Preface

We live in an unfair world, and there is an urgent need for wealth and power to be more equitably distributed. The Government’s overriding objective for its development policy is to seek to ensure that poor countries are able to secure greater welfare for their people. Better tax systems are the key to achieving these aims.

Reducing poverty requires economic growth, a large volume of investment and, not least, more jobs in poor countries. Effective and sustainable development also depends on provision of a wide range of welfare services such as education, health care and infrastructure. These cost money, and development aid will never be able to fully meet this need. Better tax systems will provide poor countries with revenues on a permanent basis that are large enough to finance a welfare society. An effective tax system provides a more equitable distribution of wealth and power, which in turn strengthens economic growth over the long term. Thus the programme Tax for Development can be used to drive development in a positive direction.

The taxation level (tax revenues in relation to gross domestic product (GDP)) is often low in poor countries. Norway has a revenue to GDP ratio of 43 percent and the average for the rich countries in the Organisation for Economic Co-operation and Development (OECD) is 34 percent. In the countries of sub-Saharan Africa, the revenue to GDP ratio is only 14 percent. Countries with low incomes and a large informal sector cannot necessarily achieve the same level of taxation as high-income countries, but it is essential that they have tax systems under which persons and companies with substantial incomes pay a reasonable amount of tax. However, widespread use of tax exemptions has resulted in many companies, especially international companies, paying very little tax, and certain tax rules, combined with a lack of control capacity among tax authorities, are also allowing groups of personal taxpayers to get away with very low income tax rates.

In addition to ensuring revenues for the state, an effective tax system can be used to redistribute wealth within the country. This contributes to more equitable distribution and greater public acceptance of the tax system. Studies have shown that one of the conditions for development of a taxpaying culture is that the general public perceives the system to be just and that individuals are aware that others besides themselves are paying tax.

However, higher tax revenues alone are not a sufficient condition for achieving greater welfare and more equitable distribution in a particular country. It is crucial that the money actually reaches the state treasury and that it is used well. Norway is therefore supporting a number of NGOs that work for transparency in the tax system and in budget processes. Parliamentary opposition politicians and the media play an important role here. A taxpaying population will follow the way state revenues are used and hold its politicians accountable.
Enormous sums of money are lost to poor countries every year, most of which should have been taxed. Norway has made active efforts for several years to prevent illicit financial flows out of developing countries, including the promotion of greater transparency and international cooperation. We are also strengthening the capacity of the tax authorities in countries that request assistance. We are focusing particularly on Mozambique, Tanzania and Zambia, and the Norwegian Tax Administration is working together with the tax authorities in these countries. Financial control and audits of large international mining and petroleum companies are a key feature of the cooperation. These are sectors where financial flows pose great problems and where there is great potential for substantial revenues to the state.

So far most research in the field of taxation has been based on OECD countries. We need to increase our knowledge of issues that are particularly relevant to developing countries, and to strengthen research communities in these countries. Norway is therefore supporting a number of research programmes to this end.

Tax for Development, which was established in spring 2011, is a key element in the Government’s work for poverty reduction and equitable distribution. The present report reviews the first year of implementation.

Heikki Holmås
Minister of International Development

Oslo, October 2012
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Executive Summary

It has been said that taxes are the price we pay for a civilised society. The private sector is important for investment, economic growth and development but cannot alone create a modern welfare state. Taxes paid by individuals and companies provide revenues to the state which can be used to finance public goods, such as health care, education, and infrastructure.

In addition to generating revenues for the state, the tax system can contribute to more equality within a country. This can take place in two ways. Firstly, the tax system can be designed so that wealthy individuals with high incomes pay proportionally more taxes than others. Secondly, tax revenues can be spent on areas and measures that will particularly benefit low income groups. Evidence suggests that high inequality increases the risk of social and political instability within a country. These are factors which can be detrimental to long-term growth.

In designing a tax system, several considerations must be balanced against each other. On the one hand the tax system should generate revenue and contribute to more equality by redistributing income. On the other hand the tax system’s effects on work and investment incentives, economic efficiency, and administrative capacity to assess and collect taxes must be taken into account.

Tax for Development was established as a programme in 2011. The Norwegian Agency for Development Cooperation (Norad), the Norwegian Ministry of Foreign Affairs and particularly the Norwegian embassies in some African countries, had already worked with tax issues for a number of years. Analyses undertaken by the Embassy in Zambia in 2005 showed that the country’s important mining sector paid very little tax, and that there was a potential for much larger tax revenues.

Recently, large discoveries of natural gas have been made off the coast of Mozambique and Tanzania. Natural resources such as oil, gas and minerals are a part of a country’s national wealth, and the revenues derived from these resources should benefit both the present and the future generations. It is therefore important to establish good systems (licensing regulations, tax laws, production sharing agreements and tax administration) to ensure that the state receives a fair share of the revenues from the extractive industries.

**Tax for Development has four priority areas:**

1) Support to tax authorities in partner countries
2) Multilateral cooperation
3) Research
4) Support to civil society

The support to tax authorities is primarily given in the form of institutional cooperation between the Norwegian Tax Administration and the tax authorities in Mozambique, Tanzania and Zambia. In addition, Norway supports regional coop-
eration between African tax administrations and two IMF funds which offer technical assistance to developing countries.

The core of the institutional cooperation is capacity building. Experience shows that transfer of knowledge and competence is achieved most effectively by professionals working together ("on the job training"). This takes place when advisers provided by the Norwegian tax administration work alongside their African colleagues on tax audits of companies.

The financial crisis has led to an increased focus on weaknesses in the international financial system and intensified measures to combat tax evasion and illicit capital flows. Countries lose enormous amounts of tax revenues because multinational companies, through various techniques, move profits from countries with high tax rates to countries with very low rates or no tax at all. Some countries offer very favourable tax conditions to non-residents and are reluctant to share tax information. This makes it difficult for other countries’ tax authorities to discover and trace the lost revenues. Tax evasion and illicit capital flows affect many developing countries to a great degree. These problems cannot be resolved by countries on their own, but must be addressed through international regulations and cooperation. Nevertheless, there is a lot countries can do on a national level, such as introducing better tax rules and strengthening their tax administrations.

