Africa Tax *Spotlight*

Quarterly newsletter of the tax justice network – Africa

2011, third quarter, volume 2

Taxation and Accountability

EDITORIAL

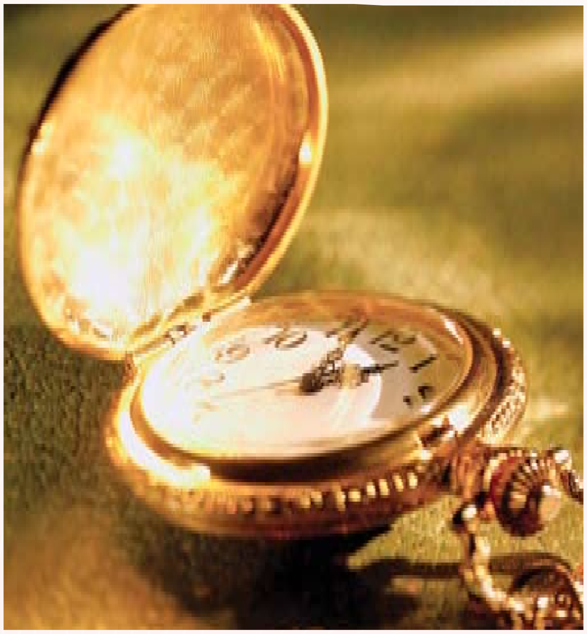
Taxation has been widely considered as the process of imposing charges on citizens an corporate entities in order to finance government expenditure. Governments also use taxation to encourage or discourage certain economic decisions. For example, reduction in taxable personal (or household) income by the amount paid as interest on home mortgage loans results in greater construction activity, and generates more jobs. For years now many countries have imposed high taxes on cigarettes and alcohol and the revenue raised is invested in development particularly in the health sector (Michael, 1993).

While the duty of collecting revenue (taxes) belongs to the government, this duty gives the government the obligation to account for its activities, accept responsibility for them, and to disclose the results in a transparent manner. The people who are taxed should know how their money is being used. Indeed they have a right to demand for services from the government.

The concept of citizenship refers to the state of being vested with the rights, privileges, and duties of a citizen. It entails the character of an individual viewed as a member of society; behavior in terms of the duties, obligations, and functions of a citizen. We are citizens in that we owe allegiance to our Government and in return our Government owes us protection. As Citizens we vote, pay our taxes, and follow the law. We ensure the security of our neighborhoods and work places. We respect the rights of others and demand the same for ourselves.

Colonial powers that dominated Africa did not leave behind strong, indigenous institutions that could tackle the development challenges of modern states. Economic crises, wars, and political instability that occurred in the post-independence era have over the decades destroyed the economic and social fabric of many countries in Africa. As a result, many countries in Africa rely on foreign aid as the greatest source of development finance. Even if in recent years there has been an effort by some African countries to reduce reliance on foreign aid by raising domestic revenue through taxation, African states have remained poor. Yet one entry point for improving governance on the continent - taxation - still receives little attention overall.

The political economy of taxation offers therefore vital lessons for the developing world.



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Published by the Tax Justice Network-Africa, Nairobi Secretariat

Editorial

Indeed, well-designed tax systems have the potential consolidate state institutions, increase revenues, refocus government spending on public priorities, and advance democratic accountability in developing countries. In order to achieve that, citizens in Africa need to be well-informed on the importance of paying taxes and subsequently holding governments accountable on how their money is spent. Taxpayers who believe that their interests are represented in a democracy have been found to be more willing to pay taxes, but they also begin to believe that their payment of taxes gives them the right to representation. Representation, however, is only one element of the fiscal contract.

The bargain might also involve other elements: public goods (such as defense, schools, or roads) or semi-public goods (benefits provided to producers or consumers). Furthermore, it involves pressure on governments to be accountable to taxpayers for the use of their money. On the other side, governments that lack the capability to raise revenues effectively are limited in the extent to which they can provide security, meet basic needs, and foster economic development. Indeed, past research has proved that funding state expenditures principally through resources that are raised without much effort (foreign aid or revenues derived from natural resources) does little to stimulate the development of state capacity.

When governments raise substantial amounts of their revenues through taxation, foreign aid will then be a substitute for absent revenue, allowing critical development functions to be performed. Foreign aid in Africa has proved quite an ineffective way of financing development. The aid received has done very little to meet its intended purpose i.e. poverty eradication. one of the main causes of this failure has been identified as the fact that donors attach some conditionality to the aid, some of the conditions being specifying in what project the money should be put in. The communities who would be the major beneficiaries are not consulted and as a result a lot of white elephant projects are started.

The gap between the rich and the poor is rising steadily in Africa; this is a threat to the stability of this continent (Business in Africa 2010) No country or society can have a huge number of have-nots and a handful of millionaires and remain stable. African governments should strongly put emphasis on the use of tax as a redistributive tool.

Taxation can be coercive, it can be knotted with corruption, and it can be excessive. It is not a unilaterally positive force for governance, as peasants have pointed out in tax revolts around the world and throughout history. Inequality in Africa today is greater than it has ever been. State capacity and democracy may both be strengthened by taxation, creating pathways to more responsive, effective, and self-reliant states. More explicit attention to the political dimensions of taxation in the developing world may produce a governance dividend. In practice, this attention would be reflected in renewed efforts to engage taxpayers and governments in bargaining over taxation. Revenues should be part of a system of accountability between states and citizens, not mainly between governments and donors.

Report

In this edition of the Africa Tax Spotlight, we have a close look at the recent Oxfam report on mobilizing domestic resources to fight poverty as a means of owning development. Unfortunately, conclusions from the report show us that governments from developing countries have not tapped into the potential of taxation as a means for financing poverty reduction. Mwalimu Mati of the Mars Group tells us of about their belief in parliamentary democracy and accountability and their desire to make Kenya a better governed and corruption free country. Francois Gob be of Kairos Europe gives an insight into the living contradiction of Switzerland, a 'democratic' country that provides a safe haven to looted public funds causing poverty and distress on the populations of the affected countries. Lord Adusei tells us that although the poor has been hit by the current financial crisis, they may in the end be the beneficiary of recent trends to alleviate the consequences of the crisis. David Leloup, a Belgium-based journalist tackles a relatively new subject on the fact that development banks invest heavily in secrecy jurisdictions causing massive tax loss to developing countries, the same countries they were created to serve. Finally, we profile SEATINI-Uganda, a trade organization member and close partner of the TJN-A and particularly look at the reason why they joined the tax justice campaign.

