



Tax and Development

A scoping study of funding opportunities

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The Transparency and Accountability Initiative (T/AI) is a donor collaborative that includes the Ford Foundation, Hivos, the International Budget Partnership, the Natural Resource Governance Institute, the Omidyar Network, the Open Society Foundations, the United Kingdom Department for International Development (DFID) and the William and Flora Hewlett Foundation. T/AI aims to expand the impact, scale and coordination of funding and activity in the transparency and accountability field.

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Acknowledgements

This report was commissioned by the Transparency and Accountability Initiative (T/AI). It was written by Claire Kumar, in close collaboration with Giulia Mascagni, Research Fellow at the Institute of Development Studies (IDS) and International Centre for Tax and Development (ICTD). Many thanks are due to Vanessa Herringshaw, manager of this project and Director of T/AI, as well as to members of the Group of Experts who volunteered their time to support this process: Attiya Waris (University of Nairobi), Ben Dickinson (OECD), Charles Abugre (UNDP), Chris Wales (PwC), Ken Barden (USAID), Kieran Holmes (Commissioner General, Burundi Revenue Authority), Martin Hearson (LSE), Ricardo Barrientos (Central American Fiscal Studies Institute – ICEFI) and Wilson Prichard (ICTD).

Many thanks are also due to all the stakeholders interviewed who took the time to reflect on and answer our questions, and to offer their creative ideas on how tax work can be taken forward at national, regional and global levels. This report is entirely based on these ideas and the innovative thinking of those working on taxation issues.

However, this report is the author's own and any errors or omissions are the responsibility of the author alone. The views expressed are those of the author and are not necessarily shared by T/AI or any of its members.

Abbreviations

AfDB	African Development Bank	IFFs	Illicit financial flows
AER	Action for Economic Reform	IGC	International Growth Centre
ATAF	African Tax Administration Forum	IMF	International Monetary Fund
BAN	Budget Advocacy Network	IPSS	Institute for Peace and Security Studies
BEPS	Base erosion and profit shifting	ITUC	International Trades Union Congress
CBGA	Centre for Budget and Governance Accountability	LAC	Latin America and the Caribbean
CGD	Centre for Global Development	LSE	London School of Economics
CISLAC	Civil Society Legislative Advocacy Centre	MNC	Multinational corporation
CRAFT	Capacity for Research and Advocacy for Fair Taxation	NGO	Non-governmental organisation
CSO	Civil society organisation	OECD	Organisation for Economic Co-operation and Development
CTPD	Centre for Trade Policy and Development	PIRG	Public Interest Research Group
DFID	Department for International Development (UK)	PSI	Public Services International
EAC	East African Community	PwC	PricewaterhouseCoopers
ECOWAS	Economic Community of West African States	PWYP	Publish What You Pay
EITI	Extractives Industry Transparency Initiative	RJF	Red de Justicia Fiscal
EU	European Union	SADC	Southern African Development Community
FACT	Financial Accountability and Corporate Transparency	SICA	Sistema de la Integración Centroamericana
FATF	Financial Action Task Force	SME	Small and medium-sized enterprises
FOCISSA	Fellowship of Christian Councils in South Africa	TADAT	Tax Administration Diagnostic Assessment Tool
FSB	Financial Stability Board	T/AI	Transparency and Accountability Initiative
FTC	Financial Transparency Coalition	TI	Transparency International
GATJ	Global Alliance for Tax Justice	TJN	Tax Justice Network
GDP	Gross domestic product	TJN-A	Tax Justice Network-Africa
GFI	Global Financial Integrity	TUAC	Trade Union Advisory Committee
GIZ	Gesellschaft für Internationale Zusammenarbeit	UNASUR	Unión de Naciones Suramericanas
HMRC	Her Majesty's Revenue and Customs	UNDP	United Nations Development Programme
IADB	Inter-American Development Bank	UNECA	United Nations Economic Commission for Africa
ICRICT	Independent Commission for the Reform of International Corporate Taxation	USAID	United States Agency for International Development
ICTD	International Centre for Tax and Development	VAT	Value added tax
IFC	International Finance Corporation	WTO	World Trade Organization

Executive summary

Taxation is a rapidly evolving area of programming and policy work for many donors with the potential to bring about truly transformative change. Effective tax systems are a precondition for development, raising revenue to fund public services and key infrastructure. Taxation is a crucial lever for addressing inequality and is central to governance relationships between governments, companies and citizens. The good news is that there is unprecedented momentum for improvement, with rising public and political pressure for change and concrete openings for policy reform. But the challenging news is that these opportunities have now outpaced the level of funding, and the new policy openings could be squandered without adequate support. Taxation work needs a larger, more strategic funding base. In recognition of this, the Transparency and Accountability Initiative (T/AI) commissioned this scoping study to inform decision-making by funders interested in both strengthening tax systems in developing countries and in policy reforms in the sphere of international taxation.

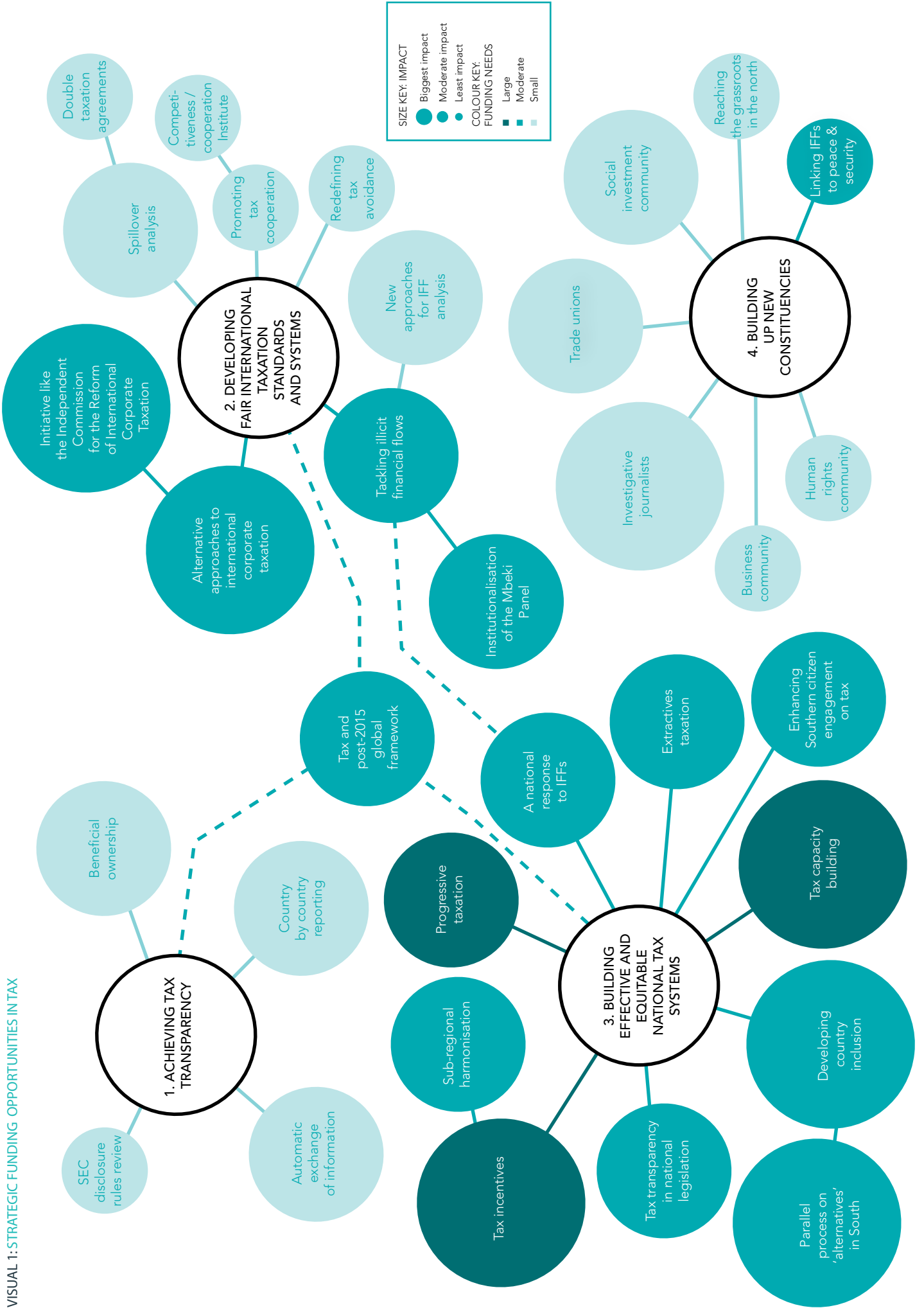
A broad range of issues related to tax are scrutinised in this study, including: strengthening national tax collection systems and national tax policies; addressing the use of tax incentives and harmful tax competition; confronting tax avoidance and evasion; and examining the range of tax transparency and other measures that can help tackle tax opacity and the use of tax havens. Therefore the study was conceived to include the issue of illicit financial flows, but primarily from the perspective of taxation – i.e. focusing on commercial tax evasion.

This scoping study maps what work on these issues is ongoing at the various levels, then investigates where the most strategic new opportunities might lie for future funding by donors. The methodology involved a substantial stakeholder consultation across the globe involving actors from Europe, the US, Asia, Africa and Latin America. Interviews were conducted with representatives from multilateral organisations, bilateral donors and private foundations, and with representatives from Northern- and Southern-based civil society organisations (CSOs), governments, companies, tax justice activists, journalists, trade unionists and academics. Findings and draft recommendations were discussed with an eminent Group of Experts.¹

The report begins with a brief introduction to taxation issues, then summarises both key operational actors and key funders in this field. Next it assesses progress and concerns, based on the stakeholder interviews. The remainder of the report presents the strategic opportunities for donors interested in funding tax work, summarised in a diagram. This is followed by a narrative explaining each option in more detail, outlining the goal and problems, and discussing impacts and risk. The potential interventions are then laid out with relevant geographic and policy opportunities highlighted, as well as an indication of the actors that could lead in this work and how it could be taken forward. Where donor support beyond funding is needed this is clearly flagged. In this way funders should be able to match their own priorities and ways of working with the opportunities.

This study recommends that funders focus on four key goals in their funding strategies. The diagram on the next page summarises these goals and key actions needed, showing the expected impact and the scale of funding needed for each.

¹ See Acknowledgements.



VISUAL 1: STRATEGIC FUNDING OPPORTUNITIES IN TAX

Goal 1: Achieving tax transparency. The first priority is to ensure that current policy-making processes on tax transparency actually deliver on their potential. This cannot be assumed, and, if missed, these windows may not open again for a number of years. Immediate priorities for support, but which have small funding needs, include:

- advocacy on **beneficial ownership** at the EU level, as well as new research on beneficial ownership and privacy issues;
- support for ongoing advocacy in relation to **automatic exchange of information**, particularly around the issue of reciprocity in member states of the Organisation for Economic Co-operation and Development (OECD);
- support for the next phase of **country-by-country reporting work**, by preparing the terrain for new open data formats to be used to capture information released under new accounting and transparency legislation, and the sustained analysis and use of that data;
- supporting groups in the US to engage in the **SEC disclosure rules review** to ensure that corporate disclosure standards are strengthened in line with the tax transparency agenda.

The report also includes a recommendation that relates to Goals 1–3:

- action to ensure tax is well represented in the new **post-2015 global framework**.

Goal 2: Developing fair international taxation standards and systems. There is also a need to foster more fundamental international taxation reforms, given the major problems with the current system in terms of both the abusive profit-shifting activities that take place and the lack of equity behind current rules and principles. This is an experimental, new area but one that has significant funding gaps.

- the leading recommendation is that funders come together **with a big push on alternative approaches to international corporate taxation**. This will need approaches that not only clarify policy solutions but also develop crucial political momentum. This may include making an effort to refine and support proposals to establish an international initiative such as the proposed Independent Commission for Reform of International Corporate Taxation (ICRICT). There is a need to explore credible alternatives at the global level to the current international tax system and vitally to do so in a way that is properly inclusive of developing countries. Parallel technical, political and national level processes are also recommended to support work in the area.

Other very important recommendations concern tackling illicit financial flows. Recommendations here are twofold:

- support innovative **new approaches and research methodologies for illicit financial flow analysis**;
- support the **institutionalisation of the Mbeki High Level Panel on Illicit Financial Flows**. The panel's important work is widely recognised but there is currently no funding in place to guarantee that the panel's recommendations are properly carried forward.

There are other opportunities in this area which could be taken forward with only small funding, such as:

- supporting new **'spillover analysis'** work, including looking at how the tax system of countries such as the Netherlands, Switzerland, Luxembourg and Ireland harm developing countries;
- supporting scale-up of policy, advocacy and campaigning work on **double taxation agreements** in the South;
- supporting work in very new areas to **redefine tax avoidance** and to help influence current, political debates around tax competitiveness, moving from a global framework of tax competition to one that **promotes tax cooperation**.

Goal 3: Building effective and equitable national taxation systems. All stakeholder groups recognised that there is a huge gap in support for actors in the South. Tax capacity-building programmes receive much lower contributions from bilateral aid budgets than they should, even though they have the potential to dramatically increase revenues raised. The policy and advocacy work of Southern networks and CSOs has been severely under-resourced for too long.

This goal requires large new funding on a number of fronts supporting Southern governments in parallel with Southern civil society. Momentum in the South is rising and now is the time to react with a large injection of funding. Priority areas for action include:

- ensuring **developing country inclusion** in international processes such as the OECD policy-making process, including the BEPS (Base Erosion and Profit Shifting) Action Plan;
- supporting **parallel processes in the South to explore alternative international corporate income taxation rules**. This would entail supporting research, advocacy and high-level dialogue in developing countries around alternative taxation systems and is strongly recommended as a parallel action to investment in a global initiative like ICRICT (see Goal 2) to ensure the widest possible international momentum in this area.
- a big push on **tax incentives** work. Support for research, policy, advocacy and campaigning work should include a focus on **sub-regional harmonisation** agendas;
- significant expansion of **tax capacity-building** work alongside new commitments to **progressive taxation** and the development of equity benchmarks as part of tax capacity programmes to help create more political momentum for change;
- moderate funding support to expand work on **extractives taxation** and **citizen awareness and engagement on tax**;
- efforts to contextualise **tax transparency in national legislation** in the South.

The report also recommends supporting a new initiative in the South around illicit financial flows:

- the development of an innovative methodology to take forward a **comprehensive, national response to illicit financial flows**, starting in Ghana, with potential for replication in other countries.

Goal 4: Building up new constituencies. There is a need to expand structural and strategic support for the tax agenda by building up new constituencies. All of these opportunities require relatively small funding but over the medium-to-long term are likely to yield good results.

- With impact in mind, the key constituency highlighted here is that of **investigative journalists**, given that media coverage of ‘tax scandals’ is widely considered to have driven political will in this area in many countries.
- Important opportunities exist to also work with the **social investment community** and **trade unions** as key actors, given their leverage over business behaviour.
- Other key initiatives requiring support include **reaching the grassroots in the North** (Europe and the US) by expanding public education and outreach work, bringing in champions in the **business community** and reaching the **human rights community**.

The main report provides concrete recommendations in all these areas. It also clarifies key non-funding roles that funders can play, such as diplomatic outreach and coordination – there are a number of areas where funders’ collaborative efforts and joint leadership would significantly enhance impact. Finally, actors working on tax and illicit financial flow issues are identified and profiled in the Appendices.

The funding strategy recommended here is comprehensive, given the many priorities that must be addressed to enshrine effective and fair taxation systems and the varying niches of different funders. Ideally, funders should seek to work at all levels and pursue multi-country initiatives. Coordinated, harmonised policy initiatives are likely to increase the feasibility of reform and to make the biggest difference. This is the case at global, regional and sub-regional levels. Such activities are most easily taken forward by donors acting together, collaboratively working on this agenda. **T/Al’s Tax and Illicit Flows Funders’ Working Group** is well placed to add value in this regard.

While all four goals recommend action at all levels, Goals 1 and 2 require concerted efforts at the international level, Goal 3 prioritises opportunities at national level in developing countries, while Goal 4 looks at building long-term constituencies for change at all levels. All are very important.

But **one of the leading recommendations is that donors give priority to supporting work on taxation in developing countries.** So many aspects of revenue-raising in developing countries rest on ‘the basics’, in terms of institutions, systems and staff. Multilateral and bilateral funding for tax capacity-building programmes must be expanded. However, there are complementary processes that must go hand in hand with that, perhaps the most obvious being a great increase in investment in taxpayer education, popular citizen mobilisation and national CSO policy research, advocacy and campaigning around tax. The political momentum for change depends on donors supporting these activities, and there was possibly no single area of greater consensus in stakeholder interviews than that *“tax is a political issue”*. Investment in the South to build up the work of CSOs on tax and to enhance Southern voices in all taxation debates – including at the international level – is a hugely underfunded area.

This work, however, must be **combined with efforts to break new ground at the international level on alternative international taxation standards and systems.** Opportunities and innovative ideas clearly exist in this area. CSOs have developed significant expertise and alliances are now well established, thanks to strong work on tax transparency. They are ready to take on this new challenge. Funding is, in almost all cases, the key missing ingredient holding back progress. There are certainly risks for funders, as always when policy and advocacy work seeks to break new ground on sensitive political topics, but stakeholders agree the time is right to push for the wholesale structural reforms that are needed.

It has to be stressed that the tax transparency agenda remains an important area for support. Progress is feasible and a moderate expansion of donor resources in this area could have a large impact.

Finally, while tax transparency work (and some other opportunities identified here) offers some ‘quick wins’, **effective support will be long-term support.** Though momentum is at a high level – and now is clearly the time to act and to commit resources – tax programmes and policy and advocacy work will take time to deliver comprehensive, sustained results. The stakeholder consultation made it clear that there is currently *“unprecedented room for manoeuvre”*.

As one interviewee put it, there is *“a window for more progress that is wide open”* but *“we shouldn’t assume it will stay wide open and shouldn’t feel comfortable this will always be the case”*. The call from actors in this area was for funders to seize the momentum, not just in terms of supporting the most immediate activities, but acting now to prepare what is fertile terrain for the long term.

Introduction

Effective tax systems are a central precondition for development. Tax revenue is critical to fund public services and infrastructure and to meet other development needs. It is also important because of its redistributive effects, if income and asset taxes are properly designed and enforced. The high levels of inequality in many developing countries make a progressive tax system even more of a priority. There is also a body of literature developing around how effective tax systems can build states' accountability to their citizens.²

Part of the reason for the strong focus on tax revenue has been the effects of the global financial crisis, with austerity budgets in the North leading to both a shared agenda on strengthening government revenues and declining aid budgets for the South.³ Still, aid directed at strengthening national tax systems is very low.⁴ There are signs this may change. Tax is under discussion as a key part of the post-2015 global development framework, and is on the agenda of the new Global Partnership for Effective Development Cooperation.⁵ Most experts also agree that there is strong potential to raise more tax revenue in low-income countries.⁶

There is now little doubt that **tax is firmly established on the development agenda.** Strengthening tax administrations, reforming personal income tax and corporate income tax – including reducing harmful tax incentives and properly taxing key sectors such as the extractives industries – and addressing tax avoidance and evasion are all now part and parcel of tax and development debates. But the tax and development debate is not limited to national taxation issues within developing countries. Global taxation rules – and how these facilitate a manipulation of declared profits by multinational corporations (MNCs) and enable assets to be effectively hidden offshore – have increasingly gained prominence. In both developing and developed countries, increasingly the media is shining a spotlight on the very low tax contributions of MNCs.

This report seeks to **inform decision-making by funders interested in both strengthening tax systems in developing countries and in policy reforms in the sphere of international taxation.** This study therefore looks at a broad range of issues related to tax, including national tax reforms, strengthening global rules to confront tax avoidance and evasion, and the range of transparency

measures that can help tackle corporate tax opacity and the use of secrecy jurisdictions. This study also addresses illicit financial flows, but primarily from the perspective of commercial tax evasion.

There is now a huge amount of research, policy analysis, advocacy and activity by governments, multilateral and bilateral actors and CSOs around international taxation issues. This has grown from a very low base over the past decade, with pioneering actors such as Tax Justice Network (TJN) and Global Financial Integrity (GFI) drawing attention to the use of secrecy jurisdictions and the scale of assets held offshore, and advocating for a crackdown on tax havens and a closure of the loopholes that allow assets and income to escape untaxed offshore.

With regard to developing countries the most recent figures come from GFI's annual report in 2013, which finds that the total amount of **illicit financial outflows** from developing countries is approximately US\$5.9 trillion over a ten year period, or on average US\$590bn per year. The most recent year studied – 2011 – shows illicit financial outflows total US\$967.7bn, far above this average.⁷ GFI's most recent study estimates that - of the total amount of illicit financial outflows leaving developing countries – 80% results from commercial tax evasion.⁸ Also very important to note is that there is now a clear consensus that IFFs from developing countries far exceed aid funding.⁹ As a result of growing attention to the issue the UN is becoming increasingly active with regard to IFFs and taxation policies and has published several resolutions, as well as a report on international taxation issues by the Secretary-General.¹⁰ More recently the UN Human Rights Committee has released its first report on fiscal justice and human rights, led by the Special Rapporteur on Extreme Poverty.

² Prichard, Wilson, 2010, *Taxation and State-building: Towards a governance focused tax reform agenda*, IDS Working Paper 341.

³ Fjellstad, Odd-Helge, 2013, *Taxation and Development: A review of donor support to strengthen tax systems in developing countries*, WIDER Working Paper No. 2013/010.

⁴ For example, the OECD has said that only 0.07% of official development assistance to fragile states goes to building more effective tax systems. See OECD, 2014, *Domestic Revenue Mobilisation in Fragile States*

⁵ This partnership builds on international activities such as the Paris Declaration on Aid Effectiveness and was created at the Fourth High Level Forum on Aid Effectiveness in Busan. It brings together governments, the private sector and civil society. Co-chairs are Mexico, Netherlands and Nigeria, and 161 governments are participating in total. The first high-level meeting of this partnership was in Mexico in April 2014. See <http://effectivecooperation.org/about/>

⁶ See Moore, Mick, Mascagni Giulia and McCluskey Rhiannon, 2014, *Tax Revenue Mobilisation in Developing Countries: issues and challenges: A report for the European Parliament*, Institute of Development Studies and International Centre for Tax and Development, for a survey of some of the literature on this.

⁷ See Kar, Dev and Le Blanc, Brian, 2013, *Illicit Financial Flows from Developing Countries: 2002–2011*, Global Financial Integrity.

⁸ Kar, Dev and Le Blanc, Brian, 2013, *Illicit Financial Flows from Developing Countries: 2002–2011*, Global Financial Integrity.

⁹ Swiss Agency for Development and Cooperation (SDC), 2014, *Illicit Financial Flows: Challenges and possible courses of action for Swiss development policy*, Development Policy Brief, April 2014.

¹⁰ See, for example, Resolution 2011/32, Strengthening international cooperation in combating the harmful effects of illicit financial flows resulting from criminal activities at: <http://www.un.org/en/ecosoc/docs/2011/res%202011.32.pdf> as well as UN Economic and Social Council, 2013, *Role and Work of the Committee of Experts on International Cooperation in Tax Matters: Report of the Secretary-General* at http://www.un.org/esa/ffd/tax/2012TaxMatters/2012_SGR_TaxCommittee28feb12.pdf

The report recognises fiscal policy as a major determinant of the enjoyment of human rights and makes recommendations for reforms to the international tax system.¹¹ This represents an important strengthening of the UN voice on taxation and provides more impetus to the international movement to reform taxation rules to combat tax evasion and IFFs.

Illicit financial flows

There are variations in the definition of this term. GFI disaggregates illicit financial flows into three elements: commercial tax evasion; the laundering of proceeds of crime; and corruption and bribery.¹² The Centre for Global Development (CGD) generally talks about two categories of IFFs: illegal capital which comes from laundering the proceeds of crime, corruption and theft of state assets; and legally obtained capital that becomes part of an illicit transaction because of tax abuse by individuals or corporations.¹³ The commercial tax evasion element is often referred to as trade mispricing or abusive transfer pricing. MNCs seeking to minimise their tax bill can manipulate pricing in their transactions with subsidiaries. They can, for example, overprice their imports or under-price exports as a method of shifting profit from one country to another, as well as manipulating fees for services, the use of intellectual property, etc. In this way they can move profits from a high-tax jurisdiction to a low- or no-tax jurisdiction. There are a number of reports investigating such practices.¹⁴ The extractives industry has been particularly in the spotlight for these practices and is often cited as the worst offender.¹⁵ All IFFs, of course, cause great harm to developing countries. This money cannot be invested productively in developing countries and it also escapes the tax net. Illicit flows also exacerbate inequality by making efforts to directly tax wealth largely ineffective, as most income and assets are out of reach of governments anyway, meaning that tax systems may be forced to become more regressive systems by design.¹⁶ For Africa the picture is getting worse, with leakages increasing throughout Africa's high-growth period between 2000 and 2008.¹⁷

As greater **financial transparency** is seen as a necessary starting point for tackling illicit financial flows, tax avoidance and evasion, a lot of CSO policy and advocacy work around tax has been focused primarily on a transparency agenda. The three central policy recommendations made by CSOs are that countries: agree to automatic exchange of information; adopt a country-by-country reporting standard for MNCs; and create public registers of the beneficial ownership of companies.

Automatic exchange of information

Automatic exchange of information refers to the exchange of banking information between tax authorities for tax purposes. The new global standard under development by the OECD aims to ensure that this happens automatically – rather than on request, as currently it is in most cases, which creates a large burden on tax authorities and is considered ineffective.

Country-by-country reporting

A country-by-country reporting standard would require MNCs to publicly provide details of their profits, tax paid, turnover and employment on a country-by-country basis. Country-by-country reporting does not tell you what tax should be paid but it provides a clearer picture on how MNCs' economic activity relates to profit and taxes paid in different jurisdictions (i.e. if a large percentage of profit is made in a secrecy jurisdiction and none in developing countries, this would be visible under the country-by-country reporting system). In this sense country-by-country reporting is primarily important as a risk assessment tool for tax authorities.

¹¹ See <https://www.globalpolicy.org/component/content/article/216-global-taxes/52648-un-special-rapporteur-tax-policy-major-determinant-in-enjoyment-of-human-rights.html>

¹² Baker, Raymond, 2005, *Capitalism's Achilles Heel: Dirty money and how to renew the free market system*, Hoboken, NJ: John Wiley.

¹³ Cobham, Alex, 2014, *The Impacts of Illicit Financial Flows on Peace and Security in Africa*, Study for the Tana High Level Forum on security in Africa.

¹⁴ Christian Aid, 2009, *False Profits: Robbing the poor to keep the rich tax-free*; ActionAid, 2010, *Calling Time: Why SABMiller should stop dodging taxes in Africa*; ActionAid, 2013, *Sweet Nothings: The human cost of a British sugar giant avoiding taxes in southern Africa*; Prats, Alex and Jansky, Petr, 2013, *Multinational Corporations and the Profit-shifting Lure of Tax Havens*, Christian Aid Occasional Paper 9; GFI, 2014, *Hiding in Plain Sight: Trade mis-invoicing and the impact of revenue loss in Ghana, Kenya, Mozambique, Tanzania and Uganda: 2002-2011*.

¹⁵ Africa Progress Panel, 2013, *Equity in Extractives: Stewarding Africa's Natural Resources for All*.

¹⁶ See TJN-A and Christian Aid, 2014, *Africa Rising?: Inequalities and the essential role of fair taxation* for more on this position.

¹⁷ ADB and GFI, 2013, *Illicit Financial Flows and the Problem of Net Resource Transfers from Africa: 1980-2009*, A joint report by the African Development Bank and Global Financial Integrity.

Beneficial ownership

Beneficial ownership refers to who ultimately owns and controls a company – i.e. identifying the ‘real’ persons that ultimately benefit from profit. Currently it is possible for a secretive company to file no details of who owns or manages it and it can be owned, in turn, by a secretive offshore trust that also supplies no information of this kind. This opacity can facilitate the misuse of companies for illicit activity, from money laundering to tax evasion. CSOs are calling for the creation of publicly accessible registers of beneficial ownership for both companies and trusts.

There has been impressive progress on all fronts with CSO advocacy work in this area. Most importantly there is now a general acceptance that **international tax rules have not kept up with the changing nature of business, and the system is no longer fit for purpose**. As a result the OECD is now working on a new mandate to take forward work on several fronts. The Base Erosion and Profit Shifting (BEPS) Action Plan has been developed.¹⁸ It includes 15 measures to curb MNCs’ aggressive tax planning and involves a range of actions related to transfer mispricing, standards for international tax treaties and the tax treatment of the digital economy, among others. However, the OECD has made clear BEPS will not deal with wider questions related to the allocation of the corporate tax base between residence and source countries.¹⁹

There are other important changes to highlight. Standards that to some extent embrace **country-by-country** reporting have already been adopted by the EU for the extractives and forestry industries²⁰ as well as for the financial sector. There is similar legislation in the US – the Dodd–Frank Act – which also covers extractives, but there have been legal challenges to it from the oil sector and the outcome is still not clear.²¹ Norway decided unilaterally to adopt the country-by-country reporting standard from January 2014.²² The OECD has now been mandated by the G8 to develop a common country-by-country reporting template that can be used by MNCs to report to all countries’ tax authorities. It should be noted that the commitment is only to make the information available to tax authorities, rather than the public disclosure called for by CSOs.

Base Erosion and Profit Shifting (BEPS) Action Plan

In July 2013 the OECD launched its Action Plan on Base Erosion and Profit Shifting. This action plan was developed specifically to address problems with current international corporate income taxation rules and the artificial profit-shifting strategies of MNCs. The OECD clearly recognises that these are, in effect, leading to double non-taxation. The action plan has 15 action points. Each has a working group assigned and specific deadlines for its outputs. Actions cover a wide range of themes, including the digital economy, treaty abuse, transparency, aggressive tax planning and dispute resolution mechanisms, as well as an extensive examination of current transfer pricing issues which extend throughout a number of the action points. The BEPS Action Plan has been criticised as being too focused on aspects of developed countries’ economies, such as high-tech industries and digitalised consumer markets, while potentially neglecting sectors of central importance to developing countries such as agribusiness, extractives and telecommunications.²³ Although the OECD process around BEPS includes some consultations with developing countries through regional stakeholder events, developing countries have no formal seat at the table during this process.

The OECD has also been mandated to undertake work on **automatic exchange of information**. The roadmap on automatic exchange of information will be presented to the G20 summit in Australia in November 2014. However, it is currently expected to include a commitment to reciprocity, and there is serious concern about this (see Key concerns, page 27).

There has also been progress on beneficial ownership. The UK, in the context of its 2013 Presidency of the G8, committed itself to implement a publicly accessible central register of UK company beneficial ownership information. This is a big step forward. **Beneficial ownership** is now also on the legislative agenda at the European Parliament level²⁴ and there is legislation pending in the US on this issue, though this is proving difficult to move forward.

¹⁸ OECD, 2013, BEPS Action Plan

¹⁹ Taxing at source means to tax where the taxable income is generated. The other option is to tax is on a residence basis – where the person who receives the income is based. Essentially, rich countries with capital prefer the residence-based model of taxation, so that when one of their companies invests overseas they still get to tax the profits. Under such a system developing countries are most likely to lose out.

²⁰ For a critique of how the EU standards differs from the original country-by-country reporting standard, see Murphy, Richard, 2014, *Tax Justice for Africa: A briefing for the Africa Progress Panel*, Tax Research LLP.

²¹ See <http://www.globalwitness.org/library/sec-must-take-opportunity-re-issue-strong-rule-vital-us-transparency-law-under-dodd-frank> for discussion on this issue.

²² This applies to Norwegian MNCs investing in developing countries in the extractives and forestry sectors only.

²³ ActionAid, 2013, *A Level Playing Field? The need for non G20 participation in the BEPS process*.

²⁴ <http://www.europarl.europa.eu/news/en/news-room/content/20140210IPR35562/html/Money-laundering-MEPs-vote-to-end-anonymity-of-owners-of-com>

While tax transparency has impressively galvanised actors working at the international level and gained a high profile and various policy ‘wins’ as a result, **foundational work to reform national taxation systems in developing countries** has been ongoing in a large number of developing countries for decades.²⁵ Funding for taxation reform declined in the latter part of the 1990s but appears to be increasing again, though it is still a relatively modest part of donor programmes.²⁶ There has certainly been progress – analysis looking at the past two decades shows that developing countries’ tax revenue levels are increasing on average. Moreover, the tax reform question is also now on the mainstream political agenda more strongly than ever before. There is great diversity between countries, of course, and progress is uneven. For example, while progress in revenue collection in Latin America has been notable, particularly over the past decade,²⁷ progress in sub-Saharan Africa is particularly slow.²⁸ Most of the increases that have occurred in Africa have been related to natural resources taxation.

Over the past few decades national taxation reform has largely been driven by the ‘**tax consensus**’ which has been promoted by multilateral and bilateral donors alike. This consensus has focused on reducing corporate – and to a lesser extent personal – income tax rates while extending the base for consumption taxes generally and VAT in particular. This has been implemented alongside trade liberalisation conditionalities which have led to lower revenue from trade taxes. The ‘tax consensus’ has also encouraged a strong focus on tax administration, including the creation of semi-autonomous revenue authorities.²⁹ There are now 30 semi-autonomous revenue authorities in the developing world, all with diverse features but which share the key feature of independence, meaning that they should be free to operate without political intervention. They generally pay higher salaries than for other civil

service posts, to ensure that highly skilled staff are recruited and given sufficient motivation to perform well and to eschew corrupt practices. No formal evaluations of the semi-autonomous revenue authority model exist; however, there seems to be general agreement that their experience has been mixed.³⁰ The tax consensus has been widely criticised by CSOs³¹ and has been evaluated as not living up to its promise of delivering revenues.³²

An overview of developing country and civil society analyses provides a clear picture of the **tax reforms that would be useful for developing countries**. The African Tax Administration Forum (ATAF), for example, has highlighted problems with excessive exemptions and tax preferences for MNCs, the inability of African nations to fight IFFs and abusive transfer pricing by MNCs, and poor taxation of natural resource extraction, as well as calling for more taxation of land and property.³³ In Latin America, CSOs and research institutes regularly criticise existing tax systems and tax reforms on grounds of inequity. There, systems are heavily dependent on indirect taxation, tax incentives abound, tax evasion rates are high and the contribution of personal income taxation is considered extremely low.³⁴ In such contexts, unsurprisingly, the ‘tax consensus’ is seen as wanting.