Several international organisations are engaged in efforts aimed at increasing transparency in the global financial system and achieving better exchange of tax-related information. Norway cooperates actively with the OECD, the Global Forum on Transparency and Exchange of Information for Tax Purposes, the World Bank and the Task Force on Financial Integrity and Economic Development.

Research is an important part of the Tax for Development programme. There is a great need for more knowledge about a range of topics related to tax and development. Some current research topics under investigation are the role of tax havens related to illicit capital flows out of poor countries; the relationship between taxation and state building; the effect of tax incentives on investments; and how to design tax regimes in countries with low tax administration capacity. Not least, there is a great need for more and better tax data from developing countries, which can serve as a starting point for further research.

Even though Tax for Development is primarily focusing on the revenue side, how the revenues are spent is naturally also important. Support to organisations that advocate for increased transparency and public debate on tax issues is a fourth component in Tax for Development. These organisations contribute to placing tax issues on the national and international agenda. Norway supports civil society organisations working to ensure that the authorities are held accountable and that tax revenues are spent in a manner which benefits the whole population.
Some results

Tax for Development was established in the spring of 2011. It is too early to expect results in all areas of the program. However, it is possible to point out some results that have already been achieved, not least at country level. The Norwegian assistance to Zambia in relation to the establishment of a new regime for mining taxation is one example. In 2008 Zambia moved from individual, secret development agreements with the mining companies to a general tax system for mining. The corporate tax rate and the royalty rate were increased, the depreciation rate reduced, and a "windfall" tax (applicable when copper prices were very high) was introduced. Some of these changes have subsequently been reversed, while the royalty rate has been further increased. In total, the changes since 2008 have led to several hundred million US dollars in increased tax revenues only in 2011. There is still a great potential for further increasing the tax revenues from the mining sector. However, the experience from Zambia has shown other countries that it is possible to change existing contracts, when they are unreasonable, even if the counterpart is a resourceful multinational company.

In Mozambique the cooperation between the Norwegian and Mozambican tax authorities in 2011 has led to the identification of a substantial amount of unpaid taxes. This case is of great significance for how much tax Mozambique can collect in the future from extractive industries operating in the country. A rough estimate shows that, if approved in the administrative and possible subsequent legal proceedings, this case could result in increased tax revenues of several hundred million US dollars in the years to come.

On the international arena, the US has passed regulations that require companies in extractive industries to report how much tax and other payments they pay to the authorities in the country in which they are operating. This is an important step in the direction of greater transparency. A similar process is taking place in the European Union and Norway. It is reasonable to assume that the involvement and efforts of civil society organisations have played an important role. Tax for Development supports organisations that are active in this area. The Norwegian report “Tax Havens and Development” (Official Norwegian Report 2009:19) has also contributed to highlighting problems connected to illicit capital flows.
Introduction

The programme Tax for Development was established in the spring of 2011. At that point in time Norway had already supported tax efforts in different contexts for several years. The background for the programme was a political wish to give higher priority to this area, as well as to see the tax-related work at country level in the context of Norway’s global efforts.

This is the first report on Tax for Development. The report mainly covers activities and results achieved in 2011. Where these build on previous efforts, the events and cooperation before 2011 are described. Since the report is written in the second half of 2012, activities which have taken place in the first half of 2012 are also included.

The programme Tax for Development consists of four priority areas that supplement and support each other:

1) Support to the tax authorities in partner countries
2) Multilateral cooperation
3) Research
4) Support to civil society

What we wish to achieve with Tax for Development

The overall goal of Norwegian development assistance is poverty reduction. Through Tax for Development, Norway assists developing countries in increasing their tax revenues, so that they are in a better position to finance their own development and reduce poverty. However, the objective of Tax for Development is not to increase taxes at any cost, but to establish fair tax systems and good relations between Revenue Authorities and taxpayers. It is also important to ensure that the revenues benefit the country’s population, and not only a small elite with power and influence.

All of the elements included in Tax for Development contribute to this overall objective. Tax revenues can be increased both through amended tax laws and through increasing the tax authorities’ capacity to ensure that the taxes are paid. Tax for Development works along both axes, with a main emphasis on strengthening tax administrations. Increasing tax revenues is also related to combatting illicit capital flows out of poor countries. This issue must be addressed on the national as well as on the international level. On the one hand the national tax administrations must get better at auditing multinational companies and ensuring that their taxes are correctly assessed. On the other hand the international regulations and cooperation must improve. Areas of importance in this regard are companies’ reporting obligations, transparency regarding transactions and ownership structures as well as exchange of tax information between tax administrations.
Support to civil society organisations is another central part of Tax for Development. Civil society organisations draw attention to inequalities and injustices within national tax systems and influence international processes in the direction of more transparency and better cooperation. These stakeholders also play an important role in influencing how tax revenues are spent. Support to civil society, as well as to parliamentarians, church congregations and media is also part of the programme.

Research will contribute to more knowledge about tax and development. Such knowledge is essential for the ongoing efforts to establish better tax systems, to combat illicit capital flows, and to increase tax revenues in developing countries.

1. Support to Revenue Authorities in partner countries

Support to capacity building in Revenue Authorities is the core of Tax for Development. Capacity building is decisive for the countries to be able to decide on and implement good tax reforms and develop effective tax administrations. Partly due to the limited capacity in tax authorities, developing countries lose large tax revenues, which could have been spent on goods and services benefitting its citizens.

The choice of Mozambique, Tanzania and Zambia as partner countries was based on these countries’ demand for Norwegian expertise, as well as on capacity and knowledge at the Embassies to follow up such cooperation.

Mozambique

Generally on Norway’s tax cooperation with Mozambique

For several decades Norway has provided advice to the authorities in Mozambique regarding petroleum activity. Technical assistance has been provided with regard to the Petroleum Act, allocation of licenses, physical measurement of production and environmental aspects. Since 2006 the cooperation has been a part of the Oil for Development programme.