Francis Mberere
TJN member

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Owning Development:

Mobilizing Domestic Resources to Fight Poverty

In order to be able to find enough resources to ensure public services, such as education and health for all, developing countries need to raise more tax, and raise tax in ways that are progressive and fair. Tax policy in developing countries has been heavily influenced by the International Monetary Fund (IMF) and national elites. This has had a negative impact in many cases, with a focus on indirect regressive taxation like value added tax (VAT), and extensive tax incentives for companies. There is an urgent need for governments in developing countries to achieve an increase in progressive and redistributive taxes.

This report focuses on tax policy in developing countries: who pays tax, what taxes are paid, and how. Tax policy can have a huge impact on inequality and poverty reduction, either positively or negatively, depending on what tax policies a country decides to implement. Taxation is also often at the heart of the social contract between citizens and their government, and progressive taxation is central to creating strong, democratic, and effective states. As a percentage of gross domestic product (GDP), rich countries collect in many cases more than twice as much public revenue, as developing countries. In sub-Saharan Africa, the average is 18 per cent of GDP compared to 38 per cent in western European countries. Developing countries' tax and regulation policies have often been imposed, or at least strongly recommended, by the International Monetary Fund (IMF) and other international financial institutions (IFIs) as a condition of their financial support. This reduces the capacity of these nations to openly decide between different policy options, as well as their capacity to control and reduce capital flight and tax dodging.

One of the main conclusions of the Oxfam research report *"Owning Development: Mobilizing Domestic Resources to Fight Poverty"* (September 2011), is that

governments in developing countries have not made the most of tax policies as a tool for achieving poverty reduction; policies promoted by IFIs have instead opposed positive reforms to deal with inequality, while the interests of international private investors in low corporate tax rates have not helped. Some of the factors behind the 'failed tax policy' in developing countries that can and should be reversed include:

- Overall tax revenues falling short of those that theoretically could be obtained when countries' productive potential is analysed;
- The imbalance between direct and indirect taxes in total revenue collection and the very little tax revenue obtained from taxing businesses and the owners of capital. Instead taxation has focused on levying taxes on consumption which is potentially regressive;
- Tax breaks chiefly benefiting rich people and the profits of international companies while there is little evidence to indicate that these exemptions are attracting the kind of added-value investments that would have a positive impact on development;
- Tax dodging by medium and large companies in the informal economy, contributing to a systematic violation of the rights of low income, vulnerable workers who have to pay more taxes to cover deficits. Meanwhile, some measures taken to tax the more vulnerable sectors of the informal economy are often arbitrary and undermine poverty reduction efforts.

Although we cannot ignore the responsibility of developing countries themselves for this situation, the international context and international actors also bear a significant responsibility.

- IFI demands and conditions, which favour economic efficiency and short-term collection goals over any other objectives, have resulted in the promotion of taxes with less political costs, affecting company interests and the rich sectors of the population as little as possible. These taxes are easier to collect but are not necessarily the most appropriate for the circumstances in developing countries. Their likely impact on the redistribution of wealth or their negative impact on the poorest sections of the population was not analysed carefully enough before they were introduced.
- Secrecy jurisdictions, more commonly known as tax havens, have been a barrier to increasing taxation of the population's richest sectors and of companies that operate in developing countries.
- There has been a proliferation of unjust corporate practices, such as the altering of intra-group trading prices by multinational companies and the opacity of company accounts. This makes a farce of any real attempt to monitor the financial resources that are expropriated from developing countries.

The research found that improving tax collection of 52 analyzed countries could potentially raise $269 billion annually, which is enough to cover up to 60% of the financing requirements for achieving the Millennium Development Goals. Official Development Assistance (ODA) policies have so far played a limited role in promoting fairer tax systems, even though there is a clear opportunity for donors to support governments in constructing such systems and making tax collection more efficient and effective. Donors could also play a role in backing reforms and policies that would create greater transparency in the handling of public finances at all levels of government. The Oxfam report shows clearly that a lot can be done to increase the amount of revenue poor countries get from tax, and do this in a way that tackles inequality, making sure the richest individuals and large corporations bear the biggest burden. The current situation is unsustainable and untenable.

Paul Groenewegen
Tax Justice Project Leader
Oxfam Novib

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Mars group on Public Financial Management in Kenya

In order to better engage the citizenry on the issue of public finances, Mars Group Kenya conducts detailed studies of budgets at central and local levels. We have previously had the opportunity to appear before a Joint Parliamentary Enquiry by the Budget and Finance Committees into the Supplementary Estimates of the Financial Year 2008-2009. Our findings of discrepancies in the Supplementary Estimates triggered the enquiry and resulted in the adoption of a unanimous report which included a recommendation that an independent forensic audit should be done by an independent body to look into the past three years of the National Budget including the Consolidated Fund Services to determine whether there might have been other inaccuracies or inconsistencies in the last two years in addition to the current year. Unfortunately the Independent Forensic Audit has not yet been commissioned.

We believe in parliamentary democracy and accountability, and are only desirous to make Kenya a better governed and corruption free country. That is the only way our country will develop in an equitable and democratic manner. Kenya belongs to all Kenyans.

It is our contention that the Government has no money of its own. Indeed, the people of Kenya own the Government and its funds. As such, Citizens of this great country have a Constitutional Right through elected representatives to demand accountability for public funds. Members of Parliament have an obligation to ensure oversight on Public Funds and that, as a matter of fact, there is no taxation without representation. In this light we have raised several revenue issues including unaddressed audit queries by Kenya's constitutional auditor, the Auditor General.

