Tax and transparency fact-finding mission

Obstacles, solutions and windows of opportunity for progress towards financial transparency and tax justice

By an independent delegation of experts from Asia, Africa and Latin America. Based on visits to Switzerland, France, Norway, United Nations, Organisation for Economic Co-operation and Development, and the European Commission

About this document

This report is the outcome of a Tax and Transparency Fact-finding Mission carried out by a delegation of independent experts from Asia, Africa and Latin America[1] in October and November 2013. Based on visits to Switzerland, France, Norway, United Nations, Organisation for Economic Co-operation and Development, and the European Commission[2]. All views presented in this report are those of the experts in their personal capacities and reflect the group's consensus on the key findings as well as negotiated compromises.

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About the Tax and Transparency Fact-finding Mission

This mission was facilitated by the European Network on Debt and Development (EURODAD) in cooperation with the African Forum and Network on Debt and Development (AFRODAD) and the Latin American Network on Debt, Development and Rights (LATINDADD).

The mission was funded by the Norwegian Agency for Development Cooperation (Norad) under a project directed by AFRODAD. The overall goals of the project are the following:

- Strengthening the evidence base, deepening understanding of some of the main drivers and impacts of capital flight on developing countries, and addressing them through specific proposals on responsible financing standards;
- Creating a broader and better coordinated civil society organisation (CSO) coalition on tax and capital flight issues, mainstreaming key demands in CSO advocacy and campaigning on aid, debt, budget monitoring, trade and investment, and national resources; and
- Leading a coordinated advocacy strategy at national, regional and global levels that links tax and capital flight into other areas of development finance, and particularly ensures its inclusion in responsible financing standards.

The views presented in this report do not necessarily represent the views of Norad, AFRODAD, EURODAD or LATINDADD.

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Acronyms

AFRODAD	African Forum and Network on Debt and Development
ATAF	African Tax Administration Forum
CIAT	Inter-American Center of Tax Administrations
EITI	Extractive Industries Transparency Initiative
EU	European Union
EURODAD	European Network on Debt and Development
FATCA	Foreign Account Tax Compliance Act
G20	The Group of Twenty
GFI	Global Financial Integrity
LATINDADD	Latin American Network on Debt, Development and Rights
Norad	Norwegian Agency for Development Cooperation
OECD	Organisation for Economic Co-operation and Development
UN	United Nations
UNTC	UN Tax Committee
US	United States

Introduction

Tax revenues provide governments with the financial resources needed to deliver essential public services, combat poverty, ensure development, and provide a foundation for the economy. Effective tax systems are therefore crucial elements of a well-functioning society.

However, the tax collection in developing countries is currently being heavily undermined by tax evasion, which makes up a substantial part of the illicit financial flows from these countries. Estimates from Global Financial Integrity (GFI) have shown that for the period 1970-2008, commercial tax evasion accounted for 60-65% of the illicit flows from developing countries, while criminal activity made up 30-35% and corruption accounted for 3%.[3]

Together with the African Development Bank, GFI has also estimated that Africa lost between US$597 billion and US$1.4 trillion in net resource transfers over the period 1980-2009, exceeding by far the amount of resources Africa received in the same period, and thus making Africa a net creditor to the world.[4]

The most recent study from GFI estimates that illicit financial flows cost developing countries as a group on average US$590 billion per year during the period 2002-2011.[5]

Due to the lack of financial transparency at both the national and international levels, companies and individuals can keep their financial resources out of sight from governments and the public, to circumvent national laws and regulations, launder dirty money, or evade taxation. In addition to tax evasion, which refers to illegal tax dodging, corporations also engage in aggressive tax planning and so-called tax avoidance, which are technically legal activities that minimise tax payments, in many cases through exploiting loopholes and discrepancies between different tax laws.

Countries and jurisdictions offering financial secrecy and extremely low (in some cases zero) corporate tax rates are a vital part of the problems relating to tax evasion and avoidance, since these jurisdictions create the conditions corporations and individuals need in order to dodge taxes. Therefore, despite the fact that taxation is said to be an issue of national sovereignty, the laws and policies of one country can undermine the ability of other countries to collect taxes in their own countries.

European countries (including non-EU member states such as Switzerland and Norway) play a key role in the international political debate on tax and transparency. At the same time, a significant number of the multinational enterprises operating in developing countries are based in European countries, and the regulation (or lack thereof) of these enterprises by European governments has a major impact on developing countries. Furthermore, European banks are the final destination of the illicit financial flows from the global south in many cases, meaning that the banking and financial transparency regulations in European countries can also have an impact on the magnitude of illicit capital flight from developing countries.[6]

The Tax and Transparency Fact-finding Mission provided a delegation of experts from developing countries with an opportunity to question and assess the political positions, policies, processes and procedures of a number of global and regional institutions, as well as some of the European countries that are most relevant for the international debate.

The overall findings of the mission were that the current tax regimes and financial opacity are causing substantial negative impacts on developing countries. Although changes are afoot, the delegation found that these changes are primarily driven by the interests and concerns about tax evasion and avoidance in the US and Europe, and that a global perspective is often lacking. There is therefore a high risk that the new initiatives will not solve the problems faced by developing countries, and in particular not the low-income countries.

This report presents the outcome of the fact-finding mission, including the obstacles, solutions and windows of opportunity identified by the expert delegation. The countries are presented in the same sequence as they were visited, followed by the regional and international institutions. At the beginning of each chapter, an introduction presents the rationale for why that particular country or institution was included in the mission, followed by the key observations made by the delegation. Each chapter also includes the delegations' perspective on what the obstacles are to progress towards transparency and tax justice for that particular country or institution, as well recommended solutions and a conclusion. The finding of the report are compiled in a summary of findings, which is included as Annex 1.

Objective

With the overall aim of increasing revenue mobilisation for development, the Tax and Transparency Fact-finding Mission shall serve to identify obstacles to progress towards financial transparency and global tax justice, as well as refining solutions and identifying potential windows of opportunity.

Methodology

For this mission, independent experts were selected based on their professional expertise with tax and transparency issues, ensuring the inclusion of perspectives from Asia, Africa and Latin America. The expert delegation included representatives of parliaments, media, academia and civil society from both low- and middle-income countries in the global south.

The meeting schedule of the mission was designed to include international and regional institutions, national governments and stakeholders currently playing key roles in the international debate, while covering a diverse set of interests and viewpoints.

During the mission, the expert group discussed and identified the shared observations, recommendations and conclusions that formed the basis of this report. A draft report was developed, circulated for comments, amended and finally approved by the experts.

Switzerland

Introduction

Internationally, Switzerland's banking secrecy and role as a low-tax jurisdiction for multinational companies are issues of intense debate. For example, the country ranks number one in the world in the Tax Justice Network Financial Secrecy Index, which was released in November 2013. Meanwhile, other voices, including representatives of the World Bank, argue that Switzerland has taken important steps forward, creating a "*billion-dollar opportunity for developing countries*".[7]

They refer to the Swiss government's decision, in October 2013, to sign the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. This decision still has to be ratified by the Swiss parliament.[8]

In Switzerland, the fact-finding mission delegation met with representatives of the Swiss government (Finance Ministry and Swiss Agency for Development and Coooperation), the Swiss bankers' association (SwissBanking), civil society (Alliance Sud), a whistle-blower from the banking industry and a member of parliament for the Socialist Party.

Observations

Switzerland offers very strong banking secrecy to both companies and individuals. It is currently difficult, and in most instances impossible, for foreign authorities to obtain information about who has a bank account in Switzerland. Bankers revealing client information risk severe jail sentences.

As a response to concerns about the role of Switzerland as a 'tax haven', the Swiss government has stated that it does not want to see untaxed assets in Switzerland and launched a new 'White Money Strategy' for this purpose. To put this into practice, changes to the anti-money laundering legislation have been proposed, which would require Swiss institutions to follow enhanced due diligence processes and ask high-risk customers to sign a declaration stating that their assets have been taxed (in case the customer refuses to sign such a statement, the bank must ask the customer to regularise the assets or, if this does not happen, the business relationship must be terminated). In October 2013, however, the Swiss government postponed further legislative work on such enhanced due diligence requirements, stating that these should be elaborated along with the eventual conclusion of agreements on the automatic exchange of information. Enhanced due diligence requirements will be proposed with regard to customers from states with which there is no automatic information exchange.

While the Swiss legislation requires banks to ask for information regarding real ('beneficial') owners of legal structures such as foundations and trusts, there are currently some exceptions to this rule (particularly in cases where such structures are owned by companies with real economic activity). Also, obligations to verify the required information are somewhat limited. Through complex arrangements involving several legal structures, companies and individuals can therefore open bank accounts in Switzerland without providing the real name of the person who is actually controlling the assets, thus creating an additional layer of secrecy. It is important to note, however, that the Swiss government has proposed stricter legislation on the identification of beneficial ownership in line with the most recent recommendations by the Financial Action Task Force (FATF). Parliamentary approval of the new legislation is pending.

Regarding the exchange of information with other governments for tax purposes, Switzerland has so far adhered to the 'upon request' system, which is based on governments sending specific case-by-case requests for information to each other. Until now, this system has been widely used internationally, but it has also been strongly criticised for being ineffective, especially when it comes to obtaining information from countries with strong financial secrecy regulation such as Switzerland. In many cases, it has proven very difficult, and often impossible, for governments to obtain information, not least due to the fact that information requests often have to be very specific.

In Switzerland, the banking secrecy regulation itself also directly provides strong restrictions on the exchange of information. One important exception, however, is cases involving crimes, but it is important to note that Swiss law only criminalises those fiscal offences that involve forging of official documents (known as 'tax fraud'). Other kinds of tax evasion are considered a civil matter, and therefore the possibilities of obtaining information from Switzerland on cases of tax evasion are very limited.

