treaties signed by our countries, which other actors such as corporations and international agencies must also respect.

This is why the 15 Principles for Human Rights in Fiscal Policy were conceived. These principles are aimed at providing tools to States and other actors in understanding their obligations, to oversight bodies in carrying out their monitoring work, and to citizens in demanding better policies. We hope that States fulfill their promises, that businesses and individuals contribute more fairly according to their ability to pay and that citizens are encouraged to comply with and demand fiscal policies in line with their needs and aspirations.



15 PRINCIPLES for Human Rights in Fiscal Policy



1. The realization of human rights must be a fundamental objective of fiscal policy.
2. The obligations to respect, protect and fulfill human rights demand a proactive role for the State and impose limits on the State's discretion concerning fiscal policy.
3. States must ensure that their fiscal policy is in line with the pursuit of social justice.
4. States must ensure their fiscal policy is environmentally sustainable.
5. States must use fiscal policy to eradicate structural discrimination and promote substantive equality, integrating in a cross-cutting manner the perspectives of populations who experience discrimination in the design and implementation of such policies and adopting affirmative action where necessary.
6. Using an intersectional approach, states must promote substantive gender equality through fiscal policy.
7. Fiscal policy must be transparent, participatory and accountable. People have a right to fiscal information.
8. States must adopt all the necessary financial and fiscal measures to realize human rights within a reasonable fiscal framework.
9. States must guarantee the enjoyment of minimum essential levels of economic, social, cultural and environmental rights through their fiscal policy as a matter of priority.
10. States must mobilize the maximum of available resources to progressively realize economic, social, cultural, and environmental rights.
11. States must ensure their fiscal policy does not result in retrogression in protecting economic, social, cultural and environmental rights, even in contexts of economic crisis.
12. States are empowered, and sometimes obliged, to encourage or discourage certain conduct and correct externalities through specific fiscal policy instruments to guarantee human rights.
13. States, and the international institutions of which they are members, must offer assistance and international cooperation in fiscal matters.
14. Non-state actors, including businesses and their intermediaries, have human rights responsibilities concerning their fiscal conduct.
15. States must prevent and provide appropriate reparations for human rights violations related to fiscal policy, regardless of whether they are civil, political, economic, social, cultural or environmental rights.



PRINCIPLE 01 The realization of human rights must be a fundamental objective of fiscal policy.

Over the last decades, fiscal policy has had specific objectives such as reducing the deficit in public accounts, ensuring favorable conditions for private investment and economic growth. However, fiscal policy has subordinated people's rights to a restricted vision of fiscal balance instead of understanding these balances and policy tools in general, as instruments at the service of rights. This narrow vision fails to consider that people are the economy, and that the economy and the market do not occur outside of society but are part of the social fabric. Similarly, this vision of fiscal policy has led citizens to be disengaged from the debates in which decisions that may affect their finances and well-being are made.

The problems that this narrow vision has failed to resolve include the loss of public trust in their institutions due to the discrepancy between fiscal policy and their daily problems. Reinvigorating these fiscal pacts requires a virtuous circle based on reciprocity between the States that provide high-quality public services for all persons and citizens who are more willing to pay taxes. In turn, this allows States to guarantee citizens' rights more efficiently.

In addition, particular economic visions have constructed discourses that, while seemingly coherent, simplify all the forces involved in making economic and fiscal policy decisions. They are based on techniques and assumptions that result in more general key points and have sown the seeds of economic and social catastrophes, such as the current environmental and climate crisis. How does ecology factor into the way we run our economies? Why do we think about our markets without recognizing that our planet's resources are finite?

We need a comprehensive vision of fiscal policy that recognizes the democratic complexity of our countries, includes all voices and puts the planet and people first. The well-being of the population guarantees economic well-being. How can we achieve this? With a new vision of institutions and fiscal decision-making processes based on citizen participation and aimed at achieving the public objectives and macroeconomic conditions that allow the realization of everyone's rights.



Fiscal policy should be representative, democratic and have more general functions that seek the well-being of citizens, such as:

- > **Collect** sufficient revenue.
- > **Redistribute** revenue fairly.
- > **Regulate** conduct that may compromise rights and encourage conduct that enables protecting the environment, public health or other common property.
- > **Redress** the legacy of exclusion and ecological damage, contributing to fiscal action in accordance with the planet's limits and the elimination of all forms of discrimination.
- > **Stabilize** and create economic conditions suitable for expanding our rights and well-being.