On Wednesday 11th May 2011, Mars Group Kenya released a report entitled "*Revenue accounting by the Government of Kenya: unsatisfactory state of affairs!*" The logic behind the release of this report is that not as much attention was being focused on tracking revenues of the Government of Kenya as opposed to a lot of effort in tracking procurement and expenditure. This was despite frequent reporting by the Controller and Auditor General decrying inconsistent revenue accounting by the Treasury over the years. Our report was intended to red-flag the issue of revenue accounting by the Treasury with a view to getting greater transparency and accountability for the benefit of Kenyan taxpayers.

Kenya's Auditor General has in his last two published reports excluded from the general certificate most Statements of Revenue of the Government of Kenya. In 2008, the Controller and Auditor General certified w three Statements of revenue and only **one** as presenting a fair revenue position of the government of Kenya for the year ending 2009. Simply put, the current position is that only one out of 14 accounts has passed the Audit test. The total amount of the qualified statements is Ksh 714 billion (US$ 7 million at October 2011 exchange rates) for the two financial years.

Until we see the Report for 2009/2010, it is not possible to say how many revenue accounts have passed the audit test or whether the situation has improved at all. Suffice to say; in Kenya, company managements which routinely have almost all their accounts qualified by external auditors would likely face a shareholders revolt amongst other consequences. But somehow, this matter does not attract sufficient press or public attention.

> Members of Parliament have an obligation to ensure oversight on Public Funds and that, as a matter of fact, there is no taxation without representation

Most Kenyans, not being in formal employment, mistakenly believe that they do not pay taxes even though sales taxes (VAT) is amongst the top 3 revenue streams for Government, and is charged on almost everything including foodstuffs and agricultural inputs.

At about the same time as Mars Group's report, a backbench Member of Parliament John Mbadi sought a statement from the Minister of Finance in Parliament. He wanted to know the number of revenue statements that were certified by the Auditor- General for the financial years 2007-2009. By the time of writing, October 28, 2011, the legislator is still waiting for an answer.

For more on the Mars Group's Revenue inquiries visit www.marsgroupkenya.org

Mwalimu Mati
Mars Group

La Suisse, refuge de premier choix pour les dictateurs du printemps arabe et de leurs proches...

Suite au 'printemps arabe' qui a touché l'Afrique du Nord, soucieuse probablement de démontrer une fois de plus que tout est pour le mieux dans l'univers des banques suisses, l'autorité de surveillance des marchés financiers suisse (FINMA) a publié le 10 novembre 2011, quelques jours après le G-20 de Cannes, un rapport réalisé auprès de 20 banques sur les fonds placés en Suisse par les kleptocrates arabes déchus. Pour la FINMA bien sûr, les banques suisses se sont en majorité conformées à leur devoir de diligence et il n'y a pas besoin d'améliorer le dispositif légal en matière d'argent des potentats. Le rapport ne communique pas les coupables mais estime que quatre banques suisses « n'ont pas respecté les dispositions sur le blanchiment d'argent » en acceptant des fonds appartenant à ces trois dictateurs.

La Suisse avait bloqué avant tout le monde (et donc avant l'Union européenne) 48 millions d'euros dans le dossier tunisien, 328 millions pour l'Egypte, 288 millions pour le Lybie. La légitimité de ces avoirs bloqués devra être clarifiée dans le cadre de procédure d'entraide judiciaire internationale.

Pourtant, il est de notoriété publique (site internet de la télévision romande) que la filiale d'HSBC Private Bank de Genève a accueilli 8, 8 millions d'euros appartenant à Belhassen Trabelsi, beau-frère notoirement corrompu de l'ancien président Ben Ali. D'après Le Point[1], un semi-retraité de la HSBC de Genève recevait régulièrement sur ses comptes des montants à 7 chiffres. Ce scandale dénoncé par la FINMA a mis en évidence les liens de proximité entre le semi-retraité et un membre de la direction de la banque qui aurait bloqué les tentatives de clarification en répondant de l'intégrité du semi-retraité … !

Le rapport de la FINMA comporte de nombreuses insuffisances dénoncées par la coalition des Organisations Non Gouvernementales (ONGs) suisses contre l'argent des potentats[2]. Pour la coalition, le dispositif sur les avoirs illicites doit être amélioré contrairement à ce que pense l'organisme officiel de la FINMA.

Le rapport examine en effet, seulement le comportement des banques qui ont bloqué et signalé des fonds suspects après le blocage décrété par le Conseil fédéral. Il aurait été tout aussi important de faire de telles recherches auprès de banques n'ayant pas annoncé de comptes suite à ce blocage. Si les dispositions sur les lois du blanchiment relatives aux avoirs illicites des PEP (personnes exposées politiquement), étaient réellement destinées à combattre la corruption et l'argent volé aux populations des pays d'origine, alors les banques auraient du agir par exemple à l'égard des avoirs de Belhassen Trabelsi, bien avant les décision de blocage du mois de janvier 2011.

Le rapport examine en effet, seulement le comportement des banques qui ont bloqué et signalé des fonds suspects après le blocage décrété par le Conseil fédéral

Ceci n'est pas un cas isolé, comme le rappelle la Déclaration de Berne en matière d'avoirs volés. Si le discours officiel de la Suisse est de se présenter en pays « pionnier et exemplaire » également en matière d'avoirs illicites restitués, il faut bien constater que l'importance des sommes visées ne fait que traduire le rôle central et attractif de la Suisse en matière de biens volés aux populations tout autant que les nombreuses défaillances bancaires et politiques.

Pour rappel quelques exemples: les fonds du dictateur nigérian Abacha (700 millions $ dans les banques suisses) se sont retrouvés avec la bénédiction suisse dans une série d'éléphants blancs au Nigéria et ont révélé bon nombre des défaillances importantes de banques suisses. Les restitutions en 2009 concernant les avoirs de l'ancien president zaïrois (aujourd'hui RDC) Mobutu Sese Seko (8 millions de francs suisses) ont été faites à la famille de celui-ci malgré des recours tardifs! Les fonds restitués du président angolais Dos Santos (774 millions $) ont été détournés pour 600 millions au profit de hauts dignitaires angolais et pour le reste dépensés en outillage suisse de déminage, qualifié de projet humanitaire. Quant aux fonds Duvalier (ancien président haïtien), ils ont fait l'objet d'une saga juridico-politique.

