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Gonzague Rosalie, GPAD



Aissatou Gueye, EDND

If you are interested in being interviewed or writing an article for future e-Resource updates, please send us an email or stop by and let us know!

Sincerely,
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Feature Article: Tax Havens, by Gonzague Rosalie (GPAD)

The issue of tax havens is rising to the fore of the international tax and development agendas. At their meeting held in London in April 2009, the Leaders of the G-20 agreed “to take action against non-cooperative jurisdictions, including tax havens”. The 2010 report, [Mutual Review of Development Effectiveness](#) (ECA and OECD) called upon development partners to “support the efforts of African governments to mobilise domestic revenue by significantly enhanced efforts to tackle issues such as tax havens, transfer pricing, and illicit capital flows”. A number of non-governmental organizations, including Tax Justice Network, ActionAid and Christian Aid, are also mounting a vigorous campaign against tax havens.

But what are tax havens? What are the accusations leveled at tax havens? What is the relevance of tax havens to developing countries, in general, and to African countries in particular? This short note endeavours to address these issues.

What are tax havens?

Defining tax havens has proved to be a challenging task. In his book *Havens in a storm: The struggle for global tax regulation*, Jason Sharman opined that “tax havens” “lacks a clear definition and its application

is often controversial and contested”. In April 1998, OECD published a seminal report entitled *Harmful Tax Competition: An Emerging Global Issue* that listed four key factors as important for the identification of tax havens: (1) low or non-existent income taxes on the relevant income; (2) a lack of effective exchange of information with other governments for tax purposes; (3) a lack of transparency in the operation of the legislative, legal or administrative provisions; and (4) the absence of substantial real activities. Based on these factors, OECD identified forty-one jurisdictions as tax havens in 2000 which were mainly small island states and overseas protectorates in the Pacific, Caribbean, and the Indian Ocean, and small states in Europe.

Nicholas Shaxson provides a useful definition of tax havens in his book “Treasure Islands: Tax Havens and The Men Who Stole the World”. Shaxson defines a tax haven as “a place that seeks to attract business by offering politically stable facilities to help people or entities get around the rules, laws and regulations of jurisdictions elsewhere” and identified about sixty tax havens, the biggest of which are the United States, United Kingdom, the Netherlands and Ireland. ([...continued on p.4](#))

Featured Resources on Tax Havens

Books

- “Tax Havens: How Globalization Really Works” by Ronen Palan, Richard Murphy and Christian Chavagneux
- “Havens in a Storm: The Struggle for Global Tax Regulation” by J. C Sharman.

Articles and Reports

- Mihir A. Desai, C. Fritz Foley and, James R. Hines Jr., [The demand for tax haven operations](#), *Journal of Public Economics* 90, 3 (2006) 513–531
- Dhammika Dharmapala, [What problems and opportunities are created by tax havens?](#) *Oxford Review of Economic Policy*, Volume 24, Number 4, 2008, pp.661–679
- Mark P. Hampton and John Christensen, [Offshore Pariahs? Small Island Economies, Tax Havens, and the Re-configuration of Global Finance](#), *World Development* Vol. 30, No. 9, pp. 1657–1673, 2002
- James R. Hines, Jr. and Eric M. Rice, [Fiscal Paradise: Foreign Tax Havens and American Business](#), *The Quarterly Journal of Economics*, Vol. 109, No. 1. (Feb., 1994), pp. 149-182
- Dhammika Dharmapala and James R. Hines Jr., [Which countries become tax havens?](#), *Journal of Public Economics* 93 (2009) 1058–1068
- Hines, James R.. 2010. "Treasure Islands." *Journal of Economic Perspectives*, 24(4): 103–26.
- Organisation for Economic Co-operation and Development, “[Harmful Tax Competition: An Emerging Global Issue](#)” (1998). Paris
- Ndikumana, Leonce and James Boyce. 2008. [New estimates of capital flight from sub-Saharan African countries: Linkages with external borrowing and policy response](#). Political Economy Research Institute, University of Massachusetts at Amherst, Working Paper 166.

ECA Library e-resources update

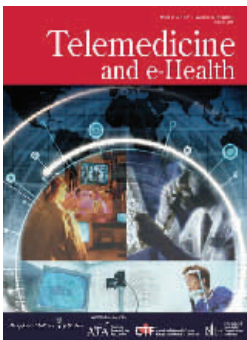
Focus on Health

We are pleased to announce full-text access to a variety of new online health resources for staff at ECA. These resources are restricted to use in Ethiopia, so we encourage our SRO staff to let us know if any of the articles selected this month are of interest and the Library can download the article and send them to you directly! For those of you in Addis, simply click on the resource image, or the article titles.

E-Journals on Health Issues



[Population Health Management](#) is available via Mary Ann Liebert Online.



[Telemedicine and e-Health](#) is available via Mary Ann Liebert Online.