Over recent years, a growing consensus among governments has emerged that a new system ensuring 'automatic' exchange of information is needed to replace the 'upon request' system. The government of Switzerland is also now acknowledging that automatic information exchange will become more widely used in the future. Switzerland has recently agreed to develop automatic exchange of information for tax purposes with the United States (US) and the European Union (EU). It seems clear, however, that these agreements have only come about after the US and EU applied substantial pressure on Switzerland and threatened direct sanctions against Swiss banks unless Switzerland would agree to automatic information exchange with the US and EU.

When it comes to sharing information automatically with other countries, Switzerland generally argues against being a 'first mover' and instead intends to wait for a global agreement on the issue. Furthermore, as regards exchanging information with developing countries, the Swiss government seems to have a number of concerns, which leads them to present conditions and demands for any future agreements to exchange information automatically. These demands include:

- 'Reciprocity': meaning that in order to receive information, developing countries must be able to provide the same level of information back to Switzerland;
- Data protection in the country receiving the information;
- A guarantee that the information will not be misused or lead towards unjustifiable or disproportionate sanctions against individuals.

There does not seem to be a clear description of what these conditions would imply in reality, nor any guarantee that countries complying with the demands will be ensured automatic information exchange with Switzerland. It is also not clear whether the same conditions would apply to all countries. For example, the agreement that Switzerland has signed with the US – a so-called Foreign Account Tax Compliance Act (FATCA) agreement – does not include a reciprocity clause.

The solution that Switzerland envisions for developing countries seems to be 'capacity building'. However, there does not seem to be a clear assessment of how much capacity building will be required, what the timelines

will be, nor how it will be resourced and implemented.

From the Swiss government's side, there also seems to be a concern that developing countries – if successfully obtaining automatic information exchange – would receive very large amounts of information, which they would not be able to process. However, it seems that the concerns raised by developing countries are in many cases linked directly to information about a limited number of individuals, who have obtained very large fortunes through tax evasion or other illegitimate practices within their jurisdictions.

In October 2013, Switzerland signed the Multilateral Convention on Mutual Assistance in Tax Matters – a convention that facilitates exchange of information between governments for tax purposes. However, this does not mean that Switzerland has committed to automatic exchange of information with other signatories to the convention. The convention only provides an option for Switzerland to commit to this in the future.

Another issue that has caused concern regarding Switzerland's role as a tax haven is the very low tax rate that multinational corporations can obtain in Switzerland. Tax rates are determined at the regional level, and Swiss cantons (provinces) are competing internally to attract multinational companies with special tax deals. This has caused international concern regarding whether Switzerland is promoting legal, but very harmful, tax avoidance in other countries, where companies with substantial economic activity are avoiding taxes by shifting their profits to Switzerland. This 'profit shifting' can happen in a variety of ways, for example, through transfer mispricing and artificial internal trading of intangibles such as 'management fees' and 'intellectual property licensing'. As a consequence of profit shifting, countries are experiencing erosion of their tax bases, and this is the concern that has given rise to several international initiatives addressing 'base erosion and profit shifting'.

One approach for governments to prevent profit shifting and ensure that multinational companies pay taxes in their countries is to introduce a withholding tax on financial resources leaving the country. However, due to so-called double taxation agreements that countries have signed with Switzerland, many countries have waived or limited their right to apply withholding taxes on financial transfers to Switzerland in an attempt to obtain improved access to information or attract investments.

In response to a specific criticism that Switzerland is involved in harmful tax practice by giving favourable treatment to multinational companies, Switzerland is considering changing the current system, and instead introducing a lower tax rate for all companies, domestic as well as multinational.

A general concern raised by the Swiss government is that changes to the Swiss laws and regulations will only cause corporations and individuals to relocate to other jurisdictions that provide a similar environment of financial secrecy and low corporate tax rates. Therefore, Switzerland argues for a global agreement to be developed as a precondition for further changes to the Swiss system.

Obstacles and recommended solutions

The delegation finds it to be beyond any doubt that Swiss banking secrecy and the general financial and corporate opacity in Switzerland are preventing developing countries from obtaining the information needed to collect the full amount of taxes owed to them by individuals and companies.

On the issue of information exchange, the delegation pointed to a fundamental flaw in the 'upon request' system, namely the fact that some members of developing country governments can have a personal interest in refraining from requesting information from Switzerland. For example, this could be the case if individuals in office are the very same individuals making use of the Swiss system to hide assets.

As regards companies, trusts, and similar legal structures, it is a well-known fact that such structures have repeatedly been used to launder money obtained from tax evasion, and the delegation finds it very problematic that it is currently not possible to obtain public information about which individuals and corporations own such structures in Switzerland.

The first obvious solution to these problems is to establish automatic information exchange, as discussed below. Secondly, governments, including Switzerland, must ensure that both national and international systems are designed to allow as much financial and corporate transparency as possible, including public registries of the beneficial owners of companies, trusts, foundations, and similar legal structures.

Regarding automatic information exchange, the delegation is concerned that the conditions and demands presented by the Swiss government as preconditions for obtaining the right to access information from Switzerland are likely to prevent many developing countries – and in particular the least developed countries – from being able to receive information from Switzerland.

In relation to the discussion about reciprocity of information sharing between governments, confidentiality, and citizen privacy, the delegation notes that Edward Snowden's exposure of very extensive global surveillance programmes, which have been carried out by a number of governments and in particular by the United States, have provided an important new perspective to the discussion.

The delegation does not share the concern raised by the Swiss government about developing countries receiving too much information for them to process, since the data should allow developing countries to scan for specific individuals suspected of tax evasion.

On the issue of capacity building, the delegation identified a risk that capacity constraints in developing countries become an excuse for denying developing countries the right to access the information needed to collect taxes. Furthermore, slow and badly resourced capacity building programmes can prevent and delay the process of granting developing countries this right.

As a solution, Switzerland (and other developed countries) should initiate a stepwise approach to automatic information exchange, allowing developing countries with low capacity to receive information before they are able to send information back automatically. Capacity building and establishment of full reciprocity can still be long-term goals, but must not block the possibilities of developing countries accessing the information they need to collect taxes.

Furthermore, the conditions for obtaining automatic information exchange must be simple, well-defined, realistic and low-cost for developing countries to comply with, and

all countries complying with the conditions must be guaranteed automatic information exchange.

As regards the Swiss 'White Money Strategy', the delegation finds that the serious problem of Swiss bank accounts being used for the purpose of tax evasion cannot be solved with a system based on bank customers declaring their asset 'white' without needing to provide any documentation or proof of tax payment. As mentioned above, the delegation finds that the right solution would be automatic exchange of information for tax purposes. Furthermore, as part of the new legislation being developed in Switzerland, it should be a requirement for Swiss banks to ask depositors to provide an annual copy of their tax return and any further documentation needed to prove that taxes have been paid. Finally, tax evasion should be made a crime in Switzerland.

On the issue of tax avoidance by multinational companies, the delegation identified a high risk that Swiss banking secrecy and low corporate tax rates create incentives for corporations to engage in this practice. By implementing country-by-country reporting of profits, number of employees, economic activity and taxes paid for all companies operating within its jurisdiction, Switzerland can ensure that both source and host country have the information to assess whether the tax payments in each country are fair, as well as identifying problems with base erosion and profit shifting.

It is important that Switzerland's changes to its banking secrecy and corporate tax regulation are not only driven by concerns about losing market access for Swiss banks. Basic principles of justice for developing countries that have lost billions of dollars due to illicit capital flight and financial secrecy should be equally important. The solution is for Switzerland to engage in a genuine effort to solve the problems of tax evasion and avoidance globally, and to develop a system that protects the national taxation rights of both developed and developing countries. This would also be in line with the objective of policy coherence for development, which Switzerland has committed to.

If Switzerland fails to provide the transparency needed for developing countries to locate the resources obtained from their countries through tax evasion and other illegitimate practices, developing countries must initiate a strong internal cooperation and coalition building process in order to jointly apply the external pressure needed to obtain this information from Switzerland. The US and EU examples show that this approach can be successful when it comes to Switzerland.

Furthermore, developing countries should review all double taxation agreements signed with Switzerland, and they should also refrain from entering into new agreements and avoid renouncing their right to charge withholding taxes on financial resources channelled out of their countries to Switzerland. This recommendation is not only relevant for the case of Switzerland, but also applies to double-taxation agreements with all other jurisdictions that have a high level of financial secrecy and low corporate tax rates.

Although the delegation does not agree with the argument that Switzerland should refrain from taking further action until a global agreement is in place, the delegates do share the concern that companies and individuals can move their assets to other jurisdictions if Switzerland tightens regulations and introduces transparency. The delegation therefore stresses that a global agreement must be pursued as a matter of urgency, and non-cooperative governments should be pressured to engage in finding fair solutions. Furthermore, the delegation recommends that research should be conducted – for example, by the United Nations (UN) or the Organisation for Economic Co-operation and Development (OECD) – to map and assess the magnitude of this problem. This research should include an analysis of the multinational structure of banks with subsidiaries in different jurisdictions, to assess the role of such cross-border banking groups.

Conclusion

Although there are changes afoot in Switzerland, the current developments serve mainly to benefit European and North American interests. The progress seen so far in terms of developing countries has been limited, and there is still a very long way to go before the significant negative impacts caused by Swiss banking secrecy and low corporate tax rate are avoided.

France

Introduction

Internationally, France has been perceived as leading in the fight against tax havens, not least when President François Hollande called for the 'eradication' of tax havens globally in spring 2013, as well as when France has championed the issue of country-by-country reporting at the EU level.

Meanwhile, concerns have been raised about whether all French companies operating in developing countries pay their fair share of taxes. The latest example is the energy company Areva, which received negative public attention in relation to the renegotiation of a mining agreement with Niger.