Le secret bancaire légalisé, institutionnalisé et défendu bec et ongles par la Confédération et ses banques jusqu'à ce jour, ne peut qu'en faire le lieu privilégié par les despotes et autres mafieux en recherche de sécurité dans le monde. Malgré des progrès en matière de contrôle ou de restitution, la Suisse reste une vivante contradiction, elle qui se présente comme ardent défenseur de la démocratie et se veut de plus en plus à l'écoute des pays en développement !

François Gobbe (Kairos Europe – Wallonie/Bruxelles)

1 Le Point 11/11/11

2 www.evb.ch/fr

Taxation, Global Economic Crisis and the poor

Abstract

The article below looks at the current global economic and financial crisis, its impact on firms, governments and the poor. It argues the crisis has generated new kinds of tax policies in both developed and developing countries that in the long run will lower inequality between the rich and the poor. The article concludes that although the poor appear to have been badly hit by the crisis they will end up being the final beneficiary if the taxes and other policies being implemented begin to bear fruit.

Taxes play an important role in the economy of many nations. In many countries taxes paid include but are not limited to Personal Income Tax, Corporate Income Tax, Value Added Tax (VAT), Fuel Levy and Windfall taxes. These taxes help build and maintain public goods and infrastructures such as roads and railway networks, schools and universities; pay salaries of teachers, nurses, doctors, police, and soldiers; maintain law, order, peace and security of the country; and improve economic and social wellbeing of citizens; and pay debts owed to creditors. In short, taxes are essential for the running of every country.

Over the last three or four years, the world has gone through and is still going through tumultuous and painful financial and economic crisis. The crisis, which began in the United States and quickly spread to Europe and other Organisation for Economic Cooperation and Development (OECD) economies, was as a result of a combination of factors including under regulation and over supply of financial products; too much public and private sector debt; near-zero interest rates that fueled cheap credit; and asset prices that boomed and then busted.

The crisis has had devastating impact on ability of firms to secure credits as banks are unwilling to lend. In fact, a number of banks have failed and with it the assets of companies and individuals who did business or saved with them. Additionally, demand for goods and services produced by firms has gone down forcing companies to close down completely or lay off workers to cut down cost. The result is that many small and major firms have seen their profits slashed and so are their taxes to government.

Governments' bailouts and efforts by Central Banks around the world to stimulate the global economy by injecting additional liquidity have not yielded the desired results. Governments' efforts to raise revenue through taxation have also suffered severe setbacks. As exports and imports in advanced economies slow down and businesses collapse or underperform, governments are losing corporate income tax, personal income tax and other taxes that could help them maneuver through the storm.

In a recent op-Ed titled "Globalization of Protest" Columbia University Professor Joseph E. Stiglitz put the impact of the crisis this way: "Around the world, we have underutilised resources – people who want to work, machines that lie idle, buildings that are empty – and huge unmet needs" (Stiglitz, 2011).

Stiglitz was referring to the cost of the crisis on the poor. Governments' inability to raise revenue to implement social and economic programmes has been borne largely by the poor, low wage and middle class workers. In both private and government institutions there is freeze on wage increase.

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That not withstanding, the crisis has elicited positive responses from people around the Globe. In India, demonstration against corruption has forced governments to act to prevent corrupt politicians and their business associates from taking bribes and evading tax. The crisis has seen the United States, France and Spain acting in a coordinated fashion to stop corrupt African leaders from looting their coffers and depositing their loot in Europe and America. One illustration of such actions was the fact that Teodoro Obiang Nguema, son of Equatorial Guinea's dictator, had his cars confiscated by French police. If auctioned the proceeds of the $5million worth of cars could help provide schools, hospitals and improve sanitation for the people in that country.

In several African countries, the soaring prices and profits for the gold, copper, oil and gasoline industry in the past years have seen governments receiving a boost in the their balance sheet. Zambia for instance has seen revenue from copper increase tremendously. African governments that have not benefited from the windfall profits from oil and minerals are proposing or have proposed a windfall tax that will bring additional revenue to the state.

In 2007, a report prepared for South Africa Treasury, Dr. Zavareh Rustomjee and his team defined windfall profits as "excess profits, of which conceptually there are two possible types: those of a temporary or cyclical nature (called "quasi rent" or "economic profits"), or more structural or permanent (called "economic rent")" (Rustomjee et al, 2007). Thus taxes on these excess profits constitute windfall tax. According to James Muyanwa (2011) windfall tax is a tax levied by governments on certain industries when economic conditions allow those industries to experience above average profits. Companies who benefit from massive profits due to a favourable economic condition are targeted.

In October of 2011, the Reuters news agency cited Ghana's Finance Minister Kwabena Duffuor as saying Ghana is in talks with gold miners about extra taxes, including the possibility of a windfall tax. In May of 2011, media houses in Namibia quoted Mines and Energy Minister Isak Katali as saying that the government was looking to introduce a minerals windfall tax to enable the state to benefit more from the country's vast mineral resources. The Energy Minister said: "It is my view that as the custodian of the mineral resources, the state should also benefit in good times beyond normal taxes and royalties" (Dontoh, 2011).

Algeria, South Africa, Chad, Gabon and Angola have already indicated that they would want to implement some kind of windfall tax that would target massive profits and use it to implement social and economic programmes to benefit the poor.

Although the poor have been badly hit by the economic and financial crisis, there is hope that they will turn up to be winners if the policies begin to bear fruit.