As a result of the dominance of the ‘tax consensus’ agenda, **tax equity** questions have been ignored and many shortcomings regarding income and asset taxation persist in developing countries. In particular, personal income taxation regimes often operate very poorly. Research has shown that the bulk of the burden is on employees via the pay-as-you-earn (PAYE) system as the self-employed rarely pay tax, that income tax thresholds too often do not protect the poor, and that failure to enforce personal income taxation is a major shortcoming.³⁵

²⁵ For a commentary on the history of donor support programmes, see Fjelstad, Odd-Helge, 2013, *Taxation and Development: A review of donor support to strengthen tax systems in developing countries*, WIDER Working Paper No. 2013/010.

²⁶ Fjelstad, Odd-Helge, 2013, *Taxation and Development: A review of donor support to strengthen tax systems in developing countries*, WIDER Working Paper No. 2013/010.

²⁷ Gómez Sabaini, Juan and Moran, Dalmiro, 2014, *Política Tributaria en América Latina: Diagnósticos y lineamientos para una segunda generación de reformas*, CEPAL.

²⁸ Keen, Michael, and Mansour, Mario, 2009, *Revenue Mobilisation in sub-Saharan Africa: Challenges from globalisation*, IMF Working Paper, WP/09/157. This IMF report shows that non-resource-related tax revenue in sub-Saharan Africa was around 13% of GDP in 1980 and that by 2005 this had increased to only about 14% of GDP.

²⁹ Tax administration work also includes supporting increased computerisation, the introduction of unique taxpayer identification numbers, and improved data management and taxpayer services.

³⁰ See Fjelstad, Odd-Helge, 2013, *Taxation and Development: A review of donor support to strengthen tax systems in developing countries*, WIDER Working Paper No. 2013/010 for more discussion of this.

³¹ See, for example, Christian Aid’s paper looking at IMF tax policy recommendations in 18 African countries over a substantial time period: Marshall, John, 2009, *One Size Fits All: IMF tax policy in sub-Saharan Africa*, Christian Aid Occasional Paper, No. 2. This paper finds that the IMF substantially ignored the use of property and wealth taxes. References to both were very sparse and, in fact, in the case of wealth taxes there were no single, specific recommendations made by the IMF to developing countries in the whole 18-country sample studied.

³² Fjelstad, Odd-Helge, 2013, *Taxation and Development: A review of donor support to strengthen tax systems in developing countries*, WIDER Working Paper No. 2013/010.

³³ African Tax Administration Forum, 2012, *A Research Report on Good Tax Governance in Africa*.

³⁴ Gómez Sabaini, Juan and Moran, Dalmiro, 2014, *Política Tributaria en América Latina: Diagnósticos y lineamientos para una segunda generación de reformas*, CEPAL.

³⁵ For a literature review and detailed discussion of the shortcomings of personal income taxation in Africa, see Tax Justice Network-Africa and Christian Aid, 2014, *Africa Rising?: Inequalities and the essential role of fair taxation*.

The taxation of high net worth individuals in sub-Saharan Africa is illustrative here. In Kenya and South Africa, for example, high net worth individuals are often not even registered with the tax authority and the size of the tax gap in this area is significant.³⁶

There are also serious **barriers to effective corporate income taxation**, including the inability of developing country tax authorities to effectively audit MNCs and combat abusive transfer pricing practices. **Tax incentives** are also widely recognised as a major factor in diminishing corporate income tax revenues. Too often incentives are overly generous in developing countries. The lack of transparency around them has also left too much room for bribery and corruption to proliferate and raised questions about the motivations behind granting tax preferences to particular companies. It is considered good practice to track and evaluate the cost of tax incentives and to make this information publicly available as ‘tax expenditure’ in the public budget.³⁷ In far too many developing countries tax expenditure policies do not exist and there is simply no disclosure and little information available on how much tax incentives are costing the country. Civil society organisations have tried to assess and cost these to some degree.³⁸ It is now emerging that countries may be losing often between 2% and 6% of the GDP via their tax incentives systems.³⁹ The removal of these incentives would be administratively simple and would have an immediate, positive impact on revenue. Unsurprisingly, therefore, addressing tax incentives was the first recommendation made to donors in a recent review of tax capacity-building programmes.⁴⁰ There is no doubt it would represent the single most powerful – and immediately available – step towards improving tax systems in developing countries.

Extractives taxation is also a hugely important area for developing countries but one that presents major challenges for their governments. After many years of CSO advocacy, it is now a widely held view that the revenue that extractives generate for developing countries is far too small. The Extractives Industry Transparency Initiative (EITI) has been an important instrument ensuring transparency in this area. The low revenue share going to developing countries is driven by a number of factors, including the difficulty that developing countries have in negotiating contracts with MNCs, and poorly designed

mineral taxation regimes. These are characterised by overgenerous incentives and very low royalty rates and they lack important tax handles such as windfall taxes. And, as mentioned earlier, commercial tax evasion via trade mispricing is particularly prevalent in the extractives sector, adding to the problems facing developing countries in this area. The recent legislative advances on tax transparency for the extractives should enable more investigation to take place in order to challenge such arrangements.

While the extractives sector has been under great scrutiny for many years, unfortunately the same cannot be said for other sectors. An important criticism of donor capacity-building programmes is that they have offered very little practical support to help developing countries tax **other important sectors such as tourism, telecommunications, banks and financial institutions.**⁴¹

The question of equity is clearly a major challenge, and although the approach of multilateral institutions seems to be changing in this area,⁴² a great deal remains to be done. There is still a notable **data and research gap**, and comprehensive analysis of the equity of national tax systems is missing. Tax incidence data, for example, measuring the overall tax burden (or of particular tax types) on different income groups is essential to reveal the tax burden of poor people and assess the impact of different tax reforms. Very little data of this sort exists. Analysis of income inequality before and after taxation is also absent. The Inter-American Development Bank (IADB) has supported some work of this kind in the past, but even in Latin America and the Caribbean, up-to-date comprehensive data in this area is largely lacking. In sub-Saharan Africa there is simply a total gap. This lack of data hinders the work of those interested in tax equity questions, though CSOs and Southern researchers continue to look at the issue where possible.⁴³ The weakness of data collection on tax equity almost certainly reflects political neglect of tax equity questions by governments and large donors alike.

³⁶ See Tax Justice Network-Africa and Christian Aid, 2014, *Africa Rising?: Inequalities and the essential role of fair taxation*, which provides case studies of Kenya and South Africa including data on the high net worth taxation issue.

³⁷ Tax expenditures are a government’s estimated revenue losses that result from giving tax concessions or preferences to a particular taxpayer. CSOs are calling for tax expenditure policies that would ensure that these revenue losses are calculated and information is provided about the intended beneficiaries of tax expenditures and how they are being applied. This information would be published as part of the national budget, thus enhancing overall budget transparency.

³⁸ CSOs have carried out studies looking at overall national tax incentives schemes (e.g. TJN-A in East Africa) as well as looking at specific industry sectors (e.g. incentives for the extractives industries in Peru, Zambia and Sierra Leone and incentives for the fast food industry in Honduras).

³⁹ Tax Justice Network-Africa and ActionAid International, 2012, *Tax Competition in East Africa: A race to the bottom*.

⁴⁰ See Fjelstad, Odd-Helge, 2013, *Taxation and Development: A review of donor support to strengthen tax systems in developing countries*, WIDER Working Paper No. 2013/010 for the discussion of how to strengthen tax policy work.

⁴¹ Fjelstad, Odd-Helge, 2013, *Taxation and Development: A review of donor support to strengthen tax systems in developing countries*, WIDER Working Paper No. 2013/010.

⁴² The IMF and OECD, for example, are now more likely than ever before to highlight tax incentives, extractives taxation, taxation of high net worth individuals, tax evasion and illicit financial flows. For example, see IMF, 2011, *Revenue Mobilisation in Developing Countries*, Fiscal Affairs Department.

⁴³ For example, Centre for Budget and Governance Accountability (CBGA) in India is undertaking work in this area, as have CSOs most recently in Bangladesh and Honduras.

Although data and research may be lacking, it is clear that improvements must be made to the direct taxation of income and assets, including both policy reforms and improved enforcement. However, it should be noted that political barriers to progressive, equity-enhancing reforms are significant. Countries generally struggle to introduce new – or to improve existing – asset and income tax regimes. Kenya's problems in reintroducing capital gains tax on sales of property and shares and the difficulties of countries such as Guatemala when introducing its modern income tax legislation, and Ghana, Zambia and Peru which have struggled to introduce windfall taxes on extractives, are emblematic examples. In addition, VAT reforms – increasing rates and abolishing exemptions (with no analysis of how these may affect poor communities' ability to access basic food and other essential goods, utilities and transport) – continue to dominate the agenda in some countries.⁴⁴ Countries are also increasingly exploring new forms of consumer taxes, such as money transfer taxes (which are applied when money is transferred by mobile phone), even though these are services that the poor in Africa rely on hugely. Unfortunately, in this new area there has been little regard for overall tax incidence questions.⁴⁵

There is also now more interest in looking at **expanding taxation of the informal sector** as well as strengthening the taxation functions of local government. It is important to note that the majority of operators in the informal sector are likely to fall below minimum thresholds for taxation.⁴⁶ However, although revenue-raising potential is low, this strategy is useful on two fronts: for catching larger businesses that are improperly making use of the informal sector to escape tax, and for formalising activities of informal traders and building a constituency of taxpayers and a more robust taxpayer culture. Generally it is these governance aspects of taxation that have been too little explored, although there is increasing work in this area. The visible lack of equity erodes citizens' trust in the system and much remains to be done to rectify this. A recent review of donor support on taxation in developing countries makes a very strong recommendation that bilateral and multilateral donors now seek to complement their technical support with measures that encourage constructive engagement between governments and citizens on taxation issues.⁴⁷

Clearly the agenda for taxation reform in developing countries is extremely broad. Funders, CSOs, reformers within governments, research institutes, academics and social movements will be working across this agenda in diverse ways. From the perspective of civil society, extractives taxation has historically been very prominent and for many actors has been an entry point to the subject matter of taxation (e.g. in countries such as Sierra Leone, Bolivia and Mali). Other organisations with a central mandate for budget advocacy have expanded work to look at the revenue side (e.g. the national budget advocacy groups in Peru and Dominican Republic and regional networks such as CABRI in Africa). Other CSOs, with long-established track records in economic and social policy and good governance arenas (e.g. INESC in Brazil, EJNI in South Africa, CBGA in India, Funde in El Salvador and ISODEC in Ghana), have also adopted a strong focus on taxation and are advocating for broad-based equitable taxation reforms. National tax platforms are now increasingly common, particularly in Africa but also in other countries (e.g. Nicaragua). Where formal platforms do not exist there are often other mechanisms to ensure that broad-based national tax debates are taken forward (e.g. the national tax dialogue round table in El Salvador). There are also dynamic new actors entering the arena, with no track record of receiving institutional donor funding, but which are attracted by the desire to campaign for social change around taxation.⁴⁸

Within this broad picture of issues, ongoing processes, progress and challenges, there is a huge amount of activity under way. It is impossible to fully do justice in this study to the breadth of work on international taxation and across the global South. There are, of course, a very large number of actors intervening in different ways – both operationally and by funding work – on taxation. This study tries to profile the most important of these in the first section, mapping key actors and their work in this area. The next section assesses progress with tax work, highlighting positive developments and exploring areas where stakeholders still have concerns. The remainder of the report focuses on the four key goals developed as part of a proposed new strategy for funders, and on where new and expanded support could produce the greatest impact.

⁴⁴ Recent experiences in Malawi and Kenya are instructive in this area.

⁴⁵ See Rojas-Suarez, Liliana, *Taxing Kenya's M-Pesa picks the pockets of the poor*, Centre for Global Development, 15 October 2012 at <http://blogs.cgdev.org/46/globaldevelopment/2012/10/picking-the-pockets-of-the-poor.php> for more discussion of this reform.

⁴⁶ See Fjelstad, Odd-Helge, 2013, *Taxation and Development: A review of donor support to strengthen tax systems in developing countries*, WIDER Working Paper No. 2013/010 for a discussion of the revenue-raising impact in this area.

⁴⁷ Fjelstad, Odd-Helge, 2013, *Taxation and Development: A review of donor support to strengthen tax systems in developing countries*, WIDER Working Paper No. 2013/010.

⁴⁸ The Instituto Justiça Fiscal (IJF) in Brazil is a good example. It is a young, dynamic organisation made up of tax professionals and has a strong advocacy, campaigning and media focus. However, it was established only three years ago and has never received institutional donor funding, relying solely on individual donations.

Methodology for the scoping study

This scoping study relied heavily on a broad stakeholder consultation, as well as including an extensive literature review (described in Appendix 2). A questionnaire was developed and interviews were conducted with representatives from multilateral organisations, bilateral donors and private foundations as well as with representatives from Northern- and Southern-based CSOs, governments, companies, tax justice activists, journalists, trade unionists and academics. Stakeholders interviewed came from 21 countries across Europe, the US, Asia, Africa and Latin America. Many represent, or are active in, large coalitions, which brought even broader perspectives to the study. The resulting interview transcripts were analysed to identify key areas of consensus, extract ideas and formulate a strategy on this basis. Quotes are presented in the study to provide a clearer picture of stakeholder views. To enable open discussion, quotes are provided on an anonymous basis only. In the main, quotes are used that are particularly representative of the majority view on a subject matter. Where they reflect the views of a concerned minority, this is clarified in the surrounding text. Strategy development relied on criteria such as potential impact on revenue-raising and equity, as well as weighing up political momentum and the ability to secure concrete policy advances. The feasibility of implementation, and the ability of funders to immediately fund specific activities, were also considered in the strategy development. A first draft was discussed with an eminent Group of Experts⁴⁹ and the final draft was produced as a result of this process.

⁴⁹ See Acknowledgements.

Mapping key actors

Operational actors

Across the globe there are a huge variety of institutions working on tax and illicit financial flow issues. These include: multilateral institutions, global civil society networks and Northern- and Southern-based organisations (CSOs, trade union bodies, research institutes and regional tax administration bodies), as well as private sector representatives. Although the multilateral actors can also be considered funders, they are presented in the operational section, given their very significant role in tax policy research and various accompanying tax administration projects. Similarly, it should be noted that some Northern-based CSOs are operational in

policy, advocacy and campaigning while also funding Southern organisations. These CSOs are also mentioned in the funders section below. The table below presents information on a range of key operational actors. Only those that are exceptionally high-profile actors, or those operating as large coalitions, or in multiple countries, are included here. More information on each actor can be found in Appendix 3, alongside a wider range of actor profiles. It should be noted that these lists are clearly not definitive and reflect the inputs from the stakeholders interviewed for this study.

TABLE 1: OVERVIEW OF KEY OPERATIONAL ACTORS IN THE TAX FIELD

NAME	GEOGRAPHIC SCOPE	TYPE OF INSTITUTION	APPROACH	KEY AREAS OF WORK
MULTILATERAL ORGANISATIONS				
OECD	OECD member countries	Multilateral	Capacity-building; Technical assistance; Research; Developing international tax policy standards; Forums for dialogue on international tax matters.	<ul style="list-style-type: none"> • Transparency and exchange of information • Base erosion and profit shifting • Tax and Development • Tax Inspectors without Borders • Oslo Dialogue on Tax and Crime
IMF	Global	Multilateral	Technical assistance (including via Regional Technical Administration Centres); Lending programmes linked to macroeconomic issues (including fiscal policy); Policy advice; Research.	<ul style="list-style-type: none"> • Tax administration (including new Tax Administration Diagnostic Assessment Tool – TADAT) • All aspects of tax policy and tax legislation (including major role in introduction of VAT) • International taxation issues (e.g. spillover impacts and bilateral taxation treaties)
UN Tax Committee	Global	Multilateral	Development of guidelines, model treaties and manuals for use by developing countries; Forums for dialogue on international tax matters; Tax capacity-building.	<ul style="list-style-type: none"> • Bilateral taxation treaties (UN model treaty), ‘treaty shopping’ and treaty abuses • Transfer pricing (UN manual) • International cooperation in tax matters
World Bank	Global	Multilateral	Technical assistance to revenue authorities; Lending and grants to support tax administration and systems; Policy advice; Research.	<ul style="list-style-type: none"> • Tax administration • Easing compliance burdens for business and SME taxation issues • Tax disputes and arbitration • Corporate taxation (including transfer pricing and tax incentives)

NAME	GEOGRAPHIC SCOPE	TYPE OF INSTITUTION	APPROACH	KEY AREAS OF WORK
Inter-American Development Bank – IADB	Regional – Latin America and the Caribbean	Multilateral	Technical assistance to revenue authorities; Lending and grants to support tax administration and systems; Policy advice; Research.	<ul style="list-style-type: none"> • Tax administration • Tax policy • Tax legislation • Tax experiments (including behavioural economics to look at voluntary compliance issues) • Large focus on personal income taxation and on tax incentives • Property taxation
African Development Bank – AfDB	Regional – Africa	Multilateral	Technical assistance to revenue authorities; Lending and grants to support tax administration and systems; Policy advice; Research.	<ul style="list-style-type: none"> • Tax administration • Tax policy • Research (including looking at IFFs)
GLOBAL INSTITUTIONS				
Financial Transparency Coalition – FTC	Global	Civil society coalition	Policy and advocacy work at international level; Coordinated advocacy in member countries both North and South.	<ul style="list-style-type: none"> • Tax transparency: automatic exchange of information, country-by-country reporting and beneficial ownership • Enablers of IFFs • Institutional architecture for financial transparency and developing country inclusion
Global Alliance for Tax Justice – GATJ	Global	Civil society coalition	Policy and advocacy work; Campaigning (including coordinated North–South and South–South campaigns work).	<ul style="list-style-type: none"> • Progressive taxation systems • Fiscal justice: tax + budget • Tax incentives • MNCs’ tax contribution • Tax transparency
International Centre for Tax and Development – ICTD	Global (but mainly active in Africa)	Global policy research network	Research including North–South research partnerships and capacity-building initiatives for researchers.	<ul style="list-style-type: none"> • Domestic taxation including: property tax, personal income taxation, VAT, informal sector taxation • International taxation and MNCs’ tax contributions (including research on unitary taxation/formulary apportionment) • Strong focus on political economy of tax policies and practices
SOUTHERN-BASED ORGANISATIONS				
Tax Justice Network-Africa	Regional – Africa	Civil society network	Policy, advocacy and campaigning work; Research; Capacity-building of CSO members; Network–building.	<ul style="list-style-type: none"> • Progressive taxation • Tax incentives • Natural resource taxation • International taxation and IFF issues • Regional harmonisation and tax issues
African Tax Administration Forum – ATAF	Regional – Africa	Tax administration forum	Capacity-building for tax authority staff; Building cooperation in tax matters; Research.	<ul style="list-style-type: none"> • Tax administration • Tax policy • Tax transparency, particularly information exchange • Extractives taxation
CRAFT project consortium	Uganda, Mali, Egypt, Nigeria, Senegal, Ghana and Bangladesh	Civil society consortium	Building knowledge, research and advocacy capacity; Supporting campaigning and popular mobilisation.	<ul style="list-style-type: none"> • Progressive taxation

NAME	GEOGRAPHIC SCOPE	TYPE OF INSTITUTION	APPROACH	KEY AREAS OF WORK
Red de Justicia Fiscal –RJF	Regional – Latin America and the Caribbean	Civil society network	Policy, advocacy and campaigning work; Research; Capacity-building of CSO members; Network-building.	<ul style="list-style-type: none"> Progressive taxation issues Tax incentives International taxation and IFF issues Regional harmonisation and tax issues Natural resource taxation (<i>new</i>)
Central American Institute for Fiscal Studies – ICEFI	Guatemala and sub-regional in Central America	National CSO (coordinating sub-regional network)	Policy, advocacy and campaigning work; Research and maintenance of statistical observatory on tax data; Network-building.	<ul style="list-style-type: none"> Progressive taxation Fiscal transparency Coordination of Central America RJF network across seven countries
Inter-American Centre of Tax Administration – CIAT	Regional – Canada, US, Latin America and Caribbean	Tax administration forum	Technical assistance to member countries; Building cooperation for tax matters; Research.	<ul style="list-style-type: none"> Tax administration International taxation including strong focus on transfer mispricing, information exchange and double taxation treaties
Jubilee South Asia Pacific Movement on Debt and Development – JSAPMDD	Sub-regional	Civil society network	Policy, advocacy and campaigning work; Capacity-building with CSO members and popular organisations. Network-building.	<ul style="list-style-type: none"> Progressive taxation 'Sin taxes' and excise taxation Gender and taxation issues
Centre for Budget Governance and Accountability – CBGA and Asia network	Asia: India, Bangladesh, Nepal, Pakistan, Afghanistan, Indonesia, Philippines, Korea, China	CSO (coordinating informal regional network)	Policy, advocacy and campaigning work; Research; Capacity-building of CSO members; Network-building.	<ul style="list-style-type: none"> Progressive taxation Tax transparency agenda Institutional architecture for fair taxation Coordination of informal Asia network across eight countries outside India – main focus on IFFs
NORTHERN-BASED ORGANISATIONS				
Eurodad	Regional – Europe	Civil society network	Policy, advocacy and campaigning work; Research.	<ul style="list-style-type: none"> Tax justice and financial architecture (alongside work on aid, debt and private finance) Beneficial ownership
Tax Justice Network	UK (with affiliates)	Civil society network	Policy and advocacy; Research; Capacity-building.	<ul style="list-style-type: none"> International taxation issues including tax havens, tax competition, tax avoidance and tax evasion Tax justice and human rights
Global Financial Integrity – GFI	US	National CSO	Research and advocacy; Engaging Southern governments on IFF issues.	<ul style="list-style-type: none"> IFFs specialism Tax losses due to trade mis-invoicing in developing countries Tax transparency – automatic exchange of information, country-by-country reporting and beneficial ownership issues
Financial Accountability and Corporate Transparency Coalition – FACT	US	National civil society coalition	Policy, advocacy and campaigning work; Research.	<ul style="list-style-type: none"> Corporate taxation and tax avoidance, including country-by-country reporting and automatic information exchange standards Incorporation transparency – anonymous companies and beneficial ownership Anti-money laundering legislation

NAME	GEOGRAPHIC SCOPE	TYPE OF INSTITUTION	APPROACH	KEY AREAS OF WORK
ActionAid UK	UK (but part of global ActionAid Federation)	International development organisation	Policy, advocacy and campaigning work; Research; Capacity-building.	<ul style="list-style-type: none"> • Tax transparency – country-by-country reporting and automatic information exchange • Harmful tax regimes and alternative global rules • Progressive taxation • Spillover analysis and double taxation treaties
Christian Aid	UK (with country offices in the South)	International development organisation	Policy, advocacy and campaigning work; Research; Capacity-building.	<ul style="list-style-type: none"> • Tax transparency – country-by-country reporting and automatic information exchange • Progressive taxation • Extractives taxation • Facilitators of corruption, corporate secrecy and beneficial ownership • Spillover analysis
Global Witness	UK (with office in US)	National CSO	Policy, advocacy and campaigning work; Research.	<ul style="list-style-type: none"> • Natural resource sector • Corruption and IFFs (including role of ‘fixers’ and banks) • Anonymous companies and beneficial ownership
Centre for Global Development – CGD	US and Europe	Research institute	Research and policy analysis.	<ul style="list-style-type: none"> • IFFs and effective taxation • Methodologies to analyse IFFs • Tax transparency
Trade Union Advisory Committee – TUAC	Europe	Trade union committee	Policy and advocacy work; Research; Capacity-building.	<ul style="list-style-type: none"> • Financial reform, public governance and tax • BEPS action plan and tax transparency agenda • Implications of aggressive tax planning for labour

There are a large number of Southern organisations not included in the table – most obviously all the members of the regional and sub-regional networks which are too numerous to mention. To demonstrate the large presence across the globe of tax advocacy groups the map on page 20 gives a visual portrayal.

Leading actors

Both the OECD and the IMF are unquestionably seen as the lead actors on tax globally. For many stakeholders interviewed, the OECD is seen as *the* key institution in relation to tax issues. This is, of course, directly informed by the OECD being – in practical terms – the most important actor on international tax issues, tasked with developing new rules and moving the agenda forward. It is also clearly acknowledged as *“still a rich man’s club”*.⁵⁰ However, the stakeholder consultation also revealed an appreciation that the OECD is making efforts to ensure that developing country voices are heard. The OECD Taskforce on Tax and Development is seen as an important collaborative effort which has helped advance tax issues by making concerted efforts to bring together CSOs, the private sector and governments. Many stakeholders also appreciated the practical initiatives under way – such as the Tax Inspectors without Borders initiative – while others pointed out that the OECD is more progressive than many of its member

countries. OECD staff are also seen as *“the good guys”* in certain regions where fair taxation and the links to human development are not really yet fully on the public policy agenda.

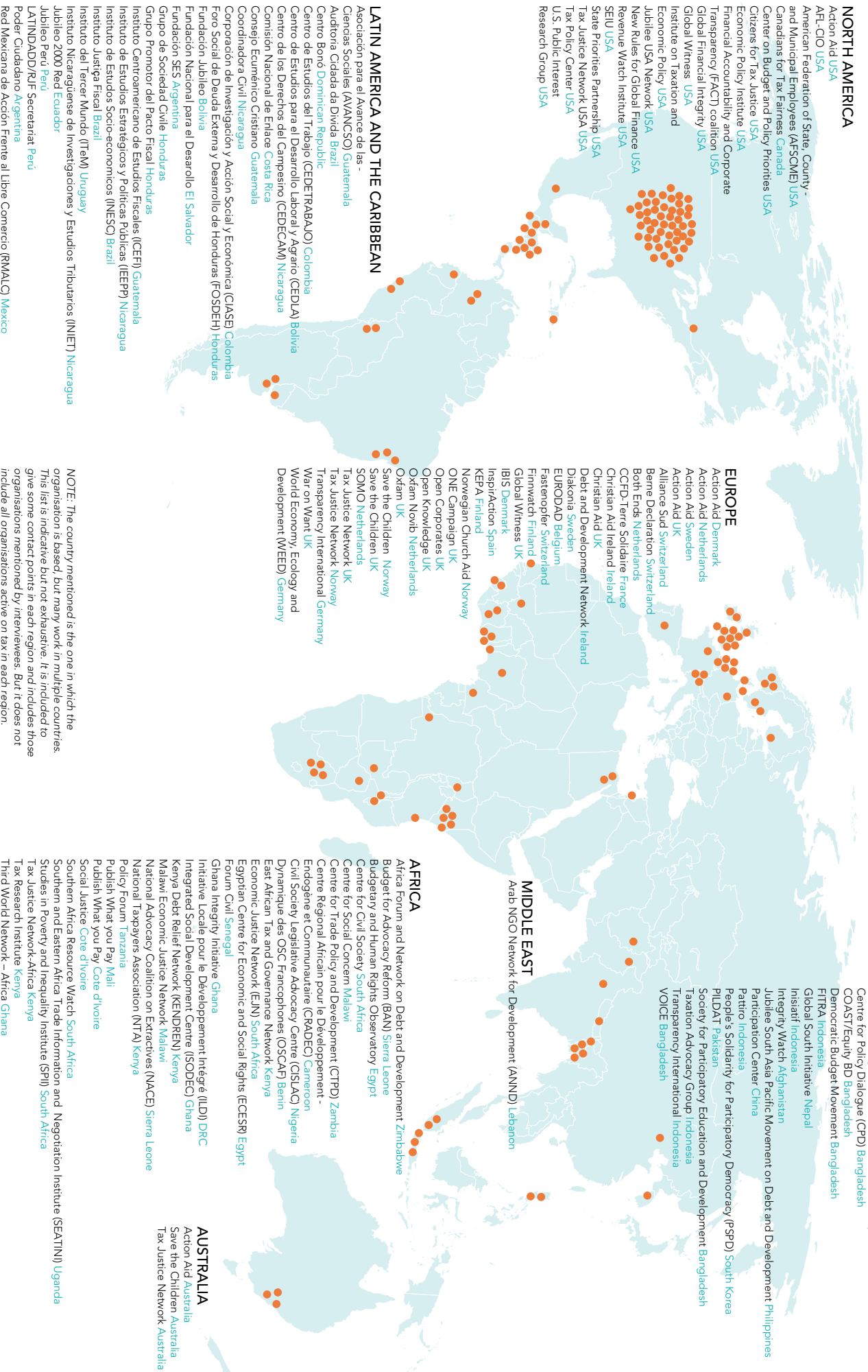
Alongside the OECD the IMF is also greatly recognised for its work. The IMF was perceived as having the highest level of technical specialism by many who appreciated its approach of ensuring that *“tax specialist is working with tax specialist”*. There was a high degree of trust in its work on tax and it is seen as an actor that is *“very open-minded about all of it”*, including being interested in looking at alternative taxation approaches. It is notable that this represents quite a shift from the opinions more commonly voiced five years ago, for example, when the IMF was often criticised for pushing regressive tax reforms on developing countries, too often sacrificing equity concerns to achieve revenue-raising goals.⁵¹ Although generally the IMF is seen as less of a relevant actor when it comes to international taxation rules, there is some expectation from those working closely with the IMF that this might change: *“They are potentially going to be a bigger player on international tax rules. They want to be more involved and they could be more progressive than OECD.”* This move is evidenced by their most recent policy paper looking at spillovers in relation to international corporate taxation.⁵² In contrast to the OECD, the IMF also has the key advantage of being truly global.

⁵⁰ Text in italics throughout the document represents direct quotes gathered from key informants interviewed as part of this study.

⁵¹ See, for example Marshall, John, 2009, *One Size Fits All: IMF tax policy in sub-Saharan Africa*, Christian Aid Occasional Paper, No. 2.

⁵² IMF, 2014, *Spillovers in International Corporate Taxation*, IMF Policy Paper.

VISUAL 2: MAP OF CSOS WORKING ON TAX POLICY AND ADVOCACY



With regard to CSOs there was solid consensus – from all quarters – that they had made a huge contribution in terms of influencing international taxation debates: *“They are the ones who started driving this agenda. They have an important place at the table and they are really the conscience behind all this.”* *“In the international tax arena very little would have happened without the campaigning work by international NGOs.”*

UK-based NGOs were singled out for special praise for their early leadership on tax. The role of TJN in the UK as a pioneering organisation in this field was also clearly recognised by many: *“They say the unsayable... They are very small but very flexible and radical... They have opened space for others hugely.”* Interviewees saw TJN’s strengths as its access to professionals such as lawyers and accountants, its original research and its focus on advocacy in the North to eliminate tax havens. Consistently interviewees (including CSOs themselves but also private and public sector representatives) also highlighted the work of NGOs such as Christian Aid and ActionAid. The *“powerful stories”* they tell on tax is seen as having created an *“effective narrative”*.⁵³

Another clearly appreciated actor in the field is GFI, particularly highlighted by certain governments as a leading voice: *“GFI play a very important role in mapping the extent of illicit financial flows and coming up with concrete suggestions to curb these.”* GFI’s research is broadly recognised as having broken new ground. Global Witness was also singled out for high praise. It has focused very specifically on beneficial ownership and the issue of anonymous companies. Its work was highlighted as high-quality and its campaigning seen as effective. It unites a variety of groups around this single message effectively. *“They are institutionally collaborative... and a very mature institution to help with the politics of coalition.”*

Among large, formal and established CSO networks, stakeholders highlighted two particular bodies. The Financial Transparency Coalition (FTC) was evaluated as now more established and *“more stable having gone through a difficult period”*. Many feel its focus and planning have improved. Its diverse coordinating committee is seen as a strength and its move to achieve greater North–South balance is also particularly welcomed. The Global Alliance for Tax Justice (GATJ) is an independent alliance launched in 2013. It is still very early days for the alliance, so its activity cannot be assessed. However, many stakeholders mentioned this as an extremely important actor, and expressed their desire for it to be appropriately supported and strengthened. For those working in the US, the FACT coalition is seen as a *“tremendous resource... and deserving of a higher profile and more support”*.

When it came to Southern-based networks, stakeholders were generally less well informed. (Many of those interviewed were not actively working with a wide range of Southern actors). However, Tax Justice Network-Africa (TJN-A) was consistently praised as a leading and effective actor, responsible for much of the progress made on this issue in Africa: *“TJN-A is the best of them all... They know the constraints on the ground and they keep going.”* *“TJN-A leadership in Africa and their focus on tax incentives has generated a lot of momentum.”* Third World Network-Africa was also highly praised for its work on the Africa Mining Vision.

In addition, ATAF was highlighted as a very interesting organisation that was *“progressing very well”*, though still *“in the infancy stage”*. Several stakeholders mentioned they would like to see it further extend its expertise and presence in the region. The RJF in Latin America was also highlighted as an actor which has come a long way in network-building and the region is perceived as one where member groups are involved in exciting national-level advocacy initiatives.

⁵³ See, for example, ActionAid, 2010, *Calling Time: Why SABMiller should stop dodging taxes in Africa*.

Funders

There are many institutions funding tax work in developing countries. They include some of those mentioned above which provide technical assistance directly via their programmes (e.g. the OECD, IMF and World Bank). Other organisations in this category are some of the Northern-based NGOs that act as 're-granters', fundraising from various sources to channel resources to their Southern partners. The main Northern-based NGOs and networks providing grants to Southern partners are the FTC, Christian Aid, ActionAid and Oxfam Novib (which is managing the CRAFT project consortium across a number of African and

Asian countries).⁵⁴ There are also other Northern-based NGOs that are making grants to Southern partners for tax work on a smaller scale. These include Kepa (Finland), IBIS (Denmark), Oxfam GB and Norwegian Church Aid. In terms of bilateral donors and private foundations funding tax work, the following table presents some relevant actors. The table only refers to their work in relation to tax (or closely linked to taxation issues). Again, information is not comprehensive and represents only a very basic overview of a large body of work.

