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Western bankers and lawyers 'rob Africa of \$150bn every year'

Africa kept destitute as western firms shift cash to tax havens

Nick Mathiason in Nairobi

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[The Observer](#)

More than \$150bn a year is looted from Africa through tax avoidance by giant corporations and capital flight using 'a pinstripe infrastructure' of western banks, lawyers and accountants, according to the African Union.

This £75bn equivalent shortfall easily eclipses pledges made by leaders of the world's richest nations to increase aid and write off debt at the G8 summit in Gleneagles in 2005.

Such is the level of capital flight, revealed in studies by the African Union, that the poverty-stricken continent is now a net creditor to the rest of the world. It is estimated that about 30 per cent of sub-Saharan Africa's annual GDP has been moved to secretive tax havens, many under the jurisdiction of the British government.

The full scale of the plundering, in which western companies and financial firms are complicit, has come to light at the launch this weekend in Nairobi of a pan-African campaign group, the Tax Justice Network for Africa. The TJNA is to investigate multinational tax avoidance and abuses of tax havens by corrupt African politicians on a country-by-country basis, as well as lobbying global leaders to commit to a proper crackdown.

Alvin Mosioma, the TJNA's first coordinator, said: 'It is astonishing that the World Bank and International Monetary Fund have not researched capital flight and tax. Until now these issues have not been included within the debate on poverty alleviation. We will publish precise information about tax avoidance in African countries and focus on the role of multinationals. Our message is that tax justice will improve democracy.'

As multinationals' dubious tax practices come into focus at the World Economic Forum at Davos this week a report will reveal that, despite the global commodity boom over the past three years, African governments are missing out in increasing tax and royalties, and in some cases actually receiving less revenue from mining companies than before.

As production of copper, gold, nickel and platinum soars, research from Christian Aid will show that the Tanzanian government's revenue from gold fell by nearly a third once the rise in prices has been factored in. Zambia saw revenues from copper halve. Pressure from the IMF to privatise industries on advantageous terms to mining firms is responsible for the shortfall, say campaigners: 'The myth that tax rates have to be slashed to attract overseas investment needs to be challenged,' said Anna Thomas, Christian Aid's policy manager.

There is also concern at how so-called transfer pricing techniques - otherwise known as profit-laundering - are deployed by giant firms in extractive industries to massage down their profits.

While Britain's government has been praised for putting poverty alleviation at the top of the agenda, it faces criticism that it has done little to stamp out overseas tax abuses involving UK firms and for being the destination for money siphoned out of Africa by corrupt officials. Cross-border dirty money flows are conservatively estimated at \$1 trillion annually.

But the Treasury said: 'The government has effectively tackled both corporate and personal tax avoidance structures time and again. The UK is driving efforts to reach international consensus to overcome problems with capital flight and tax evasion.'

'The UK's extensive network of tax treaties with other countries assists revenue authorities in the detection and countering of tax evasion. The UK is committed to engage with other jurisdictions to strengthen international cooperation on this issue.'

The African Union estimates that more than 80 per cent of the annual \$150bn looted from Africa finds its way to offshore financial centres. The Observer revealed in 2005 that the total stock of private wealth held in low-tax havens is \$11.5 trillion. Meanwhile, compelling evidence from Ghana and Nigeria is emerging that pressure on these countries from the IMF and World Bank to reduce corporate taxes has forced many African countries to levy VAT on fuel, which is increasing desertification and global warming by forcing millions of people in poverty to abandon gas stoves and chop down forests for wood burning.

Nigerian academic NA Adebayo said: 'Imposing VAT on petrol and gas products has sparked inflation in many countries as transport costs rise and is also leading to desert encroachment.'

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