Recently, new, promising gas discoveries have been made off the coast of Mozambique. In a few years’ time, these gas fields can lead to enormous revenues to Mozambique. It is therefore important to have a good petroleum tax system and not least an efficient tax administration which can calculate and collect the taxes.

Several donors, including the Norwegian Embassy in Maputo, contribute to a fund which supports the reform work by the Revenue Authority in Mozambique (Tax Common Fund). The fund finances the development of an electronic tax administration system, internal training programmes and a taxpayer information programme directed towards the taxpayers.
Institutional cooperation between the Norwegian Directorate of Taxes and Autoridade Tributaria de Mocambique (AT)

When the tax authorities from Mozambique and Norway started talks on a possible cooperation, it was especially capacity building within taxation of natural resources that was sought after. The two institutions signed a Memorandum of Understanding with a four-year duration in December 2010. The cooperation is financed by the Norwegian Embassy in Maputo.

The overarching objective of the cooperation is to increase tax revenues for Mozambique. In order to achieve this objective it is necessary to strengthen the capacity of the Mozambican tax administration, especially in the auditing of petroleum companies. The Revenue Authorities in Mozambique requested assistance with regard to the identification of risk areas within taxation of natural resources, as well as to the selection, planning and follow-up of tax audits. Experience indicates that the most effective way of achieving capacity building is through practical work with concrete tasks, in combination with lectures and seminars.

The two institutions agreed that the cooperation in 2011 should focus on tax audits of a large international company. The Norwegian Tax Administration visited Mozambique four times in 2011. The visits were spent planning and conducting the tax audits.

Fisheries is also an important sector in the Mozambican economy

In December 2011 the Norwegian Petroleum Tax Office held a presentation for 40 Mozambican parliamentarians on petroleum tax models, including the Norwegian model.

In 2012 the intention was to focus on a tax audit of another international company. The progress has been less than expected due to problems with obtaining the necessary information (accounting reports and supporting documentation). The possibilities of expanding the institutional cooperation to also include the fisheries sector are currently being assessed.
Results
The institutional cooperation in Mozambique is still in an early phase but has already shown some results. In 2011, the tax administrations identified a case of a tax gap of several million US dollars. The case is of fundamental importance for how much tax the authorities can collect from the extractive industries in Mozambique in the future. A rough estimate shows that, as a precedence, this case, if finally approved by the tax administration and possibly the courts, could result in increased tax revenues of more than 200 million US dollars in coming years.

Tanzania

Generally on Norway’s tax cooperation with Tanzania
In 2002 institutional collaboration started between the Ministries of Finance in Tanzania and Norway. The purpose of the cooperation was to strengthen the capacity in Tanzania in the areas of tax policy, tax legislation, natural resource taxation and estimation of expected tax revenues. The cooperation came to an end in 2008, but the Norwegian Embassy in Dar es Salaam continued to support the Ministry of Finance in Tanzania. In 2011 Norway supported work directed towards stimulating a tax policy dialogue, estimations of potential non-tax revenues, and international tax cooperation.

In 2009, the Embassy in Dar es Salaam, in close cooperation with the authorities, contracted consultants to do work on mining taxation in Tanzania. One consultant was engaged to develop a mining taxation model for Tanzania, based on similar work done in Zambia. The tax model was used to evaluate the tax regime for the mining sector, estimate future tax revenues and to draw up a proposal for changes in the tax regime for the mining sector. In 2012 the consultant has further developed the mining tax model and is introducing a tax model for the petroleum sector. A long-term plan has been formulated for training and capacity building concerning the use of these tax models. The authorities have established a group of representatives from six different governmental departments and institutions which will be given the responsibility for the use of the models.

In 2009 a consultant was engaged to assist the Tanzanian tax authorities with auditing derivative contracts entered into by large mining companies. Such contracts are used to reduce a company’s risk, in order to protect against large fluctuations in mineral prices. Hedging contracts can, however, also be misused to evade tax. The contract with the consultant was extended into 2012 and now entails support to the tax authorities’ auditing work in the mining sector connected to unfinished tax audits dating back many years.

In 2009 a consultant was given the assignment to review existing contracts with mining companies (“Development Agreements”). The purpose was to evaluate whether there were any legal grounds for the authorities to require renegotiation of the contracts. The consultant concluded that the stabilisation clauses in the contracts (which guarantee the companies stable tax rules) made it very difficult
for the authorities to terminate existing contracts. It was therefore recommended that the authorities should change the tax conditions in new contracts, and demand that old contracts be renegotiated before new licences were allocated. A third possibility which was evaluated was to provide compensation to the companies transiting to a new tax regime.

In 2012, Norway and Tanzania entered into a contract for long-term Norwegian support to work with the framework for natural resources (petroleum and minerals). The work will focus on changes in the taxation system for natural resources, possible renegotiations of contracts with companies, establishment of a sovereign wealth fund, as well as continued support to the EITI process, to which Norway has been a main contributor in Tanzania for the last two years. The work will be led by the Tanzania Revenue Authority (TRA).

![High visibility clothing must be worn in this area](image)

*Mining has long been an important part of Tanzania’s economy. There have recently been large discoveries of gas and oil in Tanzanian waters.*

The institutional cooperation between the Norwegian Tax Administration and the Tanzania Revenue Authority (TRA)
The Norwegian Tax Administration and the Tanzania Revenue Authority signed a four-year Memorandum of Understanding in June 2011. The purpose of the cooperation is to strengthen the Revenue Authority’s capacity to collect correct taxes, so that tax revenues as a share of the Gross National Product increase each year. The cooperation is financed by the Norwegian Embassy in Dar es Salaam.

The Norwegian Tax Administration visited Tanzania for the first time in the autumn of 2010, and then a total of four times in 2011. During this period, two seminars were arranged focusing on transfer pricing and international taxation. The Tanzania Revenue Authority is in the process of establishing a separate international unit and requested advice regarding the organisation and staffing of
the unit. A report with recommendations on how to improve the efficiency of the auditing process has been submitted to the management of TRA. The work has also involved development of a risk based model for selecting auditing objects.