TABLE 2: FUNDERS SUPPORTING TAX WORK

COUNTRY/NAME	GEOGRAPHIC FOCUS	MECHANISMS / APPROACH	KEY AREAS
BILATERAL DONORS			
Belgium	Burundi	Financing Government of Burundi (via Trade Mark East Africa – TMEA); Financing IMF Trust Fund; Member of FTC; Funding tax research (<i>new</i>).	<ul style="list-style-type: none"> • Tax capacity-building • Domestic resource mobilisation and post-2015 sustainable development goals • IFFs; most appropriate tax systems for low-income countries (<i>new</i>)
Denmark	Ghana, Mozambique and Tanzania	Integrating tax into general budget support work bilaterally; Research with GFI; Funding CSOs; Advocacy towards the World Bank on tax issues; Member of FTC.	<ul style="list-style-type: none"> • Tax capacity-building • IFFs (particularly Ghana) • Cost of tax incentives (Tanzania study) • Extractives taxation
Finland	Tanzania, Zambia and Mozambique	Integrating tax into good governance programmes bilaterally; Integrating tax into their work on fragile states and peacebuilding (<i>new</i>); Member of FTC.	<ul style="list-style-type: none"> • Tax capacity-building
Norway	Tanzania, Zambia and Mozambique	Bilateral funding of tax capacity-building programmes; Oil for Development programme; Funding CSOs (e.g. FTC); Member of FTC; Advocacy towards the World Bank on tax issues.	<ul style="list-style-type: none"> • Natural resource taxation • Domestic resource mobilisation and IFFs • Post-2015 global framework and Financing for Development process

⁵⁴ See <http://www.oxfamnovib.nl/?id=GUID-8CA2093DA09A45BA874EE78EDB0BBF17> and <http://www.comminit.com/polio/content/capacity-research-and-advocacy-fair-taxation-project>. This project was established in January 2012 and will run until 2016.

COUNTRY/NAME	GEOGRAPHIC FOCUS	MECHANISMS / APPROACH	KEY AREAS
UK	Afghanistan, Pakistan, Sierra Leone, Ethiopia, Tanzania, Southern Africa	Bilateral funding of tax capacity-building programmes; Specialist support from the HMRC technical capacity-building unit (<i>new</i>); Funding four programmes with the OECD; Funding IMF for tax work (e.g. TADAT) Funding ATAF, ICTD and small number of Southern CSOs.	<ul style="list-style-type: none"> • Tax capacity-building • Tax transparency • Tax Inspectors without Borders • Tax incentives • Developing country inclusion in international tax debates
US	El Salvador, Georgia, Jordan, Philippines, Egypt, Serbia, South Sudan (and others)	Bilateral funding of tax capacity-building programmes.	<ul style="list-style-type: none"> • Tax capacity-building (including full range of tax administration, IT systems, transfer pricing and audit, etc.) • Taxation and corruption • Compliance burden for businesses
MULTILATERAL ORGANISATIONS			
UNDP	Global	Research; Internal capacity-building with UNDP staff.	<ul style="list-style-type: none"> • Taxation, IFFs and impact on low-income countries • IFFs and fragile states (<i>new</i>)
PRIVATE FOUNDATIONS			
Ford Foundation	US, West Africa, Southern African region, Andean region, Indonesia, India, China, Mexico	Supporting partners to do policy analysis and advocacy work.	<ul style="list-style-type: none"> • Expenditure issues • Extractives taxation • Tax justice and tax transparency
Hewlett Foundation	Global	Supporting partners to do research, policy and advocacy work.	<ul style="list-style-type: none"> • Extractives transparency including tax and IFF issues • Expenditure issues
Omidyar Network	Global	Supporting partners to do research, policy and advocacy work; Doing its own policy, advocacy and research.	<ul style="list-style-type: none"> • Government transparency: Follow the Money; Open Data; Privacy • Taxation and IFFs, including tax transparency • Expenditure issues • Open data initiatives
Open Society Foundations	Global	Supporting partners to do research, policy and advocacy work; Doing its own policy, advocacy and research.	<ul style="list-style-type: none"> • Taxation and IFFs, including tax transparency

Leading funders

There was a wide consensus that, of the bilateral funders, the Norwegian government has been a leader in tax work. It is recognised for its strong work on natural resource taxation and high-level political support on illicit financial flows, and for its early funding of the FTC, without which much of global and Southern tax work would not have been possible. *“They were the first one in big and in early... No one else came close to this level of commitment.”* Its practical support, particularly its approach that entails doing joint audits with countries such as Tanzania in the extractives sector, is also highly appreciated.

DFID was also praised for its large-scale and consistent commitment to tax work. It is also seen as a significant

and leading bilateral donor. Very few other bilaterals were mentioned, though there was some recognition that the Finnish government is entering the arena. The collaboration of governments on the FTC partnership panel is also strongly welcomed. It was also clear that bilateral government advocacy in forums such as the World Bank and OECD is important for pushing the agenda forward positively on tax and illicit financial flows. Stakeholders also mentioned to varying degrees the work of the Open Society, Ford and Hewlett Foundations in *“helping put the issue on the map”*. The Joseph Rowntree Charitable Trust was also mentioned in the UK as being significant for its support of TJN, both in the organisation’s early days, in terms of cutting-edge funding that got new policy options onto the agenda, and currently with its ongoing funding.

Assessing progress

The aim of this scoping study was not to evaluate any aspect of tax work. However, the large stakeholder consultation did allow for a broad assessment of progress by key stakeholders, including looking at where they have concerns about outcomes, processes, gaps and weaknesses in work on tax and illicit financial flows in their broadest sense. These perspectives are presented here.

Key areas of progress

Perhaps the single strongest area of agreement on where there has been progress is in relation to the fact that tax issues now have a very large political profile. The progress achieved was described by many of those interviewed as “extraordinary”, with international taxation issues having gone from “zero and no one discussing it... to the front cover of *The Economist* discussing the missing US\$20 trillion”.⁵⁵ While there is still debate about how much money is offshore and about the magnitude of the problem, there is now clear recognition that there is a serious problem. Similarly, the high profile of the issue in Africa – and the existence of the Mbeki High Level Panel on Illicit Financial Flows – is seen as a major step forward. At the same time there is also agreement – again among a very large number of stakeholders – that CSOs have played a crucial role in “effectively getting tax transparency issues on the agenda” and that CSOs’ continuing engagement is necessary to keep them there.

This successful advocacy on tax has led to recognition by the G20 and OECD that there are major systemic problems within the international tax system. This is perceived by many as a hugely important step forward, as are the creation of the BEPS process in itself and the OECD’s work on information exchange. “*The international taxation field is the most exciting by far and progress is being made... It’s really good there is a fairly united front around the need for international systems reform... the OECD has got together a common agenda for change.*” “*The new OECD standard for the automatic exchange of information is a major leap forward in terms of international collaboration... Three years ago no one would have believed we would have got here. What has happened in the last two years has been incredible.*”

Another area where progress was highlighted by many was in relation to tax capacity-building programmes. Many of these programmes entail long-term accompaniment and technical assistance by donors and have resulted in significant increases in revenue. Numerous different experiences were highlighted including those in Rwanda (supported by DFID), Burundi (supported by Trade Mark East Africa, including financing from the Belgian government), Afghanistan (supported by DFID), Colombia (supported by the OECD and DFID), and Georgia and El Salvador (supported by USAID).

Progress was also noted in relation to beneficial ownership. For some stakeholders this is the most interesting area of progress, given the UK government’s very significant decision to create a public register. “*This will open up a lot of extra information and really reset the dial in terms of opening up data on how companies are connected.*” The European Parliament’s position in favour of public registers of beneficial ownership – which will lead to negotiation on legislation in the second half of 2014 – was cited as another indicator of progress on this issue.

A further key point that was acknowledged was the now solid consensus that current tax incentives regimes are overgenerous and harmful for developing countries, constituting a large loss of potential tax revenue. There has been a great deal of high-quality research and some successful media work drawing attention to this issue. “*The research in this area has been good and has had really strong resonance with policy-makers.*” It is now firmly established on the public policy agenda in many countries. Most – if not all – stakeholders agree this is an area which enjoys consensus and is ripe for action.

Highlights from CSOs in Africa

Tax work in Africa contains many highlights, not least the huge strides made by TJN-A in building the network across the continent and getting tax and illicit financial flow issues on to the public policy agenda at the highest levels in the region. Particularly notable achievements of TJN-A and its members include: their engagement with the Mbeki High Level Panel on Illicit Financial Flows;⁵⁶ the development of the Africa Mining Vision; the successful reforms in the area of extractives taxation (e.g. Zambia and Ghana); the significant impact that the study on the cost of tax incentives in the East African Community⁵⁷ has made in the media and political arenas; and the successful public education and campaigning work that is going on in countries as diverse as Uganda (where taxpayer education is seen as a strong point) and Kenya (where public campaigning around VAT reforms as well as double taxation treaties is gaining a high profile). There are also very productive working relationships established between CSOs and tax authorities, particularly in Kenya, Uganda and Sierra Leone, but also in other countries.

⁵⁵ <http://www.economist.com/news/leaders/21571873-how-stop-companies-and-people-dodging-tax-delaware-well-grand-cayman-missing-20>

⁵⁶ <http://www.uneca.org/media-centre/stories/former-South-african-president-thabo-mbeki-chair-high-level-consultation#.U5668ygUonl>

⁵⁷ Tax Justice Network Africa and ActionAid International, 2012, *Tax Competition in East Africa: A race to the bottom*.

Highlights from CSOs in Latin America and the Caribbean

A notable area of progress is the relationship that is now established between tax authorities and CSOs in the RJF network. Tax authorities are now consistently involved in dialogue with CSOs in countries such as Peru, Colombia, Ecuador, Dominican Republic and El Salvador. The RJF has also very effectively put the BEPS process on to the agenda with tax authorities, holding its first regional event on BEPS in August 2013, followed by the official OECD consultation in February 2014. In Colombia the fiscal justice network has been getting tax issues on the public agenda through work on extractives companies and looking at their exemptions and tax contributions. In Bolivia the national network working on tax is proposing a fiscal pact and working with a strong focus on tax equity. The Dominican Republic campaign – which has historically been more on the expenditure side – is recognised as very dynamic and successful because of its good use of social media and creative mobilisation tactics. Tax is now fully integrated into this agenda. In Brazil CSOs have been implementing new work on tax exemptions and the football World Cup. In Argentina they are focusing strongly on illicit financial flows, which are now clearly on the public agenda, as well as looking at tax treaties. There have also been positive impacts of tax work in Guatemala, particularly with the income tax reform of January 2012.⁵⁸

Highlights from CSOs in Asia

Progress in India has been notable, with CSO work creating new space for tax issues. The public debate in India around tax has generally been dominated by pro-business media but now more progressive views on tax are being aired. There is also now much more engagement between civil society and the Indian tax authority and more openness to engaging on technical aspects. CBGA has also worked hard to get leading social activists on board with tax issues and so the link to social movements, which is really important for advancing advocacy in India, is now more firmly established. In the Philippines the most high-profile and successful reforms have been those in relation to the adoption of 'sin taxes',⁵⁹ taxing tobacco products and linking increased tax revenue with public health spending. CSOs such as JSAPMDD and Action for Economic Reforms (AER), and others, advocated strongly on this issue, and this reform is considered by many as a model for the rest of the region. Although network-building across Asia has been difficult there is now some groundwork being done and some new momentum in this area. There is also huge potential for tax work to expand in Bangladesh, with a number of national and local organisations getting more involved, with ActionAid support. There are similar nascent efforts in countries such as Nepal and Cambodia.

⁵⁸ ICEFI, 2013, *Evaluación de los Resultados de la Recaudación Tributaria en Guatemala*.

⁵⁹ See <http://aer.ph/category/projects-and-campaigns/sin-tax-reforms/>

Key concerns

One of the main concerns, particularly strongly raised by Southern-based organisations, is that the **positive rhetoric has yet to be translated into practical action**. *“Generally ‘issue-raising’ is going well, but forcing governments to change policies comes next and is where more progress needed.”* *“Although it’s a major issue at regional level this is not translating into national level policy change. There have been some pronouncements... but really no serious policy discourse at the national level on illicit financial flows... It is important to look at the scope for domestication of international rules.”*

Although the BEPS process is recognised as in itself constituting progress, there was considerable concern about the institutional architecture that the process rests on, as well as what BEPS will achieve in practice. Some stakeholders had concerns that a process such as **BEPS is being led by the OECD, and many stakeholders expressed their general unease that a non-representative body is leading world tax affairs**. *“I feel very strongly that the lack of representative institutions globally is a major hindrance. The G20 and the OECD leading on it all is a big problem as there is really no space for developing countries there.”*

The specific concerns regarding BEPS varied greatly, ranging from the inclusion of developing countries (a major cause for concern highlighted by many), to the specific policy details in relation to, for example, automatic information exchange and country-by-country reporting.

“BEPS will not deliver. Our position was adamantly that developing countries would be left behind. We want to see an open discourse about what the issues are for developing countries.”

“There are many problems with BEPS. Powerful countries are defining the problem, setting the agenda, creating the action plan, etc. Regional consultations on BEPS have already been done... I was at one and there were 20 government representatives, 60 business representatives and 3 CSO representatives. Only India, China and Venezuela were there for developing countries... There is simply not equal play at the table on BEPS.”

There is particular **anxiety concerning the reciprocity issue in relation to the automatic exchange of information**.

Developed countries are calling for automatic information exchange to be based on reciprocity. To receive information, a country would have to be able to send information. This would mean that developing countries would have to establish a whole new apparatus, such as information exchange units and systems to receive and send data.

“An issue is whether low income countries will benefit from the OECD’s work. Automatic information exchange is going to be very hard for low income countries to participate in and gain from. They are being dragged into it without consultation.”

“There is no sense in Ghana collecting data on Swiss account holders and sending this to Switzerland. They will have to establish a whole new infrastructure in order to – in principle – send information back, even if no such account holders exist.”

There are also **concerns, particularly from the private sector, regarding the compliance burden that could result from new standards**. While private sector interviewees expressed a strong commitment to transparency – and some also made clear they see country-by-country reporting as potentially a useful risk assessment tool for tax authorities – the difficulties and cost of gathering information were mentioned. Generally questions were raised by businesses as well as CSO stakeholders about how exactly the data would be used and whether this effort would be worth it. *“The transparency angles are a big win but what if we got information and nothing came of it as no one could use it?”*

It should also be noted that concerns about developing country voices and inclusion in setting and driving the policy agenda are not just linked to formal processes led by the OECD. This is an issue that is also brought up by CSOs in relation to the **“lack of connection between work at the international level and in developing countries”**. Although campaigning at the international level is well developed, it is led from the North and is not based on the views and priorities of activists in the South. Southern CSOs and governments have not had a chance *“to say what would work for them”*.

Linked to the above, **a major worry for CSOs in the South is the lack of resources to support their activities on tax**.

This has been a major gap for years. It is particularly the lack of core funding for Southern CSOs that is seen as a key problem. *“A major weakness is the balance between activity and core funding. We end up with a lot of money for project activities, and not enough staff to implement them.... So we will do a nice report but then we have no ability to follow it up and engage policymakers at all the different levels on it.”*

The situation of the regional networks is illustrative. Currently TJN-A has 5 staff members out of the 12 posts that make up its core organisational structure. It is lacking, in particular, people to fill positions on: campaigns, communications, policy research, capacity development/network-building – all critical positions. In Latin America the RJF network is in an even more precarious situation, with only 2 staff working on tax issues within the Latindadd/RJF secretariat. To cover all the regional processes and provide support to members this is far from sufficient.

Repeatedly Southern organisations interviewed mentioned that core funding and being able to guarantee salaries so that skilled staff are able to stay in post was the major problem they faced. This in turn has a great impact on their ability to do high-quality and consistent policy and advocacy work. This, of course, also has other impacts beyond work in their own region and contributes to their difficulties in driving the tax agenda forward at the global level: *"Our gaps in capacity internally mean we are always slower to respond than northern CSOs. We can see that and we see many spaces dominated by northern-based NGOs. They take the lead and we are not able to do that."*

There is also a major concern, shared by many in both North and South, about the **'tax competitiveness' debate**. The language of competitiveness is now regularly applied erroneously to taxation. This is seen as extremely harmful, particularly because its use has become so established, with very little recognition of the national and international impacts of countries' adoption of competitive tax regimes. While government capture is a factor here – and stakeholders mentioned how tax policies are influenced by MNCs – most agree it is about much more. *"It's about having won the intellectual argument... There is real political force behind some of this thinking."* *"Governments have been persuaded that tax is about competition and it's a zero sum game."*

There is a great deal of consensus on the **need for capacity-building**. This is a foundational issue, on which many other aspects rest. One key concern is that investment by multilaterals and bilaterals – in comprehensive, long-term tax capacity-building programmes – is too low. This is seen as particularly disappointing given that the results of tax capacity-building programmes are generally successful and they clearly represent good value for money. (The Rwanda Revenue Authority received £24m from DFID over 12 years and now raises £24m every 2–3 weeks.)⁶⁰

There are also some **worries about how capacity-building is being approached**. *"The prevailing view is that capacity-building efforts have been reasonably effective in increasing capacity but less successful when it comes to tax equity, enforcement, transparency and citizen engagement issues. Donors need to take on these additional issues."* One point on which there was complete agreement was that: *"All tax work entirely depends on political will"* and questions were raised about putting in resources where that political will is in some doubt. Donors also pointed out the difficult position this puts them in: *"It is very hard for us to generate this magical ingredient."*

Related to this, of course, is the **lack of support for tax dialogues with CSOs and for Southern CSOs' campaigning and citizen mobilisation in the South**. This support is widely regarded as a strategy that would create the political momentum that is missing. Yet it is evaluated as a hugely neglected area.

And, finally, while no one questions the need to invest in work on the basics – systems, structures, institutions, IT, modern tax laws, etc. – there is more **scepticism about the effectiveness of capacity-building under current international taxation rules**. This is seen as problematic, given the complexity of OECD rules and the imbalance inherent in developing countries auditing MNCs. Some feel it makes more sense to tackle the rules rather than invest a lot in complex capacity-building to address abusive transfer pricing by MNCs. *"On transfer pricing there is a lot of training of revenue authorities but it's very complex and only the best get trained. Then they leave and the OECD does a 2nd module but it's new people in the room. Only a few countries have transfer pricing units. Other countries are too small and it's unaffordable... There is a real block with transfer pricing and small revenue authorities just cannot address it. The training by the OECD cannot fix this."* Some commentators feel that the focus on capacity-building is obscuring the fact that the international rules are a major problem that must be tackled.

There is also a general **concern about silos which extends into many areas**. One that was highlighted was with regard to illicit financial flows. *"Money laundering, bribery and various policy agendas all relate to each other. Some of these issues converge, for example, in beneficial ownership. But some issues are dealt with in silos and the connections are not that clear."* Others highlighted the fact that *"BEPS is not well coordinated with global initiatives on financial reform"*, particularly with the Financial Action Task Force (FATF) and the G20 process on financial reform coordinated by the Financial Stability Board (FSB). Stakeholders also pointed out the information silos that separate communities working on expenditure issues from those working on revenue issues.

While many praised CSOs as having developed strong policy expertise on tax – and the investment of resources in this area in the UK was particularly highlighted – insufficient technical capacity is still an area of concern. In reality most NGOs struggle to create a tax specialism. Mention was made also of **weaknesses in research**, particularly so on the topic of IFFs, where analysis is extremely difficult. A small number of stakeholders made clear they were not convinced that trade mispricing was responsible for as large a proportion of IFFs as is claimed, given the inherent limitations in the data. Other stakeholders were much more convinced about this major part played by trade mispricing; nevertheless, CSOs and others still generally agreed that there was *"a need to do better on methodologies to analyse IFFs"* and to diversify the methodologies used in this area. There is also some anxiety, mentioned by a small number of stakeholders, about the misuse and misreporting of numbers. This is seen as damaging the credibility of work in this area and as giving an unbalanced perspective. Some felt that, on occasion, *"figures get picked up and labelled as tax dodging when they are about financial flows"* and mistakes are *"rarely acknowledged"*.

⁶⁰ African Research Institute, 2013, *For State and Citizen: Reforming revenue administration in Burundi*, Policy Voices Series.

Unintended consequences

There seems to be a variety of unintended consequences emerging – and which could emerge in future – from tax work. Perhaps the most important is that the singular **focus of CSOs on the tax transparency agenda has inadvertently led to some more fundamental concerns about the fairness of the international tax system being ignored.** *“CSOs have focused on the tax avoidance and evasion of MNCs, which is about what happens when companies break the rules. But even when they follow the rules the distributional effects between countries are not good.”* Tax treaties are seen as a useful illustration of this as they have rules to divide up revenues between countries and there is often a deliberate unfairness in treaties between developed and developing countries.

This perception extends to the national tax system. *“Big international processes distract from national issues. There is more to fairness in the tax system than corporate income taxation.”* CSOs are perceived as having stuck too closely to a focus on the big ‘asks’ around transparency issues – automatic information exchange, beneficial ownership and country-by-country reporting. Some stakeholders feel that too many are so fixed on this script that they **fail to look at other issues that are relevant for national tax systems.**

The issue of automatic information exchange was also mentioned by several stakeholders as an area that might have negative, unintended consequences if final policy choices are inappropriate. Reciprocity around the automatic exchange of information has already been discussed. Although many feel it will deliver benefits for developing countries over the long term, it seems *“developing countries are worried they will be forced to devote resources to gathering and supplying information and they won’t have capacity to use the information they get anyway”.*

Another unintended consequence relates to the OECD pressurising countries such as Switzerland to stop giving special treatment to foreign rather than domestic companies. As a result Switzerland has now started a corporate tax reform process. It appears it plans to abolish tax regimes that offer differential treatment, but to replace this with ‘licence boxes’ or ‘patent boxes’,⁶¹ as well as by lowering corporate tax rates to the level of Ireland or potentially even below this. It is unlikely that this is the desired outcome of BEPS. However, this approach would be completely compatible with BEPS as currently envisaged by the OECD (unless the OECD takes action on patent boxes, which it is not expected to do).

Potentially another unintended consequence relates to the institutional architecture for tax matters. CSO advocacy on tax and development has ultimately led to more donor engagement, for example with the UK and OECD putting more resources into tax capacity-building in the South. **This has embedded further the thinking and approaches of the OECD, which has “used the momentum around tax and development to reinforce [its] position”.** A second unintended consequence is that the strong focus on the OECD – and the consistent presence of CSOs in this forum – has meant **the UN Tax Committee has been further sidelined.** CSOs now follow the UN Tax Committee processes less and rarely attend UN Tax Committee forums, even though the latter are more globally representative.

There could also be future unintended consequences from tax work. The first one is that the post-2015 global framework could include **targets on tax/GDP ratios.** Many stakeholders expressed concern in the consultation about such an approach to tax targets. It sends the message that **revenue-raising is the most important indicator, rather than more progressive tax systems which promote equity and which are transparent.** Such targets would also depend on GDP calculations which are often problematic⁶² and would end up rewarding those who underestimate their GDP. Low-income countries that are less able to collect tax revenue would also end up being penalised. However, the commitment to tax as part of the post-2015 development goals is regarded as important by many of those interviewed (including CSOs, multilaterals and bilaterals), and the tax/GDP target is currently the main target being proposed. There is, therefore, the possibility that this flawed target might find its way into the final framework.

Finally, it is worth pointing out that, as the BEPS process and other efforts to implement anti-avoidance measures are taken forward by developing countries (unilaterally or in sub-regional blocks), it should be **expected that MNCs will push harder for tax incentives and exemptions in their negotiations with developing country governments.** This is a likely unintended consequence of a tightening of national and international tax rules. It also highlights the need to take complementary measures to address tax incentives and to de-legitimise the tax competition debate in the most comprehensive manner possible.

⁶¹ Use of a licence box or patent box means income from technology or trademarks get special tax treatment. So, for example, royalty payments received for use of a trademark can be exempt from tax. This would comply with BEPS when no differential treatment is offered between foreign and domestic companies and it would offer an incentive for MNCs to keep their operations in Switzerland. Such mechanisms can create openings for profit shifting via inflated royalty payments.

⁶² For more discussion on this issue see Morten Jerven, 2013, *Poor Numbers: How we are misled by African development statistics and what to do about it*, Cornell University Press.

Strategic
opportunities

To really deliver on the potential of tax for development, there are **four goal areas** where significant progress and therefore investment is needed:

Goal 1. Achieving tax transparency

Goal 2. Developing fair international taxation standards and systems

Goal 3. Building effective and equitable national tax systems

Goal 4. Building up new constituencies

Within each of these, specific needs and opportunities have been identified. The call from actors in this area was for funders to not just leverage existing policy opportunities, but to seize the *“unprecedented room for manoeuvre”* to prepare fertile terrain for the long term. As one interviewee put it, there is *“a window for more progress that is wide open”* but *“we shouldn’t assume it will stay wide open and shouldn’t feel comfortable this will always be the case”*.

Work in all four goal areas can be undertaken at different levels and is interlinked. However, for Goals 1 and 2, the focus is on policy opportunities that have **international** relevance. Goal 3 focuses at **national** level, identifying the crucial range of opportunities for direct impact in target countries, including policy work, capacity-building, public education, etc. Goal 4 is conceptually different, focusing on how to build broad societal and political momentum for change among key **stakeholder groups**. In all four areas there is a body of existing work that can be usefully expanded and strengthened. However, there are also some new, innovative opportunities where work is often only at the planning stage at best and where actors are seeking to establish a mix of new approaches, new partnerships, new mechanisms and/or new policies. These more experimental, new areas are clearly signposted in each section.

The logic behind this multi-layered strategy is straightforward. Goal 1 reflects the need to ensure that the policy opportunities around **tax transparency** that have witnessed significant progress are not squandered. While there has been some progress, the outcomes are far from certain and there are legitimate fears about inertia, governments watering down commitments and the potential push-back as individuals and companies look for ways to circumvent new rules. There is also, of course, a need for new transparency standards and legislation at a very practical level, to provide information that is both accessible and well used by a whole range of actors, so that the benefits of transparency measures are fully realised.

Goal 2 reflects the now very significant and widely shared realisation that tax transparency is not enough. While transparency is critical and lays the foundation for progress, ultimately what are needed are **fair international tax standards and systems** which – in the least complex fashion – match economic activity fairly with taxes due. Many stakeholders feel now is the time to push for much deeper structural reforms of the international tax system. This is the new frontier of tax work at the international level and it is in this area where many of the proposed interventions are new.

In Goal 3, the strategy considers **national taxation systems** in developing countries. There is already a strong momentum in tax work in the South but there is no question that Southern governments and civil society are under-resourced and lagging behind their Northern counterparts. Southern civil society organisations working on tax policy, advocacy and campaigning have been particularly neglected. The progress they have made is largely of their own making, and notably in difficult conditions and on shoestring budgets. As a consequence they are not equal players in international advocacy processes. Stakeholders have called for a rebalancing in this area. National taxation issues are given a strong emphasis – and we hope, privilege – in this strategy precisely because of previous neglect and the complexity of the task facing Southern actors striving for equitable and effective tax reforms. Specific opportunities in the South with regard to national – and sometimes related regional or sub-regional tax reform processes – are highlighted alongside the need to expand capacity-building support to revenue authorities. This whole area requires a serious injection of donor funding.

Goal 4 reflects the key recommendation that donors fund opportunities **to build up new constituencies** to broaden the base for advocacy and policy work on tax. There is great potential for new alliances, many of which could reap large dividends by galvanising more supportive voices for tax reform from broader sections of the community. This is an area where the funding needs are often not high, but strategic, coordinated efforts by funders and CSOs alike could make a huge difference.

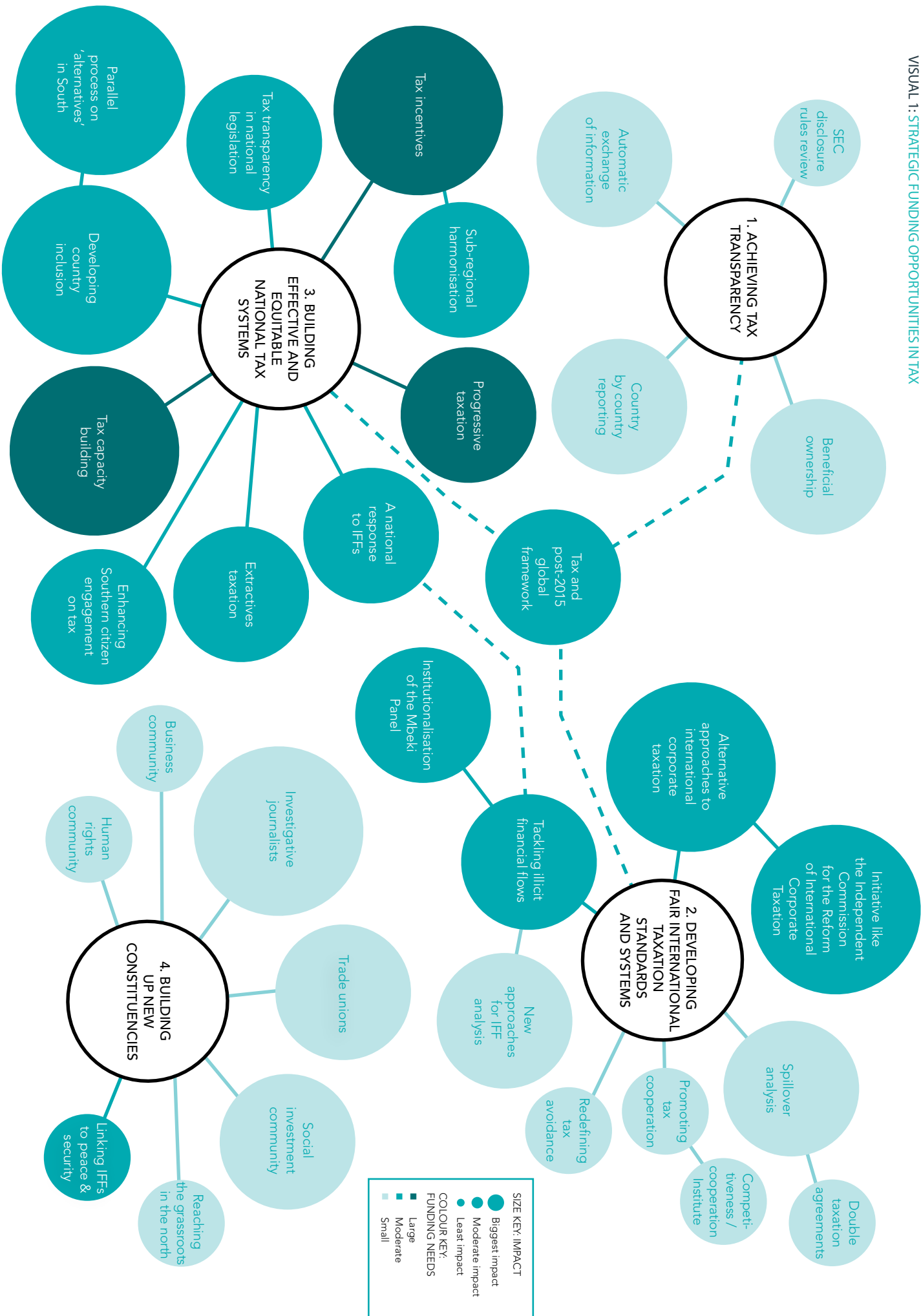
The following diagram summarises the **desired outcomes and the specific opportunities** that could be pursued within each goal area. The size of each circle indicates the potential impact for each. The **criteria** are based on the potential tax and equity-raising impact, the geographic scale of impact, and the feasibility of achieving success. The latter is linked to both the political appetite for change, and the extent to which actors are already working on the issue and momentum is there. This means some opportunities with global reach are weighted heavily, whereas some with transformative potential (e.g. progressive taxation) are presented as of moderate importance because current levels of political feasibility mean progress is likely to be slow and uneven. Conversely, approaches such as the introduction of tax transparency measures score highly for feasibility but have less immediate revenue-raising impact and so are considered to have moderate impact overall.

The colour coding provides guidance on the **scale of funding needed**: large, moderate or small funding. The large category includes, for example, tax capacity-building which demands significant multilateral and bilateral investment across a large number of countries. Initiatives that demand large funding are usually those that involve action in multiple countries over at least the medium term. Moderate or small funding is generally required if work has already started and/or the intervention area is very contained. Small funding is sometimes all that is needed in places where there is only a specific, discrete project being recommended.

Following the diagram there is a full exploration of **each goal** (i.e. problem to be addressed, possible interventions, likely impacts and risks) and then, within each, a full exploration of each desired **outcome**, including **specific funding opportunities and possible agents of delivery** that funders could usefully support. This is presented with an indication on the required **time frame**. The latter is meant only to give a general indication of what is time-sensitive (e.g. an existing policy opening) and what is clearly a medium- or long-term undertaking. There is no suggestion that problems can be solved within these time frames, simply that funders can expect to make a reasonable amount of progress in this time. There is also an indication given in relation to **geography**. Again this is indicative only of where the specific recommendations are relevant in an immediate sense. It is not a recommendation that funders limit their action in future to these geographical areas, nor should it reinforce silos between North and South, as in many cases joined-up North–South activity is already a positive reality. There is also a discussion in several areas of what funders can do **beyond funding**, flagging where collaborative donor action, or particular donor leadership or advocacy, is critical and/or would add great value.

Finally it is important to mention what is not included in the strategy. Issues such as gender and taxation, fiscal decentralisation, sub-national taxation, SME/informal sector taxation, for example, are not included. Of course, this does not mean to say there is no place for these in tax work. Clearly these are important elements of the tax capacity-building work of multilateral and bilateral donors and will continue to be so. They are also on the agenda of some CSOs, albeit most often in a minor sense when compared with issues such as tax incentives, corporate and personal income taxation and tax evasion. However, given the criteria used in this report – namely practical revenue-raising potential and likely impact on equity above all other concerns – these issues, though not seen as irrelevant or lacking in importance generally, did not qualify for inclusion here.

VISUAL 1: STRATEGIC FUNDING OPPORTUNITIES IN TAX



1. Achieving tax transparency

Goal: Widely adopted tax transparency measures enable effective scrutiny of corporate structures and ownership as well as corporate and personal income tax contributions. Increased scrutiny contributes momentum to the call for wider reform of the international tax architecture, as well as to a culture of increasing tax compliance.

