



ENGAGEMENT WITH AFRICA

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African Caucus – Luanda, Angola
August 2015

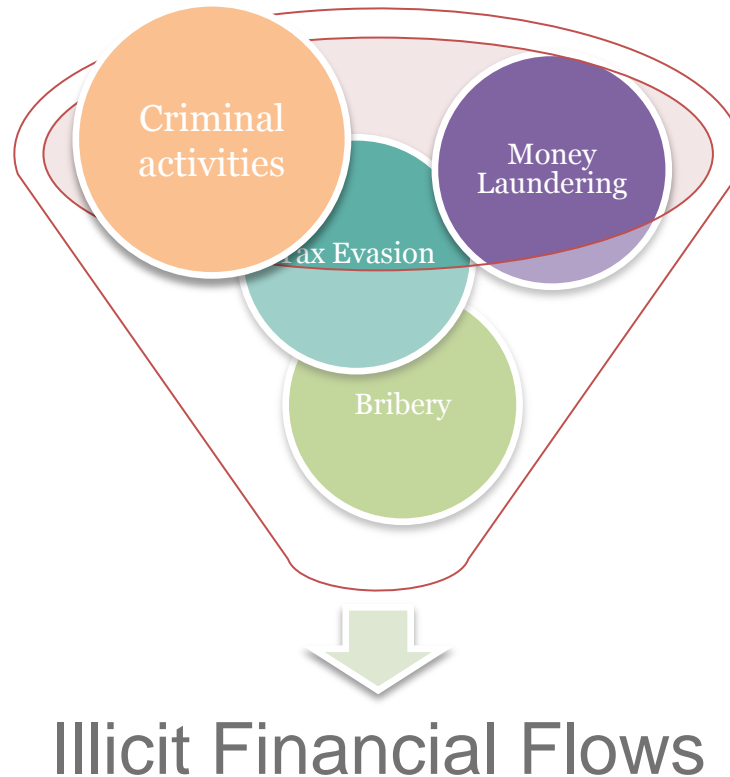


1. ILLICIT FINANCIAL FLOWS



What are illicit financial flows?

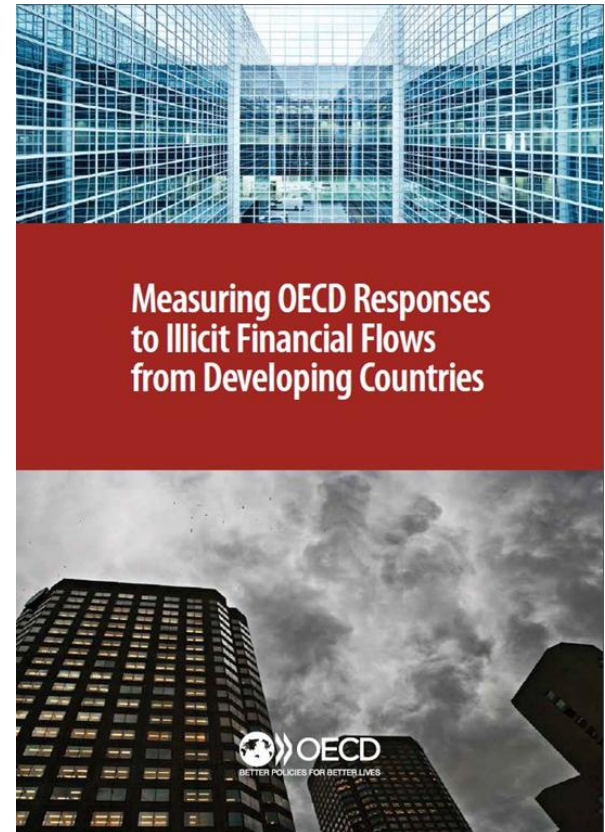
- Funds tied to illicit or criminal activity
- Leaving developing countries through various channels breaking laws on the way
- Maybe 8 to 15% of world GDP. **Can we be sure?**





Measuring OECD Responses to Illicit Financial Flows

- We measure **policy and practice ‘effort’** by OECD countries in addressing illicit flows originating from the developing world.
- We are **NOT measuring volumes of financial flows**. NOT saying anything about the **RELATIVE** importance of the various parts of the IFF landscape.
- Comparative report **based on open source data**, with recommendations.