Throughout 2011 the tax administrations have discussed the extent and content of their collaboration. By May 2012 a formal agreement had not yet been entered into, but some topics for cooperation have been agreed upon. The two institutions will work together on a more risk based approach as a way of improving audit efficiency, guidelines for transfer pricing and the clearing of an audit backlog for the period 2007 – 2010.

In the spring of 2012 the Embassy was about to finalise a programme for support for the authorities’ work with tax policy, connected to the mining and petroleum sectors. The Embassy was also in dialogue with the Ministry of Finance in Tanzania regarding a study on illicit capital flows, for which the Central Bank of Tanzania is to be responsible.

**Results**

In June 2010, Tanzania adopted a new tax regime for the mining sector. Several of the recommendations by the consultant financed by Norway were taken into account.

Tanzania has entered into several new tax agreements with other countries. Such agreements are important to foreign investments, because they prevent double taxation. The agreements also facilitate the exchange of information between tax authorities, and make it easier for Tanzania to ensure that companies and individuals are paying correct taxes.

The audit of derivative agreements revealed that two large taxpayers in Tanzania had unlawfully received a deduction of 200 million US dollars by using derivatives during the period 2006 – 2008. If these assessments are approved in administrative or subsequent court proceedings, these audits will result in large additional revenues. A clarification is expected during 2012.

As the institutional cooperation is yet not in full operation, it is too early to report on concrete results.

**Zambia**

**Generally on Norway’s tax cooperation with Zambia**

In connection with the work with the general budget support to Zambia in 2005, the Embassy in Lusaka analysed the country’s total public income and expenditures. The analysis gave evidence of a large potential for increased tax revenues from the mining sector, particularly taking into consideration the increasing prices of copper and the real size of the sector. The mining industry is the dominating sector in Zambia. Roughly 80 per cent of the revenues from exports come from the sale of minerals.
This work, as well as studies by other institutions such as the IMF and World Bank, laid the basis for an extensive dialogue with the authorities. The support by Norway and other donors gave the authorities an opportunity to contract expertise on an independent basis.

In the autumn of 2007, Zambian authorities contracted three international consultants, all financed by Norway. One of the consultants evaluated the legal basis for all the existing mining contracts, while another undertook a financial analysis of the basis for mining taxation as well as an alternative system of taxation. The objective of the third assignment was to prepare a strategy for renegotiation of the development agreements for the authorities.

The financial analyses were based on access to data from most of the large mining companies, tax and production data from the authorities and international data from relevant mining countries. In 2007, a tax model was developed. The model showed that by amending the tax system a substantial increase in tax revenues from the mining sector in Zambia could be achieved. The consultant has since been engaged by the Embassy to further develop and provide training in the tax model to employees of the tax administration and the Ministry of Finance in Zambia.

Copper mining is an essential part of the Zambian economy. Zambia has been the largest producer and exporter of copper in Africa since the 1940s.

Taxation of the mining industry had been based on negotiated, secret agreements between the authorities and the individual mining company (Development Agreements). The studies done by the legal consultant showed that the mining agreements deviated to a large degree from international standards, but that they were drafted in such a manner that it would be difficult to terminate them...
without an extensive risk of legal consequences. The consultant therefore recom-
mended a gradual and negotiated transition to a new tax regime. However, the
authorities in Zambia were convinced that it would be very difficult to achieve
good results through renegotiation of individual agreements with the mining com-
panies, and therefore chose to change the general tax system.

In April 2008, Zambia introduced changes to its mining taxation system. Presi-
dent Mwanawasa was directly involved, and the changes were accepted by a
large majority in Parliament. The negotiated agreements were revoked, and in
addition to other changes, a separate tax was introduced on copper production
when the copper prices were especially high (windfall tax).

Due to a weakness in the new system, some companies could be taxed more
than 100 percent when copper prices were very high. This could easily have been
avoided by making the windfall tax deductible from the ordinary company tax.
The mining companies contested the legality of the changes. Some of the com-
panies omitted to paying the windfall tax, while others put the tax into a blocked
account.

In the spring of 2008, Norad engaged a consultancy team to evaluate the capac-
ity of the Zambian Revenue Authority with regard to mining tax administration.
Employees of the Norwegian Tax Administration and the Norwegian Petroleum
Tax Office participated in the team. The report from the team suggested a range
of measures to strengthen the administration. Many of the recommendations
have since been followed up by ZRA, among them the establishment of a sepa-
rate Mining Tax Unit in ZRA.

Upon request by Zambia’s Ministry of Finance in 2008, the Embassy engaged
two consultancy companies to support ZRA in an audit of costs, revenues and
production aspects in the mining industry. An extensive pilot audit of three large
mining companies was undertaken and the audit reports were completed in
November 2010. The report by one of the three companies was leaked to the
media. The report points out possible under-reporting of production, suspicion of
manipulation of income by the use of derivative agreements, as well as transac-
tions with related companies registered in tax havens.

President Mwanawasa died in the autumn of 2008. Banda was sworn in as the
new President, and replacements were made in the Government. In connection
with the political changes, the mining industry pressured strongly for changes to
the tax rules. In April 2009, several of the tax changes made in 2008 were
reversed, and the windfall tax was abolished. Late in 2010, the authorities and
the companies agreed that by the middle of 2011, the companies should pay the
windfall tax they owed for the income year 2008.

After the individual tax agreements had been set aside and the tax regime
changed, the Norwegian support has mainly focused on building specialized
capacity within the mining tax administration and implementing the EITI. In addi-
tion, training in the use of the mining tax model has continued.
Institutional cooperation between the Norwegian Tax Administration and Zambia Revenue Authority (ZRA)

The Norwegian Tax Administration and ZRA started talks regarding a possible institutional cooperation in 2010 and signed a four-year Memorandum of Understanding in June the same year. In addition to financing this cooperation, the Embassy in Lusaka provides direct financial support to ZRA, as well as paying for a technical adviser within mineral taxation from the IMF.