Besides pursuing particular solutions to particular problems in health, education, gender, environmental crisis, and other human rights issues, we must also look for structural solutions. Fiscal policy is critical for this to the extent that it defines the resources available to address social demands. Therefore, it has the potential of unifying seemingly fragmented sectoral struggles. Which institutional processes will allow us to make economic policy decisions that align with our rights? What are the structures within States that do not allow the citizens' concerns on taxes and public spending on health, education, or the environment to be heard? We must rethink our institutions, power structures and decision-making processes.

PRINCIPLE 02 The obligations to respect, protect and fulfill human rights demand a proactive role for the State and impose limits on the State's discretion concerning fiscal policy.

Fiscal policy has a direct impact on rights. For example, States currently have policies that worsen the situation of the poorest or finance budget items that jeopardize our rights. Likewise, States must ensure the existence of conditions so that third parties do not violate rights through their fiscal behavior and must provide high-quality, affordable, and geographically and culturally accessible goods and services. To that extent, the obligations of respecting, protecting, and guaranteeing human rights should always underpin States' fiscal policy.

RESPECT

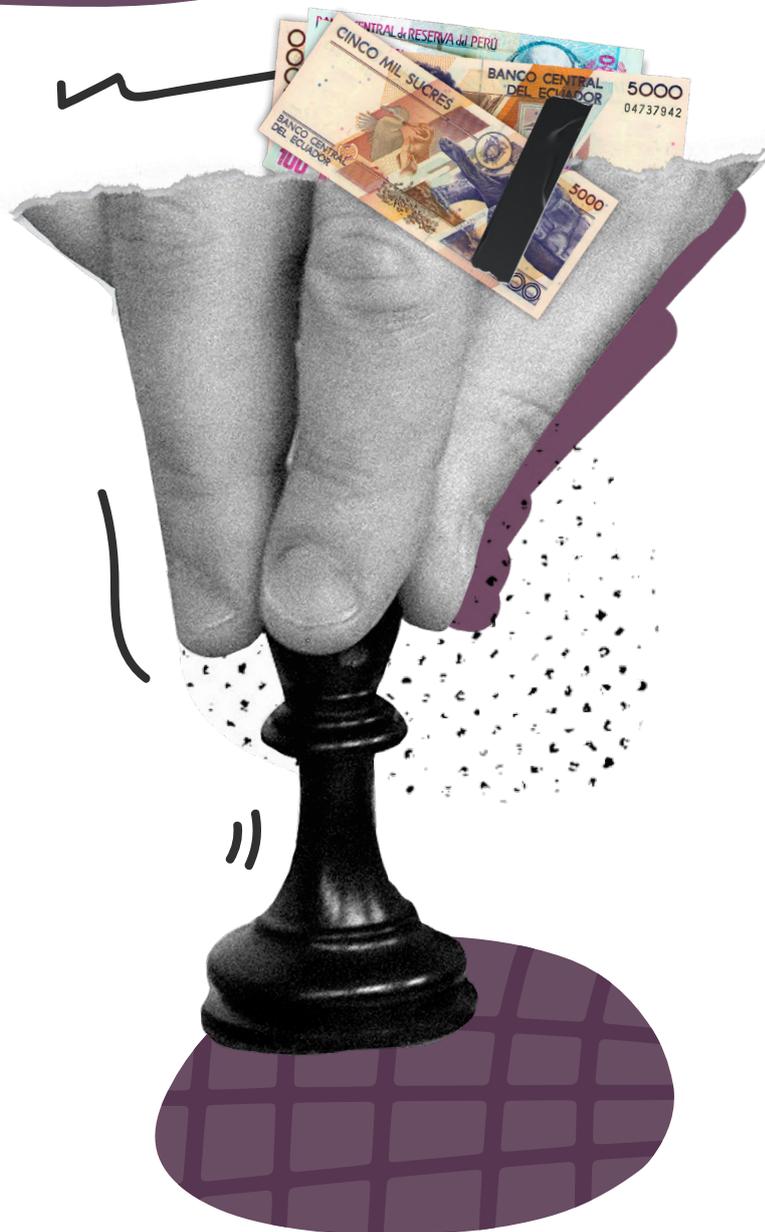
As mentioned above, States currently finance activities that jeopardize our rights. Furthermore, some tax policies increase poverty, such as collecting consumption taxes (VAT) without adequate compensation mechanisms or exemptions for specific products that are part of the vital consumption of the lower-income population. These policies are harmful because they negatively affect people with limited resources. Therefore, the duty to respect implies, for example, that fiscal policy should not worsen the situation of people with the lowest income and should not allocate resources in ways that negatively affect or jeopardize rights.

