

# **TAX JUSTICE COUNCIL MEETING**

**Dakar, Senegal, 6<sup>th</sup> February 2011**

## **REPORT OF THE DIRECTOR OF THE INTERNATIONAL SECRETARIAT**

### **Overview of progress since January 2009**

When Tax Justice Network was launched in 2003 its over-riding priority was to identify tax evasion, tax avoidance and secrecy jurisdictions as among the larger challenges facing social and economic sustainability. At that time these issues scarcely registered in public consciousness. Now, thanks to the network's unstinting work, we face a changed situation. Secrecy jurisdictions are under pressure to justify their activities; the G-20 has discussed the need to put an end to tax havens; major institutions like the European Investment Bank are being challenged to justify their use of secrecy jurisdictions; a global Task Force involving governments, civil society and experts from many countries has been created for the explicit purpose of tackling the secrecy loopholes exploited by these places; a new research literature has emerged identifying the role tax havens play in fostering corruption, crime and harmful practices; powerful pro-tax haven lobbies are finding it hard to publicly champion their protégés; tax avoiders are facing public naming and shaming, and the tax avoidance industry is under unprecedented pressure. Tax Justice Network has been the pre-eminent change-agent in making this happen.

In 2007 at our Council Meeting in Nairobi we discussed the need for a global public awareness-raising programme to mobilise the necessary political action to move beyond the rhetoric and take effective steps to curtail illicit financial flows, tax evasion, avoidance and offshore secrecy. The international secretariat took immediate action to prepare a comprehensive set of tools that members, activists, and others could use in their different regions and countries to alert the public to the threats posed by these problems. In 2009 I reported progress on a programme of book-writing, documentary film-making, briefing papers, country reports, advocacy toolkits, supporting academic papers, blogs, and a wide variety of other communication devices designed to take our message to a wider audience.

This year I can report that we have moved to the next stage. Our major book, *Treasure Islands* authored by Nick Shaxson and published by Random House, was launched a few weeks ago in the United Kingdom and immediately hit the best-seller list. It has generated favourable press coverage, and not just in media which we would expect to be friendly to our cause. Within the next 18 months *Treasure Islands*

will be published in many languages, including Chinese, German, Japanese, Russian, Spanish and Finnish, and will hopefully generate huge media coverage across the world. *Treasure Islands* is accompanied by a variety of other books, pamphlets, briefings, and, of course, an upcoming feature length documentary thriller, *CASHBACK*. All of these materials will be supported by online platforms with appropriate feeds to the various social media and expert back-up.

We are confident that armed with this variety of communication tools we can continue to win the intellectual and political debate while also taking the struggle to a wider audience. The recent successes of the Plateforme Paradis Fiscaux et Judiciaires in raising public awareness on these issues in France signals that the public is receptive to our analysis. Similarly, the UK UnCut movement is an indication of how the tax justice message is reaching grassroots activists. We also see signs of activism in other countries, including India where concerns about illicit financial flows and tax evasion have been hitting the headlines more or less continually since 2009.

Progress is less evident elsewhere, however. Khadija Sharife has had a large number of articles published in the African press in 2010, and we can hope that her latest publication, the African edition of *Tax us if you can*, will help raise public awareness around these issues across the African continent. Similar editions are planned for Asia and Latin America which will hopefully raise public awareness about the importance of this issue. We need to ensure that our core message that tax systems are becoming increasingly regressive as a result of governments failing to tackle the financial architecture flaws that encourage and facilitate tax cheating does not become over-diluted by competing priorities at regional and national levels.

We are confident that a sufficient range of materials and advocacy tools are either already available or will be imminently available in the course of the next 24 months to support our network members and partners with public outreach and advocacy. Politically speaking the initiative lies with us for at least the next 4-5 years: we must make maximum use of this opportunity to press forwards.