This will be of relevance to funders interested in the promotion of state and corporate accountability and the tracking of equity, as well as adequate revenue-raising for public service provision.

Theory of change

Problem: As discussed earlier there are major challenges with corporate tax contributions, with current rules allowing MNCs to manipulate their declared profits using offshore structures. Secrecy jurisdictions also allow wealthy individuals to shelter their income and assets, as well as enabling those engaged in corruption, bribery, money laundering and other criminal activities to shift illicit capital offshore. These problems particularly affect developing countries for a multitude of reasons. In particular, in relation to tax evasion – a major source of revenue leakage – developing countries have a higher dependence on corporate income taxation for revenue and their under-resourced tax authorities also face severe constraints in any attempts to audit MNCs and counteract the effects of secrecy. Although a lack of transparency is not the only factor, it is clear that the ability of corporations and wealthy individuals to shift profits and hide assets from view with no scrutiny facilitates these unethical and detrimental practices. Ultimately it is secrecy which sustains the illicit financial flows that disproportionately affect developing countries' revenue bases and drain resources from the countries that need them most.

Intervention: The interventions proposed in this area mainly relate to specific existing policy opportunities and to ensuring that the tax transparency agenda moves forward to implementation stage in the best form possible. Although there has been good progress there is still much work to be done to ensure that new legislation, standards and models are adopted and applied as widely as possible, rather than by a small number of jurisdictions. It is also important that, once these are in place, there is real, practical follow-up to use data released under transparency legislation and in this way to ensure the goal in this area is fully realised. The interventions proposed are explained in more detail below. Generally they build on existing opportunities that exist via international processes such as the OECD/BEPS process, as well as the G8 and G20 agendas, and legislative reforms within the EU and the US. As these opportunities are all closely linked to ongoing policy reform processes, all have a fairly short time frame and are for immediate action.

Impacts and risk: One of the main impacts of transparency is that it will provide a clearer picture of how MNCs' economic activity matches their declared profits and tax contributions. This information will help hold individual companies to account for their tax contributions to specific countries they operate in – most importantly, but not exclusively, developing countries. It will also have a deterrent effect and should contribute to more ethical behaviour in relation to tax compliance. And, perhaps most importantly, it will provide critical information for building greater understanding of how the current international taxation system is failing to deliver fair and balanced taxation, enabling comparisons of taxing rights/contributions between countries, between companies and between corporate actors and other categories of taxpayers. In all of these areas more equity is sought.

There are always risks for funders engaging in advocacy work around hot political topics such as taxation and financial transparency where power and privacy issues come into play. However, this is an established area of work. Political momentum is at a high level and public commitment to reform is in place in many cases. Those advocating for change in this area are established actors, with a long track record of tax transparency work, and the quality of their work is firmly recognised. Bilateral and multilateral actors are also strongly supportive of change. Moreover, the funding needs are small. Funders therefore face little risk when taking decisions to invest here. The risk is more than funders may believe that this area is well enough advanced and does not need further support: the result is that the necessary work does not get done, and so public policies are not fully developed and implemented. Conversely there is a risk that funders might choose this as the 'easy option' and invest much less in other more difficult areas (see more on this discussion under Goal 2).

Outcomes sought: Building on existing opportunities

1a) Beneficial ownership

- 🕒 Time frame: immediate start; duration approx. 2 years
- 🏠 Geography: Europe and the US
- ➡ Outcome: Public registers of beneficial ownership are enshrined widely in legislation

There is already a key policy advance in this area, given the UK government's commitment and the position of the European Parliament on this. However, there is still a lot to play for. The UK has only committed itself to a public register for companies, not trusts (a major omission), and the legislation at EU level has still to be passed. This legislative process (a review of current anti-money laundering legislation) entails all member states negotiating over the European Parliament proposal, and the main negotiations are continuing during the second half of 2014. To get the desired result will require a great deal of coordinated advocacy across EU member states. There are groups advocating on this in Brussels (FTC, Eurodad, ONE Campaign, Transparency International) and Eurodad members throughout Europe are supporting it. While the UK groups are well funded, many others have limited resources for this work (e.g. groups in the Netherlands, Germany, Finland and Sweden, as well as others).

Another angle where some small funding – and donor policy and advocacy work – would make a difference relates to research on the privacy issue. This is increasingly becoming a stumbling block for beneficial ownership work, particularly in relation to the UK and the concept of a public register for trusts. UK NGOs are trying to find ways to address this, but they do not have sufficient funds for the specialised research necessary.

The gap in terms of engagement with the Financial Stability Board (FSB) on issues related to transparency of company ownership could also be addressed.⁶³ The FSB is looking at a process whereby every company would have a unique 'legal entity identifier'. However, there is no connection between this process and groups looking at beneficial ownership and related open data.

It should also be noted that there are opportunities to take beneficial ownership work forward with the G8 and G20 (particularly the Anti-Corruption Working Group which is looking at developing a set of high-level G20 principles on this). Although clearly this is not globally representative, it would have broad, positive influence and CSOs will continue to work at this level. Similarly there are opportunities to work on this in the US, where the White House has proposed a new bill and FACT is committed to more work in this area.

Specific funding opportunities and possible agents of delivery

Funders with an interest in this area could:

- support advocacy for optimal beneficial ownership transparency by Eurodad and its members across Europe, linked to the European Parliament review of anti-money laundering legislation;
- fund research by UK NGOs looking at privacy and beneficial ownership issues;
- support FACT to continue its advocacy on beneficial ownership in the US.

Beyond funding

- Bilateral development agencies can also push for their governments to advocate on beneficial ownership issues (e.g. with governments such as those of Belgium, Denmark and Finland taking a strong line on this at the EU level), and for local offices of foundation funders to become more heavily involved.
- Funders interested in privacy issues could become collaboratively involved in a research agenda, looking at how privacy overlaps with Open Government, Open Data and 'Following the Money'.⁶⁴
- Funders could also play a leadership role to stimulate a more coordinated dialogue between key civil society actors and the FSB on finance sector reform and beneficial ownership. More dialogue between groups such as Global Witness, Open Corporates and TUAC,⁶⁵ and others, together with the FSB, would be beneficial here.

1b) Country-by-country reporting

- 🕒 Time frame: immediate start; duration approx. 2–3 years
- 🏠 Geography: Europe and the US
- ➡ Outcome: Country-by-country reporting is the reporting standard for all MNCs in all sectors and the data released is used to bolster calls for more equitable tax rules and systems.

How the country-by-country reporting standard will develop within the BEPS process is uncertain. CSOs will continue to monitor and engage on this, primarily through the BEPS Monitoring Group.⁶⁶ This work is well established and funded for Northern-based CSOs. The area which does need support is in relation to the implementation of existing legislation for extractives and forestry sectors. There is a growing recognition that existing transparency legislation and policy processes⁶⁷ will lead to a very large amount of corporate data being released. It is critically important that the data is accessible to the broadest audience and used well, to ensure that the commitment to transparency is not weakened and that it can be extended to other sectors.

⁶³ The lack of engagement by CSOs with the FSB is also highlighted in a previous T/AI report: Kuttner, Robert, 2010, *Financial Reform: New frontiers in transparency and accountability*, T/AI.

⁶⁴ Omidyar Network is planning a series of round tables and a conference in London at the end of November 2014.

⁶⁵ TUAC has pressed the FSB to devise a process for consulting with CSOs and has engaged consistently on finance sector reform.

⁶⁶ This is an informal group of CSOs with strong TJN technical support.

⁶⁷ These include the EU Accounting Directive, Dodd–Frank, the US signing up to the Extractive Industry Transparency Initiative (EITI) and the potential standard that will be adopted as part of BEPS.

Here there are particular opportunities related to using Open Data platforms and working with Open Data actors. There is recognition of the need for this but no major donor funding going towards it and no strong collaborations to practically take it forward. Key Northern actors that could be involved here are the Natural Resource Governance Institute (formerly Revenue Watch), Global Witness, Open Corporates, Open Knowledge and ONE Campaign. There are also Southern actors which have undertaken Open Data work which should also be involved.

Specific funding opportunities and possible agents of delivery

Funders with interest in this area could:

- provide funding to support a coordinated effort, working with key Northern and Southern actors to ensure data released under new transparency standards is accessible in Open Data formats and actively used by key target audiences.

1c) Automatic exchange of information

- 🕒 Time frame: immediate start; duration approx. 2 years
- 🏠 Geography: Europe and the US
- ➡ Outcome: Models for automatic information exchange, including the principle of non-reciprocity, are enshrined as widely as possible.

The OECD has released the standard on Automatic Exchange of Information that it will present to the G20 in Autumn 2014.⁶⁸ CSOs will continue to monitor and engage on this issue, particularly advocating on the reciprocity issue both to the OECD and to its member states. As mentioned earlier (see Key concerns, page 27) there are concerns about the requirement for reciprocity of disclosure, given the burden that this could create for developing countries. In this respect, it is worth noting that OECD countries can still assign non-reciprocal agreements themselves, so advocacy opportunities still exist to promote the interests of developing countries in respect of this issue. It is here that action is needed to ensure that this work leads to the most beneficial outcomes for all developing countries.

Northern actors and global coalitions need support to continue and expand their advocacy on this issue. Donors such as the World Bank and DFID are already looking at preparing developing countries on this issue, a positive step which should also be expanded as part of tax capacity-building programmes, particularly in countries where revenue authorities have more capacity to implement information exchange systems.

Specific funding opportunities and possible agents of delivery

Funders with interest in this area could:

- support the automatic information exchange roadmap developed by the OECD in the areas in which it delivers the strongest benefits to developing countries;
- fund Northern-based groups to undertake advocacy, to their own governments, on automatic information exchange in relation to the issue of reciprocity;
- include support for preparing developing countries on automatic exchange of information as part of tax capacity-building.

1d) SEC disclosure rules review

- 🕒 Time frame: immediate start; duration approx. 1 year
- 🏠 Geography: US
- ➡ Outcome: SEC disclosure rules are significantly strengthened, providing information on US-registered MNCs' corporate structures and tax strategies.

The US Securities and Exchange Commission (SEC) has announced to its investor advisory committee that it is considering its entire disclosure regime. There is now an opportunity to advocate for more stringent disclosure rules for corporations making SEC filings in relation to corporate structures and tax issues.⁶⁹ This move has wider relevance beyond the US, of course, as US-registered MNCs have a huge global presence. In addition, since tighter disclosure rules would be relevant for all such MNCs, this reform could have a broader impact than those that have been adopted on a sector-wide basis in the past.

Specific funding opportunities and possible agents of delivery




Funders with interest in this area could:

- support US groups such as FACT to engage in the SEC disclosure rules review. FACT coalition and its allies are well placed to carry this forward and funders could support their efforts. This would be strengthened by linkage to a parallel process with the social investor community (as described under Goal 4).

⁶⁸ See the press release at <http://www.oecd.org/newsroom/oecd-releases-full-version-of-global-standard-for-automatic-exchange-of-information.htm>

⁶⁹ This is a particular policy opening in the US. Nevertheless, actors are mindful of the fact that, in the long term, advocacy towards the International Accounting Standards Board is really where reforms should be happening to ensure there is global reach. However, this body has resisted advocacy pressures to date.

1e) Tax and post-2015 global framework⁷⁰

-  Time frame: urgent start; duration approx. 18 months
-  Geography: Global
-  Outcome: Tax is included in the post-2015 global development framework, with appropriate performance measures related to taxation.

The post-2015 process presents an immediate – and urgent – opportunity to get tax clearly on to the new global development framework, particularly as tax issues have been visible in the consultations. The Open Working Group on the Sustainable Development Goals is already looking at this. Various targets have been proposed, but many of these are considered unworkable, often because of a lack of reliable baseline data (something which is discussed more below under Goal 3) and there are additional concerns related to negative unintended consequences of some of the proposed targets (see page 29).

This process of the Open Working Group is already advanced and the 'zero draft' has already been published. However, the content of the new framework will continue to evolve in the lead-up to the UN Secretary-General's report and into negotiations in 2015. Stakeholders still agree there is at least an opportunity for a big push to look at how tax and illicit financial flows will be represented within the global framework, and particularly to push for the ideal performance metrics (targets and indicators) in this area. CGD and GFI are currently working on developing performance metrics linked to tax measures. There are many groups interested in this. Christian Aid has published its position on targets which include targets related to transparency measures⁷¹ and there are many other actors also looking at this (including TJN, ActionAid, Save the Children and Academics Stand Against Poverty, among others). The UNDP – a key actor on the Open Working Group on Sustainable Development Goals – is open to acting as a broker and convenor in such a process.

Fast action would be required and a high-level event in New York – with political representation – would be a key mechanism to take this forward. If donors could collaborate, including key bilaterals, this would greatly enhance the media and political impact of this event, but high-level Southern involvement is also critical. While the main purpose of this event would be to advocate for content within the post-2015 global framework (particularly on performance metrics), it could simultaneously feed in concrete recommendations to the Intergovernmental Committee of Experts on Sustainable Development Financing (which operates as part of the Financing for Development process). Both pushes would need to be accompanied by a sustained advocacy push in key countries to ensure that the proposals on tax and IFFs remain in the text throughout the 2015 political negotiation process.

Specific funding opportunities and possible agents of delivery

Funders with interest in this area could:

- fund a big push around tax and IFFs in relation to the post-2015 global framework, and particularly in relation to performance metrics. This could include a collaborative donor event, with UNDP playing a key role as broker. This would ideally be accompanied by subsequent advocacy to the Intergovernmental Committee of Experts on Sustainable Development Financing;
- fund parallel processes in key countries to encourage governments to support appropriate commitments on tax and IFFs in the global framework.

⁷⁰ This outcome actually has the potential to cross-cut Goals 1–3 but it is located under Goal 1 for simplicity of presentation.

⁷¹ Christian Aid and Centre for Economic and Social Rights (CESR), 2014, *A Post-2015 Fiscal Revolution: Human rights policy brief*.

2. Developing fair international taxation standards and systems

Goal: International tax rules and the wider international tax architecture are reformed to ensure a fairer allocation of tax between countries. Reforms remove the rationale for the use of secrecy jurisdictions. Concurrently countries' tax systems that have particularly harmful spillover impacts are also reformed and globally there is a significant move from a damaging framework of tax competition to an enlightened framework of tax cooperation.

Given that this is the most challenging 'next frontier' area, the short- to medium-term goal is that policy debates advance. This will require a twin-track approach: credible new technical analysis and proposals that provide for alternative approaches being developed, alongside action to generate increased global political momentum for reform.

Work on this goal will be of relevance to funders interested in revenue generation in developing countries, global and national tax equity questions, global governance and global inequality issues, MNCs' tax contributions and international tax rules.

Theory of change

Problem: As discussed earlier, international tax rules have many weaknesses, with too much scope for manipulation and illicit behaviour under the current system. Illicit financial flows alone are now recognised as greater than aid flows, meaning developing countries are significant losers under the current international financial architecture. New, simpler rules are necessary to confront these problems. Developing countries have continually lost out under a system which privileges capital-exporting countries and under bilateral taxation treaties which have often poorly defended their interests and consistently favoured developed nations. Countries that operate as secrecy jurisdictions or conduits to tax havens as part of their own economic development strategies have also undermined the efforts of other countries to raise tax revenue. Such shortcomings have flourished under a global system where tax competition is seen as, at worst, the preferred norm or, at best, inevitable, and where the benefits of global tax cooperation have been extensively ignored. There are few signs at present of any endeavour to address this vast, complex, multifaceted global problem in any coordinated and consistent fashion. While the current efforts of the G20, G8 and the OECD are positive contributions, these issues go far beyond what will be dealt with under the BEPS process.

Intervention: This area is mainly concerned with advocating for alternative rules, models and approaches to improve international tax rules and reduce IFFs, as well as to minimise the harmful effects of one country's tax system on other countries. The area is therefore very broad and even extends into interventions that seek to change the conceptual framework and understanding that surround global tax competition and aggressive tax planning behaviour. Fundamentally this area is about addressing the root causes of the problem and making structural reforms to international and national tax systems, as well as changing frameworks and behaviours to ensure that tax avoidance, evasion and competition are all reduced, while fair taxation standards and systems are widely adopted. Opportunities in this section can mostly, but not exclusively, be described as new and so this area very much represents 'the next frontier' of tax work.

The interventions proposed are explained in more detail below. In the first instance they build on existing opportunities that exist in relation to spillover analysis of the effects of one country's tax system on another's, and interventions regarding double taxation agreements. Strong work is already under way in these areas. The bulk of the interventions, however, relate to new opportunities, where strong leadership and/or funding would be necessary to create momentum in areas where gaps have been identified but some exciting new ideas are emerging. In these new areas, work is often experimental in nature: concerned with creating political momentum, changing the terms of debates or pushing forward new research agendas or conceptual work. Most work in this area, therefore, does not have a short time frame for action and would require investment over longer, more flexible periods.

Impacts and risk: Over the long term, impacts in this area would be transformative. Fairer international taxation rules would ensure a more balanced distribution of corporate tax revenue between developed and developing countries. Reduced IFFs, reduced tax competition and a transformation of particularly harmful tax systems such as those in the Netherlands and Switzerland – which have serious, detrimental impacts on other countries' revenue bases – would also contribute to a huge increase in revenues for developing countries (as well as for developed nations). Taxation as the basis of the social contract and well-funded public services would become more widespread realities and a cooperative global tax framework for action would also guard against the erosion of the tax base and diminishing public budgets in the future.




There are clearly many risks in this area. It is highly experimental and the bulk of recommendations for funders touch on new, unexplored areas. There is great complexity and scale involved in any commitment to reform global standards, rules, frameworks and debates. At such early stages of work many of the key tasks are to build up the knowledge base of alternative methods and approaches, to develop concrete policy proposals

Impacts and risks continued:

in new areas and, most critically of all, to open up the policy space for these to be given the serious consideration they deserve. The political momentum for this sort of radical change is far from established and needs direct support. Possibly the greatest risk – for the strategy proposed in this document – is that funders interested in working at the international level seek to support only tax transparency work, because of its greater political feasibility, and that there is no funder willing to show leadership in this area. Given the inherent riskiness involved in this area it is worth pointing out that collaborative donor action would be useful both to spread the financial risk and to build greater momentum among the donor community for supporting these new ideas.

Outcomes sought: Building on existing opportunities

2a) Spillover analysis

-  Time frame: immediate start; duration approx. 3–5 years
-  Geography: Europe, Africa, Latin America
-  Outcome: The harmful spillover effects of countries' tax systems on developing countries are reduced and developing countries increasingly reject unbalanced double taxation agreements.

There is an opportunity to amplify tax work beyond tax transparency by looking at the spillover impact of countries' tax systems. This approach is one the IMF is increasingly using. It will no doubt continue to analyse and criticise Northern governments for the harmful effects of their tax and regulatory systems on developing countries.⁷² The Irish government has also recently published a tender for spillover analysis of its tax system. Other governments could follow suit. There are also several Northern-based CSOs that are already pushing their own governments to examine the impact of their tax systems on developing countries. Strong work is under way in the Netherlands and Switzerland, and UK NGOs have also become more active in this area.

There are particular opportunities to support coordinated research and advocacy in countries that have clearly harmful tax regimes – particularly Switzerland, Luxembourg, Ireland and the Netherlands. CSOs plan to develop joint indicators for harmful tax regimes and

countries that facilitate tax avoidance and evasion. UK NGOs would also like to expand their work on spillover analysis in relation to the UK tax system. As these are all relatively well-resourced groups, funding needs are not large but a certain amount of funding would help them carry out specific research projects, and most importantly could help galvanise productive collaborative efforts in this area. Work here is time-sensitive. The conclusion of the BEPS process is likely to lead to a lot of pressure on governments such as those of the Netherlands, Ireland, Switzerland and Luxembourg and now is the moment to increase popular pressure for reform in these countries.

Double taxation agreements present interesting opportunities for new policy research as well as active advocacy and campaigning work in developing countries. Work in this area allows countries to directly explore source vs. residence principles and debate where the right to tax arises. There are signs that developing countries are beginning to evaluate tax losses from having signed poorly designed agreements, and that they are prepared to take action to remedy the situation.⁷³ It should be noted that these agreements – unlike bilateral investment treaties – are easy to cancel and so this is a practical avenue to explore. Many stakeholders also pointed out that movement in this area could be another contributing factor towards helping shift power relations within the international tax system.

The IMF is already doing work in this area, supporting developing countries to analyse their double taxation agreements and to cancel or renegotiate these. This is very useful assistance and should be scaled up as part of its in-country technical assistance portfolio. Another important angle is the work looking at anti-'treaty shopping' under the BEPS process. As greater attention is now being paid to this issue, bilateral donors could also be examining double taxation agreements and their impact on developing countries' revenue, funding research in this area where there are gaps.

Southern CSOs are also keen to work in this area. This opportunity was strongly highlighted by them in the consultation. Active advocacy work on treaties is already happening in Kenya and Nigeria. In Kenya, the platform East Africa Tax and Governance Network (hosted at TJN-A) is trying to stop the government ratifying a double taxation treaty with Mauritius. In Nigeria the national platform is campaigning around an established treaty with Mauritius.⁷⁴ In Uganda, ActionAid Uganda and SEATINI will soon be releasing research on Uganda's double taxation agreements and they are keen to work on the model treaty angle.⁷⁵ TJN-A is very clear that this is a priority for many groups and will continue to grow. There is also a potential

⁷² One example is: IMF, 2011, *Kingdom of the Netherlands, Netherlands: Detailed Assessment Report on Anti-Money Laundering and Combating the Financing of Terrorism*.

⁷³ Notable occurrences include Mongolia cancelling its tax treaty with the Netherlands after some IMF assistance with analysis, Argentina cancelling its agreements with Austria, Chile and Spain, and Malawi cancelling its treaty with the Netherlands. The Argentinian government estimated that total tax avoidance by engineering through the double taxation agreement with Spain was over US\$60m in 2011 alone. See Latindadd and Fundación SES, 2013, *Double Taxation Agreements in Latin America: Analysis of the links among taxes, trade and responsible finance*.

⁷⁴ ActionAid has published a useful paper critiquing Deloitte's advice to businesses on how to avoid tax in Africa by structuring businesses via Mauritius. This shows the negative impacts of agreements such as these. See ActionAid, 2013, *Deloitte in Africa: Advising big businesses on how to avoid in some of the world's poorest countries*.

⁷⁵ Although Uganda has an existing double taxation agreement with Mauritius, a point to note is that Uganda also has limitation of benefit provisions in its Income Tax Act which can be relied on to combat treaty abuse.

strategic litigation opportunity in Kenya, where the national tax platform is in discussion with the Pan African Lawyers Union about whether there are any legal mechanisms to challenge the Kenyan government on this issue. Apart from the case of Uganda where ActionAid is already investing some funds in this work, dedicated funds for work in this area do not exist and finding core funding is already a major problem. In Kenya, funds are extremely stretched and there are question marks about whether this work can continue, even though it has quickly gained momentum. This also contributes to the time-sensitive nature of funding needs in this area.

There are also Northern-based NGOs very interested in this, particularly as it opens up the potential for joint North–South campaigning on very specific issues. SOMO is keen on developing a joint North–South research agenda regarding agreements with the Netherlands, using the methodology it has already developed to estimate costs to developing countries of these treaties. Both Christian Aid and ActionAid are interested in doing more research, advocacy and campaigning work in this area. Again, though these Northern groups are better resourced, given that this agenda is very new, it would benefit from some targeted support. North–South partnerships would particularly benefit here.

Specific funding opportunities and possible agents of delivery
Fundors with interest in this area could:

- fund SOMO, Netherlands, Eurodad (for work in Luxembourg), Alliance Sud (Switzerland) and Christian Aid Ireland to further develop their joint work on harmful tax regimes;
- support ActionAid and Christian Aid to do new spillover analysis of the UK tax system;
- fund advocacy and campaigning work by national tax platforms, particularly in Kenya and Nigeria, with regard to double taxation agreements;
- fund research, advocacy and campaigning work with CSOs in Uganda and other country members of TJN-A, as well as interested groups in Latin America, particularly in relation to the development and promotion of model tax treaties for use by African and Latin American governments;
- fund SOMO for the development and implementation of a joint North–South research agenda around tax treaties with the Netherlands, using the methodology it has already developed;
- fund Christian Aid and ActionAid to do a full assessment of the content of UK double taxation treaties and to move forward research and North–South campaigning work in a targeted fashion.

Beyond funding

- Bilateral development agencies could encourage or undertake spillover analysis of their own country's tax system as part of inter-departmental policy coherence assessments.

- Bilateral development agencies could undertake analysis of double taxation agreements and their impact on developing countries' revenue as part of bilateral tax capacity-building programmes.

Outcomes sought: Creating new opportunities

2b) Alternative approaches to international corporate taxation

- 🕒 Time frame: immediate start; duration approx. 5–10 years
- 🌐 Geography: Global
- ➡ Outcome: Alternative, fair corporate taxation ensuring an equitable share of taxation for economic activity in developing countries are designed and adopted.

As mentioned earlier this is a highly complex area as it demands nothing less than a reform of international taxation rules. No accepted alternative policy proposal exists and there is a lack of technical analysis of what the different alternatives are, and what the strengths and weaknesses of the alternative rules, systems and approaches would be. This is very clearly a new area for action and opportunities need to be created by those prepared to take a lead. However, already in existence and ready to be built on are three key elements: a very strong and growing consensus that action is needed here; a nascent research agenda; and an emerging group of global actors willing to take forward work in this area.

First, it is important to note that there is manifest consensus that reform on this scale is both appropriate and urgent. This message is coming from a broad spectrum of actors. These include: leading Northern and Southern CSOs and civil society networks working on tax; academia – most notably ICTD, CGD and the Oxford University Centre for Business Taxation; and the IMF. Although the IMF is a recent addition to this group, its newly released policy paper for its executive board plainly shows it is taking a strong position in this area.⁷⁶ It clearly identifies the current “unfair allocation of the tax base” as something that has long been contentious but “has lately become an even more focal question”.⁷⁷ It notes current initiatives will not eliminate problems and provides some thoughts on alternative frameworks such as minimum taxes, formulaic apportionment and hybrid schemes, which combine traditional approaches with some formulaic allocation of profits. The IMF paper calls for an inclusive and less piecemeal approach to international tax cooperation, and notes with concern the fact that the technical policy debate around proposed alternatives is not yet well advanced. It also stresses that the lack of policy debate and the political barriers in this area are substantial problems.

⁷⁶ IMF, 2014, *Spillovers in International Corporate Taxation*, IMF Policy Paper.

⁷⁷ See IMF, 2014, *Spillovers in International Corporate Taxation*, IMF Policy Paper, page 8.

Work in this area has barely begun, but there are some nascent research projects that should be mentioned. ICTD, for example, has a small research programme on unitary taxation/formulary apportionment.⁷⁸ CGD is also looking at the impact of unitary taxation on developing countries, constructing an analysis of how much better off South Africa would be under a unitary taxation/formulary apportionment system. This analysis is expected to be released in autumn 2014. The Oxford University Centre for Business Taxation is looking at destination taxation and its first paper in a series is likely to be released at the end of 2014, with another analysing the impact of destination taxes on developing countries pending for 2015.⁷⁹ The UN Tax Committee also has a track record of looking at alternative taxation rules which would be of greater benefit to developing countries; it has significant expertise which is directly relevant to this process and could be bolstered. It is also likely that the IMF will increase its research in this area.

It is, however, the third key element – an emerging group of global actors ready to take forward work on this issue – that is perhaps the most important; without it, there would be substantial difficulties for funders interested in supporting meaningful work in this area. A global group has already come together to carry out coordinated action. Ten leading organisations – ActionAid, Alliance Sud, CCFD -Terre Solidaire, Christian Aid, Council for Global Unions, Global Alliance for Tax Justice, Public Services International (PSI), Tax Justice Network, Oxfam and the World Council of Churches – have formed a preparatory group to design an inclusive process to work on reform of international taxation rules.

This group is proposing a mechanism known as the **Independent Commission for Reform of International Corporate Taxation (ICRICT)**. ICRICT's main purpose is to allow for a wide-ranging investigation of alternative corporate taxation approaches, in a way that is strongly 'Southern-inclusive' and builds the maximum political momentum for change. It will involve establishing a global high-level panel to give maximum political credibility and 12 expert, high-profile commissioners are to be recruited for the panel, representing all regions of the world.⁸⁰ ICRICT will hold public consultations attended by commissioners in developing country settings, as well as drawing in all research available in this field. The ICRICT panel will develop a report with recommendations on the best alternative forms of international corporate taxation which could form the basis of a new global corporate tax policy. It should be noted that ICRICT will look at *all* potential alternatives. These include tax types such as presumptive taxes (where profit margins are set with industry in advance),⁸¹ withholding taxes, which are widely seen as much easier for developing countries to apply, forms of minimum taxation,

destination taxes, hybrid schemes, and unitary taxation and formulary apportionment approaches, as well as any other relevant tax types. A key issue to be explored during this process is under what system developing countries would be better off.

While the technical and conceptual arena is extremely important, perhaps the key aim of ICRICT is to achieve political momentum on the idea of alternatives. The CSOs from the preparatory group would incorporate the report recommendations in their advocacy work. During the stakeholder interviews, many leading CSOs also stressed that ICRICT would have to function well, and carve out new political space for debate, if they were to be able to take these issues forward. A campaigning voice alone cannot create the credible propositions necessary. Also important to note is that, while few see advocacy for a World Tax Authority (or upgrading of the UN Tax Committee) as feasible in the current context, it is possible that the ICRICT process will lead to new momentum on this important global tax governance issue.

This policy opportunity is time sensitive. CSOs have seed-funded the preparatory work and high-profile individuals have signalled their interest in becoming commissioners on this body, but ICRICT does not have any guaranteed funding. If funding is not in place by the end of 2014, it is likely to cease operations. If so, there will be a need to generate an alternative mechanism to generate the policy solutions and political momentum needed in this vital area.

Specific funding opportunities and possible agents of delivery

Funders with interest in this area could:

- fund the Independent Commission for the Reform of International Corporate Taxation (ICRICT) immediately and in full, and with a clear commitment to support the 18-month process;
- fund Northern-based NGOs, particularly members of the ICRICT preparatory group, to undertake comprehensive advocacy and campaigning across Europe and the US once ICRICT's recommendations are in place (parallel action in the South is also relevant here; this is recommended under Goal 3);
- fund research institutes to establish new programmes looking at alternative international corporate taxation rules;
- fund the UN tax committee to implement a special research initiative to assess which international taxation rules would deliver the largest benefit for developing countries, and provide complementary funding to Northern and Southern CSOs to enable their participation in this process.

⁷⁸ Under unitary taxation (formulary apportionment), a formula based on sales, payroll and other aspects allocates income to different jurisdictions to reflect the weight of economic activity in each. Under this system MNCs would be unable to choose to locate profits in secrecy jurisdictions where they have no real production, staff and sales.

⁷⁹ It should be noted that development NGOs have already expressed concern about sales-based methods of taxing business income. Given the majority of sales are in developed economies, there is a fear that this method would do significant damage to developing countries' tax bases. (ActionAid, *A Level Playing Field? The need for non G20 participation in the BEPS process*, 2013.)

⁸⁰ The proposal is that there would also be a secretariat with a tax policy specialist and a communications person to support and manage the process.

⁸¹ These are also called 'deemed profit taxes'. The tax essentially operates as a withholding tax on revenues but is based on an assumed profit margin for a given industry. Some countries in the Middle East and China already use this as the basis on which to charge tax on some foreign companies.

2c) Promoting tax cooperation

- 🕒 Time frame: immediate start; duration approx. 10 years
- 🏠 Geography: Europe, US
- ➡ Outcome: Tax competition no longer dominates the mainstream discourse on tax, and tax cooperation is increasingly a valued principle steering global tax arrangements.

The issue of countries needing to 'maintain competitive tax regimes' and the harm this causes across the globe, by locking in a race to the bottom, was mentioned by many stakeholders. However, all recognise this is a very established, mainstream concept and a great deal would have to be done to change the terms of the debate. The need to address this concept is seen as fundamental, because moving from a competitive tax framework to a collaborative tax framework is the foundation of more positive global tax arrangements. However, there is a serious and worrying gap in this area in terms of interventions. While practical initiatives exist under sub-regional harmonisation processes (mentioned under Goal 3), these are slow moving and have only localised effects. There were certainly some accounts of positive experiences of regional integration initiatives, but these do not seem to have the potential to influence the terms of global discourse on tax. No existing body of work that seeks to do so was identified.

However, there is one new opportunity being advanced by TJN in this field. The Network would like to establish a spin-off, independent institute focused on the tax competition/cooperation issue. Its primary aim would be to develop a new intellectual framework on this topic, doing sound economic analysis but also with a very strong media agenda and working with journalists to challenge those using the language of competitiveness incorrectly. The preferred location would be Washington DC but potentially there could also be regional hubs. TJN is currently working to develop this idea further and it was presented at the Montreal Tax Justice and Human Rights symposium (discussed later). Interest is developing across various constituencies, including the human rights constituency, on how to work more in these areas; though this is at a very early stage of discussion, funders could enter into dialogue with TJN about how best to take this idea forward. Funders should also continue to try to identify opportunities to fund work in this field both North and South, in the widest sense possible.

Specific funding opportunities and possible agents of delivery
Funders with interest in this area could:

- fund TJN to develop its 'Tax Cooperation/Competitiveness Institute', as a spin-off institution.

2d) Redefining tax avoidance

- 🕒 Time frame: immediate start; duration approx. 5 years
- 🏠 Geography: UK and US
- ➡ Outcome: Efforts to clarify and redefine tax avoidance are successful and 'tax avoidance behaviour' is recognised as such by professional standards bodies and as a key part of business ethics.

This is a more indirect policy opportunity linked mainly to changing the terms of the debate on tax avoidance. There is a nascent effort to try to redefine tax avoidance and some new thinking in this area is coming from a UK barrister.⁸² The aim of this work is to change the perception and definition of what tax avoidance is, using the concept of tax risk (the approach that is used by the corporate sector). Essentially this new approach would aim to shift tax avoidance definitions to a focus on behaviour, away from current approaches that focus on outcome.⁸³ Changing the focus to behaviour would allow a redefinition of the whole concept of tax avoidance. For example, if an actor deliberately created a tax filing for a client which had a 25% chance of success, they would be doing something that 'may or may not work' and would thus be participating in 'the deliberate creation of tax risk' for a client and this would be defined as tax avoidance. (If, however, they made an error and/or were seeking to create certainty for a client when they were filing, this behaviour would not be classified as tax avoidance.)