PROTECT

The State must prevent third parties from violating citizens' rights through their fiscal behavior. For example, it must avoid the leakage of financial resources resulting from the actions of third parties by combating tax evasion.

GUARANTEE

The State must provide affordable and high-quality public goods and services that guarantee rights.



PRINCIPLE

03

States must ensure that their fiscal policy is in line with the pursuit of social justice.

Principle 3 explains that the principles for human rights complement and reinforce other regulatory frameworks applied to tax and public expenditure and debt policies to ensure that they are socially fair. Some key concepts to understand social justice from the perspective of fiscal policy are:

PROGRESSIVENESS

This refers to the capacity of taxes or expenditures and of fiscal policy as a whole, to correct inequities. This implies, for example, that those with the highest income or wealth pay more taxes. Direct taxes are those levied on natural or legal persons and may establish a difference in the amount of tax according to who is paying, such as personal income or wealth taxes. Regarding public spending, without ignoring the fact that rights are universal, progressiveness implies the priority allocation of resources to those most disadvantaged

EQUITY

Individuals or corporations in similar situations pay or receive the same, and there are fully justified differential systems for those in different situations. This means that there is no discrimination between actors in the same condition and that any different treatment in fiscal matters is justified on the basis of permissible objectives such as eliminating all forms of discrimination.

➔ What is happening today?

Fiscal systems contribute little to reducing inequality and are sometimes overtly regressive. Furthermore, there are all kinds of unjustified fiscal privileges. In particular, tax systems miss out on the potential for collecting taxes on wealth or high incomes, which are essential for combating inequality. Budgets do not contribute to substantive equality, and debt reinforces external dependence and has no democratic control.

We must move toward highly progressive fiscal systems that reduce inequity and ensure that our societies are more egalitarian. Tax collection should be equitable and take full advantage of the revenue-raising potential of wealth taxes and other redistributive taxes. Likewise, debt must be used strategically to guarantee rights and other national necessities.



PRINCIPLE **04** States must ensure their fiscal policy is environmentally sustainable.

In the face of the environmental and climate crisis, States must:

A. Dismantle fiscal biases contrary to the environmental and climate goals and needs. For example, subsidies on fossil fuels and tax exemptions on polluting activities should be eliminated immediately (establishing mechanisms to protect the lower-income population).

B. Use fiscal policy as an incentive to achieve energy transition to clean economies, protect biodiversity, prevent contamination and promote reforestation.

C. Create the institutional conditions to align fiscal policy with environmental and climate policy. The design of institutions should allow for participatory dialogue between the entities responsible for environmental and financial policies that include the citizens, particularly those most affected by environmental pollution and climate change.

D. Advance towards new national and global green deals that allow investing in green infrastructure and the conditions to create an ecological economy.



PRINCIPLE 05

States must use fiscal policy to eradicate structural discrimination and promote substantive equality, integrating in a cross-cutting manner the perspectives of populations who experience discrimination, in the design and implementation of such policies and adopting affirmative action where necessary.

Fiscal policy must challenge inequity and structural discrimination through affirmative action and include the perspectives of groups that discriminated against. This means that:

A. Some fiscal decisions affect different populations disproportionately. For example, aiming to generate most of a country's revenue through extractive industries has disproportionately adverse effects on Indigenous, rural and Afro-descendent people that live where these resources are commonly found.

B. Recognizing structural discrimination and disadvantages should lead States to adopt affirmative action in favor of people who face such discrimination. For example, States should prioritize the rights of children and persons with disabilities. In addition, recognizing their disadvantaged situation implies affirmative action in fiscal terms, such as prioritizing budgets for children through the universalization of preschool education and financing public infrastructure that considers the needs of people with disabilities.

C. Fiscal policy must be designed in permanent dialogue with the ministries of finance and the sectoral ministries, such as the ministries of women or culture, which address the situation of groups that face discrimination. Furthermore, their invisibility in official statistics should be overcome by improving the quality and availability of disaggregated data, including fiscal matters.

D. The perspectives of specific groups should be fundamental for designing and implementing fiscal policy and States should create institutional processes to include such perspectives. In addition, fiscal policy should be designed, implemented and evaluated through an intersectional approach, reflecting the provisions of the international treaties ratified by States to combat these dimensions of discrimination and their convergences.