By Lord Aikins Adusei

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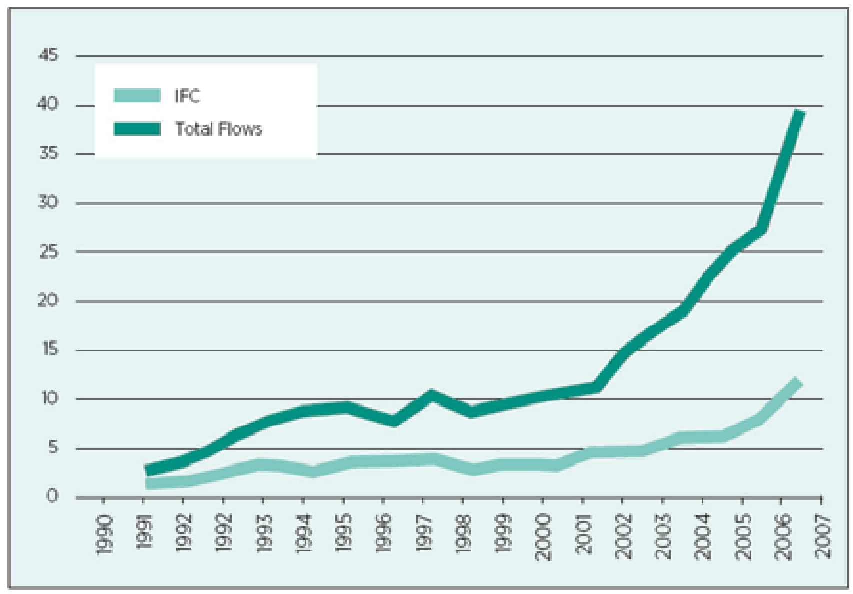
Ces milliards d’argent public investis dans les paradis fiscaux au nom du développement…

C’est un secret partiellement éventé grâce au travail tenace d’une petite poignée d’ONG: la plupart des gouvernements censés lutter contre les paradis fiscaux sont eux-mêmes, via une série d’institutions financières publiques, des usagers de ces paradis fiscaux. Et ce, officiellement au nom du développement des populations les plus pauvres d’Afrique et d’ailleurs. Or cet état de fait engendre des pertes fiscales annuelles pour les pays en développement estimées à plusieurs centaines de millions de dollars.

Ces institutions financières publiques incluent les banques multilatérales de développement (BMD) et des institutions nationales de financement du développement (IFD). Parmi les BMD les plus connues, citons la Société financière internationale (IFC) de la Banque Mondiale, la Banque européenne d’investissement (BEI), la Banque européenne de reconstruction et développement (BERD), et la Banque asiatique de développement (BAD).

Avec plus de 40 milliards de dollars en 2007, le financement du secteur privé par ces BMD a décuplé ces quinze dernières années (1).



Source: IFC Annual Report 2008, p.29

Figure 1: Financement public par les banques multilatérales de développement, du secteur privé dans les pays émergents entre 1990 et 2007.

Quant aux institutions nationales (IFD), les principales d’entre elles actives en Europe sont le Commonwealth Development Corporation (ou CDC Group, Royaume Uni), Norfund (Norvège), Deutsche Investitions- und Entwikklungsgesellschaft mbH (DEG, Allemagne), Proparco (France), Financieringsmaatschappij voor Ontwikkelingslanden N.V. (FMO, Pays-Bas) et la Société belge d’Investissement pour les Pays en Développement S.A. (BIO, Belgique). En 2008, les investissements cumulés de ces IFD atteignaient 16,7 milliards d’euros.

Toutes ces institutions, BMD et IFD, interviennent soit directement – en achetant des parts d’entreprises actives dans les pays en développement ou en leur prêtant de l’argent –, soit indirectement – via un intermédiaire financier qui, lui, investira sur le terrain. Ces intermédiaires financiers sont soit des banques, soit des fonds d’investissement dits de «private equity» quasi systématiquement situés dans des paradis fiscaux.

D’énormes «cagnottes» qui échappent à l’impôt

Ces fonds sont en quelque sorte d’énormes «cagnottes» de plusieurs centaines de millions de dollars. Leur principe est simple: les gestionnaires du fonds, réunis au sein d’une société privée, démarchent quelques institutions publiques, BMD et IFD, pour qu’elles injectent des capitaux dans le fonds.

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Dès qu'une d'entre elles «mord à l'hameçon», les gestionnaires du fonds se prévalent de la confiance que cet acteur public leur accorde pour approcher d'autres investisseurs, tant publics que privés. Objectif: atteindre la somme totale visée par le fonds au départ – généralement une dizaine de fois la mise initiale.

Ensuite, le fonds est investi dans des entreprises sur le terrain (par rachat, création, prise de participation majoritaire ou minoritaire au capital). Mais pas n'importe lesquelles: celles qui ont le plus gros potentiel de croissance à court ou moyen terme sont largement privilégiées par le gestionnaire du fonds. Il est attendu des Petites et Moyennes Entreprises (PME) sélectionnées qu'elles rapportent au moins 20% par an à leurs actionnaires.

Cette recherche agressive du profit maximal peut rentrer en conflit avec l'objectif général de développement officiellement poursuivi. Des projets agricoles peu rentables, mais qui répondent pourtant à des besoins primaires, peuvent par exemple être délaissés au profit de PME à très forte croissance dans le secteur de la téléphonie mobile ou du tourisme de luxe…

Îles Caïmans et île Maurice, «chouchous» des gouvernements

Le CDC Group britannique, plus importante IFD européenne avec 3,2 milliards d'euros d'actifs en 2008, investit exclusivement via des fonds de *private equity*. Son portefeuille comprend quelque 70 fonds à l'île Maurice (paradis fiscal qui sert de plate-forme pour les investissements en Afrique et en Inde), 27 aux îles Caïmans (paradis fiscal des Caraïbes dépendant de la couronne britannique), et des dizaines d'autres fonds situés dans des juridictions opaques comme Jersey et Guernesey… (2)

Parmi les fonds soutenus par la BEI, au moins sept sont basés à l'île Maurice (3). Quant à l'IFC, elle a par exemple prêté 250 millions de dollars à Baku-Tbilisi-Ceyhan Co. (îles Caïmans) et 215 millions de dollars à Kosmos Energy Ghana HC, détenue par Kosmos Energy Holding (îles Caïmans) (4). Au sein des actionnaires du fonds Shorecap International Ltd (également domicilié aux îles Caïmans), on trouve la BEI, l'IFC, la BAD, les IFD nationales britannique, néerlandaise, belge et finlandaise (5).

Ces investissements publics massifs dans les paradis fiscaux sont largement méconnus par la société civile et ses représentants politiques, tant au Nord qu'au Sud. Seule une commission parlementaire, en Norvège, sur les fuites de capitaux des pays en développement, a sévèrement critiqué ces pratiques réalisées par l'IFD nationale, Norfund (6). Selon les conclusions de cette commission, les paradis fiscaux induisent au moins sept effets nuisibles (voir encadré) incompatibles avec les missions de développement des BMD et IFD, ainsi qu'avec la qualité publique de ces institutions financières.