In France, the fact-finding mission delegation met with representatives of the French government (finance ministry and foreign ministry) and civil society (CCFD-Terre Solidaire).

Observations

President Hollande's firm announcement regarding the need to 'eradicate' tax havens came after a hard-hitting political scandal concerning a French minister, who was exposed as the owner of a secret bank account in Switzerland. As well as the financial crisis and the related shortage of public funds, this seems to be a key driver of the French government's recognition of the need to address the issue of financial and corporate secrecy.

The position of France has been very visible in the EU, where French representatives have advocated strongly for introducing country-by-country reporting for larger companies, as well as introducing public registries showing the beneficial owners of companies and trusts.

In France, there have also been political discussions about introducing country-by-country reporting unilaterally, regardless of whether the EU introduces similar measures. So far, France has adopted public country-by-country reporting for banks (reporting on employees and turnover is due in 2014 and reporting on profits, taxes and subsidies will be included from 2015). However, it was decided not to extend such transparency rules to companies from all sectors unless the EU adopts similar country-by-country reporting for all EU member states. In other areas, such as establishing a registry of beneficial owners of companies and trusts, France has gone ahead and established this despite the fact that the EU has not yet agreed on such a measure.

As regards automatic exchange of information for tax purposes, France, like Switzerland, seems concerned about the issues of reciprocity and data protection. However, the French government seems to recognise the need to distinguish between countries that have the political will to improve transparency and cooperation, but do not have the capacity to deliver information automatically, and those who do not have the political will to share information. France appears most concerned about ensuring reciprocity of information sharing with states that are unwilling to cooperate, and for developing countries with low capacity, France seems open to offering a transition period and technical support to build capacity in states that commit to reciprocity but are not yet ready to offer it.

France is also closely following the Group of Twenty (G20) and OECD processes on the so-called 'base erosion and profit shifting' – an initiative introduced to address multinational corporations avoiding taxes by exploiting loopholes in international tax regulation and shifting profits to circumvent tax laws. However, the main focus of France's involvement seems to be the issue of the 'digital economy', which is the area where France believes that potential domestic tax revenue is being lost.

Both on the issue of base erosion and profit shifting as well as automatic information exchange, the awareness of the needs and interests of developing countries seems low compared to the awareness of France's own financial interests. However, there does seem to be a strong commitment to supporting capacity building in developing countries, as well as a willingness to support the participation of developing countries in the international processes.

For those developing countries that are not part of the G20, the participation envisioned seems to be in the form of 'being heard' rather than participation in decision making. This position seems to be based on the rationale that, although a global democratic institution would be the ideal place to discuss transparency and tax matters in theory, a truly global process would in reality entail large amounts of inefficiency and difficulties in moving forward. There also seems to be a perception that, since corporate tax evasion and avoidance is a global problem impacting a broad range of countries, developed and developing countries will to a large extent share the same interests, and solutions agreed by developed countries are likely to automatically benefit developing countries as well.

On the issue of capacity building, France provides finance to the initiative around 'Tax Inspectors Without Borders' – a project administered by the OECD's Tax and Development programme. When it comes to prioritisation of different tax issues in developing countries, some representatives of the French government seem to believe that developing countries should focus on domestic taxation before pursuing issues such as automatic exchange of information, tax havens and financial secrecy.

As regards France's responsibility to ensure that French companies are not involved in tax evasion or avoidance in developing countries, this does not seem to be an issue that is receiving much attention in France.

Obstacles and recommended solutions

It is encouraging that France is championing issues of financial transparency at the EU level. However, in order to show true leadership, France should not wait for an EU decision before implementing full country-by-country reporting for all sectors. Such a move would show that France is taking responsibility for the behaviour of French companies, helping to build momentum, and establishing a good example for others to follow.

On the issue of automatic information exchange, the delegation is encouraged by the idea of a transition period for developing countries with low capacity, which allows for them to receive information automatically before they are able to send the same type of information back. The delegation therefore encourages France to promote this model at the G20 and OECD level.

The delegation is concerned about the suggestion that developing countries should pursue the taxation of domestic enterprises and consumers before focusing on the problems related to multinational corporations and individuals using tax havens. If developing countries give up on catching the 'big fish' and solely focus on 'small fish', the outcome will be a

fundamentally unjust tax system that gives advantages to multinational companies and wealthy individuals who, unlike ordinary citizens, have the capacity and possibility to transfer their financial resources to other jurisdictions. Furthermore, such a tax system would fail to raise the funds needed for development.

The recommendation of the delegation is that developing countries should give top priority to the issues of international transparency and tax justice, with a special focus on multinational enterprises and wealthy individuals engaged in tax evasion and avoidance.

On the issue of capacity building, the delegation noted the fact that 'Tax Inspectors Without Borders' is administered by the OECD. In this context, the delegation finds it important to underline that such capacity building should not lead to a situation where developing countries feel obliged to support OECD as the leading forum on negotiations around tax and transparency in order to improve their access to capacity building support. Nor should capacity building initiatives seek to change the political positions and priorities of developing countries, for example, as regards whether they want to pursue the taxation of domestic tax payers or multinational corporations. Finally, the capacity building should not focus on training developing countries in applying OECD guidelines and recommendations, but rather provide a general unbiased introduction to the issues of tax and transparency, as well as the whole set of tools and approaches that are available to enable and strengthen tax collection in developing countries.

In the international processes around tax and transparency, the delegation is very concerned that developing countries will not be able to participate in decision-making on an equal footing. Therefore, the delegation recommends that France should not only promote the right of developing countries to be heard, but also to participate in decision making. In this context, the risk of inefficiency and slower progress should not be used as an argument to exclude developing countries from decision-making processes that will have a huge impact on their sovereign tax interests and financial situation.

It should also not be assumed that solutions agreed by developed countries will automatically be beneficial for developing countries. While this might be true in some cases, there are also clear indications that countries will have diverging interests on issues such as the distribution of taxation rights among jurisdictions. Historically, one of the key discussions in relation to international tax matters has been on the allocation of rights to tax corporations and individuals operating across borders. On this issue, opinions have traditionally been divided between the so-called 'source countries' – meaning the countries where the income is generated – and 'residence countries' – meaning the home country of the corporation or individual receiving the income from the activity. In many cases, this divide has also caused a rift between developed and developing countries, given that the former predominantly have negotiated with the interests of residence countries, whereas the latter have had interests in securing taxation rights for source countries.

Furthermore, tools and agreements designed for developed countries might not be applicable to countries with fewer resources and capacities, and thus developing countries might not be able to benefit from these.

In reality, the principle that developing countries should be allowed to participate on an equal footing would likely mean that key decision-making processes should be moved from the OECD and G20 to the UN. Since the availability of financial resources is currently a serious obstacle to tax-related work in the UN, France should consider providing financial resources to support such work. In the context of the G20 and OECD, France should also work to ensure a high level of awareness about the limitations in membership, and thus the legitimacy of these forums as global standard setters on tax and transparency.

Lastly, it is important to ensure that France's work on tax and transparency aims to improve the situation globally and is not driven solely by France's own financial interests. In this context, it is important that the French government pays attention to the criticism of French companies in relation to tax payments in developing countries, and that corporate accountability for French companies becomes an integrated part of France's work on tax and transparency.

In order to increase the awareness of developing country interests and identify solutions of mutual benefit, France should also consider establishing dialogues and partnerships with key developing countries on the issue of tax and transparency. For example, this could take the form of an 'alliance of the willing', where governments ready to move forward on these issues can work together.

Conclusion

France is working actively for increased transparency and against tax avoidance and evasion in several ways. Some of these efforts will benefit developing countries. However, it seems clear that France primarily does so to promote its own financial interests rather than with the aim of finding global solutions and supporting development. By strengthening the engagement and cooperation with developing countries, the awareness of developing country perspectives could be increased and global solutions could be developed.

Norway

Introduction

Norway has garnered an international image as a champion of tax justice and transparency, as well as a country that dares to present new ideas and be the first to act. At the same time, Norway holds the world's largest sovereign wealth fund and has investments in a large number of multinational corporations. In this context, questions have been raised about whether Norway's policies on tax and transparency are coherent with the country's investment policies.

In Norway, the fact-finding mission delegation met with representatives of the Norwegian government (Norad and the Ministry of Foreign Affairs), the Chair of the Parliamentary Finance Committee and civil society representatives (Norwegian Church Aid).

Observations

Following the election in September 2013, Norway has recently shifted perspectives from a left-wing to a right-wing government. Although this creates some uncertainty about the political positioning of Norway, there is a general expectation that the changes to the positions relating to tax and transparency issues will not be major.

It seems that Norway links the issues of tax and transparency strongly to the development agenda and sees progress in these areas as an important way of mobilising funds for development. Internationally, Norway has received attention as an advocate for increased action on tax and transparency issues. Norway has also supported a proposal from developing countries to upgrade the United Nations' Tax Committee to an intergovernmental body, as well as launching the idea of an international convention on financial transparency. Furthermore, Norway has provided support and financial resources to civil society organisations and others working to promote tax and transparency issues.

Not being a member of the EU creates both advantages and obstacles for Norway. On the one hand, it is easier for Norway to define its own political positions and be more progressive than the EU. On the other hand, the lack of EU membership limits Norway's influence on the EU considerably.

A concern in Norway seems to be the risk of acting alone with proposals for global action on tax and transparency, as well as becoming the first to act – thereby undermining the competitiveness of Norwegian companies.

Recently, Norway has adopted a law on country-by-country reporting for the mining and forestry industries. This legislation is based on a directive adopted by the EU with the aim of combating corruption, but the Norwegian law expanded the scope to also include combating tax evasion. Therefore, the regulation requires corporations to disclose which countries they have subsidiaries in, as well as the number of employees for each subsidiary. Furthermore, the corporations will be required to report on interest payments to other subsidiaries – a measure which can disclose profit shifting through internal lending arrangements within a multinational company. However, apart from data on corporate structures, employees, and interest payments, the Norwegian regulation allows multinational corporations to avoid reporting data from countries where they only have support functions but no production or extraction activities. Since many tax haven operations take place in countries where no production or extraction occurs, critics have pointed out that this can turn out to be a major loophole in the regulation. Furthermore, questions have been raised about why the regulation only covers the extractive and forest industries, and not all sectors.