E. Fiscal policy should promote substantive equality. This means equality in the full exercise of rights in their material dimensions and the ability to enforce them in daily life. A substantive equality approach goes beyond formal equality and aims at correcting discrimination in the distribution of resources and opportunities among people.



PRINCIPLE
06

States must promote substantive gender equality through their fiscal policy, using an intersectional approach.

Fiscal policy should be gender-responsive. This means that States must:

A. Acknowledge the structural disadvantages women faces and seek to adopt affirmative action such as strengthening the budget for gender equality policies. For example, States should ensure wider access to high-quality sexual and reproductive health services or fight gender-based violence and implement other measures necessary to eliminate all forms of discrimination against women and promote substantive equality.

B. Identify, evaluate and correct all fiscal measures that discriminate against women. This means eliminating the biases that cause tax burdens to fall disproportionately on women. An example is the implementation of exemptions for menstrual hygiene products. Fighting fiscal discrimination also implies institutionalizing gender-responsive budgets based on disaggregated analysis that allows for evaluating their differential impact on men and women.

C. Ensure that the feminist social movement and women from all backgrounds, including Indigenous women, participate in fiscal decision-making. States and international financial institutions must evaluate the impact of their policies or their loan conditions on women's rights and adopt measures to promote gender equality. This includes ensuring that fiscal adjustment problems do not result in budget cuts that disproportionately affect women.

D. Actively invest in public care systems to redistribute and reduce care burdens and achieve the substantive equality of women. The unequal distribution of unpaid care work has intensified even more during the COVID-19 pandemic. Women have assumed most of the economic cost of the emergency and perform most of the care work inside and outside the household. These inequalities should be addressed through fiscal policy.



PRINCIPLE

07

Fiscal policy must be transparent, participatory and accountable. People have a right to fiscal information.

The information about State financial accounts is public information, with a few exceptions that must be strictly justified and regulated. This publicity is necessary for decision-making, the enforcement of rights and citizen oversight. Therefore, the State must:

A. Remove unjustified exceptions for citizens to access state fiscal information. There is currently an excessive use of fiscal secrecy as well as unreasonable exceptions to the right to access fiscal information.

B. Guarantee access to high equality fiscal information, which is clear and understandable; disaggregated by criteria that allows for identifying the impact of fiscal policy on different groups; and made available to all for consultation.

C. Produce and disseminate fiscal information with a human rights approach, which would enable the construction of indicators to determine whether the allocation of resources is adequate to realize human rights and reduce inequalities.

D. Adopt a human rights approach to accountability for fiscal policy matters. This allows for fiscal decisions to be made, implemented and monitored from a human rights perspective. This also requires conducting periodic evaluations of the impact of fiscal policies on human rights. These evaluations must be participatory, transparent and subject to independent review.

E. Ensure that the development of fiscal policy is participatory. States should, for example, implement participatory mechanisms to develop fiscal frameworks and budgets.



PRINCIPLE
08

States must adopt all the necessary financial and fiscal measures to realize human rights within a reasonable fiscal framework.

Fiscal decisions have often been made with an inverted logic whereby private interests prevail over those of the general public. For example, restrictive fiscal rules take as a point of reference fixed goals to which human rights are subjugated, instead of focusing on human rights needs and social demands. This cannot go on; financial and fiscal measures should be adopted flexibly and within a coherent framework subject to broader democratic discussion that is responsive to social needs and guarantees human rights.

The State's fiscal planning instruments must be informed by the resources needed for guaranteeing all human rights. Establishing rules that freeze public spending for long periods of time, for example, prevents States from adjusting and adapting their policies in

accordance with the realization of human rights, and as such is contrary to the duty to adopt all necessary measures to guarantee them. Instead, the fiscal planning process should facilitate the adoption by States of all actions within their reach to fully realize rights with greater flexibility. Likewise, fiscal policy must be coordinated with other policies, such as monetary and macroeconomic policies, in general, in accordance with State's human rights obligations.

To summarize, it is not the scope of protection for human rights that should adjust the current fiscal reality, but rather fiscal policy instruments should adapt to the demands of human rights.



PRINCIPLE

09

States must guarantee the enjoyment of minimum essential levels of economic, social, cultural and environmental rights through their fiscal policy as a matter of priority.