## **Research activities: progress since 2009**

In 2009 we finished the Mapping the Faultlines study of secrecy jurisdictions and launched the largest known online database of secrecy jurisdictions ([www.secrecyjurisdictions.com](http://www.secrecyjurisdictions.com)). Sadly, despite the importance of the research and the high quality of the research outputs, we did not receive funding for the second phase of the Mapping the Faultlines programme, which would have involved a comprehensive iteration of the policy measures required to curtail the activities of secrecy jurisdictions.

The data collected by the Mapping the Faultlines study was used to compile the Financial Secrecy Index, launched in November 2009. That launch was an unqualified success. It achieved favourable media coverage in over 70 countries and has helped to shape a different public perception of tax havens / secrecy jurisdictions, and the role of powerful states, notably the UK and US, as secrecy jurisdictions. We are currently working on the 2011 index, scheduled for publication in October during the run-up to the G-20 summit meeting in Cannes. The 2011 index will cover more countries, including Ghana and Botswana here in Africa, and will use a wider range of indicators. We consider our approach more coherent and rigorous than the OECD's black/grey/white listing process. It is not unreasonable to hope that the FSI will eventually become internationally recognised as the appropriate tool for identifying and ranking secrecy jurisdictions.

Alongside the work on the FSI we are also contributing to work on an entirely new index, currently given the working title of the Financial Integrity Index, which will incorporate the FSI alongside a number of other indicators in a measure of the sustainability of the financial systems across the world. This research is being led by Christian Aid's Alex Cobham under the auspices of the Task Force on Financial Integrity and Economic Development.

In 2005 we published an estimate of the volume of private wealth held offshore for tax cheating purposes. Even at that time we considered the figure of \$11.5 trillion an under-estimate. More recent research by Jim Henry suggests that the volume is currently closer to \$20 trillion. We have agreed with Jim to work on a revised 2011 estimate to be published later this year as an update of *The Price of Offshore*.

Since 2009 senior adviser David Spencer has been leading a research programme into transfer pricing. A web page has been created on the TJN website to host a wide selection of literature on this subject. David will be reporting to the global Board in the first semester of 2011 and we plan to hold a high-level international conference on the subject of transfer pricing and alternative methods of taxing multinational companies either later this year or in 2012. We are seeking funding for this conference.

Finally, after a two year break, we are cooperating with our friends at the Association for Accountancy and Business Affairs in organising a research workshop in July 2011 at Essex University on the theme of Debt, Tax and Human Rights.

## Network development

Progress on network development has been sporadic since 2009, but the success of workshops in Manila, Guatemala City, Yaoundé, and most recently in Tarrytown,

New York state, suggest that progress is being made in south east Asia, Central and South America, Central Africa and the United States. I will be visiting New Delhi in March and hope to find out whether earlier efforts to develop a network in that country, which suffers catastrophic levels of illicit outflows and tax evasion, are finding root among the larger civil society organisations.

Network development and support needs to be given a higher priority by the international secretariat. Judging from the recent network review, member engagement remains weak in all regions outside Europe. We will commit more resources to supporting regional network development, engaging with our existing members and encouraging potential members to join and take action. In particular we hope to work with regional and national chapters in preparing and implementing public outreach programmes. This will include support with media work, campaigning, advocacy training and provision of a new online platform providing facilities for national chapters to shape their own outreach activities.

## **International advocacy**

The London G20 summit provided TJN with an unexpected opportunity to bring tax havens to the forefront of international affairs. The French newspaper *La Tribune* ran a front page article headed by a photo of Presidents Obama and Sarkozy, Chancellor Merkel and Prime Minister Brown under the heading “*They all want to get rid of tax havens*”. TJN-IS and TJN members were heavily involved in the media frenzy surrounding that event.

The G20 summit led directly to the creation in January 2010 of an OECD Task Force on Tax and Development, in which TJN-IS is actively involved, alongside TJNAfrica’s Attiya Waris, Eurodad’s Martin Hearson, LatinDadd, Christian Aid’s David McNair, and Mathilde Dupré from CCFD. This Task Force has organised its work around working groups focused on transfer pricing, information exchange, reporting guidelines for multinational enterprises, and state-building. The jury remains undecided on whether this is likely to yield progressive results, but TJN-IS has given high priority to positive engagement in the process.