Tax evasion

Exchange of Information Agreements signed between OECD countries and developing countries, 2000-2013

NUMBER OF AGREEMENTS

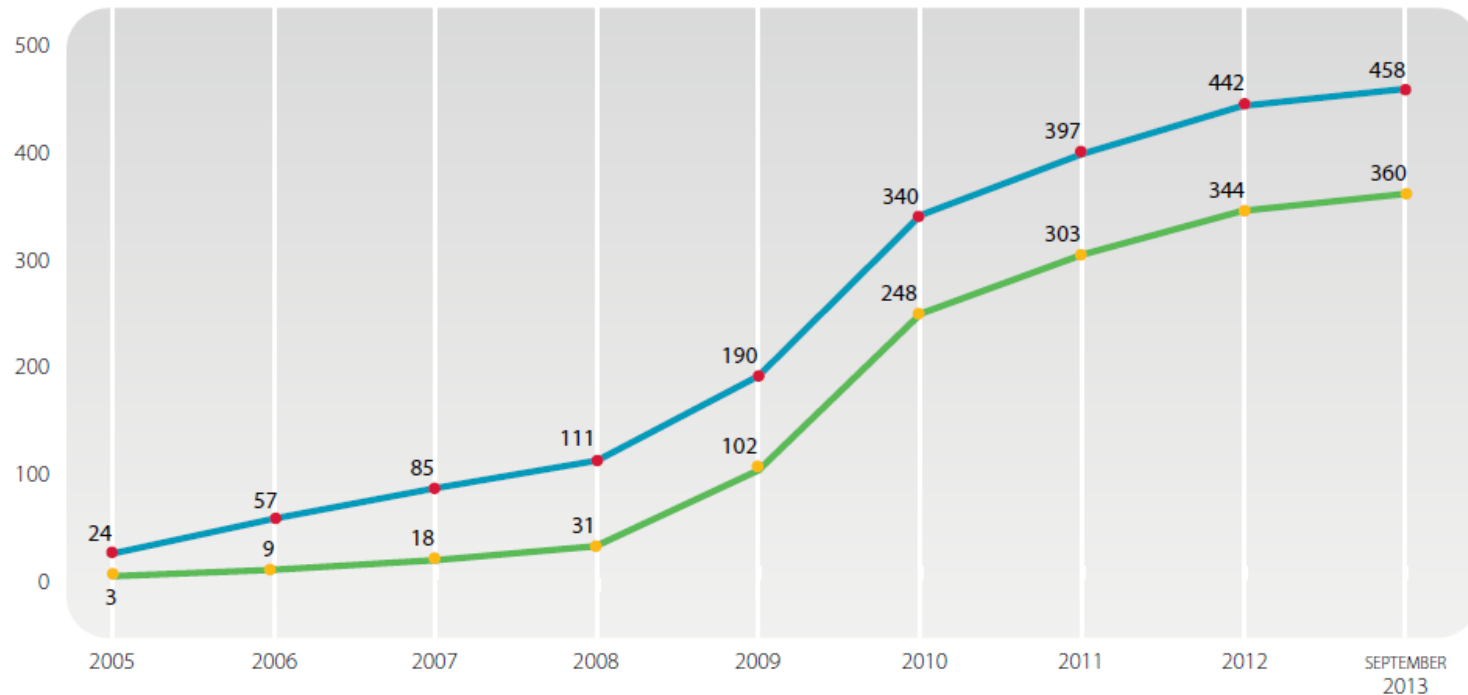




Tax evasion

Number of exchange of information agreements between OECD countries and developing countries which meet the Global Forum Standard, 2005-2013

NUMBER OF AGREEMENTS



— Total number of agreements signed between OECD and developing countries

— Agreements signed between OECD and developing countries that comply with the standard



Transnational bribery

UNITED STATES



GERMANY



HUNGARY



KOREA

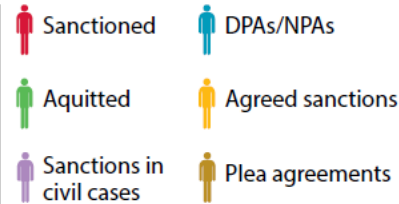


ITALY



18 countries had no sanctions or acquittals as of end 2012.