Mais pas n'importe lesquelles: celles qui ont le plus gros potentiel de croissance à court ou moyen terme sont largement privilégiées par le gestionnaire du fonds

Les sept tares des paradis fiscaux

1/ ils augmentent les risques et la méfiance sur les marchés financiers internationaux: la crise bancaire et financière de 2008 a montré que plusieurs institutions financières ont dissimulé une part importante de leurs actifs toxiques «hors bilan» dans un paradis fiscal.

2/ en poussant la concurrence fiscale entre Etats à son paroxysme, ils fragilisent le système fiscal et les finances publiques des pays du Sud.

3/ ils augmentent le caractère inéquitable de la redistribution des revenus fiscaux: le principe de la taxation des profits des entreprises dans le pays du siège de l'entreprise, même si c'est une boîte aux lettres dans un paradis fiscal, est particulièrement injuste pour les pays en développement où ces profits sont souvent réalisés.

4/ en encourageant les investissements qui rapportent le plus après impôts, ils réduisent l'efficacité de l'allocation des ressources dans les pays en développement.

5/ en fournissant des refuges discrets et opaques pour l'argent du crime, ils facilitent le blanchiment de l'argent criminel.

6/ ils encouragent l'accaparement de la rente et la réduction des revenus privés dans les pays en développement.

7/ ils réduisent la qualité des institutions et la croissance dans les pays en développement, car les hauts responsables politiques et administratifs de ces pays, lorsqu'ils sont complices ou auteurs de criminalité financière, ont un intérêt personnel évident au mauvais fonctionnement administratif de leur pays (fisc, douanes, police, justice…).

(Source: Commission norvégienne sur les fuites de capitaux des pays en développement, 2009)

Articles

Au lieu de combattre ces effets nuisibles, les institutions publiques de financement du développement les aggravent en investissant massivement dans les paradis fiscaux. Ainsi, en donnant des gages de respectabilité à ces juridictions opaques, les gouvernements légitiment les pratiques les plus immorales des opérateurs privés.

430 millions de pertes fiscales dus aux investissements européens

Ces investissements publics dans les paradis fiscaux occasionnent également un coût direct aux pays en développement. Richard Murphy, du Tax Justice Network, l'a estimé pour les 16 IFD européennes (2). Celles-ci ont investi 16,7 milliards d'euros en 2008, somme pour laquelle elles peuvent espérer un rendement de 19,3% par an (moyenne du marché), soit 3,2 milliards. Taxés au taux moyen d'impôt des sociétés en Afrique, qui est de 18%, les recettes fiscales générées par ces bénéfices devraient atteindre 700 millions d'euros.

Or la Commission norvégienne sur les fuites de capitaux des pays en développement a calculé que l'IFD norvégienne Norfund avait payé au maximum 8 millions d'euros d'impôts, alors que sur base du même raisonnement, ces paiements auraient dû atteindre 21 millions.

En gardant les mêmes proportions, Richard Murphy estime que les 16 IDF européennes ont payé en pratique 270 millions d'euros, au lieu des 700 millions théoriques. Ce qui correspondrait à une perte sèche de 430 millions d'euros pour les finances des pays émergents. Au nom du développement.

David Leloup
Journaliste indépendant, Bruxelles

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ATELIER SOUS REGIONAL SUR LE FINANCEMENT DE L'EDUCATION

BUJUMBURA-BURUNDI, DU 11 AU 15 JUILLET 2011

En Octobre 2009, Action Aid et l'Internationale de l'Education ont publié une boîte à outils sur le financement de l'éducation, qui vise à aider les militants de la société civile à élaborer des campagnes nationales sur le financement de l'éducation. Vu la nécessité de renforcer les capacités de la société civile dans de nombreux pays autour de deux aspects clés que sont le financement de l'éducation et le développement d'une campagne efficace sur le financement de l'éducation basée sur des preuves, une serie d'ateliers sur le financement de l'eduction a été organisee par les partenaires ci-haut cites depuis 2010. L'atelier sous régional francophone sur le financement de l'éducation, a eu lieu du 11 au 15 Juillet 2011, à Bujumbura dans les enceintes de l'Hôtel YOMBE PALACE. Organisé par la Coalition Burundaise pour l'Education Pour Tous BAFASHEBIGE en partenariat avec ANCEFA, Action Aid et l'International de l'Education, cet atelier a vu la participation des Coalitions nationales et des syndicats du Cameroun, de la Djibouti, de la Côte d'Ivoire, de la Mauritanie, de la Guinée Bissau, de la République Démocratique du Congo et du Burundi.

Les objectifs de l'atelier étaient entre autres de : renforcer les capacités des participants à comprendre les questions clés relatives au financement de l'éducation dans leur pays ; développer des idées pour une campagne nationale sur le financement de l'éducation, adaptée au contexte national et qui s'appuie sur les initiatives existantes ; poser les jalons pour une meilleure synergie dans l'action sur le financement de l'éducation dans la sous région afin d'exploiter les opportunités de plaidoyer avec les institutions régionales et sous régionales.

TJN-A (représenté par Sandra Kidwingira) a participe a la reunion et facilité la session 'D'où vient l'argent ?'. L'accent a été mis sur la mobilisation de ressources domestiques pour le financement de l'éducation et par conséquent la nécessité de stopper les pertes de recettes fiscales par les pays Africains et en particulier les flux financiers illicites. TJN-A a profité de l'occasion pour inviter les participants à rejoindre la campagne pour la justice fiscale en Afrique.