The Norwegian sovereign wealth fund has now reached a size that makes it the world's biggest, and Norway has become a very important shareholder globally. Although the fund has an ethical council, the Norwegian policies and objectives regarding tax and transparency do not currently cover the investment policies of the wealth fund. However, the new government has announced that they will conduct a consultation and subsequently have a fresh look at the ethical management of the fund.

Obstacles and recommended solutions

The newly adopted Norwegian law on country-by-country reporting iis a step forward, and the disclosure of the corporate structures and internal interest payments are helpful tools in the fight against tax evasion and avoidance. However, the serious loopholes in the current regulation must be closed to ensure that the regulation actually creates the transparency needed to ensure that the regulation cannot be circumvented. Furthermore, it is also evident that such legislation should not only cover the mining and forestry sectors, but all sectors.

The fact-finding mission delegation agrees with the concern that Norway risks isolation if it takes progressive positions and steps forward. To accommodate this risk, as well as to strengthen mutual understanding, Norway should engage in strengthened cooperation and joint initiatives with other key governments – in particular, with developing country governments – to form an 'alliance of the willing' on tax and transparency. In this role, Norway could become a very important international bridge-builder between developed and developing country perspectives, and could help to identify globally workable solutions. With this approach, Norway could also progress its very important idea of an international convention on transparency, which the fact-finding mission delegation finds very interesting and positive.

As a very large investor, the Norwegian sovereign wealth fund could have considerable influence on corporate adherence to tax and transparency principles amongst other ethical matters. It is therefore crucial that strong provisions on tax and transparency are integrated into the management of the fund and its investments.

Conclusion

In terms of ambition on tax and transparency issues, it is clear that Norway is a global leader. It is also clear that Norway is paying close attention to the interests of developing countries and links the issues of tax and transparency strongly to the development agenda. Norway's involvement has been and remains very important for the state of the international tax and transparency debate, especially given the fact that other developed country governments are failing to engage properly on these issues. By integrating strong policies on tax and transparency into the management of its sovereign wealth fund, as well as strengthening the political cooperation with key developing countries, Norway's positive impact could increase substantially.

European Commission

Introduction

The European Commission (EC) plays a central role as the initiator and enforcer of EU legislation, as an implementer of EU-wide policies and as a manager of EU budgets and programmes. Furthermore, the Commission acts as a global representative of the EU – for example, in the G20, where the EU is the 20th member (alongside 19 countries).

In recent years, the EC has been seen as a promoter of financial transparency and action to combat tax avoidance and evasion. However, on an issue such as public registries of beneficial owners of companies, as well as in relation to its action plan on tax avoidance and evasion, the Commission has also been criticised for not showing enough ambition and for failing to take into account the perspective of developing countries despite its commitment to 'policy coherence for development'.

In Brussels, the fact-finding mission delegation met with representatives of the EC's Directorate-General for Economic and Financial Affairs and Directorate-General for Development and Cooperation.

Observations

Internally in the EU, the Commission is promoting action on tax and transparency issues, but with the strongest focus on the amount of financial resources that could be recovered in Europe. However, some of the issues that the Commission has promoted – such as country-by-country reporting for all major companies – would also be beneficial to developing countries if the information were to become public.

In 2013, the EU adopted country-by-country reporting for banks but so far it has not been possible for the EU to agree on country-by-country reporting for all major companies. As regards the beneficial owners of companies, trusts, and similar legal structures, this discussion is still ongoing as part of a review of the EU's Anti-Money Laundering Directive.

In relation to tax and transparency, the EC also plays a key role as a donor. For example, the Commission has supported the work of the UN Tax Committee and developing country organisations such as the Inter-American Center of Tax Administrations (CIAT) and the African Tax Administration Forum (ATAF).

The EC seems to acknowledge the importance of involving developing countries, including non-G20 countries, in the international processes relating to tax and transparency. However, like the French government, the Commission seems to hold the opinion that participation should take the form of 'being heard' rather than participating in decision making. The Commission also seems to share the French perception that, to a large extent, developed and developing countries will have the same interests in relation to tax avoidance and evasion of multinational corporations.

Obstacles and recommended solutions

In relation to capacity building on tax and transparency issues, there seems to be a clear risk that different donors from developed countries will establish parallel initiatives and even engage with the same actors in the global south without ensuring sufficient streamlining and cooperation among donors internally, as well as among donors and receivers. Therefore, there is a need to ensure strong coordination on capacity building initiatives. In this context, the EC could play an important role.

The fact-finding mission delegation also recommends that donors – including the EC – should prioritise the funding of civil society actors in tax and transparency initiatives, in order to promote the involvement of broader civil society in these issues, as well as increasing government accountability in developing countries.

As regards the involvement of developing countries in international processes on tax and transparency, the obstacles and recommendations listed under the chapter on France are also relevant in relation to the EC. The same is the case for recommendations around building stronger connections to developing country governments in order to increase understanding and awareness of their perspectives and interests. Such cooperation could also help to identify solutions that benefit the EU as well as developing countries and ensure policy coherence for development in the tax and transparency work of the Commission.

Conclusion

The EC plays an important role on tax and transparency issues, but more could be done to ensure that solutions promoted by the Commission take into account the perspectives of developing countries and creates policy coherence for development. The Commission could also play an important role in coordinating different tax and transparency donor initiatives.

United Nations

Introduction

The United Nations (UN) is often highlighted as the institution that would in theory be the ideal place to anchor an international process to address tax and transparency issues. However, strong concerns have been raised about whether the UN has the capacity to take on these issues, as well as whether the existing UN tax body would be able to provide the necessary solutions to the global challenges.

In Geneva, the fact-finding mission delegation met with representatives of the UN Tax Committee secretariat and members of the expert committee. The role and work of the UN was also discussed with governments, academics and civil society representatives throughout the mission.

Observations

To address issues of tax and transparency, the UN has established a Committee of Experts on International Cooperation in Tax Matters (known as the UN Tax Committee (UNTC)). This committee is not an intergovernmental body for governments to negotiate agreements, but rather an expert body of 25 experts[9] from developed and developing countries acting in their own personal capacity. While the guidance provided by the forum can be of great value for governments, no government can be held accountable for any decision taken by the UNTC.

Apparently, the UNTC is perceived by some as being a 'voice of the South'. However, although the UN and the committee do in some cases pay special attention to the interests of developing countries, neither of these institutions are designed to represent the interests of the global south. As a global body, the UN reflects the perspectives of both developed and developing countries, and as an expert body, the UNTC reflects the opinions of the appointed experts.

In several cases, the committee has taken the OECD frameworks and agreements as the starting point of its work, rather than considering and discussing more fundamental changes to the international tax system and financial transparency. There also seem to be a number of issues – such as value added tax and links between taxes and customs – that have not made it onto the agenda of the committee.

The transparency and possibilities for participation in the meetings of the UNTC are wide, and representatives of the private sector, civil society, international financial institutions and observing governments are able to take the floor and make interventions.

However, the financial resources allocated to the work of the committee are very limited and the number of meeting days is no more than five per year. Consequently, much of the committee work is carried out in unfunded subcommittees. The resource restrictions also limit the UNTC secretariat to two employees.

As mentioned under the chapter on France, there is a historical rift between developed and developing countries linked to the discussion about how to divide taxing rights between source and residence countries. This difference of interests is still very visible in the ongoing discussions in the UNTC and is likely to become a key issue in the negotiations, in case an intergovernmental process on tax and transparency is established.

Obstacles and recommended solutions

In order to ensure that the tax and transparency regulations of one country do not undermine the ability of other countries to enjoy their taxation rights and enforce their tax laws, an intergovernmental process on tax and transparency issues is needed.

Although the existing UNTC can play a valuable role as provider of expert advice and development of new tools and models, it is only an expert committee and should not be mistaken for an intergovernmental body on tax and transparency. Despite the clear need for such a body, this does not currently exist and therefore a new body must be established. A key reason for establishing such a body under the auspices of the UN is to ensure that all countries, including the least developed countries, are able to participate on an equal basis. Such a body must also ensure the full and effective participation of stakeholders, building on the procedures of the existing UNTC.

Once a new UN body is established, it should address the current political issues relating to tax and transparency, including issues such as automatic exchange of information for tax purposes and base erosion and profit shifting. Furthermore, it should reconsider the international approach to taxation, conduct a review of the existing web of bilateral tax treaties, and assess the need for a new global convention on tax and transparency.

On the issue of whether a UN process will create inefficiency and lack of progress, it is important to bear in mind that, although consensus building can take a longer time if more stakeholders and interests are represented in the negotiations, it does not necessarily mean that the process will be less efficient. It is also important to bear in mind that the speed of progress is strongly linked to the will of governments to cooperate, show flexibility and develop solutions. Lastly, an advantage of global negotiations is that the final outcome will have broad support from all governments, and thus implementation will be easier and the risk of some governments opposing the outcome and demanding a renegotiation will be smaller.

As regards the work of the UNTC, the lack of resources clearly poses a serious constraint to its work, for example, by restricting the number of meeting days and the size of the secretariat to a level that is clearly insufficient to take on the complex issues of international taxation. Furthermore, the lack of funding for participation can prevent governments from least developed countries from participating as observers in the process.

The lack of resources will also make it impossible for the experts and secretariat of the UNTC to adequately follow, participate in, and reflect on the tax and transparency related work of the OECD, even when they are invited to do so.