Although this idea originates from a single source, there was wide consensus that fresh thinking is needed here. Many CSOs, including TJN, Christian Aid and the FTC, clearly indicated they wanted to work more in future on the angle of the 'enablers' – accountants, lawyers and bankers who facilitate tax avoidance. The investor community is also interested in this angle as they need to be able to identify tax avoidance behaviour and spot tax risk. This also extends into the sphere of trade unions which are interested in shareholder responsibility concepts and in exploring tax risk issues.

Exploring and creating a new definition in this area is certainly called for. It could be the basis for an interesting process of dialogue and advocacy with the business community and professional standards bodies.⁸⁴ Work would not necessarily imply the necessity for legislation or codes of conduct in the first instance, but could work up to that level if consensus is built. At present there is no funding in this area but funding needs are likely to be small at the start.

Specific funding opportunities and possible agents of delivery
Funders with interest in this area could:

- fund the development of position paper(s) in relation to redefining tax avoidance and bring together key actors to debate these issues. This could be done in the UK and replicated in the US, at a minimum.

⁸² See <http://dqtax.tumblr.com/> and <http://www.taxresearch.org.uk/Blog/2014/06/06/the-difference-between-tax-planning-and-tax-avoidance-thats-easy/>

⁸³ Tax avoidance is only labelled as such when it is declared as tax avoidance by the tax authority. This outcome is highly dependent on the tax authority's resources to investigate and not on whether tax avoidance is actually occurring.

⁸⁴ Bodies in the UK include the Bar Standards Board, Solicitors Regulation Authority, Chartered Institute of Taxation and Institute of Chartered Accountants.

2e) Tackling illicit financial flows

- 🕒 Time frame: immediate start; duration approx. 5–10 years
- 📍 Geography: Europe, US, Africa, Latin America and the Caribbean
- ➡️ Outcome: Illicit financial flows and the comparative risks that countries face are better analysed and understood and specific national and regional interventions are adopted to directly reduce illicit financial flows.

Currently international financial flows are poorly understood (and even the term itself is seen as polarising debates). The existing body of research in this area uses anomalies in data on flows in order to estimate illicit components. While widely recognised as breaking new ground and drawing attention to a significant – and hidden – problem, this research has also been subject to criticism for the assumptions that inevitably it has had to use, given the illicit nature of the subject matter. This is unfortunate and has made it difficult to carry out work on illicit financial flows. There have been some advances, most notably the take-up of the issue in Africa and the creation of the High Level Panel on Illicit Financial Flows chaired by Thabo Mbeki. The Mbeki Panel has helped give the issue more prominence in Africa. However, large gaps in research remain, and there have been few practical interventions to directly reduce IFFs. To date it seems that no single country or sub-region has adopted wide-ranging, comprehensive measures to aggressively tackle IFFs across their borders.

There are opportunities to advance work on IFFs. Two of these opportunities are presented here and a complementary national initiative is presented under Goal 3. The first is in relation to **new approaches for illicit financial flow analysis**. This refers to a new area of research, led by CGD, which is looking at countries' comparative exposure to IFFs. Instead of trying to use anomalies in data on flows to estimate illicit components, it involves using data differently to construct more precise measures. The approach uses data on the flows of trade and investment combined with measures related to the financial secrecy of trading partners to construct an analysis of the comparative 'risk of illicitness' that different countries face.

This new approach is not about finding a number that quantifies the illicit flows themselves, but is about relative risk. There is good data to precisely measure financial flows and it is also possible to construct a measure of the secrecy of the country partner.⁸⁵ These factors combined mean this complementary area of research will ultimately be less open to criticism and could lead to a stronger (and more mainstream) academic consensus on the impact of IFFs. Another highly important factor is that this approach would provide the grounding for applying regression analysis in this field, allowing researchers to start looking at the effects of the risk of IFFs on growth, inequality, governance and other themes. CGD is also currently working to expand the

approach used in its recent publication related to illicit financial flows and trade mispricing between Zambia and Switzerland. This methodology can be applied to all developing countries and CGD would like to expand its research work to include this much broader coverage.

Though there is good funding for this research agenda, the main impact of some additional funding would be to accelerate and amplify work in this area. Currently the time frame to develop this research properly is about 2 to 3 years. Additional funding could speed this up to an 18-month time frame and allow more academic collaboration to be sought, with the advantage of broadening out the thinking to the mainstream. This new approach should also be of interest to bilateral donors, particularly those involved in the Global Partnership for Effective Development Cooperation. The Global Partnership is interested in developing a risk assessment tool for developing countries in relation to their exposure to IFFs.⁸⁶ This is precisely what this research will deliver.

The second opportunity is in relation to the **institutionalisation of the Mbeki Panel**. The report of the Mbeki High Level Panel on Illicit Financial Flows has not yet been released and probably will not be until September 2014. There is great expectation that the report's recommendations – which will be directed at the national, sub-regional, continental and global levels – will help drive policy reforms and action across Africa. However, there are no plans in place to ensure there is follow-up to the panel's work and that countries receive assistance to implement recommendations. There is a great danger that momentum could be lost unless the work of the panel is properly institutionalised at the inter-governmental level. Action here is time sensitive.

There are a variety of options here, but the most important step – once the report is released and if the content is indeed promising – will be for funders to come forward and offer the panel their support. A collaborative, large donor effort would be the preferable option here, as well as a commitment to fund the new institution and its activities over the medium term. CSO presence and advocacy on this issue is also important – African CSOs need to monitor how the panel's recommendations are taken forward. This parallel process could be supported via core funding for TJN-A.

It is notable that no similar process to the Mbeki High Level Panel on Illicit Financial Flows has ever been created in other regions. This is also a significant gap. Given that the momentum on taxation is already strong in Latin America and the Caribbean, and groups there are well prepared and there is significant interest in this topic, donors should be looking for ways to replicate this experience in the region.

⁸⁵ The central hypothesis that secrecy is related to amount of illicitness is less controversial than assumptions in the current trade mispricing models.

⁸⁶ Global Partnership for Effective Development Cooperation, 'Plenary Session II: Partnering for effective taxation and domestic resource mobilisation for development', Issue Paper. (Note this is not published formally but was an issue paper for a working group during the first high-level meeting in Mexico in April 2014.)

Specific funding opportunities and possible agents of delivery

Funders with interest in this area could:

- provide the additional funding necessary to CGD to speed up the development of a new research methodology in relation to IFFs – looking at the comparative risk of illicitness – and expose more mainstream academics to this new methodology;
- coordinate a large donor effort and make a clear commitment to UNECA and the African Union to financially support the institutionalisation of the Mbeki panel, to follow up the recommendations from the Mbeki panel report;
- fund TJN-A to monitor implementation of the Mbeki panel report and support CSO advocacy to ensure recommendations are implemented;
- fund relevant groups in Latin America and the Caribbean to replicate in the region the experience of the Mbeki High Level Panel on Illicit Financial Flows in Africa.

Beyond funding

- Bilaterals chairing the Global Partnership on Effective Development Cooperation could ensure CGD's new research methodology on the comparative risk of exposure to illicit financial flows is shared with other donors and governments and exploit synergies with the Domestic Resource Mobilisation working group on this issue.

3. Building effective and equitable national taxation systems

Goal: Effective and equitable taxation systems are established in developing countries, with inappropriate tax incentives dismantled, more effective and equitable income tax systems in place and enforced, and tax evasion significantly reduced.

In the short-to-medium term, increasing tax capacity-building programmes and a reorientation of donor and Southern government strategies prioritise tax equity concerns, and Southern civil society is equipped to become a more effective advocate for progressive taxation.

This area is relevant for funders interested in revenue-raising and public service provision in developing countries as well as equitable national development strategies and reducing aid dependence generally. In addition, those interested in the promotion of financial transparency and accountability, as well as strengthening citizen participation and the voice of Southern civil society and governments on the global stage, would also be interested in opportunities described here.

Theory of change

Problem: As discussed earlier there are still major difficulties in ensuring that effective and equitable national taxation systems are fully functioning in developing countries. Some progress has been made – and certainly tax administration systems have improved – but in terms of tax collection levels progress is far from what was hoped the ‘tax consensus’ would deliver. At the same time few, if any, national tax systems in developing countries are equitably designed and contribute to the reduction of income inequality. Areas of weakness that are particularly worrying from the tax equity perspective are: the wide-ranging tax incentives systems in place; generalised failures to properly introduce and/or apply asset and income taxes (including poorly negotiated and managed extractives taxation regimes); widespread tax evasion; and the high levels of IFFs, which significantly undermine developing countries’ finances. In the face of these significant challenges, donors’ traditional tax capacity-building programmes are considered insufficient, especially given that tax equity has not been given the due consideration it deserves.

At the same time Southern civil society groups undertaking policy, advocacy and campaigning work on tax issues are markedly under-resourced. Their work is moving more slowly because of disparities not just in resourcing but also in expertise, profile and access to government. And of course their task is harder to begin with, given weak governance structures, corruption and the often fragile democracies they operate in. Significant, long-term support for Southern civil society in the tax arena is called for.

Intervention: There is a whole variety of efforts gaining momentum in Southern countries but they still need a lot of support to achieve policy reforms. The interventions below span a wide range of issues for which it is crucial that progress is made in order to establish effective and equitable taxation systems. In some cases specific opportunities are identified, but in others recommendations are more general, because of the large number of countries where funders could potentially support work in this area. Interventions involve working directly with Southern governments (ministries of finance, tax authorities and tax administration forums) as well as with a broad base

of Southern civil society including regional and sub-regional networks, national CSOs, research institutes and think-tanks, as well as grassroots groups and social movements. Two opportunities identified in this area relate to developing country inclusion in international tax matters. This is an area where weaknesses have long been identified and negative consequences are already being felt as a result. The opportunities referred to here arise from this reality and actions are recommended to remedy it. Though there are immediate and time-sensitive opportunities for such inclusion in policy making, donors should be prepared to provide support in the long-term, since there are significant political barriers to such reform.

Impacts and risks: It is in this area that opportunities for the most direct and immediate revenue-raising impacts are to be found. Each reform initiative carries the potential for immediate impact (e.g. establishing or improving capital gains tax, removing overly generous tax incentives, introducing proper, effective enforcement measures for personal income taxation, introducing a new property tax, etc.). With that, of course, come positive implications for public spending and improved government finances. Equity-enhancing reforms will also have important impacts – with the potential to lessen the tax burden on the poor and ensuring tax policies are used in a progressive way as part of a national strategy to redistribute income.




Given that this area concerns a broad range of actions across all developing countries, risks are likely to vary substantially between these different contexts. National political analysis would be needed to inform judgements more fully. However, in a general sense the main risk is that investments to build up capacity and the knowledge base, and advocacy and campaigning work, will be stymied by the strong political forces (i.e. the political and economic elite in developing countries) that will inevitably oppose progressive taxation measures and reforms. There are also risks associated with the more difficult operating context of CSOs. Groups are more fragile, the political context is less stable, CSOs have more capacity constraints and more funding absorption problems. However, funders should also recognise

Impacts and risks continued:

that, conversely, these risks are also the reason why investment in the South is an absolute priority. There are no guarantees, simply a need for sustained, long-term and comprehensive public education, policy research, advocacy and campaigning work, combined with supportive diplomatic outreach by bilateral and multilateral institutions, with equity as the key benchmark for change. The risk of inaction must also be recognised: without greater efforts to build the necessary political momentum for change, the capacity-building resources of multilateral and bilateral agencies will be squandered

Outcomes sought: Building on existing opportunities

3a) Tax incentives

-  Time frame: immediate start; duration approx. 5–10 years
-  Geography: Africa, Latin America and the Caribbean, Asia
-  Outcome: Developing countries reduce harmful and overly generous tax incentives, reform legislation in this area and adopt tax expenditure policies that enshrine in law transparency around tax incentives structures.

There is a major opportunity to support work on tax incentives in almost every developing country where active tax work is being carried out. The consensus is growing rapidly on this issue.⁸⁷ Large donors are supportive and actively backing cost–benefit analysis in this area (though most reports remain confidential) and few would argue against a transparent tax expenditure policy⁸⁸ being in place. Many feel that reducing ineffective tax incentives is a key first step to both raising more revenue (quickly and easily) and improving the fairness of the tax system.⁸⁹ Donors working for change in this area include the IMF, OECD, World Bank, AfDB and IADB, as well as many bilaterals. They should continue to expand this work, funding tax incentives cost–benefit analysis in all work with developing countries. However, they also need to make such studies public, as part of efforts to build up the political will for tax reform in developing countries.

CSOs are also becoming increasingly active regarding this issue, doing their own research where possible and conducting advocacy and campaigning. The small successes that have been achieved are mainly in relation to

reforming incentives structures in the extractives arena (e.g. Zambia and Ghana), though some countries do seem to be taking a serious look at general reforms to tax incentives regimes (e.g. Morocco, Senegal, Zambia, Tanzania). However, overall there is still a lack of real reform and many stakeholders feel the time is ripe for a big advocacy and campaigning push to take this agenda forward. This would need to be bolstered by supporting more CSO research in this area. It is often the highlighting of the costs of tax incentives which catches the media's attention and forces this issue on to the public agenda.

Many CSOs are interested in working on this topic – but lack specific funding to do so. These include TJN-A, which would like to support this domestically with members but also within **sub-regional harmonisation** processes. The prime arenas in which it could develop these processes are the Southern African Development Community (SADC) and the Economic Community of West African States (ECOWAS), where it would like to replicate its East African Community (EAC) tax incentives research. ATAF's work as a key actor within regional harmonisation processes should also be supported.

Tax incentives reform is a major area of interest for the RJF in relation to the extractives sector in particular, but the sub-regional Red de Justicia Fiscal (RJF) in Central America which would like to look at this issue in relation to all industry sectors. Similarly, in India and Bangladesh, groups are very interested in doing more work on tax incentives and the topic is likely to be a very useful entry point for work with CSOs in Asia that are newer to tax work. A key part of any donor's strategy here should be to work with multiple countries on this issue, if not specifically within regional economic groupings. Working for tax expenditure transparency policies is an advocacy issue that unites all Southern countries; policy reform is a crucial requirement, and it requires greater support, which potentially could be provided via GATJ⁹⁰ and a coordinated tax incentives campaign.

Specific funding opportunities and possible agents of delivery

Funders with interest in this area could:

- fund comprehensive research to look at the cost of tax incentives as part of all bilateral and multilateral engagements on tax;
- support ATAF in relation to the regional harmonisation and tax competition agenda in African economic groupings;
- provide core funding to TJN-A to carry out its own tax incentives research and advocacy work on tax incentives, particularly in the Southern African Development Community (SADC) and the Economic Community of West African States (ECOWAS);

⁸⁷ See IMF, 2011, *Revenue Mobilization in Developing Countries*, Fiscal Affairs Department; and Kinda, Tidiane, 2014, *The Quest for Non Resource Based FDI: Do Taxes Matter*, IMF Working Paper WP/14/15.

⁸⁸ Tax expenditures are a government's estimated revenue losses that result from giving tax concessions or preferences to a particular taxpayer. CSOs are calling for tax expenditure policies which would mean that these revenue losses are calculated and information is provided about the intended beneficiaries of tax expenditures and how they are being applied. This information would be published as part of the national budget as part of overall budget transparency.

⁸⁹ For example, see AfDB, 2010, *Domestic Resource Mobilisation across Africa: Trends, challenges and policy options*, Committee of Ten Meeting, Washington DC, October 2010.

⁹⁰ It should be noted that for funders interested in working on issues to do with progressive taxation, tax incentives, alternative taxation in the South, etc. in a multi-country sense, the appropriate actor to work with is GATJ and not FTC. FTC focuses only on tax transparency issues and not the actual content of tax policies. GATJ also has the ability to take forward coordinated popular campaigning on tax policy and equity issues and is the only actor which can really do this in a global sense.

- provide core funding to RFJ to do research on tax incentives (especially in relation to mineral taxation) across the Latin America and Caribbean region;
- provide core funding to RJF Central America for tax incentives research and advocacy in Central American countries;
- provide core funding to support groups in Asia in their tax incentives work (particularly in India and Bangladesh but also looking for new groups entering into tax work in other countries in the region);
- provide GATJ with core funding to enable work to be carried out on key cross-regional issues such as tax incentives, particularly with popular campaigning angles included.

Beyond funding

- Bilateral and multilateral agencies should publish all cost–benefit analysis of tax incentives as a matter of policy, and advocate for tax expenditure policies as a benchmark within tax capacity-building programmes.

3b. Progressive taxation

- 🕒 Time frame: immediate start; duration approx. 10+ years
- 🏠 Geography: Africa, Latin America and the Caribbean, Asia
- ➡ Outcome: Developing countries increasingly undertake reforms which are guided by tax equity principles and which lead to an increasing tax burden on income and assets.

This is also a critically important area, though one where political feasibility is patchy at best. Bilateral and multilateral donors have a central role here to promote progressive tax reforms through their programmes with developing countries. Research is an important area where they could provide greater support. All bilateral and multilateral donors engaging on tax should be funding studies on tax incidence, the tax gap and income inequality before and after tax is applied, either with government agencies, or with leading research institutes or universities. The IADB has done a certain amount of work in this field in Latin America, though much more could consistently be done. Information in Africa on these areas of measurement is almost totally absent. It is essential for all developing countries and would provide critical baseline data to help measure progress on taxation.⁹¹

There are also major opportunities to support networks in the South to advance their policy and advocacy work around a broad progressive taxation agenda. Many Southern groups are combining tax policy and advocacy work with budget work and working under a bigger inequality framing. Many groups would like to look more at direct taxation – corporate income taxation and personal income taxation (including enforcement) – as well as conducting tax incidence studies.

There are also actors that are more interested in property taxation. ICTD has developed a useful body of research in this area. More funding would allow more robust surveys in the field and a scaling-up of their property taxation research generally. Ideally a large funder would be seeking to work with them and to specialise in this area. While technical support and funding is needed for implementation, there is also a particular need for complementary advocacy and campaigns on this heavily resisted, politicised tax. Interested donors would, ideally, seek out civil society alliances on this, in-country, from the beginning of any new work on property taxation.

Progressive taxation work is very responsive to political opportunities and so the picture is too varied to be sketched out here.⁹² There cannot be a single recommendation for funding. There is simply a large gap of funding for Southern organisations in this area. There are particularly worrying gaps in Asia and especially in Indonesia, Philippines, Nepal, Pakistan and Korea, where there are interested organisations but few, if any, funders. It should also be noted that there is a large tax research gap in Asia generally. Notably ICTD has not undertaken any tax research in this region. It considers this a serious gap but one it has no funding to fill. Given the nature of the national tax policy and advocacy agendas, and the need to respond flexibly to political opportunities, the best course of action is to seek out new partnerships with Southern-based regional networks and/or with their individual members and to provide core funding for this work.

Specific funding opportunities and possible agents of delivery

Funders with interest in this area could:

- fund research on tax incidence, the tax gap and income inequality before and after tax, either with government agencies or leading research institutes or universities, as part of all multilateral and bilateral tax capacity-building programmes;
- fund ICTD to conduct new surveys on property taxation and to scale up research in this area;
- provide core funding to Southern CSOs and networks to support progressive taxation policy and advocacy work in the broadest and most sustainable fashion. This could be via regional networks or directly with national CSOs or national tax platforms;
- fill the 'Asia gap' by developing relationships and providing start-up, core funding to relatively new actors interested in tax in countries such as Nepal, Pakistan, Cambodia, Vietnam, Indonesia, Korea and China;
- fund ICTD to develop a special research programme on Asia to help galvanise tax work in this region.

Beyond funding

- Bilateral and multilateral agencies should develop specific benchmarks and progress indicators around equity and enforcement as part of all tax capacity-building programmes.

⁹¹ Absence of data on these topics has hampered the development of targets for the post-2015 global framework.

⁹² For example, groups might be advocating for VAT reform (as was done recently in Kenya), income tax reforms (Guatemala and Nicaragua), the reform of personal income tax thresholds (South Africa, Malawi and Zimbabwe) and the introduction of 'sin taxes' (Philippines), as well as developing comprehensive proposals for progressive tax reforms, taking into account all of these themes. Taxpayer education efforts and popular mobilisation of social movements and citizens concerning tax issues is also a focus for many (Uganda, Nicaragua, El Salvador) and could be greatly scaled up.

3c) Enhancing Southern citizen engagement on tax

- 🕒 Time frame: immediate start; duration approx. 10+ years
- 🏠 Geography: Africa, Latin America and the Caribbean, Asia
- ➡️ Outcome: Popular education and mobilisation efforts around tax become much more widespread and citizens in developing countries are increasingly calling for equitable taxation reforms.

Currently no multilateral and bilateral donors are engaging with civil society to support enhanced citizen engagement on tax in any consistent way. There is very little funding going directly to Southern CSOs in a manner that is strategic and complementary to tax capacity-building programmes in-country. This is surprising, since all multilateral and bilateral stakeholders interviewed for this study mentioned how critical political factors were to tax reform. Yet this continues to be a major oversight, not least because *“as a developmental proposition it is questionable to support governments to extract money from citizens but not support the ability of citizens to exercise oversight of the tax system”*. Stakeholders argue convincingly⁹³ that multilateral and bilateral donors have a responsibility to fund the ‘soft components’ such as paying for consultative forums between government and taxpayers, and funding local and national CSOs to do taxpayer education work and national advocacy campaigns on taxation. It is recognised that this can be complicated when CSO capacity is low and this direct relationship would have high transaction costs for multilateral and bilateral agencies. However, these obstacles cannot be insurmountable. Other avenues exist – for example, channelling umbrella funding to international NGOs from bilaterals’ home countries to advance this agenda. The gains are potentially large from these approaches but financial costs relatively modest. It is highly recommended that multilaterals and bilaterals, as well as foundation donors, fund Southern CSOs for their taxpayer education and popular mobilisation work.

Specific funding opportunities and possible agents of delivery
Funders with interest in this area could:

- fund taxpayer/CSO–government consultative forums as a minimum complement to all national tax capacity-building programmes supported via multilateral and bilateral programmes;
- provide core funding to Southern CSOs to enable broad-based taxpayer education work. This should be supported by all funders interested in tax reforms, including being a specific complement to bilateral and multilateral engagements on tax.

3d) Extractives taxation

- 🕒 Time frame: immediate start; duration approx. 10+ years
- 🏠 Geography: Africa, Latin America and the Caribbean, Asia
- ➡️ Outcome: Extractives taxation reforms continue as new data sheds light on poor tax policy and illicit practices and new extractives projects benefit from lessons already learned in this area regarding tax policy design and transparency measures.

As mentioned above, support is already needed with regard to extractives, in terms of ensuring data released under transparency initiatives and legislation is properly accessible. Efforts can be made with both Northern- and Southern-based partners to ensure this happens. However, a lot still remains to be done in terms of supporting Southern groups working on extractives taxation issues, particularly where natural resource extraction is relatively new, where there is no EITI membership and where CSOs have little established work on extractives taxation (e.g. Uganda, Kenya, Central America). The UN Tax Committee has just set up an Extractives Working Group and has invited the FTC to participate. This is also an important new initiative which funders could support, as well as enabling broad CSO participation in this new forum.

For Latin America there are specific opportunities to undertake extractives and tax work, as the region has not received as much attention in this area as Africa has. The RJF is interested in developing research regionally on this topic, including looking at MNCs’ trade mispricing practices in the minerals sector. ICEFI and the RJF in Central America are very interested in looking at mining taxation as there has been little progress in Central America on this, but the sector is growing in importance. INESC in Brazil is also planning to do work on tax and mining in Brazil, looking at both tax contributions and trade mispricing practices. This will be in relation to companies in the Amazon and the findings will be set against the social and environmental impact of these companies’ operations. INESC is already successfully working with Open Data platforms related to the public budget, and again there may be opportunities to engage in dialogue on how this might be expanded to extractives taxation. All of this work is currently unfunded. These examples are far from exhaustive and there are many more groups that could be funded, particularly given the predicted expansion of natural resource extraction in Africa.

Specific funding opportunities and possible agents of delivery
Funders with interest in this area could:

- fund the FTC and other civil society actors to participate in the UN Tax Committee working group on extractives taxation;
- fund actors such as the RJF Latin America, the RJF in Central America and INESC in Brazil to take forward research on mineral taxation in Latin America and the Caribbean, including incentives and trade mispricing;

⁹³ This position is also backed up in the literature. See Fjelstad, Odd-Helge, 2013, *Taxation and Development: A review of donor support to strengthen tax systems in developing countries*, WIDER Working Paper No. 2013/010.

- fund Southern CSOs to track and analyse data released under extractives taxation transparency legislation and standards;
- fund civil society in Africa in countries where new natural resource extraction projects are being established to work on tax, and advocate for governments in countries such as Uganda and Kenya to join the EITI.

3e) Tax transparency in national legislation

- 🕒 Time frame: immediate start; duration approx. 5 years
- 🏠 Geography: Africa, Latin America and the Caribbean, India
- ➡ Outcome: Southern countries and sub-regions increasingly enact laws in relation to country-by-country reporting standards, automatic information exchange and beneficial ownership transparency.

Many Southern actors are interested in doing more to contextualise the tax transparency agenda in their own countries and regions. In India CBGA has concrete plans to look at country-by-country reporting and automatic information exchange for India. For country-by-country reporting it wants to explore how it could work in India. It would also like to evaluate how the automatic exchange of information is currently being applied in the Indian context. These plans could be comprehensively supported.

TJN-A and ATAF are also strongly interested in the area of automatic information exchange. ATAF's work on this with regional economic groupings is advancing well and there is now a particular opportunity to look at taking automatic information exchange forward with the Southern African Development Community (SADC), since this sub-region is the most advanced on this issue. There are also opportunities to do more work with the East African Community (EAC) on implementing automatic information exchange, and ATAF could be supported to expand work in this sub-region. Similarly, in Latin America the RJF has been working on this, advocating within regional economic groupings (e.g. the Union of South American Nations [UNASUR] in South America and the regional system for integration in Central America [SICA]) on automatic information exchange issues. Again this advocacy could be supported.

Finally, the Central America RJF network (led by ICEFI) is interested in developing a new fiscal transparency index (Indice de Transparencia de la Política Fiscal) for use across seven countries. It would be broader than the Financial Secrecy Index developed by Northern-based groups as it would combine budget and tax issues. This new initiative is seen as important, because of the excessive secrecy in Central America, and because it would allow the development of a media-friendly, campaigning tool which could also unite the Central American CSOs working on tax.

Specific funding opportunities and possible agents of delivery
Funders with interest in this area could:

- provide core funding to CBGA India to advance its efforts to contextualise country-by-country reporting for its national context and support its research on how automatic information exchange has worked in the Indian context;

- provide core funding for TJN-A and ATAF in their efforts on automatic information exchange in African regional economic groupings, with particular focus on supporting the advanced process in the Southern African Development Community (SADC);
- provide core funding to the GATJ to enable coordinated cross-regional campaigns on automatic information exchange and/or country-by-country reporting standards for use in developing countries contexts;
- provide core funding to RJF to enable its ongoing advocacy efforts on automatic information exchange and tax collaboration to advance with regional groupings in Latin America;
- provide core funding to ICEFI and to build up RJF Central America, in particular via the development and launch of a new campaign tool – the Fiscal Transparency Index for Central America.

3f) Capacity-building with national tax authorities

- 🕒 Time frame: immediate start; duration approx. 10+ years
- 🏠 Geography: Africa, Latin America and the Caribbean, Asia
- ➡ Outcome: Tax collection levels increase as donors invest significantly more resources in tax capacity-building with core tax equity benchmarks.

This area is extremely important and demands significant resources from bilateral and multilateral funders. Currently the very low level of aid spent on building up the capacity of Southern tax authorities is a major weakness in the overall development assistance portfolio. It is clear that funders must expand their support of 'the basics' – reorganising tax administrations, developing modern IT systems, improving VAT systems and designing modern income tax legislation. Tax equity should not be left to one side in this process.

Funders also support tax authorities to respond to international taxation issues. Some have doubts about the effectiveness of these interventions, not because programme quality is low but because international rules are so complex and the balance is so firmly tipped in favour of MNCs. The effectiveness of donor capacity-building, in this sense, has not been properly evaluated. ICTD is now seeking to look at this with a new research project, in two pilot countries in Africa. It will look at the issue of extractives taxation – investigating comprehensively what effect capacity-building of revenue authorities is having in this field. This research will provide useful insight into capacity-building approaches and whether low-income countries can effectively be helped to enforce international rules as written. While these pilot studies are funded, new donor funding could expand this project to other countries.

There are also opportunities for greater donor coordination on tax capacity-building programmes. This is true in the most practical sense where donors are working with the same tax authority, although the coordination already in place is generally good in these cases. However, donor coordination at a more political level is needed, both internationally and nationally, to "put tax at the heart of the aid agenda". Large donors need to take responsibility

jointly to address tax issues in-country, developing joint benchmarks with equity at the centre. Benchmarks could require, for example, a tax expenditure policy being in place, the reduction of tax incentives, increasing enforcement, having a strategic plan in place to increase revenues, etc. It may now be time also to start discussing positive incentives – such as making any increases in aid conditional on improved domestic revenue-raising.

Specific funding opportunities and possible agents of delivery

Funders with interest in this area could:


- expand funding significantly for multilateral and bilateral tax capacity-building programmes, providing long-term, comprehensive assistance in this area;
- fund ICTD to expand its pilot project looking at the effectiveness of capacity-building of tax authorities in relation to extractives taxation.

Beyond funding


- Increase donor collaboration on taxation at the national level, including developing joint ‘tax equity benchmarks’ as part of aid programmes and capacity-building initiatives.

Outcomes sought: Creating new opportunities

3g) Developing country inclusion

 Time frame: immediate, time-sensitive start; duration approx. 3–5 years

 Geography: Global

 Outcome: Developing country governments and civil society gain a more effective voice in international forums on tax issues, and build up their own policy proposals in relation to alternative systems for taxing corporate income.

The agency of developing country governments on international tax issues is too often ignored by donor governments and multilateral institutions, as well as by Northern civil society. The fact that developing countries are not formally included in international tax reform processes at the OECD is a notable weak spot. Too few developing countries are engaging in consultations on the BEPS process and developing countries also struggle to participate effectively in other OECD forums. The UN Tax Committee, where developing country views can be better represented and supported, has been poorly resourced (including its BEPS sub-committee, for example) and its role undermined for years by a lack of Northern government support. Funders could provide more funding to directly support the UN Tax Committee’s work, particularly but not exclusively that linked to alternative corporate income taxation systems.

If developing country inclusion is to be systematically increased, multilateral and bilateral donors must support the preparation and participation of developing country tax authorities in relevant OECD and UN forums on

international taxation issues. This could be part of their tax capacity-building programmes or implemented via regional tax administration forums such as ATAF and CIAT. It should only be pursued, however, where there is capacity and interest – in cases where developing country capacity is very low, it could divert countries with very scarce resources from a more important domestic taxation agenda.

Given the new opportunities to develop alternative corporate income taxation standards and systems (described under Goal 2), it is even more urgent that genuine developing country inclusion in international taxation debates becomes reality. There is an important opportunity here for funders to support **parallel processes on alternative taxation in the South** (most easily done via the regional networks). Ideally this would be taken forward in tandem with global initiatives (see page 41), it would help to galvanise more support if there were Southern researchers, networks and governments specifically engaging in dialogue on these issues more consistently across the largest number of developing countries possible. This is more likely to lead to some ‘champion countries’ emerging that are keen to really push this agenda at the international level and that can champion the policy outcomes of the ICRICT process. It would also allow countries to specifically explore alternatives for their countries or sub-regions, leading to effective, unilateral action at the sub-regional or regional level in some areas. This is another factor that would increase the pressure for effective global reforms.⁹⁴ GATJ is a key network which could assist with coordinated South–South campaigning on these issues, in parallel to all ICRICT-related work.

In addition, when it comes to developing country inclusion in major tax transparency work, CSO-led initiatives also have a lot to offer. GATJ is very new and has no funding in place to carry out this work as yet. However, it is a critical actor for South–South campaigning work on automatic information exchange and country-by-country reporting issues. FTC also has specific expansion plans, to build networks in the South which could be funded. It would also be useful if there were funders willing to help support FTC’s annual conferences to ensure the broadest possible Southern government and civil society presence, in view of the critical need to build up more South–South government and CSO collaboration on these issues.

Specific funding opportunities and possible agents of delivery

Funders with interest in this area could:

- support Southern governments, and regional tax administration forums such as ATAF and CIAT, to participate fully in BEPS regional consultations and all OECD forums, and in the UN Tax Committee working groups. Funding should cover their participation in events as well as in preparatory research and dialogues in countries and sub-regions;
- fund the UN Tax Committee directly to enable it to better represent developing countries’ interests in international taxation debates and processes;

⁹⁴ For example, interested countries could develop a regional agreement towards the levying of minimum withholding taxes on all dividend payments, or a regional agreement regarding presumptive taxation, or even a regional agreement to take forward unitary taxation/formulary apportionment.

- fund parallel processes to the ICRICT mechanism (see page 41) on alternative corporate income taxation in the South, channelling support via the regional networks. Support research, high-level dialogues and advocacy work in-country and at regional levels;
- fund GATJ to coordinate a popular global campaign on alternative corporate taxation issues in parallel with all ICRICT-related work;
- support FTC's expansion in the South to help it reach new CSOs and to enable more Southern governments to participate in FTC forums, including facilitating wider Southern government participation in its annual conferences.

3h) A national response to illicit financial flows

- 🕒 Time frame: immediate start; duration approx. 5 years
- 🏠 Geography: Africa, Latin America and the Caribbean, Asia
- ➡ Outcome: Ghana manages to create an effective national response, curtailing the level of illicit financial flows from the country, and other countries adopt similar, comprehensive, national responses to address the problem.