In 2011 much of the work was directed towards analysing and arranging for how the tax authorities could become more efficient and raise the quality of its tax audits. The Norwegian Tax Administration also contributed with an evaluation of the capacity of ZRA’s Mining Unit, training courses in tax auditing, participation in

Director General in Zambia Revenue Authority (ZRA), Berlin Msiska, and Norway’s Ambassador to Zambia, Arve Ofstad.
tax audits carried out by ZRA, development of improved routines for tax audits for both the Large Taxpayers’ Office and the Medium Taxpayers’ Office, as well as development of a risk-based model for selection of the companies for tax audits. The visit of the Norwegian Tax Administration partially overlapped with a visit by the IMF expert, and a two-year plan was drawn up for IMF which supplements the Norwegian efforts.

The experiences from the first phase of the institutional work shows that there is a need for tax audits to be better planned, the selection of audit objects to be more risk-based and for new auditing routines to be drawn up. These processes were started in 2011 and the work continued in 2012. It has further been shown to be difficult to obtain information from the mining companies even though the Tax Act in Zambia opens for use of sanctions in such cases.

During the first half of 2012 the Norwegian Tax Administration has completed two assignments in Zambia. During this period, the Norwegian advisers have participated in four tax audits of mining companies. Two more visits are planned to Zambia for the autumn of 2012. A two-week visit to Norway by a delegation from ZRA is planned for October. The IMF and the Norwegian Tax Administration have organised joint seminars and discussed important problems with key personnel in the ZRA. Some of the themes that have been covered are ZRA’s new auditing routines, risk-based selection of audit objects, clarification of how the provisions of the Tax Act should be understood, exchange of information between ZRA and other institutions, as well as transfer pricing.

Results
The programme started late in 2011, and it is therefore very early to expect concrete results. Nevertheless, it is possible to report progress on some points. Four tax audits were planned for four large mining companies, and all of them have been completed.

The state’s revenues from the mining sector increased from 313 million US dollars in 2010 to 1 048 million US dollars in 2011 (equivalent to 5.5 per cent of the Gross National Product). The large increase is partly due to the payment of tax arrears which the mining companies at the time refused to pay, as a protest against the new tax system which was introduced in 2008, and partly the increase in the royalty rate (the rate was increased from 3 to 6 percent in 2012).

As a result of the increased focus on mining taxation, the ZRA has decided that the Mining Unit is to be increased from 10 to 20 employees. These will include geologists, experts on minerals and (if possible) people with previous experience from the mining industry. This will make the ZRA better able to control the quantities of copper and other minerals actually being exported, and thereby to control whether the companies are paying correct taxes.
International Monetary Fund (IMF)

An important part of the IMF’s work is to give advice on tax policy and tax administration to its member countries. In 2011, the IMF established two donor funds for technical assistance in capacity building in low income countries within these areas (Topical Trust Fund on Tax Policy and Administration (TPA) and Topical Trust Fund on Managing Natural Resource Wealth (MNRW)). While the one fund is especially directed towards capacity building within Tax Policy and Administration, broader work is done through the other fund with responsible natural resource management. While the Ministry of Foreign Affairs has contributed with financing of the TPA fund, Norad gives financial support to the natural resources fund and represents Norway on the management committees of both funds. Through the support to IMF, Norway is able to support more countries manage their own resources than can be covered by institutional work with the Norwegian Tax Administration.

Based on input from the IMF, the donors decide what countries the funds should focus on. Countries with a low Gross National Product per inhabitant are given priority, and emphasis is laid on the authorities’ genuine interest in cooperating with the IMF. Through Managing Natural Resource Wealth, the IMF works actively in about 15 countries, the majority of which are located in Africa, south of the Sahara. The work in most of the countries is particularly directed towards allocation of licences, contract negotiation and taxation of natural resources, but the fund also has modules which include tax administration, financial management and statistics. The Tax Policy and Administration fund is running programs in 10 countries. There is a particular demand for technical support to tax policy design as well as to the organisation and professionalization of tax administrations. Both funds are in the start-up phase, and the number of countries will increase gradually. The IMF emphasises transparency in the management of tax revenues as a precondition for a country’s population to be able to hold political decision-makers accountable. Therefore, groups such as parliamentarians, civil society organisations, and media are involved in the IMF’s work, in addition to the tax authorities. At present, the IMF reports only on completed activities, but more extensive work has been started with the development of a result-based reporting system for all the IMF’s multi-donor funds.

The technical assistance which is offered through these funds, usually in the form of a two-week visit by experts in the IMF, completes other tax-related work organized by the IMF. A small part of the funds’ budgets is spent on financing research projects on relevant themes, as well as arranging regional seminars. Norway also supports an IMF fund that provides technical assistance on anti-money laundering.
African Tax Administration Forum (ATAF)

ATAF is a forum for African tax administrations established in 2009. The purpose of ATAF is to facilitate and arrange for cooperation between African tax administrations. Since its establishment, 34 African tax authorities have joined ATAF. The Forum is led by a Secretariat based in Pretoria in South Africa. Norad has supported the Secretariat’s work since its establishment in 2009.

Contrary to many of the institutions and programmes in tax and development, which to a great degree are driven by donor countries, ATAF is an African initiative. The member countries must pay a membership fee, and the objective is that the membership fee will eventually fully finance the Secretariat. Experts from non-African countries are often used as lecturers at courses organized by ATAF, but work is being done to make more use of African experts over time. An important goal of ATAF gatherings is for African tax administrations countries to learn from each other.

In 2011 ATAF arranged a range of technical seminars for tax administrations in Africa. There is a particular focus on increasing the capacity for combating tax evasion by ensuring an effective exchange of information between countries on issues concerning tax, and increased capacity to reveal companies’ transfer pricing abuse.