Ultimately, the difference in levels of capacity between the UN and the OECD is the result of the political prioritisations of the governments that do or do not decide to fund them. However, if the UNTC was provided with adequate resources, it could play an important role as the provider of analysis, technical guidance and proposals for solutions, which would be an important contribution to an intergovernmental process, in case such a process was established.

For these reasons, the fact-finding mission delegation recommends that potential donors, including both developed countries and emerging economies, should mobilise additional resources for the UN's work on tax and transparency, through multilateral as well as bilateral channels. Going forward, the government should also identify sustainable

sources of finance for the UN's work on tax and transparency.

When using the work of the OECD as the starting point for negotiations, rather than discussing more fundamental changes to the international tax and transparency systems, the UNTC risks becoming a body for the adjustment of OECD decisions rather than a developer of new proposals and models. This means that important options for reform are not being considered, even in cases where proposals have been developed and could form the basis for discussion. Such proposals include formula-based taxation models such as 'unitary taxation', which provides an approach for calculating the taxable profits of multinational enterprises and appointing these profits to the different countries in which the company is present, based on a weighted formula reflecting the company's economic presence in each country. Proposals like these offer interesting solutions to problems such as multinational tax avoidance and could provide important streamlining and simplification to the area of corporate taxation. The fact-finding mission delegation therefore recommends that governments take these ideas into serious consideration.

In order for an international process to progress and yield results, developed and developing countries must prioritise the issues of tax and transparency, and show strong engagement.

Furthermore, all governments, including those in the least developed countries, must actively promote domestic debate and the engagement of parliamentarians, civil society and the broader public on these issues.

As mentioned under the chapter on France, it would be wrong to assume that developed and developing countries will always have shared interests when it comes to international tax and transparency matters. For example as regards the allocation of taxing rights or the design of international tax and transparency tools, countries will have different interests and the best solution for one country might not be the best solution for all.

In the absence of a truly global process on tax and transparency, which can ensure that developing country interests and concerns are taken into account, developing countries should consider a range of measures to ensure that their interests are taken care of. These should include:

- Refusing to apply guidelines or tools developed without the proper consideration of developing country interests;
- Establishing a process driven by the global south to develop solutions to problems related to tax and transparency, which solve the problems faced by the global south.

Another concern with the current situation is that, in the absence of proper international standards and guidance, developing country governments might sign away their right to tax and regulate as part of unbalanced and disadvantageous bilateral treaties, including double-taxation agreements, bilateral investment treaties, or free trade agreements. These agreements can include restrictions on developing countries' rights to taxation – for example, through tax holidays for multinational corporations or waiving of withholding taxes, and can impose very problematic restrictions on the future ability of developing countries to determine their own tax policies. If no solutions are found at the global level, developing countries should strengthen their internal cooperation on these issues to ensure internal capacity building, sharing of experience and development of model solutions.

Conclusion

There are strong arguments in favour of the UN hosting an international process on tax and transparency, including the fact that the UN is currently the only institution that operates on the basis of equality among nations. However, while the existing UNTC can provide very valuable expert analysis and recommendations, it is not designed to host intergovernmental negotiations on tax and transparency, and thus an additional process must be established for this purpose. Furthermore, additional resources must be mobilised to support the work of the UNTC as well as the broader work on the UN on tax and transparency issues.

Organisation for Economic Co-operation and Development

Introduction

The Organisation for Economic Co-operation and Development (OECD) plays a central role as a standard setter and central actor in relation to international tax and transparency issues. Recently, the role of the OECD was further strengthened as the organisation received a mandate from its member states and the G20 to launch new initiatives around automatic exchange of information for tax purposes and base erosion and profit shifting.

On the one hand, the OECD is often considered to be the only organisation that has the capacity and now also the mandate to take on this work. On the other hand, the track record and limitations in membership of the OECD has led to questioning of the organisation's legitimacy when taking on issues of global interest.

In Geneva and Paris, the fact-finding mission delegation met with representatives of the OECD's Tax Treaty and Transfer Pricing Division, as well as the Tax and Development Division. In addition, the role and work of the OECD was discussed with governments, academics and civil society representatives throughout the mission.

Observations

Over the coming years, the OECD is set to play a very central role on tax and transparency matters, not least due to work around automatic information exchange and base erosion and profit shifting.

The organisation currently has 34 members[10] and accession discussions have been initiated with three potential new members.[11]

The fact that the vast majority of OECD's member countries are developed countries has given rise to questions about the legitimacy of the OECD in relation to global issues such as financial transparency and global tax matters. However, a decision to carry out a substantial transformation of the OECD membership and make the organisation more global would require buy-in at high political level, and no such initiatives appear to be emerging at the moment.

As part of the process on base erosion and profit shifting, G20 countries[12] that are not OECD members have been promised participation on an 'equal footing' with OECD member countries. However, given that they have been offered participation in some specific processes, but not in the general work or management of the OECD, it is unclear exactly how much influence the non-OECD G20 countries will get in OECD.

The importance of ensuring that developing countries benefit from the work on tax was stressed by the G20, along with calls for the increased capacity building of these countries.

The OECD has launched a number of initiatives involving a broader group of developing countries, including a taskforce on tax and development and the capacity building programme called Tax Inspectors Without Borders. Furthermore, the OECD works with a 'Global Forum that is open to developing country participation and currently has 120 members.[13] However, it seems clear that the offer from the OECD to the countries that are not members of the OECD or the G20 is to have a 'voice, but not a vote'. In other words, their participation is welcomed, but not on an equal footing with OECD member countries.

A large number of developing countries, and in particular least developed countries,[14 15] are still not members of the OECD initiatives nor of the Global Forum (see Figure 3 and 4).

In some instances, there seems to be a perception that all developing countries are somewhat represented through the emerging economies that are members of the G20. Furthermore, the fact that representatives of the UN are invited to participate in meetings of the OECD is also seen by some as an inclusion of developing country interests.

The fact that much of the OECD output is in the form of guidelines rather than binding legal agreements is also brought forward as an argument in favour of global representation not being vital in the OECD processes.

Furthermore, as is the case within the French government and the EC, for example, there seems to be a perception in the OECD that all governments have similar interests in tackling

Figure 1: OECD member states (in red)

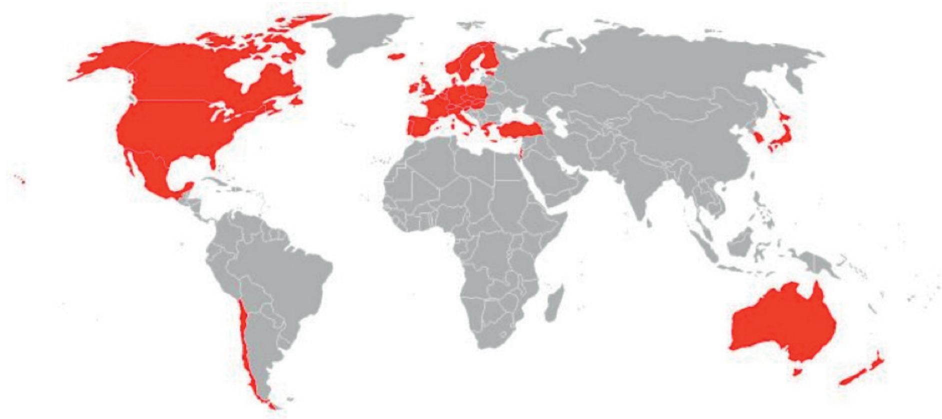


Figure 2: Members of the G20 (in red)

tax avoidance and evasion by multinational corporations.

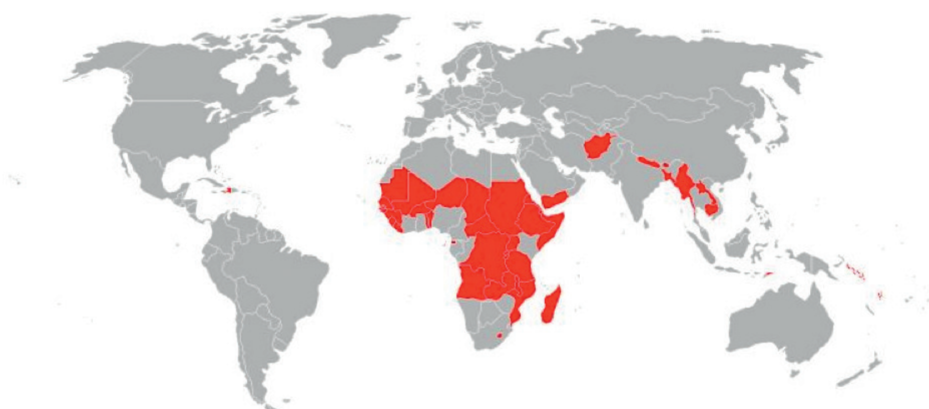
There seems to be an acknowledgement of the fact that many developing countries are finding the OECD principles and tools hard to adhere to and implement. To improve this situation, the need for capacity building has been highlighted. The importance of consulting developing countries when developing and agreeing new OECD tools and guidelines has also been emphasised.

OECD standards act as guidelines for governments, but the OECD does not have the tools in place to ensure enforcement, since this is considered the responsibility of the governments themselves.

On reform proposals such as formula-based taxation models, the opinion in the OECD seems to be that these ideas do not currently have the necessary backing of members to establish an OECD process to consider these issues.

Figure 3: Members of the global forum

Figure 4: Least developed countries



Obstacles and recommended solutions

The fact-finding mission delegation acknowledges that the OECD possesses a high level of resources on the issues of tax and transparency, and finds that the OECD can play an important role as provider of technical information and analysis. However, the delegation also notes that many of the multinational corporations that have been involved in tax evasion and avoidance in developing countries are based in OECD member countries. Furthermore, several of the OECD member states – such as, for example, Switzerland and Luxembourg – are among the countries causing international concern regarding their financial opacity. Therefore, the delegation finds that OECD members could have conflicts of interests when developing global standards for tax and transparency.