A number of CSOs and networks working on tax justice and extractives issues in Ghana⁹⁵ have come together under the leadership of ISODEC and the Institute for Fiscal Policy (IFP – ISODEC's research, training and policy advice arm). Together they are looking at taking a very comprehensive, national approach to addressing IFFs. They have a broad work plan which includes: new political economy research to look at the interests that drive IFFs; a full analysis of the legal and institutional arrangements that allow illicit outflows to happen (e.g. banking and tax legislation, contract negotiations and investment agreements, company registration, etc.); and a third aspect which includes a full assessment of transfer pricing rules, information exchange regimes and other relevant areas. The third area will also include a feasibility assessment of the potential for a real-time monitoring mechanism for trade mispricing, to be used by the customs authority to flag high-risk transactions. IFP has been mandated to lead this work with the relevant external researchers and Ghana's Ministry of Finance. CSO partners will provide oversight and undertake complementary advocacy throughout the process. This process already has a lot of CSO momentum behind it in Ghana, as well as external researchers identified and high-level political access to ensure governmental support for the project. There is already some small funding secured for phase 1 (from Trust Africa and UNDP-Ghana) but the vast bulk of the work remains unfunded.

Also important to note is that this is seen as a very important pilot and learning initiative, because it brings together such a broad base of civil society and government

agencies, as well as bringing in external specialists and potentially new real-time monitoring tools for use by customs authorities. This experience is ripe for replication and learning in the broadest sense. Funders interested in this area should seek to replicate the Ghana experience and model within Africa, and also to take it to other regions.

Specific funding opportunities and possible agents of delivery

Funders with interest in this area could:

- provide core funding to support the Ghana CSO coalition – via ISODEC-IFP – to implement a comprehensive national approach to IFFs, including several pieces of research and intensive work with the customs authority;
- fund efforts to replicate the Ghana experience in other countries in Africa, Asia and Latin American and the Caribbean.

Beyond funding

- As part of bilateral programmes, explore the feasibility of replicating the Ghana experience with its more comprehensive approach to tackling IFFs with developing country governments.

⁹⁵ These include the Ghana Institute of Taxation, Christian Aid Ghana, Oxfam, Ghana Integrity Initiative, Third World Network, Revenue Watch Ghana and the Civil Society Platform of Oil and Gas, among others.

4. Building up new constituencies

Goal: Effective and equitable taxation is an issue uniting an increasingly broad range of civil society actors at national and international level. As a result of strong public education and outreach campaigns, popular citizen support for tax reforms increases. New actors are also actively supporting the push for taxation reforms, taking tax issues into their sphere of work, exposing tax injustices and pressing for more ethical corporate behaviour and more accountable governance in this area.

This area is of relevance to funders interested in broadening the base for advocacy and cultivating long-term processes of social change. Equally, funders interested in working with particular constituencies such as trade unions or journalists, or particularly committed to supporting public education and outreach, would also be interested in supporting work in this area.

Theory of change

Problem: Despite strong political momentum and good progress on taxation, this is still seen as a specialist and difficult topic by many. As a result, there are limited numbers and types of civil society organisations engaging on tax and many obvious areas where this could be strengthened (e.g. by bringing in the trade union voice and the human rights community more strongly). In some instances there are already moves in this direction but efforts are at an early stage and need support to effectively increase understanding of the tax issue and to allow groups to establish new work, and particularly to develop their own 'tax specialism'. In other arenas tax is simply an issue that is rarely considered, even though links do exist between tax and, for example, the peace and security agenda, and work on fragile states issues. Here there is often very little research available and linkages have never – or rarely – been made. While opportunities clearly exist there is a great scarcity of donor funding in this area.

Intervention: Interventions in this area seek to reach out to new constituencies. Opportunities identified are diverse and range from working with investigative journalists on tax to integrating IFFs into the peace and security agenda in Africa. Interventions include research and education elements as well as a strong focus on coordination and collaboration; the latter is




important, since much of this work would require the organisations that are tax specialists coming together and working collaboratively with others. There are some immediate opportunities for developing new, interesting collaborations and alliances over the short term; however, the real results of this work will be felt over the long term.

Impacts and risks: By bringing in new constituencies and involving them in tax work, donors can strengthen the push for more transformative national, regional and global tax policy reforms over the long term. Deeper, structural reforms of national and international taxation rules and systems would become more likely, and the campaign for fair taxation would extend its reach. The social contract would also be broadly strengthened, with more people becoming convinced of the need for, and the merit of, fair taxation reforms as part of the effort to build more equal societies.

For donors investing in this area the main risk is in relation to the long-term nature of the process. Immediate, transformative results are unlikely to be apparent and donors would have to be willing to invest in processes of capacity-building, research, alliance-building and joint advocacy over the long term.

Outcomes sought: Building on existing opportunities

4a) Investigative journalists

-  Time frame: immediate start; duration approx. 3–5 years
-  Geography: UK, US, Africa, Latin America and the Caribbean, Asia
-  Outcome: Exposés of cases of tax evasion and tax abuse increase, adding to the political pressure for national and international taxation reforms.

Quite a few stakeholders are interested in working more with this 'community' and see the substantial benefit that investigative journalists can bring to tax debates. TJN's work with journalists and its media presence is perhaps the most striking example of how much can be achieved with a strategy to target the media effectively. TJN has for several years run a journalist training programme on tax

and IFF issues, with three training courses delivered so far. It has a fruitful collaboration in this area with the Centre of Investigative Journalism at City University in London, which administers the training programme and provides tutors, though TJN is instrumental in designing the curricula and driving work forward in this area. It brings journalists from the South for intensive training, as well as providing ongoing mentoring and support online for them to help continue their research afterwards.

There is a clear opportunity to support TJN in building up what is already a successful, but small, training programme in the UK. Its initiation was held up significantly because of a lack of funding but, now it is under way, it is planned to have reached 150 journalists from 80 countries by the end of 2015. However, this work is still only partially funded. More funding would allow expansion and more responsiveness to requests from journalists themselves (e.g. a Nigerian group has requested the training be run in Lagos but there has been no funding to respond to this).

There are likely to be other CSO actors interested in these courses and there are also relevant actors in the US (e.g. the International Consortium of Investigative Journalists – ICIJ). This is an area that may be particularly appropriate for funders that have established interests in journalism programmes but that have yet to develop a particular focus on tax.

Specific funding opportunities and possible agents of delivery

Funders with interest in this area could:

- provide funding to TJN to expand its investigative journalism training programmes for Southern journalists;
- provide funding to US-based groups that can work with ICIJ to expand its investigative journalism training programmes to fully take into account tax and IFF issues;
- provide funding to support Southern organisations which are themselves specialist in building capacity in-country in journalism and media, and linking them to tax experts;
- provide funding for tax-related independent investigation and publishing.

4b) Trade unions

- 🕒 Time frame: immediate start; duration approx. 3 years
- 🌍 Geography: Global, but particularly Europe, Africa and Latin America
- ➡ Outcome: The trade union agenda on tax is significantly advanced via new research, knowledge, skills and advocacy activities established specifically on taxation issues in both national and international trade union bodies.

Relationships with trade unions on tax work already exist. This is the case at the global level where TUAC, PSI and ITUC are supporting advocacy on tax transparency issues via their regional and global networks. It is also the case in Africa, where TJN-A has initiated a dialogue with ITUC-Africa. The two organisations have developed a close working relationship on a number of fronts: doing joint policy and advocacy at the regional level; capacity-building for ITUC members; and supporting the integration of ITUC members into existing national tax justice platforms. In Latin America there are several examples of trade union involvement, both at regional level and in countries including El Salvador and Brazil. And in the US the AFL-CIO is a member of the FACT coalition and many stakeholders in the US mentioned the various ways in which their increased engagement on tax could be useful.

Trade unions' interest in the tax agenda can be from a variety of perspectives. In Africa their entry point to tax is based on the argument that when governments fail to tax capital, the burden of taxation shifts to labour, a position borne out by research in the region. TUAC's work is looking particularly at issues to do with tax risk and aggressive tax planning and the implications of these on employee wages, terms and conditions and collective bargaining, and how trade unions can respond in these areas. Generally trade unions are seen as a highly influential constituency, particularly since they are often involved in tripartite policy consultations with governments and the private sector.

In this area there is an obvious opportunity to fund either TJN-A and/or directly to fund ITUC-Africa to enable this relationship to deepen and help expand national tax

platforms. There is also a very specific opportunity to support TUAC's work, if a funder were to commission some independent research by a think-tank or research institute outside the labour movement to look at the impact of aggressive tax planning on workers' rights, collective bargaining and consultation within MNCs. There is something to be concerned about here, and initial trade union case studies show tax avoidance and evasion is linked with short-termist behaviour by management, aggressive regulatory planning, bad human resource practices and uncooperative management styles. But this topic is not well researched and the belief that this link exists is not yet accepted as valid. A funder willing to look at this angle would greatly assist the labour movement to make progress with its own work in this area.

Specific funding opportunities and possible agents of delivery

Funders with interest in this area could:

- fund ITUC-Africa and TJN-A to jointly develop work, including capacity-building, network building and joint advocacy;
- fund independent research by a think-tank or research institute outside the labour movement that looks at the impact of aggressive tax planning on workers' rights, collective bargaining and consultation within MNCs.

4c) Business community

- 🕒 Time frame: immediate start; duration approx. 5-10 years
- 🌍 Geography: Global
- ➡ Outcome: The business community is adding a constructive voice to national and international tax platforms and dialogues, and MNCs championing an ethical taxation agenda are increasingly adopting unilateral or joint voluntary compliance measures.

Many stakeholders called for more involvement of the business community. It is particularly the multi-stakeholder aspect of some coalition work that has been appreciated in the past. It is also clear that many sectors of the business community in the North and South are aware of – and concerned about – the unfairness inherent in the tax system, in terms of business tax contributions. In this respect chambers of commerce, such as the African Chamber of Commerce and Industry, could also be brought into national tax dialogues and platforms where possible.

The MNCs with the highest standards in this area should be using their own resources to lead efforts in business forums (Business Europe, the Business and Industry Advisory Committee to the OECD [BIAC], Confederation of British Industry [CBI], etc.) to get cross-sectoral agreements on immediate voluntary compliance. Funder support may be useful for enabling CSO and government actors to play convening roles that cross-fertilise with the actions of other stakeholder groups, especially on a country-specific basis.

At the same time it is important to remember that supporting agents to work for constructive engagement with the private sector does not negate the need for simultaneous work to investigate the tax contributions and use of secrecy jurisdictions by MNCs. Analysis and exposure of performance in these areas is pivotal in pushing these issues on to and up the political agenda and bringing business to the table.

Specific funding opportunities and possible agents of delivery

Funders with interest in this area could:

- fund CSOs to continue their research into MNC tax behaviour. This would be particularly important in Latin American and Asia where research on this is lacking;
- fund Canadians for Tax Fairness in its new initiative with an investigative journalist looking at the tax practices of Canadian mining companies.

Beyond funding

- Bring businesses into the tax justice coalitions, or other relevant platforms. Target small businesses in particular and also engage with umbrella groups such as the African Chamber of Commerce and equivalents in other regions.

4d) Reaching the grassroots in the North

- 🕒 Time frame: immediate start; duration approx. 10+ years
- 🏠 Geography: Europe, US
- ➡ Outcome: Popular education and mobilisation efforts around tax become much more widespread and citizens in developed countries are increasingly joining campaigns for equitable taxation reforms.

Popular mobilisation around tax in Northern countries is important to ensure there is continued political pressure in relation to progressive tax reform and transparency issues. This is critical in the US, given the particular barriers to conducting tax advocacy there. There are also opportunities for more public education and outreach work with constituencies across Europe. The easiest way of supporting this work would be to channel funding via Eurodad to its members for popular tax-related campaigning projects, encouraging innovative uses of social media as well as directing resources at grassroots activities. In the US the work could be supported through organisations such as the State Priorities Partnership and the FACT coalition. These organisations could be given more assistance in this important area in relation to public outreach, given that there is consensus that the grassroots potential for work on tax has not been tapped enough.

Specific funding opportunities and possible agents of delivery

Funders with interest in this area could:

- fund actors such as State Priorities Partnership and FACT to conduct much more extensive public education and outreach work with constituencies across the US on tax and IFF issues;
- fund Eurodad and its members for popular tax-related campaigning projects, encouraging innovative uses of social media as well as directing resources at grassroots activities.

Outcomes sought: Creating new opportunities

4e) Social investment community

- 🕒 Time frame: immediate start; duration approx. 3 years
- 🏠 Geography: US, Canada, UK, Netherlands
- ➡ Outcome: MNCs are regularly called to account for their tax practices by shareholders and investors see tax as a central aspect of corporate governance.

This is an important area also linked to the business community. Social investors are a significant constituency with leverage to push for change regarding fair, transparent tax practices by MNCs. Shareholder engagement, of course, has a long history on other issues; however, it seems there is very little experience of shareholder engagement around tax practices. The consultation did uncover some new momentum in the US in this area. Domini Social Investments, a US-based socially responsible investor, has begun to engage with US-based companies to try to improve their tax practices, which it has increasingly come to see as a central aspect of corporate governance. It has already excluded some businesses from its investment portfolio on the grounds of bad tax practices and recently filed a shareholder proposal with Google related to reforming Google's tax practices and ensuring these are 'ethically guided'.⁹⁶ It is also engaging in new dialogues on tax issues with several other US-based MNCs.

Although shareholder action in this area will not bring immediate results, it is another opportunity to push fair taxation issues higher up the public and corporate agenda. And, meanwhile, in the absence of wholesale global tax reforms there is a need to address MNC behaviour directly. Many in the investor community want to know more, given the element of risk in not fully understanding a company's tax strategy. Although this interest undoubtedly exists in many quarters, there has not been a concerted effort to take dialogue forward on this issue in the US. It seems that few, if any (apart from Domini), in the social investment community are involved in tax work. There are various activities which could be supported, in particular some kind of seminar to bring together investors and tax justice experts to look at a strategy for this area and to craft a message that works for investors. Certain key actors such as the AFL-CIO (which manages labour funds) and various public pension fund representatives should be included in this process. The FACT coalition is well placed to provide support.

⁹⁶The proposal went to a vote and resoundingly lost. However, this was only the first step to get these issues onto the shareholders' agenda.

Work in this area would be enhanced if there were some strategic funding for an event or series of events. Funders should also think about funding the kind of research package that provides tailored information for the investor community in relation to the tax strategies and tax situation of major US corporations. In addition, similar efforts could be replicated in the UK, Canada and the Netherlands at a minimum, where there are already some signs of an interested social investor community.

Specific funding opportunities and possible agents of delivery

Funders with interest in this area could:

- fund a series of events bringing together the social investment community and tax justice experts in the US and provide follow-up support for research and publications on tax issues, aimed at the social investor community.

Beyond funding

- Donors could play a leadership role to bring together the diverse actors and stimulate a new collaborative effort in this area. Donors could also take the lead to replicate the series of events recommended here for the US in countries such as Canada, the UK and the Netherlands.

4f) Human rights community

- 🕒 Time frame: immediate start; duration approx. 5 years
- 🌐 Geography: Global
- ➡ Outcome: Leading actors from the human rights community, including the UN, become an important voice advocating for fair national and international taxation reforms.

There is already some work under way here; however, it is still considered a fairly new opportunity. For some it is a process that could be transformative over the long term, given the size and strength of the human rights community and the potential to further galvanise the UN voice on taxation. Some key recent moves in this area include: the 2013 report by the International Bar Association looking at tax abuses, poverty and human rights,⁹⁷ the UN Human Rights Committee's first report on fiscal justice and human rights, led by the Special Rapporteur for Extreme Poverty, which was released at the end of June 2014; and a new book on this topic by Thomas Pogge from Yale. There is also growing research linking tax revenue mobilisation and IFFs to wellbeing outcomes (for example, child mortality trends in sub-Saharan Africa)⁹⁸ and CSOs and academics are also taking a closer look at health financing from the perspective of taxation issues.⁹⁹ A major event took place in Montreal in June 2014, bringing together the community of researchers and activists for the first international symposium on tax justice and human rights.¹⁰⁰

This is a substantial new area of work, with many interested actors. The best approach would be to follow up on the specific outcomes of the Montreal event, to help build new collaborations between actors in this area. Some funders might also be interested in funding work linking tax, public service provision and wellbeing outcomes. Save the Children UK and Save the Children Norway both have growing interest in these areas, as well as many members of the regional networks that have a focus on tax and expenditure issues.

Specific funding opportunities and possible agents of delivery

Funders with interest in this area could:

- fund new collaborations in the human rights and tax justice field as a follow-up to the Tax Justice and Human Rights symposium in Montreal held in June 2014;
- fund new work by actors such as Save the Children UK and Save the Children Norway to develop their work linking tax revenue mobilisation with development outcomes for children and public service provision. There are particular opportunities in the health financing arena.

4g) Linking illicit financial flows to the peace and security agenda

- 🕒 Time frame: immediate start; duration approx. 10+ years
- 🌐 Geography: Africa
- ➡ Outcome: Illicit financial flows, and particularly illicit inflows, and their impact on peace and security in Africa, are more widely understood and concrete efforts to reduce these are stepped up as part of broader donor and institutional agendas in the region.

A new opportunity exists to support work that would take the issue of IFFs into the peace and security arena. The Tana High Level Forum on Security¹⁰¹ specifically looked at this topic during 2014, commissioning a number of papers on it. As some countries in Africa are going through another phase of violent conflict, there is more interest in examining this issue, including how illicit inflows contribute to financing insurgencies, but also generally have a destabilising effect on governance, weakening institutions and fuelling corruption.

This is a new theme, and far from established. New research and dialogue in this area is certainly necessary. The Institute for Peace and Security Studies (IPSS) is likely to welcome support and an alliance with a suitable large donor to do further work on the subject and to reach out to the Institute's constituencies. There are also individual networks concerned with peace and security, such as the African Centre for the Constructive Resolution for Disputes (ACCORD), West Africa Network for Peace Building (WANEP)

⁹⁷ The report can be found here: IBA report on tax abuses poverty and human rights 2013.

⁹⁸ See O'Hare et al, 2013, 'The Effect of Illicit Financial Flows on Time to Reach the Fourth MDG in sub-Saharan Africa: a quantitative analysis', Journal of Royal Society of Medicine. Save the Children UK is also increasingly looking at this area and will publish new research towards the end of 2014.

⁹⁹ This includes new work being undertaken by Save the Children UK and Save the Children Norway, as well as by academics such as Attiya Waris in the University of Nairobi. See Waris, Attiya, 2013, *Tax and Development: Solving Kenya's fiscal crisis through human rights*, LawAfrica, at http://www.lawafrica.com/item_view.php?itemid=91

¹⁰⁰ See Montreal symposium on Tax Justice and Human Rights

¹⁰¹ The Tana Forum is a project of the African Union. It works across organisations and networks in Africa on the peace and security agenda. It is hosted by the Institute of Peace and Security Studies (IPSS).

and the Mano River Basin Commission, which could also undertake new work and bring others on board. Specific support to illicit financial flow, peace and security work in affected countries such as Mali, Niger or Nigeria would also contribute to understanding the links between the insecurity in these places – and in the West Africa region generally – and illicit financial flows. Donors with a history of working on peace and security issues might well be interested in looking at how they could broaden their work there to include the tax and IFF perspective.

Specific funding opportunities and possible agents of delivery

Funders with interest in this area could:

- provide funding for the IPSS and/or regional networks for their illicit financial flow and peace and security research agenda, as well as funding national-level work in countries particularly affected (e.g. Mali, Nigeria, Niger).

Conclusions

As this study clearly demonstrates, tax policy and programming work is extremely diverse and dynamic and offers funders the chance to support truly transformative interventions. National and international taxation rules, policies and systems have great significance in determining the patterns of global and national inequality, as well as underpinning the health of public finances and effective public service provision. These are issues that development funders care deeply about. The time is right for much deeper taxation reforms both within developing countries themselves and at the international level. It is timely that funders are looking for ways to expand their work in this area.

The funding strategy recommended here is comprehensive, in view of the many priorities that must be addressed to enshrine effective and fair taxation systems. This is no small undertaking. Ideally funders should seek to work at all levels and pursue multi-country initiatives. Coordinated, harmonised policy initiatives are likely to increase the feasibility of reform and to make the biggest difference. This is the case at global, regional and sub-regional levels. Such activities are most likely to succeed by donors acting together, collaboratively taking forward this agenda. T/AI members and T/AI's Tax and Illicit Flows Funders' Working Group are well placed to add value in this regard.

The strategy recommends four key goals to guide action, of which two require concerted efforts at the international level, one prioritises opportunities in developing countries and a fourth looks at building long-term momentum for change. All four areas are very important and bring together a huge agenda for change. However, ultimately one of the leading recommendations is that donors give priority to supporting work on taxation in developing countries. So many aspects of revenue-raising in developing countries rest upon 'the basics'. This foundation in terms of institutions, systems and staff is of crucial importance. Multilateral and bilateral funding for tax capacity-building programmes must be expanded. However, there are complementary processes that need to go hand in hand with that: perhaps most obviously a great increase in investment in taxpayer education, popular citizen mobilisation and national CSO policy research, advocacy and campaigning around tax. The political momentum for change depends on donors supporting these activities, and there is possibly no single area of greater consensus in stakeholder interviews than that "*tax is a political issue*". Investment in the South to build up the work of CSOs on tax and to enhance Southern voices in all taxation debates – including at the international level – is a hugely underfunded area.

This work, however, must be combined with efforts to break new ground at the international level. The other leading recommendation for donors is that they support new, experimental activities that look at alternative international taxation standards and systems. Opportunities and innovative ideas clearly exist in this area. CSOs have developed significant expertise and alliances are now well established, thanks to strong work on tax transparency. They are ready to take on this new challenge. Funding is, in almost all cases, the key missing ingredient holding back progress. There are certainly risks for funders, as always when policy and advocacy work seeks to break new ground on sensitive political topics, but stakeholders agree the time is right to push for the wholesale structural reforms that are needed.

And, finally, it is important to say that the tax transparency agenda remains an important area for support. Progress is feasible and a moderate expansion of donor resources in this area could have a large impact. However, although tax transparency work – and some other opportunities identified here – offer some 'quick wins', there should be no expectation that a short-term commitment is suitable for tax work. Donors must adopt a long-term perspective on results, whether they are involved in capacity-building for tax authorities or interested in getting any significant policy wins in this area. Though momentum is at a high level – and now is clearly the time to act and commit resources – tax programmes, policy and advocacy work will take time to deliver comprehensive, sustained results.

Appendices

Appendix 1: Stakeholders interviewed

Abugre, Charles, Deputy Director,
[UN Millennium Campaign, UNDP](#)

Alemayehu, Dereje, Coordinating Committee Chair,
[Global Alliance for Tax Justice](#)

Bacon, Laura, Principal, Policy,
[Omidyar Network](#)

Barden, Kenneth, Democracy Officer,
[USAID](#)

Barreix, Alberto, Senior Fiscal Economist,
[Inter-American Development Bank](#)

Barrientos, Ricardo, Senior Economist,
[Instituto Centroamericano de Estudios Fiscales](#)

Beghin, Nathalie, Economist,
[Instituto de Estudos Socio-econômicos](#)

Blum, Jack, Vice President,
[Tax Justice Network USA](#)

Bodin, Olivier (retired),
[formerly European Commission](#)

Bohrer, Kevin, Programme Officer,
[The William and Flora Hewlett Foundation](#)

Brehm Christensen, Martin, Tax Justice Adviser,
[ActionAid Bangladesh](#)

Brynildsen, Oygunn, Interim Coordinator,
[Financial Transparency Coalition](#)

Burman, Len, Tax Policy Centre,
[Urban Institute](#)

Cardamone, Tom, Managing Director,
[Global Financial Integrity](#)

Chortsen, Dorte, Chief Adviser,
[Ministry of Foreign Affairs, Denmark](#)

Christensen, John, Director,
[Tax Justice Network](#)

Cobham, Alex, Research Fellow,
[Centre for Global Development](#)

De la Feria, Rita, Professor,
[University of Durham](#)

Dickinson, Ben, Head of Tax and Development,
[OECD](#)

Dod, David, Senior Economist,
[USAID](#)

Forstater, Maya, Consultant

Goodman, Mary Beth,
[US State Department](#)

Guttentag, Joseph, (retired),
[International Senior Lawyers Project](#)

Habbard, Pierre, Senior Policy Adviser,
[TUAC](#)

Hearson, Martin,
[PhD student at London School of Economics](#)

Herkenrath, Mark, International Finance Policy Adviser,
[Alliance Sud](#)

Holmes, Kieran, Commissioner-General,
[Burundi Revenue Authority](#)

Howlett, Dennis, Executive Director,
[Canadians for Tax Fairness](#)

Hukka, Pekka,
[Ministry of Foreign Affairs, Finland](#)

Hurley, Gail, Policy Adviser on Development Finance,
[UNDP](#)

Hurst, Peter, Policy Adviser,
[DFID](#)

Jordan, Claire, Head of Tax,
[Diageo](#)

Juggins, Janine, Senior Vice President of Global Tax,
[Unilever](#)

Kanzer, Adam, Managing Director,
[Domini Social Investments](#)

Keen, Michael, Deputy Director,
[Fiscal Affairs Department, IMF](#)

Larsen, Anders, Tax Justice Adviser,
[ActionAid Uganda](#)

Lenon, Chris, Consultant,
[Green Tax](#)

Letete, Puseletso, Lecturer,
[University of South Africa](#)

Lowe, Heather, Director of Government Affairs,
[Global Financial Integrity](#)

Martin, Conrad, Executive Director,
[Stewart R Mott Foundation](#)

Martini, Micol, Governance Adviser,
[DFID](#)

McGauran, Katrin, Researcher,
[SOMO](#)

McNair, David, Head of Growth, Equity and Livelihoods,
[Save the Children UK](#)

Moncada, Alexis, Economic Justice Adviser,
[Christian Aid Central America](#)

Moody-Stuart, Mark, Honorary Vice-Chairman,
[International Tax and Investment Centre](#)

Moore, Mick, Chief Executive Officer,
[International Centre for Tax and Development](#)

Moreno, Luis, Coordinator,
Red de Justicia Fiscal, Latin America and Caribbean

Morris, Will, Head of International Tax,
General Electric

Mosioma, Alvin, Director,
Tax Justice Network-Africa

Mrema, Neema, Commissioner for Large Taxpayers Unit,
Tanzania Revenue Authority

Mshana, Vera, Programme Officer,
Open Society Foundation

Olivera, Marcelo, Director of Administration,
Instituto Justiça Fiscal

Oyslebo, Jon-Age, Senior Adviser,
Ministry of Foreign Affairs, Norway

Palmer, Robert, Policy Analyst,
Global Witness

Petrovsky, Iara, Management Board,
Instituto de Estudos Socio-econômicos

Quentin, David, Barrister

Rangaprasad, Pooja, Programme Officer,
Centre for Budget Governance and Accountability

Real Pereira dos Santos, Dão, Director of Institutional Relations,
Instituto Justiça Fiscal

Ricks, Jenny, Interim Director of Policy,
ActionAid UK

Ross, Jean, Programme Officer,
Ford Foundation

Rozner, Steven, Tax Advisor,
USAID

Scartascini, Carlos, Head of Research,
Inter-American Development Bank

Self, Heather, Partner,
Pinsent Masons

Shaxson, Nick, Journalist

Shay, Stephen, Professor of Practice,
Harvard Law School

Siu, Erika, Consultant,
Independent Commission for the Reform
of International Corporate Taxation

Stead, Joe, Senior Adviser Economic Justice,
Christian Aid

Stern, Richard, Lead Officer, Business Taxation,
Trade and Investment, World Bank Group

Taggart, Chris, CEO,
OpenCorporates

Tavakoli, Heidi, Senior Program Officer,
Gates Foundation

Tollan, Harald, Senior Adviser,
Ministry of Foreign Affairs, Norway

Vermaerke, Pieter, Adviser, Inclusive Growth,
Directorate-General Development Cooperation and
Humanitarian Aid, Belgium

Vilella, Luis, Lead Fiscal Economist,
Inter-American Development Bank

Wales, Chris, Head of Global Tax and Governance Team,
PwC

Waris, Attiya, Senior Lecturer,
University of Nairobi

Whitfield, Simon, Senior Governance Adviser,
DFID

Wilson, Simon, Coordinator,
In Business for Good

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Appendix 3: Profiles of key actors working on tax

The following information should not be treated as comprehensive. It is based on limited interaction or web-based research on each actor and can only be considered a rough guide to what is undoubtedly a large body of work. We apologise for any errors in these descriptions if they occur. Funders interested in any aspect of work highlighted here should contact actors directly. Organisations which could not be profiled but which are also relevant are highlighted in bold in each profile.

MULTILATERAL ORGANISATIONS

African Development Bank (AfDB)

The African Development Bank is a multilateral development finance institution whose mission is to promote sustainable economic growth and reduce poverty in Africa. Although the AfDB does not have a specific tax programme it does intervene in a number of areas. The AfDB has a body of relevant research, producing policy briefs on domestic resource mobilisation and working with GFI on illicit financial flow issues. It also provides technical assistance on taxation to a range of African countries. For example, it has worked with Swaziland to establish a semi-autonomous revenue authority and contributed to a capacity-building effort within the Liberian revenue agencies. It also has a technical assistance and capacity-building programme to support Sierra Leone, Liberia, Guinea and Côte d'Ivoire in relation to extractives taxation. The AfDB has also engaged consistently on the Extractives Industry Transparency Initiative (EITI), providing technical and financial assistance to member countries to participate in and implement EITI effectively.

Inter-American Development Bank (IADB)

The Inter-American Development Bank is a multilateral development finance institution which aims to reduce poverty and inequality and bring about development in a sustainable, climate-friendly way. It is the main multilateral actor with regard to tax in Latin America and the Caribbean. It has operations in many countries, with its largest programmes in Mexico, Colombia and Chile. It provides advice on tax reforms and has done significant work introducing income tax across the continent, designing income tax reforms and supporting the tax administration in this process. It is also active in the research field. Its current research covers two broad areas: first, tax experiments to help tax authorities increase revenue collection (including introducing behavioural economics into the design of these experiments to try to increase voluntary compliance), and, second, looking at the political economy determinants of tax reform. It works mainly in partnership with governments and also with CIAT (profiled here) and CEPAL (the UN's economic commission for Latin America) in the region. In terms of future work, the Bank sees tax expenditures and tax incentives as a highly

important issue, particularly in Central America, where governments are negotiating tax-free zones and setting incentives that will hamper the future of income tax. It also sees personal income taxation as a critical area for future work and a major challenge for the region, and it would like to do more on property taxation which is underused in the region but has huge potential. It will also continue to support tax administration, which is a problem area for all countries, but particularly for Central America, where tax authorities are recognised as weakest. Tax has always been high on its agenda and it continues to increase in relevance. Last year the IADB flagship report¹⁰² was on taxation, which will continue to be a priority for its work.

International Monetary Fund (IMF)

The International Monetary Fund is globally the most important multilateral actor working on tax. It provides extensive – and growing – technical assistance on tax administration and tax policy to about 100 countries a year. Its work is not exclusively with developing countries as, particularly since the financial crisis, it also provides a significant amount of technical assistance to advanced economies. It provides advice on tax policy, tax administration and tax legislation. It delivers technical assistance through a variety of mechanisms including policy missions, its Regional Technical Administrative Centres (RTACs) and via experts' assignments, which can mean long periods spent in-country working with the tax administration. Its work is facilitated by both internal IMF finance and two trust funds¹⁰³ – one dedicated to natural resource wealth and the other related to tax administration. It has a new initiative: the Tax Administration Diagnostic Assessment Tool (TADAT). This is a tool to assess the strengths and weaknesses of tax systems' administrations. The IMF also does work on international taxation issues and recently completed a public consultation on the issue of spillover impacts,¹⁰⁴ essentially looking at the harmful effects one country's tax system can have on other countries. This led to a policy paper being developed for its Executive Board on this topic.¹⁰⁵ In addition to its technical assistance it also does regular surveillance work and has its own academic research agenda in the tax field.

¹⁰² <http://www.iadb.org/en/research-and-data/dia-publication-details,3185.html?id=2013>

¹⁰³ <http://www.imf.org/external/np/exr/key/ttf.htm>

¹⁰⁴ <http://www.imf.org/external/pubs/ft/survey/so/2014/POL022714A.htm>

¹⁰⁵ IMF, 2014, *Spillovers in International Corporate Taxation*, IMF Policy Paper

OECD

The OECD has two principal areas of work on tax. The first is its work on transparency and exchange of information, which includes the Global Forum on Transparency and Exchange of Information for Tax Purposes. This is the OECD's main effort to address tax evasion and brings together 121 countries in one forum. The second is the OECD's Base Erosion and Profit Shifting project which mainly concerns tax avoidance. Developing countries do not have a seat at the table for the BEPS process; however, the OECD has conducted regional consultations with developing countries and is now designing the next round of consultative events for 2015. The OECD also runs a Tax and Development programme via its Tax and Development Taskforce, which aims to ensure that developing countries benefit from international reforms. This programme includes capacity-building efforts in 20 countries to reform legislation, assess the risk of profit shifting, and to address training and other institutional needs. Tax Inspectors Without Borders is a linked initiative aimed at getting specialised auditors into countries with low audit capacity to help prevent profit shifting by MNCs. The OECD has also used business expertise in its capacity-building programmes, bringing in staff from Rio Tinto and Unilever, for example, to offer advice to tax authorities on taxation and supply chain issues. Another relevant initiative is the Oslo Dialogue on Tax and Crime. The OECD also has many important partnerships with other institutions, such as the World Bank, ATAF and CIAT (all profiled here). These partnerships are established for both BEPS and information exchange work. The OECD receives donor finance to fund its work in developing countries. Tax is an absolute top priority for the OECD and its member countries, and it is likely to continue to be in the next 5–10 years, particularly given the austerity measures in OECD countries.

UN Tax Committee

The UN Tax Committee was formally known as the Committee Of Experts On International Cooperation on Tax Matters. It is a subsidiary body of the Economic and Social Council and is responsible for keeping under review and updating the United Nations Model Double Taxation Convention between Developed and Developing Countries and the Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries. It also provides a framework for dialogue with a view to enhancing and promoting international tax cooperation among national tax authorities and assesses how new and emerging issues could affect this cooperation. The Committee is also responsible for making recommendations on capacity-building and the provision of technical assistance to developing countries and countries with economies in transition. In all its activities, the Committee gives special attention to developing countries and countries with economies in transition. The UN Tax Committee has established a BEPS Subcommittee to provide input to the BEPS process. However, it is constrained by a lack of resources. It also has sub-committees working on transfer pricing, tax treaties, exchange of information, extractives industries taxation and capacity-building issues.

