

BRIEF REPORT ON THE 7:30 BREAKFAST DEBATE – NOVEMBER 25TH, 2011

CURBING CAPITAL FLIGHT FROM AFRICA

The amount of money leaving developing countries as illicit capital flight per year is ten times higher than the total global foreign aid and constitutes an immense amount of loss in state income. If capital flight would stop, the Tanzanian state finances would be enough to meet the Millenium Development Goals in the country.

The debate discussed its impact on development and what role civil society organizations can play in curbing capital flight. It showed why capital flight is a big concern to all development organizations working with rights and democracy in one way or another.

Policy Forum and Forum Syd has decided to dedicate this month's debate to the issue of capital flight and how it affects African countries. The debate is titled "**Curbing Capital Flight from Africa**" The presenter of the breakfast talk was Dr. Warris Attiya from Tax Justice Network and the discussant was Moses Kulaba, Convenor of Policy Forum BWG and Director of Agenda Participation 2000.

The Debate was facilitated by Semkae Kilonzo from Policy Forum Secretariat.

The first presentation was done by Dr. Warris Attiya, she started by giving an illustration of capital flight in Africa, where a tap of water is opened but water is dripping somewhere else from the tap and said this is what is happening to the African resources which are being enjoyed by some other countries, In developing countries the amount of money coming in is a lot compared to the amount coming out.

She said, illicit capital flight is when my MP or government official is misusing my public money (corruption).

She gave an example of a company being set in Europe with a corporate structure with its branches in different other countries which is given tax

holidays, exemptions in so doing it escapes tax leading to huge amount of money used as profit which is not taxed and hence not contributing to the nations income.

She gave an example of Azam a local company which does not get tax holidays while multinational companies gets the same, she suggested that this should be vice versa.

What Tax Justice- Africa wants is country by country reporting which will help during the collection of tax basing on the fact that if you know the profit made by the company then you will know what to tax.

She continued to say that, users of tax havens are the same ones who commit crimes, this should not be encouraged because it drains resources or moves capital money from one country to another.

She concluded by saying that, beneficial owners of companies should be known because from the findings of a research done it shows that companies registered in different countries are mostly owned by the same people for the purposes of tax evasion.

Later on it was followed up by comment from the discussant Mr. Moses Kulaba, who started by saying that capital flight has been happening for many years, it gives us an opportunity to know what goes in the budget before it's spent. The taxation system in Tanzania contribute to a massive capital flight.

he said that most companies use issues like lack of infrastructure to demand incentives, this leads to more tax evasion.

He said that, the richer countries are having a huge amount of revenue collection than poor countries. Tanzania has a lot of resources compared to some of the African countries, these resources are not enjoyed by Tanzanians but instead are enjoyed by other countries.

He concluded by saying that, there should be a good physical regime in Tanzania to cater for this, he gave an example of Chibuku which is a beer registered in Holland but s in Tanzania, benefiting People in Holland and not Tanzanians.

Comments and questions from Plenary Discussions:

- There should be a global alliance with other countries so as to curb capital flight.
- There should be serious implementation of the laws.
- There should be transparency in all these issues.
- Knowledge on capital flight should be enhanced
- Tanzania should layout its expectations (visions) this will be a threshold to see if it is really benefiting.
- African intellectuals should be blamed because they know but they let all this happen.
- You can only fight an animal if you know its tactics therefore CSO's should first know the tactics used then resolve the problem.
- There should be an independent body which oversees where all this money is going.
- Regional companies should be promoted
- We should do capacity building and form alliance so as to have a common voice.
- We need to promote awareness campaigns from the grassroot level (shout from the north, south, east and west).

Respond to the comments and Questions:

- Perhaps intellectuals are to blame but for years there has been a constraint in freedom of information and there are some who are trying so hard.
- There is a UN Movement to form a law to cater for these but has not been ratified yet.

- You cannot work on tax revenue if you cannot work on tax expenditure.
- We need more access to information.
- Opportunities should be created for some people to benefit inside the country.
- Tanzania has a lot of tax lawyers so it should use them.
- Laws should allow banks to know where the money belong to (offshore accounts)
- You cannot work on tax revenue if you cant work on tax expenditure
- The situation is more worse than it seems therefore research should be conducted which will entail what to tell the government.
- Multinational companies should benefit the country by paying taxes.
- We should note that, there is a difference between tax avoidance and tax evasion. Evasion is the criminal act while avoidance is not.
- Money laundering laws have to be looked at and revised.
- There are other initiatives which have been put forth to cater for transparency such as the EITI which is a result of the International Budget Project.
- We have the resources we must use it and pay all these debts.

Semkae Kilonzo from Policy Forum closed the discussion and welcomed the participants to the next year's breakfast debate.

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