REGIONAL POLICY ROUNDTABLE ON HARMFUL TAX COMPETITION IN EAST AFRICA

NAIROBI, 27-28 JULY 2011

The Tax Justice Network - Africa in collaboration with Action Aid International organised a regional policy round table from July 27 - 28, 2011 in Nairobi, with the main objective of critically reviewing the findings and recommendations of the final Rwanda country report; the draft country and regional reports for Tanzania, Uganda, Kenya and the East African Community (EAC). These reports were part of a study on tax competition in East Africa undertaken by TJN-A and Action Aid from late 2010. The roundtable was attended by over 30 participants including representative of Finance Ministries, Revenue Authorities, civil society organizations, researchers, journalists and other tax practitioners such as staffers of audit firms. The forum also addressed the nature, impact and means of alleviating harmful tax competition in East Africa, including tax harmonization, the proposed Code of Conduct against Harmful Tax Competition, as well as sharing lessons from other African regional economic communities and member states. It emerged from the Policy Round Table that the case for continued reliance on tax incentives as a means to attracting Foreign Direct Investment is weak. In order to avoid the race to the bottom in the region, governments need to rationalize their respective tax incentives regime, revenue authorities need to routinely conduct tax expenditure analyses and share their findings with Parliament to ensure public scrutiny of tax incentives, and regional coordination needs to be strengthened. Civil Society Organizations need to continue bringing this issue to the attention of citizens and policy makers, as well as emphasize the accountability linkages between public revenues and spending.

News & Events

1ST ANNUAL GENERAL MEETING OF THE TAX JUSTICE NETWORK-AFRICA

NAIROBI, 29 JULY 2011

The first Annual General Meeting of the TJN-A was held at the Red Court Hotel in Nairobi on the 29th of July 2011. Members present were:

Dr. D. Alemayehu	Chairperson of the ASC
Dr. A. Waris	ASC Member
Africa Forum and Network on Debt and Development (**AFRODAD**)	ASC Member
Centre Régional Africain pour le Développement Endogène et Communautaire(**CRADEC**)	ASC Member
Ghana Integrity Initiative (**GII**)	ASC Member
Integrated Social development Centre(**ISODEC**)	ASC Member
Policy Forum	TJN-A Member
Institute of Democracy in Southern Africa(**IDASA**)	TJN-A Member
National Tax Payers Association (**NTA**)	TJN-A Member
Kenya Debt Relief Network(**KENDREN**)	TJN-A Member
Centre for Trade Policy and Development (**CTPD**)	TJN-A Member
Southern and Eastern Trade Information and Negotiation Institute (**SEATINI**)	TJN-A Member
Centre for Social Concern	TJN-A Member
Social Justice	TJN-A Member
Economic Justice Network of Southern Africa (**EJN**)	TJN-A Member
Malawi Economic Justice Network (**MEJN**)	TJN-A Member
Budget Advocacy Network(**BAN**)	TJN-A Member

The AGM commended TJN-A's achievements particularly in networking, research and information dissemination, given its short period of existence, and called upon the Secretariat to encourage linkages among the membership in order to tap into available expertise and better support internal capacity building.

The AGM received and endorsed the Report of the Auditor for the period ending in March 2011.

It was noted that to ensure proportional representation across the regions, two members from West Africa, three from East Africa, three from southern Africa, and one from Central Africa would need to be appointed to the African Steering Committee.

The AGM resolved and endorsed that the following members be and are hereby appointed for one term for the period up to the next annual general assembly:

1. Dr. Alemayehu (East Africa)
2. NTA (East Africa)
3. SEATINI (East Africa)
4. EJN (southern Africa)
5. AFRODAD (southern Africa)
6. CTPD (southern Africa)
7. ISODEC (West Africa)
8. BAN (West Africa)
9. CRADEC (Central Africa)

Finally, the appointment of Dr. Alemayehu as the Chairperson of the African Steering Committee for another term was unanimously approved by the newly appointed African Steering Committee.

NATIONAL CONFERENCE ON TAX JUSTICE IN KENYA

NAIROBI, 23 AUGUST 2011

The national conference, organized by the East Africa Tax and Governance Network (EATGN) under the theme 'unlocking tax secrets' was held on the 23rd of August 2011 at the Kenyatta International Conference Centre in Nairobi, Kenya.

The conference had three main sessions.The first session begun with opening remarks from Dr. Dereje Alemayehu (Chairperson of the Tax Justice Network-Africa and the official opening ceremony by Dr Geoffrey Mwau (Economic Secretary at the Treasury) who was representing Mr. Joseph K. Kinyua, Permanent Secretary to the Treasury. The second session was on public financial management and the constitution. The final session was devoted to tax revenue leakages. There were plenary discussions after each session. The conference was attended by over 100 participants who included representatives of several Civil Society Organizations (CSOs), policy makers, media, diplomatic missions and professionals interested in tax matters.

The concluding session was the official launch of the East Africa Tax and Governance Network (EATGN) presided over by Barbara Wachaga of Safari Africa Radio. This network will be the forum for a multi-stakeholder dialogue, will facilitate provision of information to enhance the quality and quantity of media reporting on tax and governance, and will create linkages to address revenue losses from the East Africa region.

In a nutshell, the main outcomes of the meeting were an increased understanding of the concepts of taxation and tax justice and a clarification between those concepts and those of public service delivery and good governance; a better understanding of public financial management in Kenya with a particular focus on devolution of funds both in the past and in line with the new constitution; and finally the creation of a google group to increase sharing of information on tax in Kenya and even the East Africa region.

The conference was attended by over 100 participants who included representatives of several Civil Society Organizations (CSOs), policy makers, media, diplomatic missions and professionals interested in tax matters

News & Events

Profile

1. What is SEATINI?

The Southern and Eastern African Trade Information and Negotiations Institute (SEATINI);

SEATINI Uganda was started in 2002. SEATINI's head offices are in Harare (Zimbabwe) with regional offices in Kampala (Uganda), and Nairobi (Kenya). The organization is also represented in Geneva (Switzerland) and Johannesburg (South Africa).

2. What is the background of SEATINI?

The Southern and Eastern African Trade, Information and Negotiations Institute (SEATINI) is a regional non-governmental organization founded in 1996 soon after the World Trade Organization (WTO)Singapore Ministerial Conference, after realizing that Africa in particular and Third World countries in general were marginalized in the WTO negotiations and other global processes. Government's capacity to negotiate was limited and the participation of other stakeholders' i.e. private sector, CSOs, MPs was very minimal. The civil societies understanding of the complexities of the international regime was also limited. Civil societies were largely excluded from the trade negotiations and decision-making both at home and in international fora. The private sector was not adequately informed about the challenges of globalization and the effect on them of the multilateral trading regime and thus their narrow participation. The role of the Parliamentarians was on the periphery. SEATINI was formed to address some of these issues.