- | | |
|-----------|-----------------|
| AUSTRALIA | ISRAEL |
| AUSTRIA | LUXEMBOURG |
| CHILE | MEXICO |
| DENMARK | NEW ZEALAND |
| ESTONIA | POLAND |
| FINLAND | PORTUGAL |
| GREECE | SLOVAK REPUBLIC |
| ICELAND | SLOVENIA |
| IRELAND | SPAIN |



JAPAN



CANADA



UNITED KINGDOM



SWEDEN



FRANCE



CZECH REPUBLIC



NORWAY



NETHERLANDS



SWITZERLAND



TURKEY



NOTE: Belgium has reported several convictions; however, data on domestic and foreign bribery cases have not, to date, been counted separately.

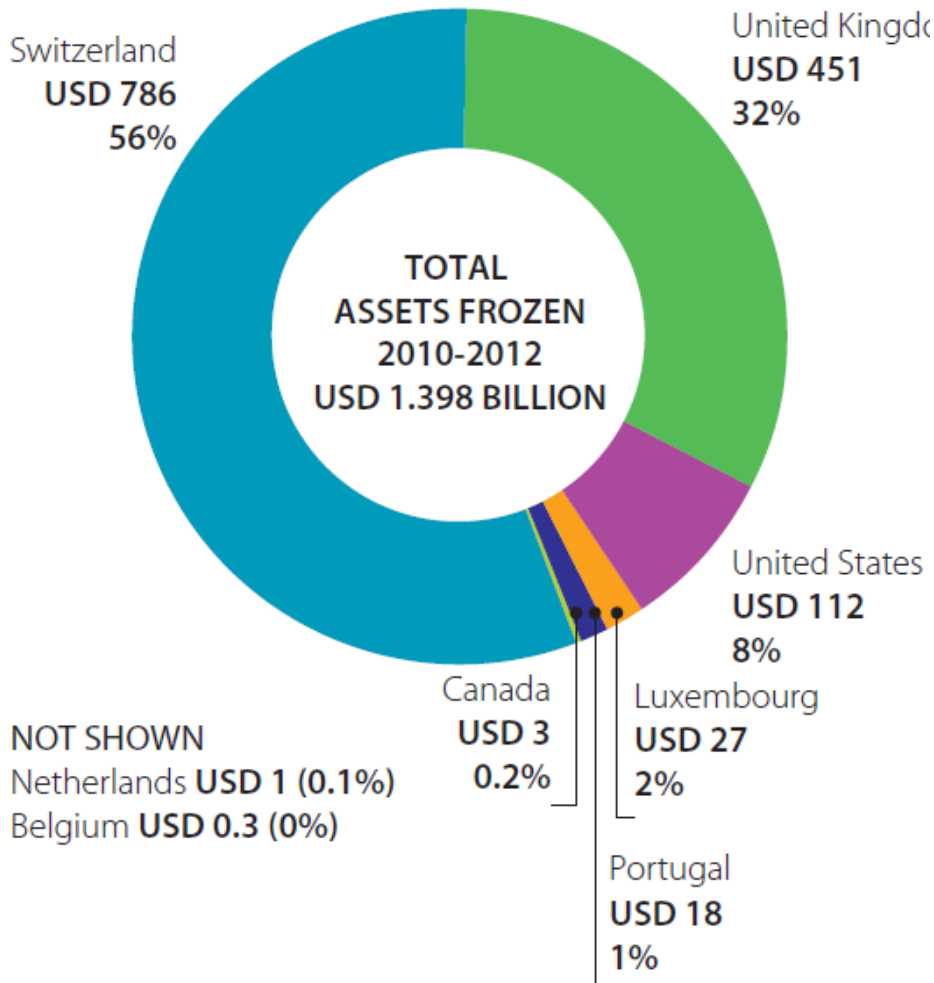
DPA= Deferred prosecution agreement; NPA= Non-prosecution agreement

Source:
Adapted from
OECD Working
Group on
Bribery: 2013
Annual Report,
OECD, Paris.