World Bank

The World Bank does two main types of tax work: work on tax administration structures, and the provision of technical advisory assistance. Its tax administration work generally seeks to provide tax authorities with key systems and infrastructure. This is often supported via lending or can be facilitated by grants in the case of low-income countries. Its technical services are provided through the International Finance Corporation (IFC) on a range of topics mainly related to reducing compliance burdens and improving the business environment. Its work includes getting small and medium-sized enterprises (SMEs) into the tax system; improving VAT systems; assistance in the area of tax disputes and arbitration; supporting large taxpayer units and providing assistance with regard to income and wealth taxes. The World Bank's business taxation group also focuses specifically on issues related to the implementation of transfer pricing rules. It is currently concentrating more on getting developing countries ready for the automatic exchange of information. It is also looking at the tax incentives issue by conducting cost–benefit analyses and trying to help countries to make their systems less discretionary. It has done (or is doing) work in this area in Colombia, Liberia, Bangladesh, Tajikistan, Kyrgyzstan and Malaysia. It has an important partnership with the OECD; they work together on two joint projects – one related to transfer pricing and another related to incentives. The World Bank is currently undergoing a major restructuring process so it is unclear how tax work will go forward and what the internal configuration will be. However, tax work is well funded and many donor countries see it as a priority. Therefore it is likely to continue to be high on its list for action in the future.

GLOBAL INSTITUTIONS

Financial Transparency Coalition (FTC)

The Financial Transparency Coalition is a global coalition with a nine-member coordinating committee (the Centre for Budget Governance and Accountability – CBGA, Christian Aid, Eurodad, GFI, Global Witness, Latindadd, TJN, TJN-A and Transparency International – all profiled here). It also has a number of governments participating on its Partnership Panel. It has a coalition coordinator in Washington DC and a full-time staff member in Brussels leading advocacy with the EU. The governing members of the coalition set its strategy and work plan, and manage its budget. The FTC has just finalised its new strategy, which focuses on five issues. The top three relate to priority transparency standards – country-by-country reporting, beneficial ownership and automatic information exchange. It has engaged – and will continue to work – on these within the BEPS process and the OECD's Taskforce on Tax and Development. Its two new areas are: a focus on the enablers of illicit financial flows (accountants, lawyers, etc.); and the international institutional architecture for financial transparency and how new global standards are being developed (its focus here is on developing country inclusion). It is important to note that it concentrates on tax transparency and not on tax policy, meaning its work does not extend into areas such as the content of an equitable tax policy at national level (an area which the Global Alliance on Tax Justice does look at). The way it works is mainly to focus on high-level advocacy within the G20 and OECD processes, as well as following UN processes. It can undertake advocacy as the FTC itself, but

it also often coordinates its work with members' advocacy in their own countries. The FTC is also increasing its support for Southern CSOs and policy-makers to engage on tax transparency issues and to find appropriate and alternative solutions for their own country context. It would like to build up its Southern membership as well as to ensure there is stronger participation of Southern governments in the FTC. Currently it is funded mainly by the Norwegian Government and by the Open Society Foundations, and it is also in dialogue with other funders with regard to its new strategic plan.

Global Alliance on Tax Justice (GATJ)

GATJ was officially formed in March 2013 after a meeting of Northern- and Southern-based organisations in Lima. It is based, however, on several years of collaboration, both North–South and South–South, and as a result of work supported by TJN and others such as Christian Aid. It is now a separate entity, independent of TJN and based on regional structures. This new organisational structure means tax work is now fully based on autonomous, regional tax justice networks. Each region has two members on the coordinating committee (there are two each from Europe, North America, Latin America, Africa and Asia). Policy positions are adopted by all GATJ members, which also decide on campaign priorities. GATJ does not have members from individual countries, given that strengthening regional networks is one of its fundamental purposes. A key part of its vision is to link budget and tax work, and the fact that regional member bodies are often constituted to advocate for 'fiscal justice' and not just tax justice, allows it to achieve this linkage. Its overarching campaign theme, which unites all members, is 'to make MNCs pay their fair share of taxes'. Currently its coordinated advocacy work is mainly focused on the BEPS process. However, this is seen as limited and work in future will go beyond this theme. GATJ members will combine national work on issues such as strengthening anti-avoidance measures and corporate income taxation reforms with regional work on key issues such as tax incentives and international-level lobbying of the OECD and other relevant actors. As GATJ is new, it still has only start-up funding in place. This will enable the coordinator to be hired and the basic campaign tools to be set up (including its website). Start-up grants have been given by Oxfam Novib, Christian Aid, Oxfam GB, ActionAid GB and ActionAid International. The coordinator will start in August and be based in Canada and it hopes to hire a communications staff person as well. GATJ will not be a fundraiser for members and it will not channel grants. Its preference is to receive core funds to support its strategy, coordination, campaigns and secretariat, and for complementary grants to go to regional members directly to strengthen their work.

International Centre for Tax and Development (ICTD)

ICTD is a global policy research network focusing on the political economy of taxation policies and practices in poorer parts of the world. Its objective is to contribute to development in these countries by mobilising knowledge that will help make taxation policies more conducive to pro-poor economic growth and good governance. It was founded in November 2010 by a consortium of organisations and individuals with an interest in tax and development issues, and is funded by a five-year grant from

DFID, with additional funding from NORAD. Broadly it works on two topics: domestic taxation and international taxation. With regard to domestic taxation, the research looks at particular tax types such as VAT and personal income taxation, informal sector taxation, tax administration, local government taxation and property tax. Its work also has a political economy focus and does not just cover technical aspects. With regard to international taxation, it looks at the international tax system, tax havens, profit shifting and the implications these have for developing countries. Its work includes looking at the reform of the international system to help low-income countries collect taxes, as well as domestic reform strategies to more effectively enforce taxes against MNCs. Currently it is conducting a project on unitary taxation and formulary apportionment, examining various options for the international tax framework. Among the new projects that it is undertaking is one looking at cooperation among African countries to reduce tax competition; another is looking at capacity-building in tax administrations for combating tax evasion, particularly in relation to extractives industries. The latter project will review what capacity-building has been delivered, how effective it has been and whether tax authorities can retain effective capacity in this area. ICTD also works informally with actors within the TJN network on issues such as automatic information exchange and country-by-country reporting.

SOUTHERN-BASED NETWORKS AND ORGANISATIONS

Action for Economic Reform (AER)

Action for Economic Reform is based in the Philippines. It describes itself as an independent, reform-oriented policy group. It conducts policy analysis and advocacy on key economic issues such as growth, fiscal policy and governance, and focuses strongly on the technical and academic aspects of economic reform advocacy. The group has worked on tax issues for many years and was one of the key partners of Christian Aid and SOMO's EU-funded 'Towards Tax Justice' programme until this came to a close at the end of 2011. During this period AER was an important participant in South-East Asian forums on tax justice and was working closely with Northern-based groups. It has since continued work on fiscal policies, with particular success around the 'sin tax' reforms. AER recently released a study looking at this experience.¹⁰⁶ It has also worked periodically on issues such as property tax reform, extractives taxation and tax incentives. In addition, it has focused strongly on freedom of information issues and worked with a number of other CSOs groups on this, including CSOs specialising on extractive industry transparency in the Philippines.

African Tax Administration Forum (ATAF)

ATAF was founded in 2008 and is a collaboration between tax administrators across Africa whose primary aim is to improve technical skills and cooperation in tax matters. Government members pay subscription fees, though ATAF also receives significant donor funding. ATAF has a secretariat which conducts research, shares information and provides technical trainings to members. It has a

¹⁰⁶ See: <http://aer.ph/category/projects-and-campaigns/sin-tax-reforms/>

broad focus, looking at the full range of issues related to tax administration and national tax policies. In addition it has a strong interest in matters related to tax transparency – including the exchange of information between member countries in Africa to help counter tax evasion and other abuses – as well as extractives taxation, which is so critical in the African context. It has consistently promoted regional collaboration between African governments on tax issues and has made good progress in this area in developing information exchange agreements. ATAF is also planning to establish a network of African researchers in the field of taxation. The main aim of this network is to promote African tax research that is both high quality and policy-relevant.

Alianza Nicaragüense por la Reforma Tributaria

The Nicaraguan Tax Reform Alliance is led by three national CSOs that work together on tax issues. These are Instituto Nicaragüense de Investigaciones y Estudios Tributarios (INIET, a tax studies institute), Instituto de Estudios Estratégicos y Políticas Públicas (IEEPP, a national research- and advocacy-focused CSO) and the **Coordinadora Civil** (a large national coalition group bringing together a broad base of local CSOs). There are also other groups joining this platform, most notably agricultural cooperatives. It has been monitoring and advocating around tax reform issues in Nicaragua and has recently produced a study critiquing the last major tax reform.¹⁰⁷ IEEPP has also done some work previously on tax incentives and it is interested in looking more closely at the tax exemptions for companies listed on the agricultural stock exchange which get a range of special treatments in Nicaragua. The Nicaraguan groups are members of the sub-regional Central American fiscal justice network (RJF-Central America) and the regional Latin American fiscal justice network (RJF-LAC), both profiled here. The Nicaraguan groups and the work of the alliance are supported mainly by Christian Aid, as well as by small grants from Kepa and Oxfam.

Budget Advocacy Network (BAN)

The Budget Advocacy Network in Sierra Leone is a coalition of civil society organisations, working to ensure that the government and its development partners prioritise and allocate public funds for development that benefits the poorest and most marginalised groups in society. BAN has focused strongly on budget policy analysis, both looking at national budgets and monitoring district budgets and promoting oversight at the local level. It has also developed systems to track the flow of resources in the health sector. BAN has also now integrated tax issues into the work of the platform. Recently it released a new tax incentives study, alongside another national CSO coalition, National Advocacy Coalition on Extractives (NACE – also profiled here).¹⁰⁸ BAN receives funding from Christian Aid and IBIS for its tax work.

Capacity for Research and Advocacy for Fair Taxation (CRAFT) Project Consortium

Capacity for Research and Advocacy for Fair Taxation – CRAFT – is a consortium of CSOs working on taxation issues. It brings together TJN-A, SEATINI (Uganda – profiled here), SUPRO (Bangladesh – profiled here), **Publish What You Pay** (Mali), the **Egyptian Centre for Economic and Social**

Rights (ECESR), CISLAC (Nigeria – profiled here), **Forum Civil** (Senegal), the **Ghana Integrity Initiative** and **Oxfam Novib**. The consortium's work is focused on building CSOs' knowledge, research, alliances and advocacy capacity. A key aim is to trigger campaigns and mobilise civil society to create the political pressure for progressive taxation reforms. Funding for the consortium comes from the EU, GIZ and the International Tax Compact. There are also moves to broaden this consortium to take in new members in Palestine, Jordan and Lebanon.

Central American Fiscal Studies Institute (ICEFI)

ICEFI is the Central American Fiscal Studies Institute. It is based in Guatemala and works on tax issues throughout the region (Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama). It has two main areas of work. The first is its regular monitoring and reporting of tax data in Central America. It maintains a statistical observatory and produces regular technical papers. Its second area of activity is advocacy and policy work concerning tax reform processes. It has a good media presence in all six countries of the region. However, although its advocacy mandate is across Central America, in this respect it engages mainly in Guatemala (where it has successfully promoted new income tax legislation and new transparency-related legislation). It is nevertheless making active efforts to increase engagement in El Salvador and Honduras. ICEFI is on the coordinating committee of the Latin American RJF. In future, ICEFI plans to continue its technical work on consolidating tax databases for the region. It will also be working on tax incentives by building more technical knowledge on this subject and striving to become more of a voice on this. Its main funders are the Swedish Embassy, Christian Aid, USAID, Kepa (Finland) and IBIS (Denmark). ICEFI also coordinates the sub-regional RJF for Central America, which brings together members from across Central America (also profiled here separately).

Centre for Budget Governance and Accountability (CBGA)

CBGA is a think-tank focusing on public policies and government finance in India. It has a long history of work on budget and accountability issues and it has been working on tax issues for several years now. It is a member of the FTC. (Though it is not yet a member of the GATJ, it is also interested in this new coalition). To date its work is largely concentrated on India's tax revenue collection levels and it is advocating for a more progressive tax system. It is specifically looking at promoting property taxation and various wealth taxes. CBGA has a tax incidence project under way and is also working on the tax incentives issue. As a member of the FTC it also contributes to advocacy at the international level, supporting actions aimed at the G20, including advocacy directly with India on tax transparency issues. It has developed a close working relationship with the FTC and has given particular attention to automatic information exchange issues in its advocacy with the Indian government. In its future work it aims to include a practical assessment of how automatic information exchange is working in the Indian context and it is looking more at country-by-country reporting and beneficial ownership issues and how these could work for India. Currently it is making plans for a new research

¹⁰⁷ See relevant publications and announcements here: <http://www.iepp.org/index.php/descargas/?category=2>

¹⁰⁸ See a summary here: <http://www.taxjusticeafrica.net/content/losing-out-sierra-leones-massive-revenue-losses-tax-incentives-budget-advocacy-network>

project related to trade mispricing, which will entail a close examination of the rules, exploring the loopholes, and looking at the alternatives to and limitations of arm's-length pricing. This will be done with close engagement with the tax authority and local tax experts. It is also interested in increasing its advocacy for an effective and fair institutional architecture for taxation. It gets funding from Christian Aid and Oxfam for its tax work in India. CBGA is also coordinating a new (and still informal) Asia-wide network working on tax issues. An informal grouping has recently been brought together to work on illicit financial flow issues, thanks to a grant from the FTC. This new collaborative effort brings together India – with CBGA as coordinator – and organisations in Afghanistan, Bangladesh, China, Nepal, Indonesia, South Korea, Philippines (JSAPMDD – also profiled here) and Pakistan. There are 15 organisations in total, with 3 from Bangladesh and 5 from Indonesia. As it is an informal grouping it has no name as yet. The group is now beginning to look at illicit financial flows in the context of these countries and will produce a series of policy papers to form the basis of future advocacy work and engagement with national stakeholders on this theme. The research will be undertaken by local researchers and there will be a workshop with experts from around the world helping to stimulate a process of follow-up work in each country.

Centre for Trade Policy and Development (CTPD)

CTPD is a non-profit-making, membership-based, trade policy think-tank which aims to promote equitable, pro-poor trade policies and practices. It is based in Lusaka, Zambia. CTPD provides analytical research, capacity-building and facilitation services in trade and investment sectors to civil society, local private sector, small-scale producer groups and government. It has been working on tax for over five years now. Its work is mainly in relation to the extractives sector and it has focused strongly on research and policy analysis, as well as campaigning alongside partners from other civil society organisations for a windfall tax on mining companies. CTPD has also been very involved with tax campaigning with regard to the Mopani mine, majority-owned by the FTSE-listed Glencore group. It was one of five organisations to submit an OECD complaint regarding the company's tax practices to the Swiss and Canadian national contact points. CTPD also assisted ActionAid in its investigations into the Zambian tax affairs of SABMiller, providing in-depth analysis of the implications of the Zambian corporation tax system for multinational companies. In August 2011, CTPD launched the Zambian Tax Platform. The main aim of the initiative is to increase stakeholder engagement and public debate around tax issues in a simplified manner, so as to add value and influence the policy process in Zambia. The Tax Platform also links to other similar networks locally, regionally and internationally, and CTPD is an active member of TJN-A. CTPD has also advocated strongly on the issue of tax incentives for the mining sector, as well as more generally. It has been a key organisation pushing for a full cost-benefit analysis of Zambia's tax incentives regime, work which is now being taken forward by the government. CTPD in Zambia gets funding from GIZ, Christian Aid, ActionAid and Norwegian Church Aid.

Civil Society Legislative Advocacy Centre (CISLAC)

CISLAC is a non-governmental, non-profit, advocacy, information-sharing, research, and capacity-building organisation in Nigeria. Its mission is to strengthen the link between civil society and the legislature through advocacy and capacity-building for civil society groups and policy-makers on legislative processes and governance issues. CISLAC is the national partner of Transparency International (TI) and an active member of TJN-A. It promotes transparency and accountability in its broadest sense and is involved in a wide range of work including, in particular, fiscal responsibility, public procurement and the extractives industry. It is now getting more strongly involved in taxation issues, including looking at Nigeria's double taxation agreements and campaigning in this area. CISLAC is funded by an array of large foundations and donors for its wider work. For its tax work it is supported via the Oxfam Novib CRAFT project and by Christian Aid.

Economic Justice Network (EJN)

The EJN is based in South Africa. It is part of FOCCISA – the Fellowship of Christian Councils in Southern Africa. FOCCISA is an ecumenical organisation working with 11 national councils of churches in Southern Africa. EJN's mission is to strengthen the commitment of the Church in its advocacy work on economic justice and to act as a catalyst for engaging people in the promotion of just economic and social structures. EJN conducts advocacy, research and economic literacy programmes by the Churches at all levels and collaborates with networks in Southern Africa, across Africa and internationally. It has developed a strong body of work on trade and debt issues in particular, and is now working more on issues related to tax, within a broad inequality and social justice framework. It has focused particularly on extractives taxation, as well as advocating around BEPS and tax transparency issues. In addition, it is doing work on illicit financial flow issues, and held a round table with Oxfam and African Monitor on this subject in May 2014, during which a working group on illicit financial flows was formed. It is also an active member of TJN-A. EJN receives funding from Christian Aid, among others, for economic justice and tax work.

Foro Social de la Deuda Externa de Honduras (FOSDEH)

FOSDEH is a national social forum oriented towards research and advocacy to influence public policies in Honduras. It focuses mainly on economic policy issues and has a long history of work on debt, poverty reduction and development issues. It has also been the main organisation working on tax in Honduras, conducting advocacy concerning tax issues and participating in the Central America fiscal justice network (RJF-Central America). FOSDEH has done research into tax incentives in Honduras (where the fast food industry is a notable beneficiary of broad-based exemptions). It has also recently finalised a study on tax incidence in the country (Who Pays Taxes in Honduras).¹⁰⁹ In the past it has received support from Christian Aid and Dan Church Aid for tax work and it has just received a new grant from USAID. New groups are also emerging in Honduras, including the **Grupo de Sociedad Civil**. This is a very large alliance of local and national CSOs

¹⁰⁹ See publication here: http://www.fosdeh.com/archivos/documentos/areas/Macroeconomia_y_politicas_publicas/Finanzas_publicas/quien_paga_los_impuestos_en_honduras.pdf

which is starting to become interested in tax. Another relevant actor is the **Grupo Promotor del Pacto Fiscal**; this is a new alliance bringing together primarily FOSDEH and ICEFI staff in-country, working towards a new fiscal pact for the country. This new alliance has tried to fundraise for its advocacy work but has so far been unsuccessful.

Fundación Nacional para el Desarrollo (FUNDE)

FUNDE is a national organisation in El Salvador dedicated to research, advocacy and capacity-building around economic development themes. It is the main national civil society actor working on tax in the country and it conducts research and policy analysis as well as coordinating the national round table for fiscal dialogue (Mesa de Diálogo Fiscal). As there is no national platform on tax in El Salvador, this national dialogue is the main mechanism for broad involvement on tax policy reform issues. The round table brings together government, private sector, researchers, media and civil society. FUNDE is supported by GIZ (mainly for research) and Christian Aid (which provides funding to enable the participation of social movements, local organisations and trade unions in the debates and dialogue).

Instituto de Estudos Socio-econômicos (INESC)

INESC is a public purpose, non-partisan, democratic and pluralist, non-profit organisation in Brazil. Overcoming poverty and social inequalities and reaffirming the concept of human (political and civil), economic, social, environmental and cultural rights form a core part of its vision. It works nationally on a wide range of issues including accountability, governance and public budgets, citizenship and participation. It has been working on tax for several years in Brazil, and doing research and advocacy, as well as campaigning and mobilisation work. Its key focus is on national progressive taxation reforms, though it does collaborate with a variety of groups on international taxation issues. For example, it worked closely with Christian Aid on a campaign against tax havens and has continued to work with it on BEPS and G20 advocacy. It has also worked together with GFI on IFF issues. It has had some notable successes in the past, with a broad-based national campaign that blocked a negative tax reform.¹¹⁰ Currently INESC is doing a large piece of work on political reform which includes tax elements and trying to ensure tax issues are on the election agenda. It is also involved in the Open Government Partnership and in work on open data. (It already presents budget data in Open Data Format – known as 'budget at your fingertips'). In addition, it is working with the Worldwide Web Foundation to do research on the impact of budget open data on inequality in Brazil. INESC sees many emerging opportunities with open data work and would like to invest more in it, including exploring how to connect it to the tax issue. It will also continue to work on broad transparency themes, including access to information laws. It would like to do more sector-specific tax work and is planning to turn to tax and mining in Brazil, looking at issues of tax contributions and trade mispricing practices of mining companies in the Amazon, contrasting this with their social and environmental impact. Christian Aid is one of its funders for tax work.

Instituto Justiça Fiscal (IJF)

The Institute for Fiscal Justice in Brazil is a non-profit civil association established in 2011. It is working on a broad range of themes, including progressive taxation reforms and taxpayer education, monitoring the BEPS process (including bringing the issue into domestic debates with NGOs and the Brazilian tax administration), and advocating around the Financial Transaction Tax. Its central focus has been on tax justice education with the labour movement, students, NGOs and politicians. It also has a large body of work concerning electoral campaign financing,¹¹¹ looking at private sector contributions through 'private financing' of election campaigns and the impact of this on democracy. This has allowed IJF to examine more deeply how the political landscape relates to the potential for tax reform and the structure of the current tax system. Its media presence is strong and it has good relationships with the labour movement, universities and active NGOs that work on public finance issues. It has also coordinated strongly with TJN, is an active member of the Latin American network (RJF) and sits on its coordinating committee. Its immediate priorities are to continue to increase awareness during the electoral process of campaign finances and to push the issue of progressive tax reforms during election debates. Over the medium term its focus will be on reforms to income, property and inheritance taxes as a key part of its vision of making the Brazilian tax system more progressive. It will also continue to work on the financial transaction tax and tax haven issues and it would particularly like to do more research on the legal loopholes used for tax avoidance as a key tool to use in publicising tax justice issues in Brazil. The IJF is made up of professionals who are volunteers at the Institute. Most of these were formerly Ministry of Finance and/or tax authority staff so the Institute is known for its high level of technical competence. However, the scale of its work has been greatly limited by a lack of funding and consequent lack of staff employed to run the organisation. It is currently funded only by individual donations, with a budget of only about US\$12,000 per year.

Integrated Social Development Centre (ISODEC)

ISODEC is an indigenous non-governmental organisation committed to the promotion of human rights (especially social and economic rights) and social justice. It has a long history of support to grassroots groups in Ghana, including service provision and rigorous work on national budget analysis. It has developed a strong base of policy research and advocacy work around national development alternatives. Its advocacy agenda is broad and taxation has now become a key theme. It is a leading TJN-A member in Ghana and it is undertaking new work to address illicit financial flows (IFFs) comprehensively under a new national strategy with a wide range of CSOs. This work brings together the revenue authority, Ministry of Finance, customs officials and others (e.g. financial crime authority), and is part of its vision of promoting a more coherent, across-government approach to IFFs. This effort includes new political economy research looking at the interests that drive IFFs and a full analysis of the laws (or poor implementation of the laws) that facilitate IFFs (e.g.

¹¹⁰ See here for a documentation of this: <http://internationalbudget.org/publications/the-role-of-brazilian-civil-society-in-the-tax-reform-debate-inescs-tax-campaign-for-social-justice/>

¹¹¹ See the 'Donors of Congress' work here: <http://www.donosdocongresso.com.br/>

legislation on banking, tax and company registration). The initiative also includes work with customs authorities monitoring actual flows of goods and looking at trade data in real time. ISODEC's intervention will include building a practical model for customs to use to track transfer pricing and flag high-risk transactions. This work will be ISODEC's main focus for some time, and it is still fundraising to support all of its phases.

Inter-American Center of Tax Administrations (CIAT)

CIAT is based in Panama. It has 31 member countries from the Americas, including Canada and the US as well as 29 Latin American and Caribbean countries. CIAT provides technical assistance on tax matters to its member countries in response to their specific needs and requests. Its services are aimed at strengthening tax administrations. Its activities cover a range of issues, from its core work of tax administration to information exchange and transfer pricing, which are two major topics on its agenda. It provides capacity-building on transfer pricing for members, as well as exploring how information exchange is working for members and international cooperation in this area. It works with member countries, as well as collaborating closely with the OECD and UN on tax matters. CIAT is a well-established regional platform and receives support from a variety of sources including the World Bank, the German aid agency GIZ and the Spanish Agency for International Cooperation for Development (AECD).

Jubilee South Asia Pacific Movement on Debt and Development (JSAPMDD)

JSAPMDD is a network of jubilee and debt campaigns, social movements, people's organisations and NGOs. It has worked most strongly on debt issues, calling for debt cancellations and pushing for debt audits, and it is mainly an advocacy and campaigns organisation with extensive links to grassroots groups. It has also become more involved in tax work, working closely with Christian Aid on tax justice issues and previously it participated in the former multi-country programme – the EU-funded Towards Tax Justice initiative. With other Philippines CSOs it has worked strongly on the issue of 'sin taxes', pushing through successful reforms of excise taxation of tobacco, with the increased revenue being used to fund public health programmes. It has recently also done some new work on the issue of tax and gender.

National Advocacy Coalition on Extractives (NACE)

NACE is a coalition based in Sierra Leone. It emerged from the Diamond Area Community Development Fund. It strives to ensure that Sierra Leone derives full benefit from the whole of its extractives sector and its mandate includes looking at mining, forestry and marine industries. It has specialised in scrutinising extractives taxation in Sierra Leone and has conducted extensive research and advocacy in this area. It has released a series of tax reports looking at, for example, diamond and rutile taxation, mineral taxation policies and agreements with companies.¹¹² It continues to work on taxation issues, collaborating with BAN (mentioned earlier) on a recent study examining the cost of tax incentives in Sierra Leone. Christian Aid is one of its funders for tax work.

Red de Justicia Fiscal – Central America

The Central American fiscal justice network is coordinated by ICEFI. It is a sub-regional network of the RJF which exists at LAC-wide level. It now covers seven countries (Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama and the Dominican Republic). The network has a fiscal policy observatory and it produces a bulletin for media monitoring purposes for members. Although staff time to support the network has been a major constraint, there are now two ICEFI staff members to support it. Its major new area of interest is in the creation of a Fiscal Transparency Index for the sub-region, which is seen as an important new campaigning tool. Members are also all very interested in working together more on tax incentives issues. Currently the network is funded mainly by Christian Aid, with the Finnish aid organisation Kepa having given small grants to support certain activities.

Red de Justicia Fiscal – Latin America and the Caribbean

The RJF (fiscal justice network) was created formally in 2011, though its members had coordinated some activities in relation to tax before that. There are now 24 member organisations throughout Latin America and the Caribbean, spanning 14 countries. For organising purposes the network is split into three sub-regions: Meso-America (which includes Caribbean, Mexico and Central America), the Andean region (which includes Colombia, Ecuador, Peru and Bolivia), and the Southern region (which includes Argentina, Brazil, Uruguay and Paraguay). Two organisations from each sub-region are represented on the Coordinating Committee. These include ICEFI (which is based in Guatemala but works throughout Central America) and the **Coordinación Nacional de Enlace** (a national CSO in Costa Rica); **Jubileo Guayaquil, Ecuador** and **Fundación Jubileo** in Bolivia (both originally conceived as debt networks but which are now very active on tax and IFFs); Instituto Justiça Fiscal (IJF) Brazil (a new campaigning organisation set up by tax experts) and **Fundación Ces** (a national CSO in Argentina). Latindadd – the LAC member of the Eurodad (debt and development) network – holds the secretariat of the RJF. For institutional reasons Latindadd is the official FTC member; however, it is the RJF that is the officially named member of the Global Alliance on Tax Justice. RJF members include national CSOs – both advocacy-oriented and more popular education and campaigning type organisations – as well as national networks and think-tanks, trade unions and individual members such as academics. The secretariat sees its main role as helping to incorporate members into debates on international taxation issues. It has worked a great deal on BEPS matters as well as undertaking research into issues related to tax avoidance and evasion. The network has also started to look at double taxation treaties, tax incentives and natural resource taxation. It tries to support members, providing capacity-building when funds are available, and supporting members to build networks and to do research and advocacy. It is keen to support more popular campaigning and taxpayer mobilisation work in-country. The RJF has had funding mainly from Christian Aid and from NORAD (via the TJN international secretariat, which will no longer coordinate Southern work as GATJ takes over). Its funding situation is precarious – Christian Aid's grants stopped for one year but have now restarted. There is also some small funding being provided by Oxfam GB.

¹¹² See, for example, <http://www.christianaid.org.uk/Images/sierra-leone-at-the-crossroads.pdf>

Southern and Eastern African Trade, Information and Negotiations Institute (SEATINI)

SEATINI is a regional NGO founded in 1996 soon after the WTO Singapore Ministerial Conference. It has a head office in Harare (Zimbabwe), regional offices in Kampala (Uganda) and Nairobi (Kenya), and is represented in Johannesburg (South Africa) and Geneva (Switzerland). In Uganda SEATINI has a long track record of advocacy on policy issues including, in particular, trade, agriculture and the finance sector. It also now has a strong focus on tax justice. It is an active member of TJN-A and participates in the CRAFT project consortium, as well as coordinating the national tax platform in Uganda. At the national level it is advocating for tax reforms (including looking at double taxation agreement issues and tax incentives) and it is also actively promoting citizen education on tax at the local level. It has established a productive dialogue with the government and works with the Tax Policy Commission within the Ministry of Finance, as well as with the Uganda Revenue Authority. It has also established 'The Taskforce', which has about nine key people who represent a variety of groups including the Ministry of Finance, Manufacturers Association, Traders Association and CSO groups and who come together to discuss tax policy matters. It is currently being supported by ActionAid (and ActionAid has a tax justice adviser placed on its staff). It also receives funding from Oxfam Novib (as part of the multi-country CRAFT project), and has recently received a new grant for tax work at the local level from USAID.

Sushasoner Jonny Procharavizan (SUPRO)

SUPRO is a national network of grassroots NGOs in Bangladesh. It is working to establish economic, social and cultural rights of poor and marginalised people in all spheres of society and state by facilitating rights-based activism at grassroots, national and global level. SUPRO has engaged in campaigns, mobilisation and advocacy on different issues such as good governance; economic justice; budget-tracking and analysis; trade justice; and climate change. It is also now active on tax justice. It recently released a report looking at the tax systems, including a tax gap analysis.¹¹³ SUPRO is part of the CRAFT project consortium and, as such, is currently receiving funding from Oxfam Novib. No formal national tax platform exists in Bangladesh; however, it is working with ActionAid on tax, in collaboration with a number of national and local organisations in Bangladesh, including the **Democratic Budget Movement**, the **Society for Participatory Education and Development**, the **Centre for Policy Dialogue** and **Equity BD**. Both SUPRO and Equity BD are members of the wider Jubilee South Asia Pacific Movement on Debt and Development (JSAPMDD).

Tax Justice Network-Africa (TJN-A)

TJN-A was established in 2007. It now has 23 members in 15 countries across Africa and is a member of the GATJ and the FTC. Members can be individual CSOs but in many cases national tax platforms have also been formed and are pursuing national advocacy and campaigning work on tax issues (e.g. in Uganda, Tanzania, Nigeria, Cameroon and Sierra Leone). In some countries, such as Mali and Côte d'Ivoire, it has close collaborations with the Publish What You Pay platforms, though these are not yet formal

members. TJN-A's overall vision is to promote socially just and progressive tax systems across Africa. In this regard TJN-A aims to challenge harmful tax policies and practices that favour the wealthy and aggravate and perpetuate inequality, whether these policies originate at the national or the international level. TJN-A works mainly through research, capacity-building and policy influencing, and acts as a regional platform bringing together broad civil society expertise in this area. Capacity-building of CSO members and network-building at the national level is a major part of its work. It works in four key areas: the promotion of tax justice in domestic tax policies and practices; natural resource taxation; international taxation and illicit financial flow issues; and regional harmonisation of tax frameworks. At the international level its work includes feeding into ongoing international advocacy on topics such as BEPS as well as raising awareness in Africa about international tax issues. It has engaged strongly with the Mbeki High Level Panel on Illicit Financial Flows, as well as with the African Union and with regional economic commissions where it has promoted work on tax incentives. At the pan-African level double taxation agreement work has become an increasingly important part of its agenda. TJN-A's main funder is NORAD with funds channelled via FTC. This is followed by Oxfam Novib under the CRAFT project consortium. Other funders include Christian Aid, IBIS (Denmark), Diakonia (Sweden) and Fastenopfer (Switzerland). As with the RJF, it has also received NORAD funding via the TJN international secretariat, which will no longer coordinate Southern work as GATJ takes over.

NORTHERN-BASED NETWORKS AND ORGANISATIONS

ActionAid

ActionAid is a Northern-based international development organisation working strongly on tax and development issues. It is a member of the GATJ. Its tax work is growing and as part of its new global Tax Power campaign it now has campaigns in 12 countries (Burundi, Ghana, Kenya, Malawi, Mozambique, Nigeria, Rwanda, Sierra Leone, Tanzania, Uganda, Zambia and Bangladesh), with campaigns under preparation in Nepal, Pakistan, Vietnam and Zimbabwe. In the North, ActionAid programmes in Australia, Denmark, Netherlands, Sweden, the UK and the US are also actively engaging in tax work. As more developing country national programmes are engaging, its tax work is growing at local, national and international levels. It now also has ten tax justice advisers in various Southern countries (including Bangladesh and Uganda). In terms of international tax issues it engages in policy and advocacy work around key tax transparency topics such as country-by-country reporting and automatic information exchange, mainly via the BEPS process and in OECD forums. However, although it sees tax transparency as very important, it is now developing a much broader agenda on harmful tax regimes and looking at alternative global tax rules. ActionAid already has an established body of tax policy research, including notable work highlighting MNCs' tax practices. It has also done some work examining UK tax rules and how these affect developing countries, and it is increasingly working on issues that are emerging

¹¹³ See more information here: http://www.supro.org/index.php?option=com_district_news&task=details&Itemid=&rowid=137

from developing country perspectives (e.g. double tax treaties and tax incentives). A key part of its approach is to try to grow tax networks and platforms both nationally and internationally and ActionAid's main focus at the moment is to scale up tax work in as many countries as possible.