3. What are your current activities?

SEATINI's core business is in the following programme areas: influencing the Multilateral trading system, influencing bilateral trade negotiations, regional integration, linking global trade issues to rural livelihoods and last but not least tax justice. All these programmes are implemented by:

- Organising capacity building and update workshops for/with negotiators from the Eastern and Southern African countries, to come up with positions;
- Organising workshops for other stakeholders;
- Research and analysis;
- Publication and dissemination of information;
- Networking and forming alliances with various partners and organizations;
- Building capacity and engaging the media in trade related issues.

4. Why is SEATINI interested in issues of Tax Justice?

In Uganda, like in many developing countries, taxes do not necessarily translate into service delivery. Ugandan CSOs have mainly focused on budget advocacy, budget utilization and budget transparency with very minimal, if any, focus on internal revenue generation. There is therefore a need to complete the chain, by looking at internal revenue generation especially under the concept of tax justice. Citizens have largely ignored budget advocacy especially in regard to budget utilization and transparency because of the detachment from the sources of revenue collected and the need to consciously follow up on how this revenue is spent.

As Ugandans, we need to link "our money" to those taxes that we all incur. If we are to fight corruption and ensure proper utilization and accountability, the source of the money that is taken into the national coffers needs to be recognized. In addition, there is need to raise the profile of the tax revenues as a reliable and sustainable source of development finance; and to stop illegitimate and illicit resource outflow of resources is urgent.

It is against this background that SEATINI Uganda has embarked on this task, after the realization that if Ugandan tax payers (citizens) can link their taxes to the budget and then service delivery, then they are in a better position to demand accountability for "their taxes."

5. With regard to tax justice, what are the achievements of SEATINI so far?

Starting the Tax Justice Task Force which includes Uganda Revenue Authority (URA), SEATINI Uganda, Uganda Debt Network (UDN) and Kampala City Traders Association (KACITA)

Launching tax justice work in Uganda, we are so far the only CSO talking about internal revenue generation

Engaging stakeholders like farmers, CSOs, Members of Parliament, Uganda Revenue Authority and the media on matters of taxation and tax justice

6. How would you describe the relationship between state actors and SEATINI?

SEATINI is recognized as one of the leading institutions on trade matters in Uganda and East Africa; and is a member of a number of government structures responsible for trade negotiations i.e. the Inter Institutional Trade Committee (IITC), the National Development and Trade Policy Forum (NDTPF), and the Regional

Negotiating Forum (RNF). The IITC is a national committee under the Ministry of Trade, which brings together various stakeholders to deliberate on trade issues and makes recommendations on national negotiating positions and on trade policy. The NDTPF is a national multi- sectoral body responsible for formulating national positions in the Economic Partnership Agreements (EPA) negotiations and the RNF is the negotiating body that brings together all the member countries of the Eastern and Southern African countries in the EPA negotiations.

Furthermore, the organization has over the years cultivated a strong relationship with various committees in parliament like the committee on trade, agriculture and the recently formed committee on regional integration.

SEATINI Uganda represents CSOs and heads the trade committee at EACSOF and the organization also sits on the High Level Task Force in the Ministry of East African Community Affairs (MEACA).

To this end, the organization has often been invited as part of government delegations for negotiations.

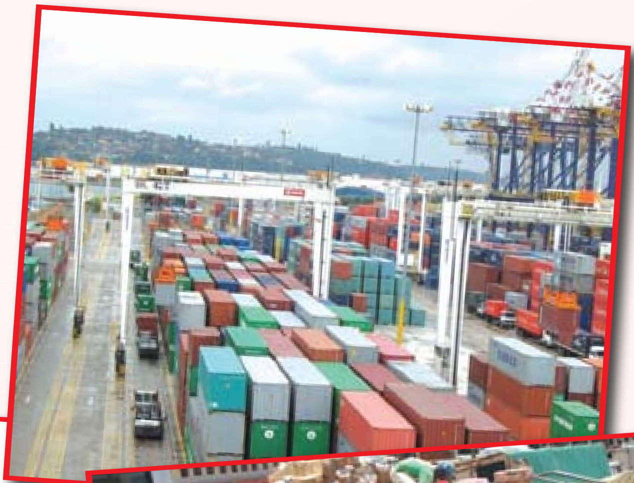
7. Are citizens more enlightened on the importance of paying taxes and demanding for value? What does SEATINI do about this?

Tax justice work in Uganda is relatively new. Our tax work started in April 2010. So far, our work has focused on raising awareness on the importance of taxation and tax justice. Our engagements have received positive acknowledgement from all stakeholders. The media (like Central Broadcasting Service (CBS) and the Daily Monitor has picked debates around tax justice and taxation.

Stakeholders have requested SEATINI Uganda to develop simplified and accessible information on taxation and tax justice, hence the production of our popular fact sheet titled, "A day in the life of a Ugandan tax-payer."

The warm reception has strengthened our determination to take the tax justice work forward and broaden our areas of advocacy beyond just awareness raising but also looking at issues like:

- Linking taxation to governance
- Tax harmonization
- Tax competition
- Widening Uganda's tax base



8. How would you describe Tax compliance among citizens in your country? What role has SEATINI and other CSOs played to ensure compliance?

Tax compliance in Uganda is low. To this end, SEATINI has focused its work on awareness raising and appreciation of taxation as a tool for Uganda's development, as well as embarking on encouraging citizen participation on issues of revenue generation and utilisation. It is aimed at ensuring that citizens understand their role as tax payers which will ultimately work towards ensuring tax compliance in Uganda.

9. Based on the experience on your country, can African countries raise more revenue to sustain themselves?

African countries are very capable of raising more revenue to sustain themselves, but apart from our own efforts, there is need for political will, dedication from all stakeholders as well as citizen participation and involvement in policy formulation.

Jane Nalunga
Country Director of SEATINI-Uganda

This document has been produced with the financial assistance of the European Union. The contents of this document are the sole responsibility of Tax Justice Network-Africa and can under no circumstances be regarded as reflecting the position of the European Union.