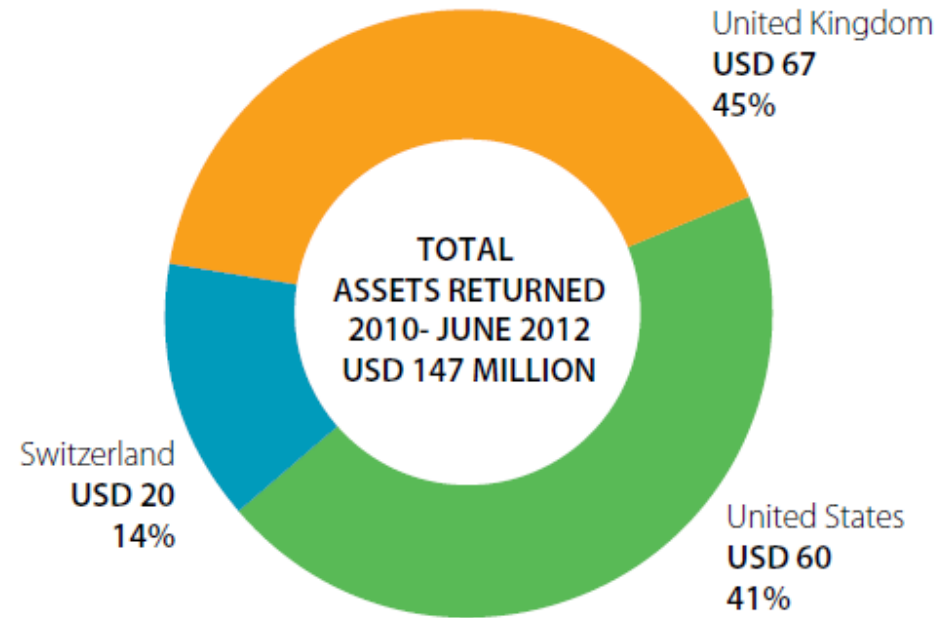


Recovering Stolen Assets

**Assets Frozen 2010-2012
(USD million)**



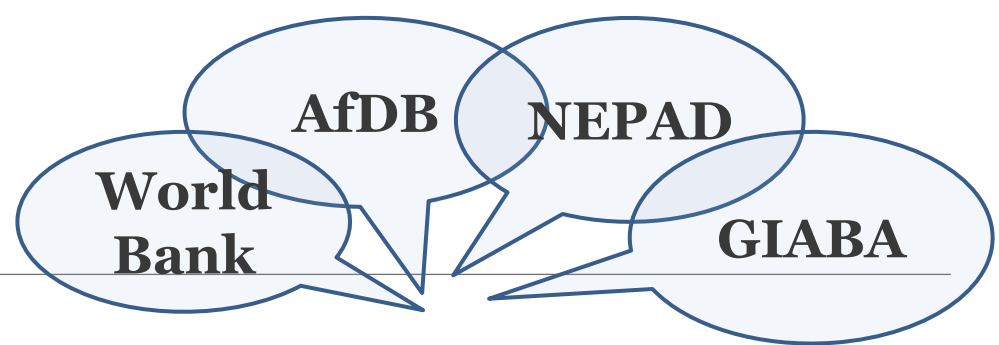
**Assets returned 2010-June 2012
(USD million)**



ENGAGEMENT WITH AFRICA



Next IFF Report



The Money Trail of Illicit Trade in West Africa

- Where does the **financing** for illicit trade come from? And where does the **revenue** go?
- How are funds **circulated**?
 - Domestically, regionally and internationally?
- Five country **case studies**
 - Based on discussions with stakeholders & inception report
 - Narcotics, human smuggling, counterfeits, ASM Gold Mining, Terrorism Financing
- **Recommendations** for OECD and West African governments