The human rights framework recognizes that, in many countries, the full realization of economic and social rights can only be achieved progressively by maximizing available resources. However, it also establishes certain minimum thresholds and outcomes that must be prioritized immediately to guarantee a decent standard of living for the entire population:

A. Prevent the increase of poverty and contribute to its elimination through fiscal policy.

To this end, States must ensure that fiscal action improves the disposable income and the rights of those most disadvantaged. This means avoiding tax burdens that prevent people from accessing basic goods, as is the case of VAT, which is levied on essential products with no adequate compensation for those living in poverty.

B. Finance universal social security systems that ensure a minimum degree of social and economic security to the entire population.

In this way citizens will be protected against risks relating to poverty, climate change and public health crises such as pandemics.

C. Ensure a core minimum of social spending as an objective of fiscal policy.

In any economic, health (such as the COVID-19 pandemic) or other crisis, there should be no reason to reduce such social spending. This protected social spending must be guaranteed immediately regardless of the economic situation.



PRINCIPLE 10 States must mobilize their maximum available resources to progressively achieve the full realization of economic, social, cultural and environmental rights.

States have the obligation of advancing as quickly as possible to achieve the full realization of rights beyond the essential contents related to an adequate standard of living and must always mobilize the maximum of available resources to guarantee them. For this, States must:

- ✓ *Strengthen their tax administrations to collect resources efficiently.*
- ✓ *Eliminate unjustified tax exemptions or benefits.*
- ✓ *Make said benefits transparent and take the fight against corruption seriously.*

Furthermore, States have a fiscal space that they must take full advantage of; they have leeway to mobilize more unused resources to guarantee rights. Therefore, States must use the available fiscal space to realize our rights. This means



implementing actions such as:

- ✓ *Take advantage of taxes with more significant redistributive potential.*
- ✓ *Review unnecessary tax exemptions to ensure that no resources are lost and improve the quality of expenditure.*
- ✓ *Ensure the coherence between the fiscal and monetary policies to ensure and mobilize resources to the maximum of the States' capacities. Mobilizing resources means collecting and thinking about all alternatives to satisfy the needs regarding rights.*

What fiscal measures do States have to mobilize more resources to ensure rights?

- Revenue collection via taxes. States must use the maximum potential of collection instruments available, complying with their obligations of respecting, protecting and ensuring human rights.
- Fighting illegal financial flows, including tax evasion and avoidance through “tax havens.”
- Bilateral (between States) and multilateral (with institutions such as the World Bank or regional development banks) financial assistance and aid, whether through loans or donations.
- Coordinating the fiscal policy with the monetary policy and financial regulation to appropriately channel resources to ensure rights.
- Adopting more flexible macro-fiscal planning frameworks that allow the adoption of countercyclical policies, that is, stimulus policies through public spending in times of crisis.
- The use of indebtedness and deficit financing through internal policy instruments, and indirectly with other States, commercial banks, and international financial institutions, or by selling bonds in a manner compatible with the country's macroeconomic conditions.
- Restructuring external debt to liberate resources that can be invested to ensure rights.
- Guaranteeing that public spending will be efficient and effective. This is achieved by preventing unnecessary expenses and reducing corruption.

PRINCIPLE 11 States must ensure their fiscal policy does not result in retrogression in protection of economic, social, cultural and environmental rights, even in contexts of economic crisis.

States must ensure their fiscal policy does not have an adverse effect on the protection of the rights that have been achieved. This implies that, once certain victories in ensuring economic, social, cultural and environmental rights have been achieved, there should be no retrogression. Only to the extent in which the resources available are being used to the maximum, and all other alternatives have been exhausted, States may temporarily regress on the conquests they have achieved.

During times of economic crisis, States often resort to cutting investment in early childhood, care services, social protection systems or infrastructure. Although the

adverse effects of austerity policies on the economy are more than proven, they opt for these fiscal adjustment measures as the first alternative to facing a crisis, when austerity should be the last resort and be temporarily adopted once all other options have been exhausted. Under no circumstance should the burden of crisis be borne by the most disadvantaged. From a human rights perspective, these extreme measures are unacceptable unless the authorities can prove that they have exhausted all less severe fiscal measures, using the maximum of resources available, and fully consulting with multiple sectors of society, including those most affected.



How not to resort to austerity measures and create a fiscal space compatible with the realization of rights?

Before cutting social investment with austerity measures, States may and should take advantage and extend their fiscal space. This can be done with the following measures, some of which have been adopted by countries in times of crisis: charge more taxes to those who have more; fight abusive tax practices and strengthen their tax collecting capacity; renegotiate or reject illegitimate debts; reallocate military spending; redirect exemptions to big corporations, including those who exploit fossil fuels to finance social protection programs; strengthen taxes on extractive industries or impose taxes on extraordinary income in booming sectors; establish taxes on wealth; manage international cooperation resources, among others.