TJN-IS is actively engaged on the Coordinating Committee of the global Task Force on Financial Integrity and Economic Development, which has adopted the following advocacy priorities:

- tackling trade mispricing
- country-by-country reporting
- disclosure of beneficial ownership
- automatic information exchange as the recognised international standard
- strengthening anti-money laundering measures (e.g. through making tax evasion a predicate crime for AML purposes)

TJN-IS, through Richard Murphy's team at Tax Research LLP, also continues to engage in advocacy alongside Publish What You Pay partners in pushing for a country-by-country reporting standard for the extractive sectors. TJN-USA will also be supporting this process through campaigns to support the relevant provision for country-by-country reporting in the Franks-Dodds bill passed by the Senate in 2010. We also continue to advocate for a non-sectorally specific country-by-country reporting standard at EU level, and at the OECD Task Force working group on guidelines for multinational enterprises.

In 2009 we ran a test exercise to seek support from among selected countries in the South to request for automatic information exchange agreements with the EU. Funding is currently being sought through the Task Force on Financial Integrity to organise a three/four year campaign to increase demand for automatic information exchange rather than following the OECD 'on request' model.

We continue to support efforts to upgrade the UN Committee of Experts on International Cooperation on Tax Matters to inter-governmental status and provide additional staff and resources for its work. TJN attends the Committee's annual sessions in Geneva and supports the UNDESA and UNDP South-South Sharing of Successful Tax Practices alongside our partners at New Rules for Global Finance.

## **Campaign activities**

The International Secretariat continues to advise on campaign activities at national, regional and international levels.

At the international level, we are currently advising on and supporting campaigns on country-by-country reporting (EU, OECD, G20); making tax evasion a predicate crime (IMF); disclosure of ownership information (FATF); making automatic information exchange the appropriate standard for effective international tax information exchange (UN, OECD, G20).

At regional levels we are engaging with partners involved in campaigns at EU level (country-by-country reporting, strengthening the savings tax directive, enforcing the Code of Conduct Group of Taxation measures against tax havens); and through the Task Force on Financial Integrity in calling for an African Commission on Illicit Financial Flows (this Commission has been discussed with the UN Economic Commission for Africa, the African Development Bank, and the African Union).

At national level in the UK we have had regular contact in an advisory capacity with the UK UnCut movement, with trade unions and others engaging in grass roots activism.

## **International communications**

The priority over the past 24 months has been to prepare materials for the Mobilising for Tax Justice Campaign (see *Appendix 1*). Nick Shaxson and John Christensen have collaborated throughout this period with the research and writing of *Treasure Islands*, which was published in Britain in January 2011. This has been a massive exercise in its own right, but also requires the design, launch and ongoing support of websites, blogs, news articles, radio interviews, comment pieces, public meetings and associated social media feeds. Similar support facilities will be given to the American language edition (due for launch in April 2011, publisher: PalgraveMacMillan) and other language editions (most of which are expected to be published in 2012).

Work is also progressing with the CASHBACK project. At the core of this project is a landmark feature documentary thriller which will explore the world of illicit financial flows and help re-define public understandings of corruption. TJN-IS is committed to an outreach programme based on the film, and will use the film and other resources (i.e. *Treasure Islands*, online media, briefing materials, etc) to raise public awareness and create a shift of public opinion to increase political support for systemic reform. John Christensen is an associate producer of CASHBACK. Funding is in place to prepare and publish a suite of briefing and campaign materials to accompany the film (designed to reflect both the mood and the image of the film), and a social network platform is currently being designed to provide facilities for a wide range of media, including Facebook, twitter, blogs and chat-rooms tailored to the needs of regional and national TJN chapters.

TJN-IS staff continue to work with journalists and documentary makers from across the world. Since 2009 we have either advised on, or participated in, over 20 documentary programmes broadcast in Belgium, Canada, France, Germany, Japan, Netherlands, Norway, South Africa, Spain, UK and USA, plus programmes made with *Al Jazeera* and *BBC World* which are broadcast internationally.