OECD support for Africa's efforts

- **The OECD...**

- promotes the agenda among member states
- produces knowledge and creates evidence
- holds member states to account
- brings actors together





2. BEPS PROJECT



Where we are in the BEPS project

- Launched two years ago with the report Addressing BEPS (February 2013) and the BEPS Action Plan (July 2013).
- 3 pillars (*coherence*, *substance*, *transparency*) covering 15 actions.
- **80 countries** directly or indirectly participating, beyond OECD and G20 members.
- First set of reports released in September 2014.
- **Final BEPS Package to be delivered in October 2015.**
- Implementation and monitoring will follow, as well as further work on specific issues.

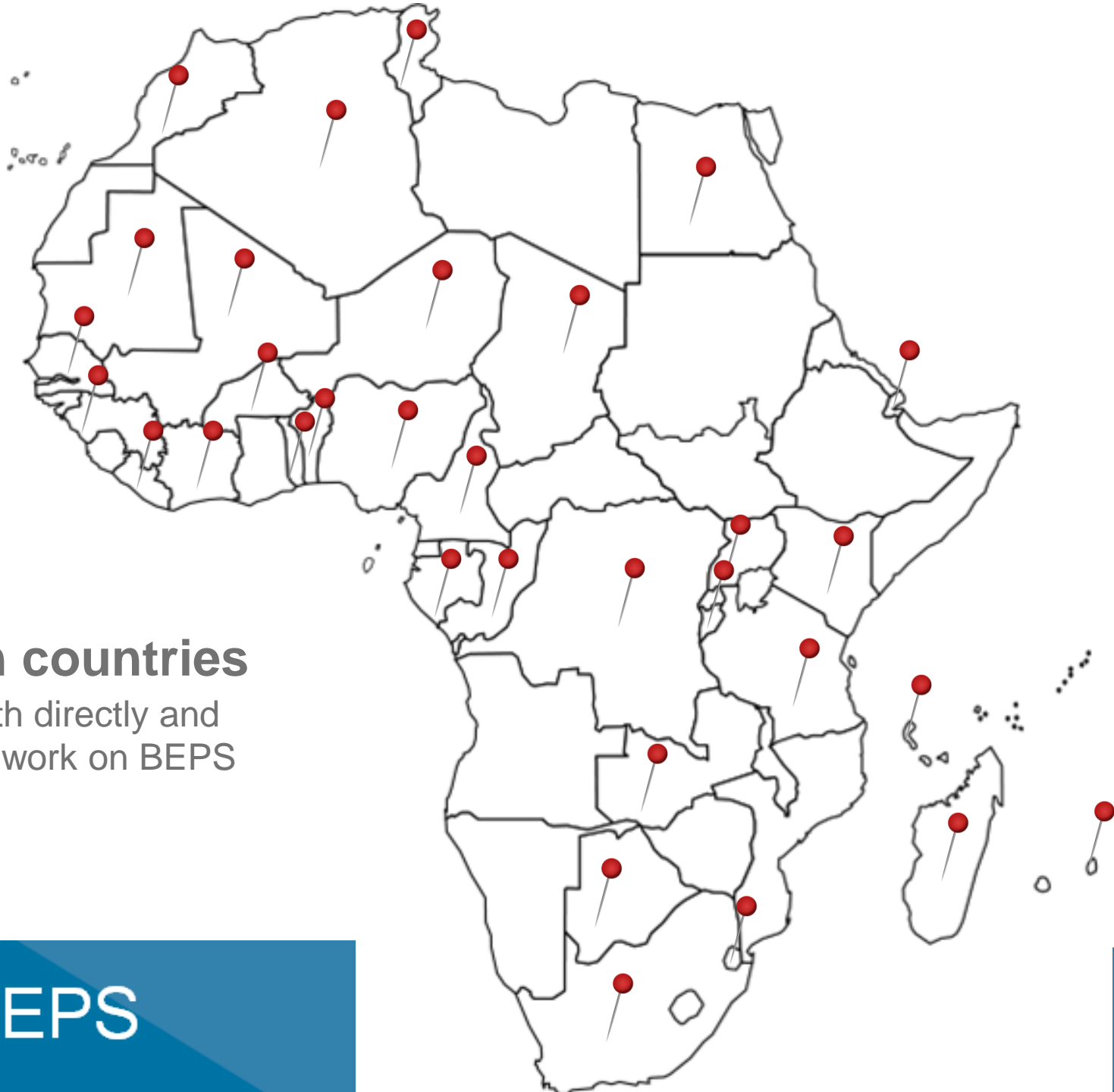




BEPS and partner economies

- Strategy to engage with developing countries based on 3 pillars (**direct participation**, **regional networks** and **capacity building**).
- Regional consultations held in 2014 and 2015
 - **Asia-Pacific** (Korea)
 - **Latin America** with CIAT (Colombia, Peru)
 - **Eastern Europa and Central Asia** with IOTA (Turkey)
 - **Africa** with ATAF and CREDAF (Gabon, South Africa)
- Objective: obtain countries' input and address specific concerns on BEPS issues and implementation of related measures.





32 African countries

participating both directly and indirectly to the work on BEPS

Africa & BEPS

DIRECT PARTICIPATION



Country participation

- **Committee on Fiscal Affairs** meetings: participation of Morocco, Senegal, Tunisia, Nigeria, as well as ATAF.
- **Working Party** meetings: participation of Nigeria, Kenya and countries participating in the CFA:
 - WP1 – Tax treaties
 - WP2 – Economic analysis
 - WP6 – Transfer pricing
 - WP11 – Aggressive tax planning
- Development of the **multilateral instrument** to implement the outcomes of the BEPS Project (Action 15):
 - 11 African countries already joined the negotiations
 - ATAF, CATA and CREDAF also participate as observers





Input received from Africa

- Delegates from African countries have influenced the direction of the work in a number of areas, including:
 - Cross-border **commodity transactions**
 - Development of best practices rules to address **excessive cross border interest payments** which reduce taxpayer's taxable profits