Given the limited membership of the OECD, the delegation finds that the OECD in its current form is not suited as a place to adopt global standards on tax and transparency matters since these are of great importance to – and will have great impact on – developing countries that are not members of the OECD.

Despite the apparent ambitions of becoming a global standard setter, there seems to be no ambitions of transforming the OECD into a global body. Therefore, the delegation urges the OECD and its member states to be clear about the limitations in its mandates and legitimacy. While the delegation also urges the OECD to ensure the strong involvement of developing countries in their processes, and a balanced reflection of the developing country perspectives in the outcomes, the OECD and its member states must acknowledge that the outcomes are not global outputs but OECD outputs.

Furthermore, to the extent that OECD possesses resources that are vital for conducting a meaningful international process on tax and transparency, governments should consider transferring these resources to a more legitimate forum such as the UN.

When offering a voice to developing countries, the delegation finds it important for the OECD to recognise that neither the G20 nor the UN are in fact representatives of developing countries, and in particular not of least developed countries. Whereas the G20 is an organisation of the world's largest economies, the UN is a global institution, representing the views of all its member countries.

However, there are also fundamental problems associated with offering developing countries a 'voice, but not a vote'. Since tax matters are politically very sensitive issues that have a fundamental importance for all sovereign states, it cannot be expected of any government that they leave such matters to be decided by a forum in which they have no decision-making power. The fact that the OECD only adopts guidelines is not in itself an argument for accepting inequality among nations in decision-making procedures. Firstly, the legal nature of agreements is normally a core element of international negotiations, and some governments might argue that the non-binding nature of the regulation is a key part of the problem. Secondly, despite its non-binding nature, the OECD guidance and tools cover global issues and have a strong impact on all countries, including non-OECD members. Lastly, the development of OECD guidelines and tools can limit the political space for addressing the issues of tax and transparency in other forums such as the UN, given that OECD governments tend to argue against having the several international bodies addressing the same issues.

The delegation finds it unlikely that all governments will have the same interests on issues such as corporate tax evasion and avoidance. In particular, residence countries of multinational corporations are not likely to have the same interests as the countries that host the economic activities of corporations based in other countries.

The delegation finds that some existing OECD tools and guidelines, such as the OECD Model Tax Convention, have a bias towards the interests of developed countries, at the expense of developing country interests, and others are simply very difficult for developing countries to apply. The delegation furthermore finds that that insufficient representation and decision-making power for developing countries could risk creating more OECD outputs that are disadvantageous to developing countries. In a scenario where all OECD member countries start following such guidelines, the delegation identified the risk of escalating international 'tax-conflicts' and breakdown of international cooperation, which is a situation that could damage all governments.

Since different developing countries currently have very different levels of participation in the OECD and G20 processes, the delegation recommends the establishment of strong coordination and cooperation initiatives among the developing countries. The regional bodies in the global south can play a central role in such initiatives and could facilitate the building of regional and southern consensus. The delegation recommends that developing countries that have good access to the OECD and G20 processes ensure that their inputs are based on regional consensus and consensus from the global south, and that regular report backs to countries that are not included in the processes are ensured.

In relation to the concrete negotiations around automatic exchange of information for tax purposes, the obstacles and recommended solutions identified under the chapter on Switzerland are also relevant for the OECD, since the OECD is hosting the process on this issue.

Conclusion

The OECD can play an important role as the provider of technical information and analysis, but it is important for the OECD and its member states to be clear about the limitations in its mandate and legitimacy. While the OECD processes should seek a strong integration of developing country perspectives, it should also be acknowledged that the outcomes will not be global. Ultimately, the OECD and its member states should focus on supporting a global process, rather than replacing it.

G20

Introduction

The Group of Twenty (G20) is a forum for international economic cooperation among major economies and covers more than 80 per cent of global gross domestic product.

Throughout the year, the G20 has generated the most important international statements on tax and transparency issues, and thus has been a driving force in the developments in this area. However, questions have been raised about the ability of the G20 to deliver on its ambitions, as well as the strong limitations in the membership of G20.

For this report, the role and work of the G20 was discussed with governments, academics and civil society representatives throughout the mission.

Observations

The G20 is a forum of 20 major economies (19 countries plus the EU) cooperating on issues relating to the international financial system. The forum adopts political declarations but is not equipped with implementation and enforcement mechanisms. The G20 has mandated the OECD to lead processes and develop tools to address the issues of automatic exchange of information for tax purposes, as well as base erosion and profit shifting.

The G20 includes emerging economies such as China, India, South Africa and Brazil, which were traditionally seen as developing countries, and in relation to tax and transparency issues they were regarded as source countries rather than residence countries. However, as their economies have grown, their role as residence countries for multinational corporations and investors has also grown.

In September 2013, the G20 requested a roadmap “showing how developing countries can overcome obstacles to participation” in a global system of automatic exchange of information for tax purposes. In the same decision, the G20 requested a global standard on automatic exchange of information to be developed over the coming year, and it is unclear how this process will relate to the development of the roadmap.

Obstacles and recommended solutions

In terms of the participation of developing countries, including the least developed countries, the obstacles and recommended solutions identified under the chapter on OECD are also relevant to the G20.

It is positive that the G20 acknowledges and addresses the issues of tax and transparency. However, the delegation finds that the G20 should recognise the limitations in membership and thus the legitimacy of both itself and the OECD.

Since the nature and interests of the emerging economies are fundamentally different from those of the least developed countries, it is important to recognise that their inclusion in the G20 does not equal the inclusion of ‘developing country interests’ in general.

On issues relating to international tax and transparency, the G20 should delegate decision making to a body where all nations can participate on an equal footing. Since no such body currently exists, the G20 should support the establishment of such a body and should consider ways of financing it under the auspices of the UN.

The G20 member states should insist that the process involves developing countries as an integrated part of the development of a global standard on the automatic exchange of information, rather than a parallel roadmap, which poses a risk of sidelining the issue.

Conclusion

The G20 has played and can continue to play an important role in the international processes on tax and transparency. However, like the OECD, it is important for the G20 and its members to seek to support, rather than replace, a global process on these issues.

Extractive Industries Transparency Initiative

Introduction

The Extractive Industries Transparency Initiative (EITI) is a voluntary international standard that promotes transparency around countries' oil, gas and mineral resources.

The EITI is often highlighted as an important part of the solution when it comes to transparency and taxation in the extractive industry. However, questions are also raised as to whether a voluntary initiative is sufficient to combat the current problems.

In Oslo, the fact-finding mission delegation met with representatives of the EITI secretariat.

Observations

The voluntary EITI standard contains a number of requirements that governments must fulfil to be recognised as an 'EITI candidate country' and ultimately as an 'EITI compliant country'.

This standard is developed and overseen by a coalition of governments, companies, civil society, investors and international organisations. All of these groups are represented on the EITI board, which is supported by an international secretariat.

For countries that have implemented the EITI standard, EITI publishes yearly reports disclosing all taxes and other payments, which the oil, gas and mining companies operating in the country have made to the governments. The reports are public and promote transparency at the national level. However, the reports and its conclusions are in many cases not well known to the public.

Obstacles and recommended solutions

The delegation finds EITI to be an important and well-functioning initiative, which is paving the way for important progress on the issue of transparency in the extractive industry. However, stronger involvement of civil society and parliamentarians could build up the strength, impact and legitimacy of the EITI even further.

The fact-finding mission delegation also finds the EITI reports very important and encourages EITI and its members to put more efforts into making them known and easily accessible to the public. Engaging the media is also vital for the conclusions of the reports to be heard.

Lastly, as a voluntary initiative, it is important that the EITI standards do not become an obstacle for, or alternative to, more ambitious change. EITI should act as a step on the way, but governments must still have incentives to move beyond the EITI standards. The EITI secretariat and members must make sure to actively promote that.

Conclusion

The EITI is an important initiative that has succeeded in increasing transparency in the extractive industry. By strengthening the communication around the EITI reports, the positive impact could become even greater. However, it must always be ensured that voluntary standards are a first step on the way towards more ambitious solutions and binding decisions to ensure transparency and tax justice. Therefore, the EITI secretariat and members must promote initiatives going beyond the EITI standard.

Overall conclusion

Some changes are afoot within the area of tax and transparency, but regrettably the ongoing changes seem to be driven by a narrow focus on the problems faced by tax collectors in the US and Europe, not bearing in mind the needs and interests of developing countries. Therefore, there is a high risk that the problems faced by the global south, and in particular the least developed countries, will not be solved.

The solution lies in global cooperation among governments to develop solutions that also work for the global south. However, since the existing institutions and processes are not designed to support a truly global process on tax and transparency, new supplementary processes must be established for this purpose, and the existing processes must be redesigned to feed into, rather than replace, a global process.

Among both developed and developing country governments, there are those who seem truly interested in finding global solutions. Through a coalition of progressive developed and developing country governments, these ambitions could be turned into reality.