Regional seminars

In cooperation with the Embassy and Chr. Michelsen Institute (CMI), Norad arranged a regional tax seminar in Maputo in the Spring of 2011. Representatives from the tax administrations in Mozambique, Tanzania, Zambia, South Africa and Norway were represented as well as representatives from the African Tax Administration Forum. At the seminar, CMI presented the report "The tax systems in Mozambique, Tanzania and Zambia: Capacity and constraints", which was written on request by Norad. The report provided a thorough overview of the tax administrations in each of the three countries and recommendations with regard to how further Norwegian efforts should be arranged. Other themes discussed during the seminar included taxation of the informal sector and auditing of large, international companies. The seminar gave tax authorities from several African countries the opportunity to discuss common challenges and exchange experiences.
A follow-up seminar was held in Lusaka in the spring of 2012. The aim of this seminar was to discuss how the tax authorities in developing countries can arrange for increased revenues to the state through taxation of natural resources, as well as measures to increase the general taxpayer culture. The CMI report "Building taxpayer culture in Mozambique, Tanzania and Zambia: Achievements, challenges and policy recommendations", financed by Norad, was presented at the seminar. The report was the starting point for a discussion on how the tax authorities can work to create a taxpayer culture. The participants in the seminar in Lusaka also included representatives from the authorities in Mozambique, Tanzania, Zambia, Botswana, and South Africa, ATAF, IMF, the civil society organisation Zambia Tax Platform, and the consultancy company Econ Pöyry. Norway was represented by the Norwegian Tax Administration, the Embassies in Lusaka, Maputo and Dar, CMI, Econ Pöyry and Norad. Norad’s Director General opened the seminar. Reports summarising the presentations and subsequent discussions are publicly available on Norad’s website.

2. Multilateral cooperation

The financial crisis has contributed to directing a critical focus on the international financial system, including tax evasion and illicit capital flows. The battle against tax evasion was an important subject matter at the G20 summit meeting in Cannes in November 2011. All participants of the meeting expressed support for the OECD’s multilateral convention on mutual administrative assistance in tax matters. This convention has been prepared by OECD and the Council of Europe.
The objective is that countries will implement extensive rules on transparency and international co-operation in order to combat tax evasion.

Tax evasion concerns developing countries to the highest degree, as these countries often lack capacity to confront the problem. Substantial tax revenues are lost because multi-national companies, through various techniques, shift profits from countries with high tax rates to countries with very low rates or no tax at all. Some countries offer very favourable tax conditions to non-residents and are reluctant to share tax information. This makes it difficult for other countries’ tax authorities to discover and trace the lost revenues. At the same time, developing countries have a large potential for increased tax revenues by improving their legislation and tax administration.

Norway cooperates actively with several international organisations working for increased transparency and better exchange of tax-related information.

**Organisation for Economic Co-operation and Development (OECD)**

In January 2011, OECD established a programme for tax and development. The programme is a cooperative effort between the Committee on Fiscal Affairs (CFA) and the Development Aid Committee (DAC). An informal working group is established (Task Force on Tax and Development) with representatives from OECD countries, developing countries, private sector and international organisations. The working group will advise on the development of the programme. The idea behind the program is that developing countries should benefit from the professional competence the organisation has built up in the tax area and the on-going international processes for increased tax cooperation and sharing of information. The programme aims to: optimise the internationally available resources to help build tax systems in developing countries; help developing countries build their capacity to ensure they can tax multinational enterprises fairly through effective transfer pricing regimes; help developing countries agree and implement tax information exchange agreements; and examine the case for and against reporting relevant financial data by multinational enterprises on a country-by-country basis.

Norway, through the Ministry of Foreign Affairs, has supported the programme financially (in addition to the general contribution to OECD) and is represented in the informal working group (Task Force) as well as in the sub-group focusing on tax and state building. Further, the Ministry of Foreign Affairs has contributed with financing of a feasibility study for the project “Tax Inspectors without Borders”. The project aims to establish an independent unit for providing tax auditors to assist the tax authorities in developing countries upon request.

Through the programme for tax and development, OECD has provided technical assistance to several countries with regard to the handling of transfer pricing...
problems. This has led to better legislation and internal guidelines for transfer pricing in Ghana and Vietnam, education of more tax auditors in Kenya, development of a pilot tool in Rwanda and capacity building in Colombia. Further, OECD has drawn up principles for increased transparency and better governance in connection with tax incentives for investments, as well as a practical guide for exchange of tax information between countries.

Global Forum on Transparency and Exchange of Information for Tax Purposes

The Global Forum is not an ordinary part of OECD, but the OECD is hosting the Secretariat. The work is financed through contributions from the members of the Forum. Norway is a member of the Global Forum and supports the Secretariat through the Ministry of Finance.

The Global Forum works towards more transparency and more efficient exchange of tax information between countries. The Forum has 110 member countries at present (among them more and more developing countries) and a range of international organisations as observers.

The Forum’s main task is to ensure that the countries comply with accepted global standards for transparency and exchange of information for tax purposes. A crucial part of the Forum’s work are the so-called peer reviews, where member countries review and evaluate each other’s legal framework and its implementation. Countries that are not members, but have characteristics of offshore finance centres, or tax havens, are also reviewed.

As a result of the Forum’s work, many countries, not least tax havens, have entered into new agreements or have joined the multilateral convention for mutual administrative assistance in tax matters which require them to exchange information for tax purposes. Several countries had to change their domestic legislation in crucial areas in order to comply with the new standard. This entails considerable improvements which also benefit developing countries, such as better access to agreements regarding exchange of information. The Forum is also involved in providing technical assistance to developing countries in order to improve the tax authorities’ access to necessary information both on the national as well as on the international level. Assistance is provided through seminars and longer-term projects, such as two pilot projects in Ghana and Kenya.

Financial Action Task Force (FATF)

FATF is not an ordinary part of OECD either, but the OECD is hosting the Secretariat. FATF draws up guidelines and standards which will contribute to more transparency regarding ownership and financial transactions. The purpose is primarily to prevent money laundering of income from criminal activities and financing of terror actions, but transparency is also decisive in order to be able to fight
national and international tax evasion. FATF has 36 member countries. FATF’s standard is also applied by several regional units similar to FATF. Norway is a member of FATF and supports the Secretariat through the Ministry of Finance.

The World Bank

The World Bank works with questions connected to tax and development and publishes the "Doing business" reports. Here the countries are ranked according to how easy it is for companies to operate there, including acting in accordance with tax rules and tax authorities.