[International Perspectives on Sexual and Reproductive Health](#) is available online



UpToDate Online is the largest clinical community in the world dedicated to synthesizing knowledge for clinicians and patients. Our community includes over 4,400 expert clinicians who function as authors, editors and peer reviewers and over 400,000 users who provide feedback and questions to our editorial group.

Thank you to Dr. Eyesusawit from UNHCC for selecting the following articles from UpToDate:

[Patient information: Diet and health](#)- This topic summarizes the research about the relationships between various foods or supplements and specific health conditions, and concludes with general recommendations for following a healthy diet.

[Patient information: Diabetes mellitus type 2: Overview](#) - This overview includes causes, diagnoses, treatments, complications, pregnancy concerns, and references on where to get more information on diabetes.



Mary Ann Liebert, Inc. is universally acknowledged for publishing authoritative peer-reviewed journals, books, and trade magazines in the most promising areas of biotechnology, biomedical research/life sciences, clinical medicine and surgery, alternative and complementary medicine, law, philanthropy, environmental science and sustainability.

[Editorial: Telemedicine and Health Information Technology to Achieve Millennium Development Goals](#), Ronald C. Merrell, Charles R. Doarn, Telemedicine and e-Health. March 2011

[Determinants of Condom Use Among Female Sex Workers in Kenya: A Case-Crossover Analysis](#), Journal of Women's Health. March 2011, ahead of print.



Including the respected Gale Encyclopedia of Medicine, Health & Wellness Resource Center delivers up-to-date reference material as well as full-text magazines, journals, and pamphlets from a wide variety of authoritative medical sources.

[Climatic variables and malaria transmission dynamics in Jimma town, South West Ethiopia, Parasites & Vectors](#). March 2, 2011

[Factors associated with late presentation to HIV/AIDS care in South Wollo Zone Ethiopia: a case-control study](#), AIDS Research and Therapy. Feb 28, 2011

[Diabetes mellitus type 2](#), Gale Health Collection. Online Edition. Gale, 2011. (Compare this resource with UpToDate for maximum authority!)

Spotlight on EDND Regional Forum on Finance for Development

**The Regional Forum on Financing for Development:
Mobilizing Resources for Economic Transformation in Africa
18 to 20 May 2011, Addis Ababa, Ethiopia**

Mobilizing Financial Resources for Development: Salient Issues

Initiatives taken since Monterrey

The first United Nations International Conference on Financing for Development (Monterrey, Mexico, 2002) resulted in the Monterrey Consensus, which embraced the main areas for mobilizing domestic and international financial resources; promoting international trade; increasing international financial and technical cooperation; managing external debt and addressing issues bordering on international economic governance and the coherence of the international financial system.

At the Doha Conference (Qatar, 2008) Heads of State and Government and high representatives reaffirmed their commitment to the Monterrey Consensus resulting in the Doha Declaration. The Declaration recognized that mobilizing financial resources for development and the effective use of all those resources are central to the global partnership for sustainable development, including the Millennium Development Goals.

Successive commitments have been made by development partners in support to Africa's efforts in relation both to financial support and to the wider policy agenda. Finally, the international community as a whole made new commitments during 2009-2010 in response to the financial and economic crisis, spanning the provision of resources, broader global economic policy and corporate governance.

Financing Challenges Facing Africa

African countries continue to face a perennial shortage of resources to finance public and private investments, constraining their ability to accelerate growth and achieve effective economic transformation. Mobilizing adequate financial resources is the only real key to sustained economic growth, development and transformation in all economies, particularly in Africa. The global financial and economic crisis has further reinforced the need for African countries to intensify efforts and develop policies for mobilizing resources for long-term economic growth. Yet, most African countries have difficulty mobilizing adequate financial resources due mainly to the predominance of subsistence activities, within their economies, which barely generate enough resources to meet basic consumption needs as well as the overall high levels of poverty.

Additional obstacles include (i) limitation of taxable capacity combined with inefficient tax administration which have hampered domestic resource mobilization; (ii) increased uncertainty with regard to access to international flows due to existing global economic and financial conditions; (iii) stalemate of the WTO Doha Round negotiations – whose initial objective was to promote a multilateral system that allowed African countries to enjoy the advantages resulting from international trade; (iv) the levels of ODA provided by developed countries with respect to their gross national income which are still below the goal mutually set earlier; (v) limitations of the current debt sustainability framework, and the legitimate concerns that ODA flows seem to have been undermined by the financial resources granted for debt relief; and (vi) lack of inter-institutional coordination at the global level to ensure a stable international financial system which could promote development.