Alliance Sud

Alliance Sud (the Swiss Alliance for Development Organisations) was founded 25 years ago. It brings together six major Swiss development NGOs and is their joint platform for development policy and advocacy work. The platform is fully funded by the six agencies. Tax work is one of its key areas, given that Switzerland is a major tax haven. It helped found TJN, is a member of the GATJ, and is also an active member of Eurodad, supporting tax advocacy at the EU level. It is following the BEPS process and works closely on automatic exchange of information, advocating with the Swiss government, particularly in relation to information exchange with developing countries. It is planning a large conference on automatic information exchange later in 2014. Alliance Sud has also been involved in advocacy work on Switzerland's double taxation treaties, where it has made some progress. New work to note includes its monitoring of the new corporate tax reform process within Switzerland. This is an area where it intends to coordinate advocacy more with countries such as Austria and Luxembourg, which will be seeing similar shifts. It is also one of the main founders of the Independent Commission for the Reform of International Corporate Taxation (ICRICT) initiative and is now very keen to focus its work on going beyond the BEPS process. Alternative corporate tax reforms will be the main focus of future work.

Canadians for Tax Fairness

Canadians for Tax Fairness is a relatively new group. It is a very small team with only two staff members, but also has an active board which brings in representatives from academia, trade unions, journalism and faith groups. It works on both domestic and international tax issues and does a lot of campaigning (e.g. on Canada's plans to cut its corporate income tax rate), targeting the House of Commons Finance Committee on tax haven issues, and campaigning to close tax loopholes in Canadian law. It has also worked on extractives taxation issues, looking at Canadian companies' tax contributions. In this work it has collaborated with Mining Watch Canada, ActionAid UK and CTPD in Zambia. Its media presence is very strong, and issues of fairer taxation, closing tax loopholes and cracking down on tax havens are now a recognised part of the political landscape. In a new project, it is partnering with a magazine to do a Corporate Tax Gap report on the top 100 companies listed on the stock exchange. It also plans to work with provincial groups to help them build up their tax work and was actively involved in the Montreal tax justice and human rights symposium. It is interested in doing more work on carbon taxes. It is also involved with GATJ and its director is currently treasurer in GATJ's new structure. It operates on a very small annual budget and its funders are mainly Canadian unions, as well as individual donors, and some small grants come from international development organisations in Canada.

Centre for Global Development (CGD)

CGD is based in Washington DC, with an additional recently established office in Europe. It is mainly involved in research and policy analysis with a focus on development, but with the analysis directed especially at the impact of developed countries' policies. Its work is very data-driven. Of its three current research priorities, illicit financial flows (IFFs) and effective taxation is one. CGD is currently developing a new research agenda around tax and IFFs that has multiple elements, the largest of these being the development of a complementary approach to the analysis of IFFs. This new research approach has already fed into different processes – most notably with the Mbeki High Level Panel on Illicit Financial Flows and the Tana High Level Forum on Security. CGD will also be releasing papers on this topic in autumn 2014. The Centre has also been working closely with ICTD, assisting it with the creation of a new dataset of countries' tax revenues and undertaking various pieces of work related to unitary taxation, examining the pattern of distribution of corporate tax bases internationally and how big the distortion is between MNC economic activity, profit and tax. Another big area of work for CGD is looking at the post-2015 global framework targets in relation to tax and trying to advance a proposal to frame targets regarding key tax transparency measures. CGD currently has funding for its tax and IFF work from Open Society Foundations, Omidyar Network and the Joffe Foundation.

Christian Aid

Christian Aid is a Northern-based CSO working on tax and development issues since 2006. Its broad strategy is about making tax systems work for the poor, as well as ensuring more accountable governance, and achieving structural change of the international financial system. It works with Southern CSO partners in Africa, Latin America and Asia, and most recently started new work in the Middle East with a new partner (the **Arab NGO Network for Development**). In its advocacy and policy work it works on the key tax transparency issues – automatic information exchange and country-by-country reporting – within the BEPS process and in OECD forums. It also work strongly on governance issues, which include looking at the facilitators of corruption, corporate secrecy, beneficial ownership and regulation. On beneficial ownership it has been involved in campaigning work in the UK, as well as advocating strongly on this issue with the EU and UK government institutions. It also has a body of work on the private sector, looking at issues of transparency and the role of the private sector in tax and illicit financial flows. Its campaigning on the private sector has been mostly extractives-focused and related to the transparency and accounting directives in the EU. Christian Aid also has a body of work on taxation in developing countries, studying the type of tax and regulatory policies that would be beneficial for these countries. Finally, it is also now starting to give much more attention to the spillover impacts of developed countries' tax systems on developing countries (particularly, to start with, looking at the UK and Ireland, where Christian Aid has direct presence). For advocacy and policy work, tax is Christian Aid's top corporate priority alongside climate change.

Eurodad

Eurodad is a network of 48 European NGOs in 19 countries. It is based in Brussels and actively involved in lobbying the EU, as well as undertaking research, public campaigns and media work. The main focus of its activity is debt and development finance. Its work is in five key areas: private finance, debt, aid, tax justice and financial architecture. It has been actively lobbying around beneficial ownership issues and is a key player coordinating advocacy on this issue across Europe.

Financial Accountability and Corporate Transparency Coalition (FACT)

The FACT coalition, based in the US, was founded in 2011. It has a very broad membership base including small business, labour, government watchdog, faith-based, human rights, anti-corruption, public interest and international development organisations. The Executive Committee is made up of Global Witness, US Public Interest Research Group (US-PIRG – profiled here) and Fund for Constitutional Government, Stewart R Mott Foundation. The Steering Committee has 13 members which include: TJN-USA, **American Federation of Labor – Congress of Industrial Organizations (AFL-CIO)**, **Citizens for Tax Justice**, GFI and **Jubilee Network USA**. FACT works on three main issues: corporate taxation and tax avoidance (focusing on reforming the US tax system, removing loopholes and combating tax haven abuse); incorporation transparency (focusing on the use of anonymous companies and beneficial ownership issues); and anti-money laundering (where the Coalition is seeking to strengthen the US' anti-money laundering regime). Within its work on corporate taxation it promotes automatic exchange of information, as well as country-by-country reporting standards for publicly listed companies.

Global Financial Integrity (GFI)

GFI is a non-profit, Washington, DC-based, research and advocacy organisation and a specialist in the area of illicit financial flows (IFFs). It has three main areas of work: economic research; advocacy work directed both at the US government and global actors; and engaging and supporting Southern governments on IFF issues. Its economic research is mainly focused on outlining the magnitude of the problem – i.e. looking at how much money is flowing out of developing countries. Its advocacy work is often conducted with coalitions such as FACT in the US and FTC globally; however, it also advocates directly on IFF issues. The main topics it is currently advocating on are in relation to key transparency mechanisms, namely automatic information exchange, beneficial ownership registers and country-by-country reporting. Its engagement with Southern governments takes place at the highest levels, bringing together the relevant ministries and agencies to work on IFFs. Its work with the Guatemalan government in 2011/12 is an example of this and it is now engaging strongly with the Philippines government, following a research report released in February 2014. One of its most recent pieces of work was in collaboration with the Danish government, examining the tax losses due to trade mis-invoicing in five African countries. It will be engaging in follow-up work in this area, particularly in Ghana.

Global Witness

Global Witness is a UK-based advocacy organisation with a long history of work in the extractives sector, highlighting the links between natural resource-related conflict and corruption, and the consequent human rights and environmental abuses. It does investigations and produces policy analysis, and on that basis conducts advocacy. Its Finance Sector team focuses on corruption and illicit financial flows. It has mainly been looking at corrupt, 'dodgy' deals in the natural resource sector as well as the corruption of politicians who use the financial system to move money around. It looks at three levels – the fixers who set up the scheme, the banks who take the money, and the anonymous companies that are used to hide the identity of those involved. It has strongly focused on banks and on the complex company structure side and its least developed area of work is on the 'fixers'. As a key part of its work on the anonymous company issue it has pushed, along with other UK NGOs, for more transparency over the real owners and controllers of companies, with some success at the UK level. It is also doing advocacy at the EU level and with the G20 and in the US, where it now has a presence. In the US it is a member of the FACT coalition. It is also a member of FTC.

International Growth Centre (IGC)

The International Growth Centre is a research and advisory body. It aims to promote sustainable growth in developing countries by providing demand-led policy advice based on frontier research. It is based in the London School of Economics and operates in partnership with Oxford University. Apart from this central research 'hub' in London it has 15 country programmes in 14 countries (Bangladesh, Ethiopia, Ghana, India [Bihar state and Central], Liberia, Mozambique, Myanmar, Pakistan, Rwanda, Sierra Leone, South Sudan, Uganda, Tanzania and Zambia). The IGC research programme has four principal themes: state effectiveness, firm capabilities, cities and energy. Tax research is part of the state effectiveness work. Currently it has ongoing tax-related research projects looking at: property taxation in Pakistan and Liberia; designing a strategy for revenue management in Liberia; taxpayer recognition in Bangladesh; budget transparency in Uganda; fiscal capacity and tax revenues in Uganda; property taxation, capital gains tax and mining rights in Zambia; and a project in Ghana regarding the small-scale gold mining economy. Although it mainly responds to specific requests from developing country governments or other stakeholders, it currently has one cross-country data collection project looking at 'tax administration practices and size-based tax policies', which is a comparative study. Within the East African Community (EAC) the IGC is increasing its focus on tax issues, and more broadly, tax remains a core part of work in the central 'hub'-led research programme and many other country programmes. The IGC is funded by DFID but is fully independent in terms of the research it conducts and the analysis and recommendations it provides.

ONE Campaign

ONE is an international campaigning and advocacy organisation taking action to end extreme poverty and preventable disease, particularly in Africa. It raises public awareness and works with political leaders to combat AIDS and preventable diseases, increase investments in agriculture and nutrition, and demand greater transparency so that governments are accountable to their citizens. ONE does not raise money itself for operational programmes but does its work by advocacy and campaigning so that government funds continue to flow to programmes that make a difference in people's lives. ONE works closely with African activists and policy-makers to fight corruption, promote poverty reduction, monitor the use of aid, and help build civil society and economic development. As part of a broad programme of work related to the transparency theme it is actively working on budget issues, the extractives sector, corruption, illicit financial flows, tax transparency and open data issues.

OpenCorporates

OpenCorporates was set up three years ago. It is the largest open database of companies in the world, and provides data on open licence so it is free to use and reuse. Its core belief is that company information should be available to all and that, given the complexity of the modern corporate world, the only way to handle company information is to treat it as data. Unusually, it is a for-profit business, but it sees itself as part of civil society and works closely with a number of CSOs (including PWYP). It uses public data from public registries and other data which is released by governments. It also does its own scraping off websites to get other company data and combine all of this together in its database. Currently there is no tax data in its database because this data is not publicly available and, because of the complexity of multiple legal entities and opacity inherent in the current system, there is no way for it to construct the tax picture. However, this is an area it will be focusing on in future, particularly as more tax data is being released. It is already working to make the data contained in the Legal Entity Identifier (LEI) system (being coordinated by the Financial Stability Board) more usable and useful and has developed an Open LEIs website. As the Legal Entity Identifier system develops over the coming months, OpenCorporates expects the website to grow and evolve. Although it operates on a for-profit basis, it also gets some small grant funding from foundations, such as the Alfred P Sloan Foundation, to equip the network. The World Bank has also contracted it to deliver certain projects. However, mainly it is self-funding as it can sell data to anyone who has a proprietary database, while allowing it to be freely used by others who are using it in the public interest.

Open Knowledge

Open Knowledge is a not-for-profit organisation, based in the UK, promoting open knowledge as a mainstream concept. It seeks to change cultures, policies and business models at large organisations to make opening up information acceptable and desirable. It also strives to build capacity in understanding information, sharing, finding and using data – across the population and the

world – encouraging collaborations across government, business and civil society to use data to rebalance power and tackle major challenges. Developing tools (technical, legal and educational) to make working with data easier and more effective is a central part of its work. Open Knowledge works via an international network. It advocates and campaigns for the open release of key information, particularly at the national or at a large scale, and it monitors the level of openness worldwide. It also helps people to learn about openness and to gain data skills. It is currently working and coordinating on tax matters with several CSOs, including Tax Justice Network, Global Financial Integrity and Global Witness. Its primary focus to date has been in advocating for the release of information necessary to do effective campaigning and supporting civil society initiatives to hold governments and companies to account.¹¹⁴

Oxford University Centre on Business Taxation

The Oxford University Centre on Business Taxation is an independent research centre which aims to promote effective policies for the taxation of business. It undertakes and publishes multidisciplinary research into the aims, practice and consequences of taxes that affect business. Research areas include: the effects of tax on business; business tax and the EU; combating tax avoidance (which includes scrutinising transparency in MNC financial reporting); and taxes and the financial sector (which includes looking at the financial transaction tax). It is developing new research looking at destination taxes as an alternative approach to international corporate taxation. This research is well advanced, with two papers due to be released by the end of 2014. The first will explore how such a system would be implemented via an internationally cooperative system. The second is a parallel paper looking at how it would work if it were implemented on a unilateral basis, or if a few countries decided to adopt this mode of taxation. There is also a third paper planned for 2015 which will look at the impact on developing countries (in terms of revenue effects) of a switch from a source-residence system to a destination-based tax system. The centre gets core funding via contributions from business (FTSE 100 companies), which pay a subscription. It also receives some funding from the Economic and Social Research Council, as well as intermittently getting smaller grants for specific research projects from donors such as the EU.

US Public Interest Research Group (PIRG)

The US PIRG is a federation of independent, state-based, citizen-funded organisations that advocate for the public interest. It has a strong network of researchers, advocates, organisers and students in state capitals across the country who together take on the special interests on a wide range of issues. These include: product safety, public health, political corruption, tax and budget reform and consumer protection. It is an active member of the FACT coalition and has also worked together with **Citizens for Tax Justice** to release a special report in June 2014 looking at the use of subsidiaries in tax havens by Fortune 500 companies.¹¹⁵

¹¹⁴ For example, see: <http://blog.okfn.org/2013/06/25/what-data-needs-to-be-opened-up-to-tackle-tax-havens/>

¹¹⁵ See: US PIRG and Citizens for Tax Justice, 2014, *Offshore Shell Games: The use of offshore tax havens by Fortune 500 companies* here: http://uspirgedfund.org/reports/usf/offshore-shell-games-2014?__utma=1.1791459594.1400783097.1400783097.1402939564.2&__utmb=1.12.10.1402939

Save the Children

Save the Children is an international development organisation working in 120 countries. Its focus is on children's wellbeing and it is fairly new to the tax issue; however, this is an issue that is gaining importance. Its UK advocacy team has been strongly involved in tax advocacy during 2013 in relation to beneficial ownership. It is also undertaking a new research initiative linking child wellbeing outcomes and revenue mobilisation. Research is still ongoing – compiling data on child mortality, water and sanitation, nutrition and education, and comparing this with revenue mobilisation trends over time. It will publish this new research ahead of the G20 meeting in Australia, and this is its first big policy output on tax. While the lead has come from the UK, Save the Children Australia has now decided to work much more strongly on tax and illicit financial flows. Tax is also gaining prominence in its national advocacy work in developing countries as part of its 'investing in children' programme area. This includes a focus on budget tracking and also now a focus on tax. Save the Children Norway is leading this work alongside Save the Children UK. Part of this includes commissioning new work looking at the cost of tax incentives and its impact on children. It is also examining investment in health systems, and it has health economists looking at the needs and cost of health coverage and matching this up with the cost of tax incentives and the space that tax authorities have to increase revenue mobilisation in Sierra Leone and Liberia. In future, Save the Children expects to embed and prioritise tax work more.

SOMO

SOMO is a Dutch CSO dedicated mainly to policy research on MNCs and the consequences of their operations for people and the environment around the world. Its research portfolio includes corporate accountability, sectors and value chains and economic reform (of which tax justice is a part). Apart from research it is also involved in advocacy towards the Dutch government, both individually and alongside other members of TJN-Netherlands (Oxfam Novib, ActionAid Netherlands and **Both Ends**). It has a large body of research work on tax dating back to 2006 from a variety of perspectives. One major focus of its work is on the Netherlands being a tax haven. It is looking at this mainly as part of its commitment to ensuring policy coherence with the development agenda. SOMO has also recently done a study on double taxation agreements¹¹⁶ with the Netherlands, developing a methodology to look at this and establishing the costs of Dutch policies in this area. It is also working to make the links between tax, human rights and the Ruggie due diligence principle and how the Dutch government is failing to meet these standards. In addition, it has some new work on tax, the financial crisis and Greece, looking at austerity measures and its human rights impact as well as tax avoidance and evasion issues affecting the country, given that many companies investing in Greece are doing so via the Netherlands. SOMO is also now an official member of Eurodad and through this channel it support works on beneficial ownership, though it does not specialise in this policy issue.

Tax Justice Network (TJN)

The Tax Justice Network was set up in 2003 and is led from the UK. It focuses on high-level research, analysis and advocacy in the area of international taxation and the international aspects of financial regulation. TJN maps, analyses and explains the role of tax and the harmful aspects of tax evasion, tax avoidance, tax competition and tax havens. It particularly focuses on the world of offshore tax havens and was the first organisation to specialise in this area. The TJN network brings together specialist tax experts and has galvanised tax activists from a range of countries to also set up their own tax justice networks (e.g. TJN-USA, TJN-Norway and others). TJN has very successfully got the issue of tax havens onto the public agenda. It is well recognised for its media presence and has released books, films, policy papers, briefings, blogs and podcasts to expose tax dodging and harmful tax practices. During what TJN-UK now sees as 'phase 1' of its work it focused strongly on bringing tax into development debates. This had led to a significant body of work on tax and development, including its strong engagement with the international processes of the OECD and G20. It has worked on issues such as automatic information exchange, country-by-country reporting and beneficial ownership as a priority and will continue to monitor and advocate on this to ensure the tax transparency agenda moves forward. The vision of TJN is now to move into phase 2 and to ensure that tax justice issues are given much greater attention. Priorities here include reaching out to the human rights community to push for more consideration of tax issues there. TJN also does intensive work with investigative journalists on tax and illicit financial flow issues and plans to scale up this work in future.

Tax Justice Network-USA (TJN-USA)

TJN-USA operates on a not-for-profit basis, bringing together organisations, social movements and individuals working towards tax justice. It promotes both tax justice and tax cooperation, including policies to address tax avoidance, tax evasion and the lack of financial transparency in the US government, corporations and financial institutions. TJN-USA is a key member of the FACT coalition and all of its campaigning is via this coalition. The key focus areas of TJN-USA include: country-by-country reporting; advocacy to eliminate loopholes in the US tax system that incentivise corporations to shift profits and jobs offshore; strengthening, standardising and enforcing anti-money laundering laws; and requiring ownership information of all business entities, trusts, foundations and charities (which indicates who actually controls these entities) to be made available to law-enforcement authorities and the public.

¹¹⁶ See SOMO, 2013, *Should the Netherlands Sign Taxation Treaties with Developing Countries* here: http://www.somo.nl/publications-en/Publication_3958/?searchterm=

Trade Union Advisory Committee (TUAC)

TUAC is an international trade union with consultative status at the OECD, where it represents the views of labour. It covers financial reform, public governance and tax issues. On tax it has historically not been heavily involved although it has looked at tax reform processes within OECD countries. International taxation issues have only been part of its work since the G20 mandated the OECD to look more at these issues in 2009. TUAC is now following OECD processes around BEPS and information exchange and investing more in policy research and advocacy in these areas. It works closely with the International Trades Union Congress (ITUC) on all issues, including tax, and is also cooperating closely with **PSI** on tax issues. It is particularly interested in the implications of aggressive tax planning for labour and in the future will continue to work with trade union groups to raise awareness of tax issues. It has plans to work specifically with the trade union representatives in MNCs on these issues, as well as to work with pension trustees (the people unions nominate to be on the board of large pension funds) to help them assess the risks of exposure due to tax evasion or aggressive tax planning.

Transparency International (TI)

Transparency International is a global coalition against corruption. It works in over 100 countries, where it has national chapters, and has an international secretariat in Berlin. Through work with partners in government, business and civil society TI strives to put effective measures in place to tackle corruption. TI has developed a large body of research; it maintains country profiles, prepares national reports and releases regular indexes such as the Corruption Perceptions Index and Bribe Payers Index. It also develops tools to help fight corruption – for example, tools to monitor public procurement processes – and has done a lot of successful advocacy around international conventions. In addition, it focuses on particular sectors, such as defence and security, oil and gas, education, health and sport. It is actively participating in advocacy at the EU level on beneficial ownership, as well as advocating around financial transparency and sharing financial information across borders. There also have clear overlaps with taxation issues in its sectoral work, and with the illicit financial flow agenda in its work on asset recovery.

Appendix 4: Funder profiles

BILATERAL GOVERNMENTS

Belgium

The conceptual framework for the Belgian government's work on tax is the domestic resource mobilisation agenda and the financing of the post-2015 development goals. A programme in Mozambique finished in 2012. Ongoing funding is directed towards the IMF Trust Fund for technical assistance on tax policy and administration and support to the tax authority in Burundi via Trade Mark East Africa as part of the bilateral programme (delegated cooperation). Its third area of work is with FTC. While it does not provide funding, it is a member of FTC's partnership panel, alongside other governments. It supports FTC's agenda, when advocacy issues related to transparency are raised (e.g. taking action on the beneficial ownership of companies when this is brought up at EU level). Its fourth area of work is new – it is just starting a three-year work programme with a consortium of Belgian universities. This is a new collaboration on policy research to assist them in looking at tax and illicit financial flows. The programme will include scoping studies regarding illicit financial flows and taxation in low income countries, looking particularly at what would be the most appropriate kinds of tax systems. It sees tax as an increasing priority and the new work programme with universities reflects this.

Denmark

Denmark's strategy for its development cooperation, launched in May 2012, gives a higher level of priority to tax mobilisation and transparency for extractives industries. Denmark has now increased attention to this issue and in June 2013 launched an implementation plan for stepping up activities in the area of tax and development. As part of these efforts the government is working to introduce capacity-building for tax authorities into its general budget-support activities (mainly in Ghana, Mozambique and Tanzania). Denmark has also done some work with the Ministry of Finance in Tanzania to analyse the cost-effectiveness of its tax holidays and exemption schemes and how much these are costing the government. Last year, extra funding was used to step up engagement in EITI and provide a new grant to Publish What You Pay, as well as to Global Witness. Denmark participates in FTC via its partnership panel. The Danish Ministry of Foreign Affairs also recently commissioned research by GFI on illicit financial flows from trade mis-invoicing in five of its priority countries (Ghana, Mozambique, Kenya, Tanzania and Uganda) and is working with GFI and the Government of Ghana on this issue. Denmark is working alongside Norway to promote a more active role by the World Bank in fighting illicit financial flows, as well as assisting developing countries more with the negotiation or renegotiation of natural resource contracts. The level of priority for tax work has increased.

Finland

In Finland the issue of tax is high on the political agenda, mainly because of the country's own challenges related to its tax revenue. This has given tax and development a more central place in discussions. The government has agreed to an action plan to follow more closely how tax issues are evolving at the EU level and within the OECD, including its impact on developing countries. One area of new activity is the exploratory discussions with several key Northern-based NGOs. It has recently held events together with TJN and it is also in dialogue with GFI. The government also participates in FTC as a member of its partnership panel. In addition it is introducing tax topics into several bilateral programmes, specifically into its good governance programmes in Tanzania, Zambia and Mozambique. As the co-chair of the International Dialogue on Peacebuilding and Statebuilding (IDPS), it is also involved in internationally coordinated work on fragile states and peace building. It has ensured that revenue management is one of the key issues on this agenda (as part of the 'new deal'). It sees the priority given to tax work as increasing and tax issues will have a bigger weight in future bilateral programmes. In terms of location, efforts are mainly in sub-Saharan Africa and, in particular, East Africa. Also of importance is that Finland co-chairs the Inter-Governmental Committee of Experts on Sustainable Development Financing, which is tasked with proposing options for the post-2015 financing strategy.

Norway

The Norwegian government has been a very active funder of tax and illicit financial flow work. It has bilateral programmes supporting tax authorities in Tanzania, Mozambique and Zambia and has extensively worked on the natural resource taxation issue. It supports the IMF Trust Funds for tax work and has financially, technically and politically supported the Mbeki High Level Panel on Illicit Financial Flows. It has also been a key voice globally promoting debate and research in this area. Notably the Norwegian government has been a major donor for FTC from the beginning, enabling the scale-up of global advocacy and channelling of funds to Southern CSO networks. It also participates in the FTC partnership panel, and has funded TJN and some of its previous research and advocacy activities with Southern partners. The change in government in Norway in October 2013 did not affect the high level of priority given to the financial transparency agenda. However, the focus will be more on using existing arenas to advance this work. In particular Norway will pursue the issue in the post-2015 discussion on Sustainable Development Goals, a stronger engagement on IFFs from the World Bank will be sought, and the Financing for Development process will be used to advance work on tax and IFFs. Norway is one of the two facilitators for the preparation of the 3rd Financing for Development conference, which will take place in July 2015. The principle of domestic resource mobilisation will be central to this, with the concept resting on the two pillars of strengthening

taxation and curbing IFFs. It will continue to support the Mbeki panel as long as this is operating, though it no longer has political representation on the panel.

UK

DFID is a substantial funder of tax work. It is funding large bilateral tax capacity-building programmes in a number of countries including Afghanistan, Sierra Leone and Ethiopia. It also has a new initiative – a tax capacity-building unit within Her Majesty’s Revenue and Customs (HMRC) – which will deploy HMRC staff to developing countries to provide technical expertise. The Unit’s first four programmes will be in Ethiopia, Pakistan, Tanzania and Southern Africa (a regional programme). In addition, DFID funds programmes with the OECD, Global Forum and IFC. These include: the OECD Taskforce on Tax and Development and its various initiatives (including, for example, technical assistance to developing countries to help with assessments of transfer pricing by multinationals); tax transparency work conducted via the Global Forum on Tax Transparency (where DFID together with the IFC is to provide technical assistance on tax information exchange to assist in preparing for the Global Forum’s peer review process); the OECD’s new programme, Tax Inspectors without Borders, which helps match developing countries up with tax auditors; and the OECD’s work on tax incentives. DFID is also supporting the IMF’s new initiative – Tax Administration Diagnostic Assessment Tool (TADAT) – which will assess the strengths and weaknesses of a country’s tax administration. DFID gives core funding to ATAF and, alongside the Norwegian government, gives core funding to ICTD to carry out tax research. DFID’s vision is very much about ensuring developing country tax authorities have the capacity to raise revenues and the means to tackle tax evasion and avoidance. It also sees itself as crucial in ensuring that developing countries are engaged in international tax policy debates in the G20 and OECD and are able to take advantage of international tax initiatives.

USA

USAID does not have a centralised tax programme. However, it funds tax work in a number of countries. Activities are very diverse, with USAID field missions taking decisions on focus, strategy and resources for tax capacity-building programmes. It has supported tax reform programmes in the past very strongly in former Soviet countries in the 1990s and also more recently working in countries as diverse as Egypt, El Salvador, Georgia, Jordan, Philippines, Serbia and South Sudan. Its engagement is mainly with national tax administrations and with ministries of finance, and in most cases this goes alongside an engagement mainly with the private sector but sometimes also with CSOs. Programmes are generally comprehensive, including a focus on: all aspects of tax administration, training, re-engineering business processes and building IT systems, designing legislation and looking at issues such as transfer pricing. It is particularly interested in evidence-gathering in relation to corruption and the compliance burden imposed by tax systems. In some cases it does work with CSOs (e.g. supporting perceptions surveys and compliance cost surveys, which it has done in the Philippines and Jordan). Two of its leading programmes are in El Salvador and Georgia. Alongside increasing revenue mobilisation, it has also seen improvements in

terms of reduced compliance costs and corruption in these countries. At HQ level USAID has a domestic resource mobilisation committee and it also has representation on the OECD Tax and Development Taskforce. More recently it has played an important role in the Global Partnership for Effective Development Cooperation, leading the session in the Mexico City meeting in April 2014 on domestic resource mobilisation and linking this to expenditure programmes. There are also other US government agencies involved in related work, including Treasury, State Department and the Millennium Challenge Corporation. Overall, tax is seen as an issue gaining in importance.

MULTILATERAL ORGANISATIONS¹¹⁷

The United Nations Development Programme (UNDP)

The United Nations Development Programme (UNDP) is not currently a major funder of tax work and it has not developed a programme in this area. However, since 2011 it has carried out some research on tax matters. It has worked with GFI looking at illicit financial flows from low-income countries and will soon be releasing a study of eight countries’ IFFs, with more detailed case studies of four countries in particular (Sierra Leone, Côte d’Ivoire, Tanzania and Guinea – this work was done in collaboration with Leonce Ndikumana at the University of Massachusetts). It is also partnering again with GFI to do a study of IFFs from the perspective of fragile states, looking mainly at the size of the problem for 20 selected countries (including, for example, Haiti, the Democratic Republic of Congo, Iraq and Syria).

PRIVATE FOUNDATIONS

Ford Foundation

The Ford Foundation has a global grants programme as well as ten regional offices, which also manage grant programmes on issues of governance. It has historically supported work on budget accountability globally and in a number of countries. It supports a broad range of work on tax issues in the US at the national and sub-national level, some of which has a global component. Outside of the US, the Foundation supports work in this area that is primarily related to extractives industries. In the US, the Foundation supports the FACT Coalition and through its regional offices it funds various regional affiliates of the Tax Justice Network (for example in West Africa). Its work on tax sits within its broad strategy of ensuring that governance is responsive, meets the needs of citizens – particularly the poor and marginalised – and that governments have sufficient resources to provide services. The main recipients of its funding are CSOs involved in policy and advocacy work, including some think-tanks that engage in in-depth research that does not have a particular advocacy perspective. It also funds social movement groups that work in this area. Natural resource governance, including related tax issues, is an emerging area for collaborative work across a number of the Foundation’s offices.

Gates Foundation

The Gates Foundation has three global programmes: Global Health, Global Development, and the Global Policy and Advocacy programme. The Foundation, although based in the US, has regional offices in India, China, Europe, India,

¹¹⁷ Notable exceptions which we were not able to interview and profile here include UNECA and the African Union.

Ethiopia, Nigeria and South Africa. The Development Policy and Finance Team has a growing area of work called Country Finance, which looks at domestic resource mobilisation in-country and at how public finances are used. It has already made grants relating to this space – for example to CABRI and the International Budget Partnership – but is planning to build up this portfolio. The aim is to improve financing for health and agriculture and the programme will support activities in three priority countries (Ethiopia, Nigeria and India) as well as supporting action at the regional/global level to advance priorities across a range of countries.

Hewlett Foundation

The William and Flora Hewlett Foundation is not currently funding any work explicitly focused on tax and illicit financial flows, although it does work in some closely related areas. These include its funding of extractives work, where some grant recipients work on tax and IFF issues, particularly from the perspective of transparency. Recipients of its grants include the Natural Resource Governance Institute (formerly Revenue Watch Institute), Global Witness, Oxfam America and the Publish What you Pay international secretariat. It also supports CABRI, which has begun to have an effective voice on budget and financial transparency in Africa. The majority of the Foundation's grant-making is to support international groups. This is partly as it does not have country offices but also because its aim is to have impact on international norms and standards. It will work directly in the South if a group can have wider impact beyond one particular country (it does, for example, support a group in Ghana that is helping governments with legal and regulatory frameworks in the extractives sector). The Hewlett Foundation is exploring some new partnerships with groups that work on tax, as part of its accountability and governance programme.

Omidyar Network

The Omidyar Network has identified government transparency as one of its key five initiatives for funding. The Government Transparency initiative's policy and advocacy team works on three campaign areas: Follow the Money; Open Data; and Privacy. It provides funding and also does its own direct advocacy and policy work. Although all of these three areas are related to tax it is particularly relevant for the Follow the Money and Open Data work. The Network currently provides grants to organisations such as CGD (for its work on illicit financial flows) as well as the ONE Campaign and Open Government Partnership. It is also funding research in the UK related to taxpayer statements to find out how giving people information on how their taxes are spent affects their trust, knowledge, attitudes and willingness to pay tax. In addition it provides funds for work in related fields, supporting, for example, Open Contracting, Open Knowledge and the Open Data Institute, as well as funding the International Budget Partnership and its Open Budget Index. Omidyar Network can fund both Northern and Southern based organisations. The Government Transparency team is geographically spread and has teams in London, the US, India, and South Africa (primarily covering South Africa, Nigeria and Kenya). It sees tax and illicit financial flow issues as becoming a potentially significant priority.

Open Society Foundation

The Fiscal Governance Programme (FGP), a new thematic programme within the Open Society Foundation (OSF), is a new funder of work in the area of taxation for effective development. The fiscal governance programme seeks to promote transparency and accountability. Current grant recipients include the FACT coalition, CGD and the Financial Transparency Coalition. Broadly, OSF's interest in this field is aligned to its overall mission and commitment to an open society, given the links between tax and governance and development. As a thematic programme, the FGP's contributions in this area are not restricted geographically, and interventions are driven by its strategy and existing opportunities to add value. Therefore, FGP could potentially work across the global South. OSF is also different from most foundations in that it is prepared to add value to its funding work by getting more directly involved in operational issues.

Stewart R Mott Foundation

The Stewart R Mott Foundation is a small private foundation which focuses on civil liberties and open government issues. It funds organisations such as Planned Parenthood, the Centre for Investigative Reporting, the Centre for Public Integrity and various groups active in the peace and security field (e.g. Arms Council Association). It is not currently funding work on the tax agenda but the Executive Director is on the Executive Committee of the US-based FACT coalition and so there is already a close relationship with US-based advocacy groups. The Mott Foundation's resources will grow slightly in the future, and there is a possibility it will look more at tax issues. It funds primarily in the US but could fund global coalitions with US fiscal sponsors.