PRINCIPLE 13 States, and the international institutions of which they are members, must offer assistance and international cooperation in fiscal matters.

In the global fiscal arena, States may be negatively affected by other States that make fiscal decisions that only take into account their own national interests. For example, when a State levies very low taxes for multinational corporations, it reduces tax competition with other States that seek to attract investment and ultimately collect fewer resources to solve needs and fulfill the rights of its citizens. Similarly, States with more power within international institutions, such as the International Monetary Fund (IMF), may affect other States through their voting power and making decisions that restrict the institution's funding mechanisms or impose austerity measures that affect other States as part of the conditions to which these institutions subject their loans.

States are not only obliged to protect the rights of their citizens within their borders. They must also ensure national and international fiscal decisions do not affect the realization of the rights of citizens of other States. Therefore, States must refrain from any conduct that undermines the capacity of other States to fulfill their rights obligations, such as facilitating tax evasion or promoting aggressive fiscal competition and its subsequent "downward trend" on taxes for multinational corporations.

Furthermore, States can and should help create a favorable global environment for realizing human rights. This can be achieved by negotiating international treaties on fiscal matters that allow for the expansion of the fiscal space of lower-income States to ensure human rights. In addition, measures such as strengthening regional cooperation, collectively fighting tax havens, agreeing on minimum tax thresholds for multinational corporations and preventing tax evasion through bank transparency, and acting responsibly as a member of international financial institutions can help create a fa-



vorable fiscal environment for ensuring rights.

In regards to debt, the international community must agree on adequate external debt relief, restructuring or cancellation mechanisms that free up resources in debtor countries to face the pandemic, climate crisis and the need for massive investment in social services to ensure human rights. International financial institutions should also offer other forms of financing, such as the IMF special drawing rights so that countries with less fiscal space can respond to crises without going into debt and under favorable conditions.

PRINCIPLE
14 **Non-state actors, including corporations and their intermediaries, have human rights responsibilities concerning their fiscal conduct.**

Private actors such as corporations, intermediaries and those involved in tax planning are also responsible for realizing human rights through their fiscal conduct. By engaging in abusive tax practices such as tax evasion and avoidance, multinational corporations and the wealthiest individuals in the world contribute to the massive erosion of the public treasury, undermining the State's capacity to invest in health care, education and other rights, and exacerbating the already obscene levels of inequality in our societies.

Therefore, private actors must adopt adequate measures to prevent tax evasion and avoidance; evaluate the impact of their fiscal practices on human rights; adopt transparency practices and accountability measures; regulate and sanction misconduct in the practice of their accountants and attorneys; and establish legal standards on financial, accounting and fiscal matters that are in harmony with human rights.



PRINCIPLE

15

States must prevent and provide appropriate reparations for human rights violations related to fiscal policy, regardless of whether they are civil, political, economic, social, cultural or environmental rights.

States must prevent, sanction and redress the harm and human rights violations caused by their fiscal policy. This means establishing accessible channels through which people can report, contest and demand accountability for States' compliance with their human rights obligations concerning fiscal policy. This requires several key actors, such as the judiciary, national human rights institutions, and control and auditing entities.

For this purpose, States should: establish processes and mechanisms to redress rights violations; strengthen the capacity of national human rights institutions, the judiciary and other entities for analyzing fiscal matters; and establish sanctions and effective reparations for corruption, diversion and embezzlement of funds and abusive fiscal practices by third parties. States should also work towards the adoption of more participatory mechanisms to seek remedies for rights violations resulting from fiscal policies and adopt a human rights approach to fiscal control.

Fiscal auditing is currently undertaken from a primarily administrative and accounting perspective when it could be extended to evaluate various aspects such as effectiveness, fairness, adequacy, and transparency of public resources to guarantee the fulfillment of human rights. In addition, fiscal control should be transparent and allow for citizen participation.

International human rights and fiscal policy monitoring mechanisms also play an essential role in monitoring, redressing and preventing human rights violations caused by unfair fiscal policies and practices. The Principles for Human Rights in Fiscal Policy serve as a key tool for these institutions, within their respective mandates, to promote greater accountability in fiscal matters, and with it, a transformative shift towards a rights-based economy.





May 2021

derechosypolitica.fiscal.org

Organizations that comprise the Steering Committee
of the Initiative for Human Rights Principles in Fiscal Policy