- ATAF provided approximately 11 sets of **written comments** to various work streams and welcomed that “*the reports in the working parties reflect ATAF's participation*”.
- CREDAF will present **technical notes**, relevant for the implementation phase, that will be presented and discussed at the next consultation with the OECD.

REGIONAL NETWORKS



Consultations with African countries

- **Regional consultations** held jointly by ATAF and CREDAF in 2014 and 2015 in **Gabon, in France and in South Africa**.
- Participants identified **relevant BEPS issues**: wasteful tax incentives, poorly negotiated contracts and non-transparent concessions, taxation of natural resources, **transfer mispricing – costing Africa USD 50 billion per year** according to the statement of outcome of the ATAF conference in April 2015 held in Johannesburg.
- With a goal to get **direct feedback** from African countries, these consultations are the basis of the permanent dialogue that the OECD is setting in the region.





Working groups on BEPS



- **ATAF Technical Committee:**
 - Includes delegates from **8 countries**.
 - The Group members decided to focus on **Action 4** (interest deductibility), **Action 7** (avoidance of PE status) and **Actions 8 to 10** (all about transfer pricing).
- **CREDAF Groupe de travail:**
 - Includes delegates from **11 countries and 2 regional organisations** (CEMAC and UEMOA).
 - The Group members also chose to work on interest deductibility and PE status), but also on the transfer pricing aspects of commodity transactions (**Action 10**) and on the country-by-country reporting (**Action 13**).

CAPACITY BUILDING THE NEXT STEP



Why capacity building matters

- Moving from the BEPS Project to the toolkits, **from solutions to implementation.**
- In order to address the lack of tax administrations' resources, part of the toolkit project is to bring **support and assistance** to partner economies to improve their capacity to:
 - Implement and apply anti-BEPS legislation
 - Negotiate tax treaties and agreements with MNEs
 - Collect higher share of taxes
- Completed by the **Tax Inspector Without Borders** initiative launched in the Addis Ababa conference in July 2015.