In 2012, the World Bank published "Draining Development? Controlling Flows of Illicit Funds from Developing Countries". This is a collection of articles on illicit capital flows based on lectures held at an international conference in Oslo in the autumn of 2009. The book project was initiated and financed by Norway through the Ministry of Foreign Affairs.

The World Bank manages the "EITI Multi-Donor Trust Fund", which supports institutions working with the EITI process on a country level, as well as support to organize and publish EITI reports.

The World Bank’s “Stolen Asset Recovery Initiative” (STAR) helps countries in recovering money which has been illegally transferred out of the country. This is often money which has been stolen by dictators or which originates from corruption. STAR is not directly tax-related, but has a tax component because the stolen funds often should have been taxed. EITI Multi-Donor Trust Fund and STAR receive support from the Ministry of Foreign Affairs.

Other relevant initiatives

The UN Committee of experts on international cooperation in tax matters works, as does OECD, with questions connected to international tax co-operation. The Ministry of Foreign Affairs supports the committee’s work through financing of Junior Professional Officers (JPO), as well as meetings and studies.

OECD has launched the initiative "Tax and Crime Forum". The purpose of the initiative is for different state institutions to adopt a collective and holistic approach to the fight against financial crime, including tax crime. The initiative is also called the Oslo dialogue, since Norway was host to the first conference in 2011. The second Tax and Crime conference was held in Rome in 2012.

The International Tax Compact (ITC) was initiated by the German Department of Development (BMZ). The ITC aims to promote effective, fair and efficient tax systems and fight against tax evasion and avoidance on a global level. This is done through publishing studies and arranging technical seminars.
The International Tax Dialogue (ITD) was established in 2002 by the IMF, OECD and the World Bank. The initiative aims to stimulate the debate on tax issues between tax authorities, regional tax organisations and international organisations. The purpose is to share experiences and information, as well as prevent duplication of efforts.

**Box 1. Extractive Industries Transparency Initiative (EITI)**
EITI is a global initiative to hold authorities accountable by demanding transparency regarding revenues from natural resources. Countries wishing to participate in EITI first become EITI candidates. As EITI candidates, the authorities commit to publicising the revenues they receive from companies exploiting natural resources in the country. The companies are also required to publicise their payments to the authorities. An independent administrator compares the information from authorities and companies and attempts to explain any deviation. The EITI candidate must also draw up a work plan, which is discussed and adopted by a stakeholder group in which authorities, companies and civil society participate. After becoming an EITI candidate the country has a period of 2 ½ years to become validated, so that it can be approved as an EITI country (“EITI compliant”). Validation entails an independent evaluation of how the country complies with the EITI requirements and what measures should be implemented to achieve better and faster progress. Countries must go through a validation at least every five years in order to retain their EITI status.

As of end September 2012, 15 countries meet the EITI requirements, while 21 countries are EITI candidates. EITI was established in 2003 and has a Board consisting of representatives for the authorities, companies and civil society. Norway has supported EITI from the beginning, and the international Secretariat has been based in Oslo since 2007. Norway became EITI compliant in 2011.

Tanzania and Mozambique are EITI candidates. Zambia was approved as an EITI country in September 2012. The Norwegian Embassies in these three countries support the EITI processes.

### 3. Research

Research is an important part of the Tax for Development programme. There is a great need for more knowledge about a range of topics related to tax and development. Some current research topics under investigation are the role of tax havens related to illicit capital flows out of poor countries; the relationship between taxation and state building; the effect of tax incentives on investments; and how to design tax regimes in countries with low tax administration capacity. Not least, there is a great need for more and better tax data from developing countries, which can serve as a starting point for further research.

Through the support to international research programmes directed towards investigating the abovementioned and other topics, Norway contributes to increasing the knowledge basis regarding the relationship between tax and development, to communicating this knowledge, and to strengthening the research capacity of the cooperating partners in developing countries.
**Chr. Michelsen Institute (CMI)**

In the summer of 2010, Chr. Michelsen Institute (CMI) was engaged by Norad to contribute to the work with systematising and analysing knowledge regarding tax and tax administration in Mozambique, Tanzania and Zambia. During the first year of the contractual period, CMI produced the report "The tax systems in Mozambique, Tanzania and Zambia: Capacity and constraints". The report provided a thorough overview of the tax administrations in each of the three countries and made recommendations regarding how the Norwegian efforts should be organised. The report recommended that the Norwegian engagement should focus on support to tax reform and capacity building in tax administrations in developing countries, as well as support to the civil society and research on tax. It was further recommended to have a thematic focus on illicit capital flows, natural resources and environmental taxation, as well as on the relationship between taxation and state building.

The contract with CMI expired in the summer of 2012. During the second year of the contractual period, CMI published two reports: "Tax administrations working together - Documentation of the initial phase of the co-operation between the Norwegian Tax Administration and the Revenue Authorities in Mozambique, Tanzania and Zambia" and "Building taxpayer culture in Mozambique, Tanzania and Zambia: Achievements, challenges and policy recommendations". The target group for the first report was primarily Norad, the embassies and the Norwegian Tax Administration. Besides documenting the first phase of the institutional work in the three countries, theory and previous experience with similar work was discussed, and recommendations were given. The other report was especially directed towards the authorities in the three countries and focused on how to create a taxpayer culture.

Besides being a conversation partner and advisor on a range of questions concerning tax and development, CMI has been an important contributor and participant in the regional tax seminars which Norad has arranged in Maputo (2011) and Lusaka (2012).

**International Centre for Tax and Development (ICTD)**

The International Centre for Tax and Development is an international research consortium, led by the Institute for Development Studies (IDS) in the UK. ICTD has a range of partners, including the African Tax Administration Forum (ATAF), the French Centre d’Études et de Recherches sur le Développement International (CERDI), Chr. Michelsen Institute, and the South African Institute of Security Studies (ISS), in addition to a range of individual researchers all over the world. The programme was established in 2010 and is financed by the UK Department for International Development (DFID) and Norad.