4 editions of *Tax Justice Focus* have been published in the past 24 months covering the following themes:

- Latin America, guest edited by Matti Kohonen (volume 5, no.1);
- Justice, guest edited by Paul Sagar (volume 5, no. 2)
- Natural Rents, guest edited by Carol Wilcox (volume 6, no 1)
- Switzerland, guest edited by Bruno Gurtner (volume 6, no.2)

4 editions are planned for the coming 24 months:

- **Accountability**, guest edited by **Richard Murphy** (volume 7, no.1)
- **Poverty and inequality**, guest edited **Margit Schratzenstaller** (vol. 7, no.2)
- **Faith and tax justice** (volume 8, no.1)
- **Economic rents** (volume 8, no.2)

## **Staffing**

The International Secretariat currently employs the following staff and interns:

- **John Christensen**, director, based in Chesham, U.K.;
- **Markus Meinzer**, applied researcher, based in Marburg, Germany;
- **Liz Nelson**, network development / funding coordinator, based in Oxford, U.K.;
- **Nick Shaxson**, writer and media analyst, based in Zurich, Switzerland.

In addition, the following are engaged on specific programmes on a consulting basis:

- **Rich Benson**, consultant on social media / communications, based in London;
- **Sarah Knott**, consultant on network development, based in London;
- **Matti Kohonen**, consultant on educational programmes, based in Paris.

**Steven Eichenberger** and **Sam Heinrichs** are currently engaged on research and media support internships.

The core team remains well supported by a variety of senior advisers and specialists. We owe particular thanks to **Jack Blum**, **Jo Marie Griesgraber**, **Jim Henry**, **Richard Murphy**, **Sol Picciotto**, **Prem Sikka** and **David Spencer** for their unstinting and good humoured support.

## **Funding**

Over the past 24 months the International Secretariat has secured grants from a variety of sources:

- **Action Aid**
- **Christian Aid**
- **Department for International Development**
- **Fastenopfer**
- **The Ford Foundation**
- **Global Financial Integrity**
- **Deutsche Gesellschaft für Internationale Zusammenarbeit**

- Joseph Rowntree Charitable Trust
- Misereor
- The Network for Social Change
- Norad
- Oxfam-Novib

In addition we receive subscription income from our membership. We continue to actively explore new sources of funding for our activities, but happily the funding position of the secretariat is a less critical risk factor than it was in January 2009.

## **Coordination and mitigating reputation risk**

The International Secretariat provides a coordination hub for the entire global network. In addition to coordinating research and advocacy, we also handle all international media enquiries and we advise journalists and documentary makers. We actively monitor on a daily basis articles and reports from around the world which can be given a tax justice angle either on our blog or an op-ed piece. In addition we deliver a wide range of professional services to the global Board and regional steering committees, including agenda preparation, issuing minutes, and providing general advisory services.

As the network expands regionally and in terms of its activities, it becomes increasingly important for regional secretariats to ensure they work effectively in coordination with the International Secretariat team. This is crucial for the sustainability of the entire network. Although we work hard to reduce the complexity of the subject, tax justice involves complex and potentially high risk research and analysis. With new secretariats being formed in different regions of the world, we recommend that steps are taken to introduce professional service contracts between regional secretariats and the global Board to ensure effective coordination, communication, accountability and governance in line with our Constitution.

And finally, a word of caution. As the network expands and more people engage on tax justice issues, mistakes might be made that could prove potentially ruinous to the reputation of the network and its professional advisers. The International Secretariat has the role of mitigating reputational risk. Everything we publish is checked rigorously to verify sources and avoid libel risk. This is expert work that must cover all work published under the TJN name, including output from regional secretariats. Regional coordinators must ensure that these checks are made in advance of publication and are signed off by the International Secretariat.

John Christensen  
London, 30<sup>th</sup> January 2011