Toolkit Project

- Objective: **assist non OECD/G20 countries implementing the BEPS measures and address their specific concerns.**
- G20 mandate asks for toolkits to be developed by the OECD, in cooperation with the IMF, the WBG, the UN and regional organisations on:
 - Tax incentives (report due by November 2015)
 - Comparability data in transfer pricing (by December 2015)
 - Indirect transfer of assets (by March 2016)
 - Transfer pricing documentation requirement (by June 2016)
 - Treaty negotiation (by December 2016)
 - Base eroding intragroup payments (by June 2017)
 - Profit shifting through supply chain restructuring (by December 2017)
 - Successful implementation of BEPS risks assessment (by December 2017)



Status of the work

- The **draft paper on tax incentives** has already been published for comments.
 - Practical study of an effective and efficient use of tax incentives, offering guidance for designing them based on country experience and examples
- A **draft directional report on comparability data** will be presented to the G20 DWG in September.
 - Module to assist countries to address difficulties in accessing comparables data and use different approaches in absence of comparables, based on country and company surveys
- The work on toolkits is carried out with the involvement of ATAF and CREDAF.

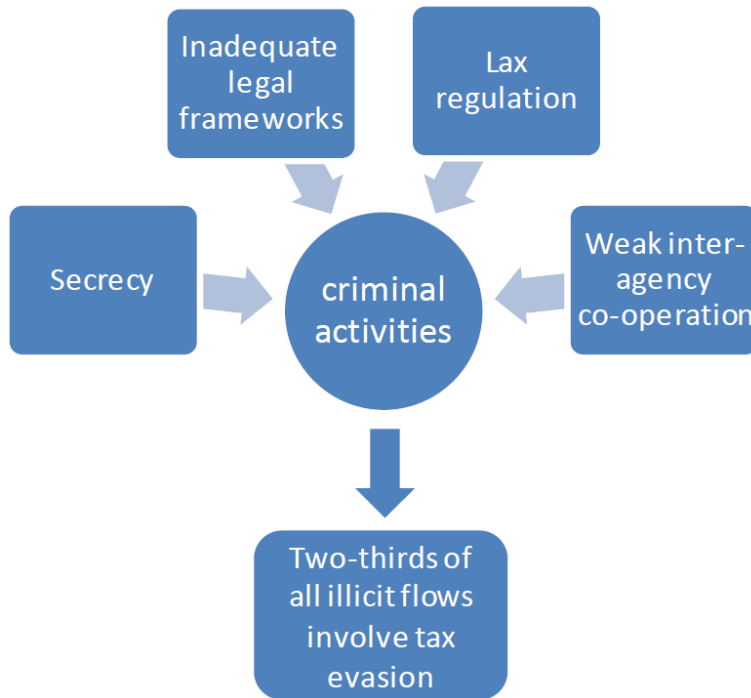




3. OSLO DIALOGUE



The Oslo Dialogue



- **Tax crimes, corruption, money laundering and other illicit flows** threaten the strategic, political and economic interests of countries. Particularly of those who strip resources that could finance their long-term development.
- The Oslo Dialogue, launched at the 1st Forum on Tax and Crime held in Oslo in 2011, aims at strengthening the capacity of criminal tax investigators.
- The **OECD International Academy for Tax Crime Investigation** is part of this initiative. The programme:
 - Improves the ability to detect and investigate financial crimes and recover the proceeds of those crimes.
 - Develops the skills of tax and financial crime investigators through intensive training courses.



The Oslo Dialogue

- As of June 2015, **three Foundation and one Pilot Intermediate Programme** have been delivered in Ostia, Italy.
- Participants are carefully selected to ensure that the individuals are in a position to make positive changes within their respective organisations following the training.
- Significant impact, including:
 - Legislative changes
 - Enhanced inter-agency cooperation
 - Sharing new skills and knowledge within home agencies



Over **140** investigators
from 39 countries have been trained



QUESTIONS?

- BEPS Project: <http://www.oecd.org/ctp/beps.htm>
- BEPS and Developing Countries: <http://www.oecd.org/tax/developing-countries-and-beps.htm#regionalnetworks>
- Global Relations: <http://www.oecd.org/ctp/tax-global/>