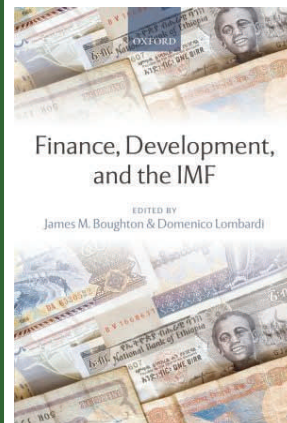
Case for a Forum on “Financing for Development in Africa”

Addressing the aforementioned challenges and responding to the decision of the General Assembly resolutions on Africa's preparatory process towards the High level Dialogue on Financing for Development (December, 2011) requires providing the appropriate forum for a continental high-level (...continued on p.4)

Featured Articles on Financing for Development

- [The role of the stock market in the provision of Islamic development finance: Evidence from Sudan](#), *Emerging Markets Review*, In Press, Accepted Manuscript, Available online 30 April 2011
- [Reforming Aid: Toward More Predictable, Performance-Based Financing for Development](#), *World Development*, Vol. 36, Issue 10, October 2008, Pages 2067-208

E-Books on Finance for Development



Finance, Development, and the IMF

Boughton, James M. (Editor), Lombardi, Domenico (Editor)

Print publication date: 2009

Oxford Scholarship Online: September 2009

OXFORD
scholarshiponline



New Sources of Development Finance

Atkinson, A. B. (Editor)

Print publication date: 2004

Oxford Scholarship Online: January 2005

EDND Forum, continued...

dialogue. It is on this basis that ECA is organizing the Forum on "Financing for Development: Mobilizing Resources for Economic Transformation" in collaboration with the African Development Bank (AfDB) and the African Union Commission (AUC). The forum aims to (i) Review progress made since the Doha Declaration; (ii) Discuss key issues relating to development finance in Africa to strengthen the capacity of African countries to mobilize more domestic and external resources; and (iii) Deliberate on preparations for the up-coming World Summit (Busan, Korea, November 2011) and High-Level Dialogue on Financing for Development (New York, December 2011.)

It is hoped that the Forum will provide a multi-stakeholder platform to discuss key issues as well as build consensus on key concerns and expectations of the continent with regard to development financing. The main outcome of the forum is expected to be an African position to be tabled at the up-coming World Summit and High-Level Dialogue on Financing for Development.

Tax Havens, continued....

Notwithstanding, the controversies and debates surrounding the definition of tax havens, three African countries – Liberia, Mauritius and the Seychelles – appear consistently on list of jurisdictions that are considered tax havens.

What is the indictment against tax havens?

Supporters of tax havens argue that tax havens enhance world welfare by disciplining governments to provide best public services for the lowest price in terms of taxes. Through tax competition between nations, countries are forced to cut taxes, broaden the tax base and improve efficiency in the delivery of public services.

Critics of tax havens, however, see them as parasites that undermine the tax and regulatory systems of poor and rich countries alike by encouraging the avoidance and evasion of taxes, undermining the detection and prosecution of illegal activities, and hiding of ill-gotten wealth by a combination of low taxes, lax regulation, and secrecy.

By allowing wealthy individuals and multinational businesses in de-

veloped countries to reduce their tax liabilities, tax havens are also accused of shifting the tax burden onto the middle classes and the poor in the form of higher labour and consumption taxes with deleterious effect on the fairness of tax systems in those countries.

Tax havens do not only affect developed economies; critics argue that the secrecy services offered by tax havens facilitate capital flight from developing countries. A study from forty sub-Saharan African countries for the period 1970-2004 reported that capital flight from the region amounted to US\$420 billion compared to total external debt of US\$227 billion at the end of 2004. (Ndikumana and Boyce)

Capital flight can either be legal or illegal. Illicit capital flight from developing countries consists of the use of transfer mispricing by multinational businesses, the laundering of the proceeds of criminal activities, and the proceeds of corruption. By far the biggest component of illicit capital flight is transfer mispricing. Multinational companies can reduce their tax liabilities by manipulating the prices that they charge ('transfer prices') for transactions within the group. By manipulating transfer prices, multinational companies can shift significant profits from companies resident in a country to foreign entities usually located in tax havens where taxes on profits are either minimal or non-existent.

Capital flight from developing countries usually ends up in banks in developed countries and in tax havens. Due to bank secrecy laws and other confidentiality provisions and the lack of tax information exchange agreements, this potential tax base is usually beyond the reach of revenue administrations in developing countries, representing a huge loss of tax revenue. Regional and international anti-corruption instruments such as the African Union Convention on Preventing and Combatting Corruption and the United Nations Convention against Corruption allow for mutual legal assistance in corruption cases requiring asset repatriation. However, according to the second African Governance Report (ECA, 2010), Western countries do not demonstrate enough commitment to tackle the problem. The legal regime in asset repatriation is complicated and cumbersome, and the costs of asset recovery make it an arduous, if not almost impossible, challenge for African countries.

Our Mission:

The mission of the ECA Library, as a central catalyst for organizational effectiveness, is to continuously enrich and add value to the Commission's knowledge ecosystem, by providing reliable access to high quality resources and services to staff members and other stakeholders, wherever they may be.

Our Vision:

To establish, maintain and operate a regional, modern, "state-of-the-art, automated" library and documentation centre. The centre will be dynamic, flexible and more service oriented in providing access to information and will strive to meet the information needs to ECA staff as well as the research community in Africa.