Annex 1: Summary of findings

Obstacles	Solutions and windows of opportunity	Who should act	When
Global cooperation on tax and transparency			
Tax and transparency regulations of some countries undermine the ability of other countries to enjoy their taxation rights and enforce their tax laws Lack of a global agreement on tax and transparency can lead to escalating international 'tax-conflicts' and breakdown of international cooperation	An intergovernmental body on tax and transparency must be established under the auspices of the UN The G20 must support and consider options for financing such a body	All governments G20	2015
The lack of financial resources undermines the tax-related work of the UN, including the UNTC	Developed countries, emerging economies and other donors must provide financial resources to the tax-related work of the UN. In the longer run, sustainable sources of finance must be identified	Developed countries, emerging economies, and other donors	Immediately
Insufficient levels of engagement of parliamentarians, civil society and the broader public in discussions about tax and transparency	All governments – including those of the least developed countries – must actively promote domestic debate and engagement Donors must prioritise funding of civil society actors in tax and transparency programmes and initiatives	All governments and donors	2014 and onwards
Progressive developed countries overlook the perspectives of developing countries and fail to form alliances	An 'alliance of the willing' should be formed to move the issues of tax and transparency forward	Progressive developed and developing countries	2014
Important options for reforming the international tax system are not being considered	Governments must take key reform proposals, including formula-based taxation models, under serious consideration	All governments	2014 and onwards
OECD and G20 processes			
Developing countries having a 'voice, but not a vote' in OECD negotiations on tax and transparency risks leading to the adoption of agreements disadvantageous to developing countries OECD processes can limit the political space for addressing the issues of tax and transparency in other forums such as the UN	OECD and its member states must be clear about the limitations in its mandates and legitimacy Strong involvement of developing countries in the OECD processes, and a balanced reflection of the developing countries' perspectives in the OECD outputs, must be ensured OECD and its member states must acknowledge that the outcomes of OECD processes are not global outputs but OECD outputs, and the OECD must aim to support, but not replace, a global process	OECD and its member states	Immediately
Risk that the G20 or the UN will be perceived as representatives of developing countries within the OECD processes	Governments must recognise the differences between developing countries – for example, between emerging economies and least developed countries. Furthermore, governments must recognise the UN reflects the perspectives of all its members, not only developing countries	OECD and its member states G20 and its member states	Immediately
Capacity building			
Capacity building initiatives can pressure developing countries to change priorities or political positions	It must be ensured that all capacity building programmes and initiatives are completely detached from direct or indirect attempts to politically influence developing countries	Developed countries, OECD and other donors	Immediately
Lack of coordination between different donors, as well as between donors and receivers	Improve the coordination of capacity building and other tax and transparency related programmes and donor initiatives	All donors. European Commission lead	Immediately

Annex 1: continued

Obstacles	Solutions and windows of opportunity	Who should act	When
Automatic exchange of information for tax purposes			
Developing country governments do not obtain the information they need to collect the taxes owed to them	A global system of automatic exchange of information must be developed to replace the 'upon request' system A stepwise approach to automatic exchange of information with developing countries, allowing countries with low capacity to receive information before they are able to send information back automatically Conditions for obtaining automatic information exchange must be simple, well-defined, realistic and low-cost for developing countries to comply with	All governments OECD G20	2014
Countries like the US and EU receive better access to information than developing countries			
Conditions for obtaining automatic information exchange can *de facto* result in exclusion of developing countries that cannot ensure 'reciprocity' or sufficient data protection	All countries must be treated equally and those countries that comply with the conditions must be guaranteed automatic information exchange These elements must be integrated into the OECD model for automatic information exchange, which will be developed in 2014		
If capacity building becomes a precondition for participation in automatic information exchange, slow and badly resourced capacity building programmes can prevent and delay developing countries' access to such information exchange			
Individual members of governments might have personal interests in maintaining financial and corporate opacity	Automatic exchange of information between governments High levels of transparency to the public, including the establishment of public registries of beneficial ownership of companies, trusts, foundations and similar legal structures	All governments	2014-2015
Switzerland			
Tax evasion is not considered a crime in Switzerland	Change of legislation to classify tax evasion as a crime in Switzerland	Swiss government and parliament	2014-2015
Swiss bank customer declaration is insufficient to prevent tax evasion since tax evaders might declare false information	As part of the new legislative proposal being developed, Swiss banks must be required to demand depositors should provide an annual copy of their tax return and any further documentation needed to prove that taxes have been paid	Swiss government and parliament	2014
High risk of multinational corporations based in Switzerland engaging in base erosion and profit shifting	Introduction of country-by-country reporting on profits, number of employees, economic activity and taxes paid for all companies which operate or have a subsidiary in Switzerland	Swiss government and parliament	2014-2015
Risk of Switzerland failing to provide transparency for developing countries to locate instances of tax evasion and illegitimate practices	Developing countries must establish strong internal cooperation and coalition building to jointly apply the external pressure needed to obtain information from Switzerland. The need for such measures should be assessed by developing countries at the end of 2014	Developing countries	End of 2014
Risk of double taxation agreements signed with Switzerland will undermine the possibilities of developing countries to apply taxes, including withholding taxes	Developing countries should review all double taxation agreements signed with Switzerland (and other secrecy jurisdictions with low corporate tax rates), as well as refrain from entering into new agreements	Developing countries	2014
Risk that companies and individuals move assets to other jurisdictions if Switzerland tightens regulations and introduces transparency	Research must be conducted to map and assess the risk. For example, this could be carried out by the UN or OECD All governments must pursue a global agreement on tax and transparency with urgency, and pressure non-cooperative governments to engage in finding solutions	UN / OECD All governments	Mid 2014

Obstacles	Solutions and windows of opportunity	Who should act	When
EU			
EU countries awaiting EU decision before adopting national measures on tax and transparency	EU member states should adopt progressive legislation on tax and financial transparency, regardless of whether all of the EU adopts similar legislation	EU countries	2014
EU regulation and initiatives that focus on European issues and fail to ensure policy coherence for development	Increase the cooperation and engagement with developing country governments in the tax and transparency related work of the European Commission	EC	Immediately
Norway			
Risk of multinational corporations based in Norway engaging in tax avoidance and evasion in developing countries	Ensure that the country-by-country reporting covers all relevant corporate activities in tax havens	Norwegian government	2014
Norway's global influence is limited and the country risks being isolated with its progressive proposals	Strengthen cooperation with key governments in an 'alliance of the willing'. Incorporate tax and transparency policies into the management of the sovereign wealth fund (see below)	Norwegian government, in cooperation with others	2014-2015
Tax and transparency policies are not incorporated into the management of the Norwegian sovereign wealth fund	Following the consultation on the future of the fund, the management of the fund must be reviewed and policies on tax and transparency firmly integrated	Norwegian government	2014
Developing countries			
Lack of a global process can result in guidelines and tools disadvantaging developing countries	Developing countries should consider rejecting guidelines and tools developed without the proper engagement of developing countries, as well as establishing processes driven by the global south to identify alternative solutions	Developing countries	When necessary
Absence of proper international standards and guidance can lead to developing countries signing unbalanced and disadvantageous bilateral treaties	Developing countries must strengthen their cooperation to ensure internal capacity building, sharing of experience and development of model solutions. Developing countries that have good access to the OECD and G20 processes must ensure that their inputs are based on regional consensus and consensus from the global south, and that regular report backs to countries not included in the processes are ensured	Developing countries	2014
Developing countries, in particular the least developed countries, risk being left out of the tax and transparency related processes in OECD and G20			
Risk of developing an unjust tax system if developing countries focus on taxing domestic actors before addressing international tax and transparency issues	Developing countries should give top priority to the issues of international transparency and tax justice	Developing countries	Immediately
EITI			
Important EITI reports on transparency in the extractives sector are not well known by the public and media	EITI secretariat and members must strengthen the communication work around its reports	EITI and members	Starting 2014
The voluntary EITI standards risk becoming an obstacle for and alternative to more ambitious solutions	EITI secretariat and members must promote initiatives going beyond the voluntary EITI standard	EITI secretariat and members	Immediately

Annex 2: Members of the expert delegation

Name	Profession	Nationality	Contact
Africa			
Tafadzwa Chikumbu	Policy Officer for Economic Governance, AFRODAD	Zimbabwe	chikumbut@afrodad.co.zw
Hon. Zitto Kabwe	Member of Parliament – Kigoma North, Chairman of the Public Accounts Committee, Deputy Leader of the Opposition, Shadow Minister of Finance	Tanzania	zittokabwe@gmail.com
Dr. Collins Magalasi	Executive Director for AFRODAD	Malawi	collins@afrodad.co.zw
Savior Mwambwa	Policy and Advocacy Manager at Tax Justice Network Africa	Zambia	mwambwa@taxjusticeafrica.net
Raphael Ongangi	Assistant to Hon. Zitto Kabwe	Tanzania	raphael@rep.co.tz
Hon. Mcjones Mandala Shaba	Member of Parliament of Malawi, member of the Natural Resources Committee, the Committee on Transport and Public Infrastructure, as well as former member of the Public Accounts Committee. Hon. Shaba is also a member of the African Parliamentarians' Network Against Corruption	Malawi	kettie536@gmail.com
Asia			
Sagnik Dutta	Principal Correspondent, Frontline, The Hindu Group	India	Sagnik.dutta@thehindu.co.in
Lidy Nacpil	International Coordinator of Jubilee South – Asia/Pacific Movement on Debt and Development (JSAPMDD)	Philippines	lnacpil@gmail.com
Latin America			
Abelardo Medina Bermejo	Senior Economist, Instituto Centroamericano de Estudios Fiscales	Guatemala	Abelardo.medina@icefi.org
Nora Fernández	President of LATINDADD and Coordinator of Centro de Derechos Económicos y Sociales (CDES)	Ecuador	nfernandez@cdes.org.ec
Jorge Gaggero	Economist and Senior Researcher at el Centro de Economía y Finanzas para el Desarrollo de la Argentina (CEFID-AR)	Argentina	jgaggero@cefid-ar.org.ar

Annex 3: Eurodad team

Eurodad		
Tove Maria Ryding	Coordinator	tryding@eurodad.org
Alex Marriage	Rapporteur	alexgmarriage@googlemail.com
Paula Subia	Logistics	psubia@eurodad.org

Annex 4: Schedule of the Tax and Transparency Fact-finding Mission in 2013

Date	Location	Meeting
20 Oct	Geneva	Arrival. First meeting of the Fact-Finding Mission Delegation
21 Oct	Bern	Mark Herkenrath, Alliance Sud
		Silvia Frohofer, State Secretariat for International Financial Matters, Swiss Finance Ministry
		Konrad Specker and Werner Thut, Swiss Agency for Development and Cooperation (SDC)
23 Oct	Montreux	Heinrich Siegmann, Swissbank
	Geneva	Michael Lennard, Chief of the International Tax Cooperation Section, Financing for Development Office, United Nations
24 Oct		Marlies de Ruiter, Head of the Tax Treaty and Transfer Pricing Division at the OECD
		Rudolf Elmer, Swiss whistle-blower and former employee of Julius Baer
25 Oct		Martin Hearson, Doctoral researcher at London School of Economics
		Carlo Sommaruga, Member of the Parliament of Switzerland, Socialist Party

Annex 4: continued

Date	Location	Meeting
28 Oct	Paris	Mathilde Dupre, CCFD-Terre Solidaire
		Élise Calais and Léonardo Puppetto, Direction générale du Trésor, Ministère de l'Economie et des Finances, France
29 Oct		Alexis Fremeaux, tax adviser of the Development Minister, Ministry of Foreign Affairs, France
		Colin Clavey, Senior Advisor to the OECD Tax and Development Division
30 Oct	Brussels	Alison Tate and Mamadou Diallo, International Confederation of Trade Unions
		Nadia Salson, EPSU Secretariat
31 Oct		Stewart-Shaw Mills, DG DEVCO, European Commission
		Dries Belet, DG ECFIN, European Commission
1 Nov	Oslo	Wenche Fone and Kjetil Abildsnes, Norwegian Church Aid
		Lillian Prestegard, Vibeke Sørum, Ingvild Bergskaug, Norad
		Hans Olav Syversen, Norwegian Christian Democratic party, Chair of the Finance Committee
23 Oct		Jonas Moberg, Extractive Industries Transparency Initiative
		Henrik Chr. Harboe, Jon-Åge Øyslebø and Harald Tolland, Norwegian Ministry of Foreign Affairs
5 Nov		Departure. Last meeting of the Fact-Finding Mission Delegation.

Annex 5: Selection of documents included in the work of the delegation

General

Global Financial Integrity. (2010). *Illicit Financial Flows from Africa: Hidden Resource for Development.*

African Development Bank and Global Financial Integrity. (2013). *Illicit Financial Flows and the Problem of Net Resource Transfers from Africa*: *1980-2009.*

Global Financial Integrity. (2013). *Illicit Financial Flows from Developing countries: 2002-2011.*

Eurodad. (2013). *Secret Structures, Hidden Crimes.*

Tax Justice Network. (2013). *Financial Secrecy Index.* http://www.financialsecrecyindex.com/introduction/fsi-2013-results

Tax Justice Network (2013). *Briefing for the United Nations Tax Committee.* October 2013. Reform of the International Tax System.

Switzerland

Tax Justice Network. (2013). *Financial Transparency Index.* Report on Switzerland.

Blog submitted by Otaviano Canuto to the website of the World Bank. (2013). *A Billion-Dollar Opportunity for Developing Countries.* http://blogs.worldbank.org/growth/billion-dollar-opportunity-developing-countries

France

Financial Times. (10 April 2013). *Hollande seeks to 'eradicate' tax havens.* http://www.ft.com/intl/cms/s/0/8f224e3a-a1cc-11e2-8971-00144feabdc0.html#axzz2lrtDTGUG

Eurodad. (Article published on 14 June 2013 at http://eurodad.org/1545681/). *New EU anti-corruption standards increase demands for greater transparency to combat tax dodging.*

Avaaz. (Petition published 22 November 2013 at https://secure.avaaz.org/fr/petition/A_Luc_Oursel_PDG_dAreva_et_a_tous_les_actionnaires_dAreva_Le_pays_le_plus_pauvre_au_monde_face_a_Areva/): *Stop à la pression d'Areva sur le Niger !*

Tax Justice Network. (2013). *Financial Transparency Index. Report on France..*

Norway

Norwegian Government. (2012). *Norwegian Government's White Paper, Meld.* St. 25 (2012–2013). Sharing for prosperity. Chapter 8, Illicit financial flows from developing countries.

Tax Justice Network (Blog post published on 22 January 2014 at http://www.taxjustice.net/2014/01/22/norway-moves-towards-country-country-reporting/). *Norway moves on Country by Country reporting.*

United Nations

Michael Lennard, Asia-Pacific Tax Bulletin. (2009). *The UN Model Tax Convention as Compared with the OECD Model Tax Convention – Current Points of Difference and Recent Developments.*

Organisation for Economic Co-operation and Development

OECD. (http://www.oecd.org/ctp/beps-frequentlyaskedquestions.htm 2013). *BEPS FAQ.*

Richard Murphy. (Blog posted 23 July 2013 at http://www.taxresearch.org.uk/Blog/2013/07/23/should-developing-countries-turn-their-banks-on-the-oecd/). *Should Developing Countries Turn Their Backs on the OECD?*

Group of Twenty

G20. (2013). *G20 Leaders Declaration.*

G20. (2013). *Tax Annex to the St. Petersburg G20 Leaders' Declaration.*

Endnotes

1 See Annex 2: 'Members of the expert delegation'.

2 See annex 4: 'Schedule of the Tax and Transparency Fact-finding Mission in 2013'.

3 Global Financial Integrity. (2010). *Illicit Financial Flows from Africa: Hidden Resource for Development.*

4 African Development Bank and Global Financial Integrity. (2013). *Illicit Financial Flows and the Problem of Net Resource Transfers from Africa: 1980-2009.*

5 Global Financial Integrity. (2013). *Illicit Financial Flows from Developing countries: 2002-2011.*

6 Eurodad. (2013). *Secret Structures, Hidden Crimes.*

7 Blog submitted by Otaviano Canuto to the website of the World Bank. (2013). *A Billion-Dollar Opportunity for Developing Countries.* http://blogs.worldbank.org/growth/billion-dollar-opportunity-developing-countries.

8 Implementation of the Multilateral Convention will require substantial changes in existing Swiss law. The Swiss federal administration is currently drafting the corresponding bill. The draft proposal will be submitted to a broad public consultation and a possible revision in the course of 2014. Swiss parliament will then need to pass the final bill. Only then can it ratify the Multilateral Convention.

9 The members of the committee are: Mr. Khalid Abdulrahman Almuftah (Qatar), Mr. Mohammed Amine Baina (Morocco), Ms. Bernadette May Evelyn Butler (Bahamas), Mr. Andrew Dawson (United Kingdom of Great Britain and Northern Ireland), Mr. El Hadji Ibrahima Diop (Senegal), Mr. Johan Cornelius de la Rey (South Africa), Ms. Noor Azian Abdul Hamid (Malaysia), Ms. Liselott Kana (Chile), Mr. Toshiyuki Kemmochi (Japan), Mr. Cezary Krysiak (Poland), Mr. Armando Lara Yaffar (Mexico), Mr. Wolfgang Karl Albert Lasars (Germany), Mr. Tizhong Liao (China), Mr. Henry John Louie (United States of America), Mr. Enrico Martino (Italy), Mr. Eric Nii Yarboi Mensah (Ghana), Mr. Ignatius Kawaza Mvula (Zambia), Ms. Carmel Peters (New Zealand), Mr. Jorge Antonio Deher Rachid (Brazil), Mr. Satit Rungkasiri (Thailand), Ms. Pragya S. Saksena (India), Mr. Christoph Schelling (Switzerland), Mr. Stig B. Sollund (Norway), Ms. Ingela Willfors (Sweden), Mr. Ulvi Yusifov (Azerbaijan).

10 The OECD member countries are: Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, Unites States.

11 Accession discussions are currently ongoing with Russia, Colombia and Latvia.

12 The members of the G20 are: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, United Kingdom, United States, European Union.

13 The members of the Global Forum are: Albania, Andorra, Anguilla, Antigua and Barbuda, Argentina, Aruba, Australia, Austria, Azerbaijan, The Bahamas, Bahrain, Barbados, Belgium, Belize, Bermuda, Botswana, Brazil, British Virgin Islands, Brunei Darussalam, Burkina Faso, Cameroon, Canada, Cayman Islands, Chile, China, Colombia, Cook Islands, Costa Rica, Curaçao, Cyprus, Czech Republic, Denmark, Dominica, Dominican Republic, El Salvador, European Union, Estonia, Finland, Former Yugoslav Republic of Macedonia (FYROM), France, Georgia, Germany, Gabon, Ghana, Gibraltar, Greece, Grenada, Guatemala, Guernsey, Hong Kong, China, Hungary, Iceland, India, Indonesia, Ireland, Isle of Man, Israel, Italy, Jamaica, Japan, Jersey, Kazakhstan, Kenya, Korea, Latvia, Kingdom of Lesotho, Liberia, Liechtenstein, Lithuania, Luxembourg, Macau, China, Malaysia, Malta, Marshall Islands, Mauritania, Mauritius, Mexico, Monaco, Montserrat, Morocco, Nauru, Netherlands, Nigeria, Niue, Norway, Pakistan, Panama, Philippines, Poland, Portugal, Qatar, Romania, Russian Federation, St. Kitts and Nevis, St. Lucia, St Martin, St. Vincent and the Grenadines, Samoa, San Marino, Saudi Arabia, Senegal, Seychelles, Singapore, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Trinidad and Tobago, Tunisia, Turkey, Turks and Caicos Islands, Uganda, Ukraine, United Arab Emirates, United Kingdom, United States, Uruguay, and Vanuatu.

14 UN. (Posted at https://www.un.org/en/development/desa/policy/cdp/ldc/ldc_list.pdf 2014). List of Least Developed Countries.

15 The countries that the UN has identified as least developed countries are: Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Laos, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauretania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sudan, Timor-Leste, Togo, Tuvalu, Uganda, United Republic of Tanzania, Vanuatu, Yemen, and Zambia.