The research programme stretches over five years and includes projects within themes such as natural resource taxation, informal sector taxation, international dimensions of taxation and capital flight, tax administration and reform, and taxation in post-conflict and fragile states. The overall objective of the programme is
to contribute to development in the poorer parts of the world by mobilising knowledge that will help make taxation policies more conducive to pro-poor economic growth and good governance. This is to be achieved through the generation and dissemination of relevant knowledge to policymakers and by mobilising knowledge in ways that will widen and deepen public debate about taxation issues within developing countries. Support to researchers in developing countries is an important part of the program.

It is too early to say anything about results yet. ICTD is about to complete a result framework which will be used in reporting in the future.

**Tax havens, capital flows and the developing countries (TaxCapDev)**

The research programme TaxCapDev is managed by The Research Council of Norway under the programme NORGLOBAL. It was established in 2011 and has a five-year duration. The programme is financed by Norad.

The research projects which receive funds from TaxCapDev focus on the role of tax havens for financial flows out of developing countries. The programme was established as a link in the follow-up of the report on tax havens and development submitted by the Committee on Capital Flight in June 2009. By mid-2012 three projects have been granted support. A project led by The Norwegian Institute of International Affairs (NUPI) will look at how capital is moved from developing countries to offshore jurisdictions, a research group of researchers from the Norwegian School of Economics and Business Administration in Bergen (NHH) in the lead focuses on the role of the tax havens, while the Faculty of Law at the University of Oslo will look at how agreements on exchange of information can help developing countries to retain a larger part of its tax revenues.

The three projects started up at the end of 2011/beginning of 2012. It is therefore too early to report on results.

### 4. Civil society

Support to civil society organisations is a central component of Tax for Development. Civil society organizations contribute to putting tax issues on the agenda, on the national as well as on the international level. Even though the Tax for Development program is primarily focused on assisting countries to collect tax revenues, it is naturally also important how the revenues are spent. Norway supports civil society organisations working to ensure that the authorities are held accountable to the taxpayer population and that tax revenues are spent in a manner which benefits the whole population.

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In 2011, seven organisations were granted support for work with tax and capital flight. The work of the organisations has contributed to increased participation and engagement by the civil society in the national tax debate in Mozambique, Tanzania and Zambia and put the need for increased reporting requirements from multinational companies higher on the international agenda.

The Dialogue Project

The Norwegian Ministry of Foreign Affairs’ Dialogue Project on Capital and Development was initiated in 2010 and ended in 2011. The aim of the project was to contribute to increased knowledge and more public debate on the capital flows out of and into poor countries and the connection between these flows and poverty. The initiative focused on illicit capital flows, innovative financing, debt, investments, tax and trade. The project managed its own grant for meetings, seminars, conferences, reports, investigative journalism and secretariat functions. Norwegian and international civil society organisations, networks, companies, research institutions, business and labour organisations, media, political parties and ministries could apply for support. A total of 35 different initiatives received support through the project. The Dialogue Project has contributed to developing Norwegian political positions and supported initiatives for more fair taxation and distribution of tax revenues in developing countries.

Publish What You Pay (PWYP)

Publish What You Pay (PWYP) is a global network of civil society organisations campaigning for increased transparency and accountability in the extractive industries. The international network organizes and mobilises about 640 organisations from over 50 countries. PWYP Norway functions as a secretariat for the Norwegian network, which consists of 18 organisations. Norad has supported Publish What You Pay Norway since 2008.

With financial support from the Dialogue Project, Publish What You Pay Norway was able to publish the report “An extended country by country reporting standard – A policy proposal for the EU”, launched at a seminar in January 2012. Through support to this and similar measures, the Dialogue Project contributed to influencing the position of Norwegian and European authorities in the question of the introduction of – country by country reporting – for companies operating in developing countries. Read more about country by country reporting in Box 2.

In 2011, Publish What You Pay Norway published several reports that have been used in the information work regarding tax and capital flight. The report “Piping profits” shows how some of the largest companies within the extractive industry have organised themselves with numerous subsidiaries, many of which are registered in tax havens. These structures make it very difficult for the tax authorities to obtain the information that is necessary in order to tax the industry. The report "Lost Billions. Transfer Pricing in the Extractive Industries" describes how
over USD 110 billion have disappeared in transfer pricing of raw oil in the US and EU during a ten-year period and how the surplus has been moved from the source country to multinational companies.

The reports have attracted a lot of attention both in Norway and internationally. They have shed light on the extent of the challenges connected to secrecy and capital flight and have given Publish What You Pay professional weight in the campaign work for introduction of extended country by country reporting in Norway and in the European Union.

Publish What You Pay Norway has also received support for the programme TRACE, the aim of which is to strengthen the capacity of civil society organisations, labour organisation and media in resource-rich developing countries. In 2011 a range of training measures were carried out in Bolivia, Ecuador and Nicaragua. This contributed to increased understanding of the importance of transparency in the extractive industry and of the challenges connected to illicit capital flight and secrecy.

Box 2: Country by country reporting

Today enterprises are required to disclose their annual financial statements, which include income and taxes, on an aggregate company level. Country by country reporting means that companies will have to report on these figures for every country in which they operate. This would be an important step towards more transparency and accountability. Some companies claim that country by country reporting will be onerous and costly, and oppose requirements to report on this level. The Dodd-Frank Act requires companies in the extractive industries listed on the American Stock Exchange to report on how much they pay to the authorities in each country in which they operate. In August 2012 the American Securities and Exchange Commission adopted regulations which require the companies to report, not only on a country by country basis, but also on each individual project.

In the autumn of 2010, the EU Commission proposed legislation on country by country reporting. The proposal is now being discussed in the EU and a decision will be made in the near future. Norway is a member of the European Economic Area and will have to adopt EU legislation in this area.

Publish What You Pay, Tax Justice Network and other organisations have advocated for an extended country by country reporting which entails reporting on production data, revenues, investments, costs and profits. The organisations argue that reporting on this level will contribute to putting the tax payments into a meaningful context and has urged Norway to pass legislation on extended country by country reporting.

In June of 2012 the Minister of Finance, Sigbjørn Johnsen, announced that country by country reporting will be introduced in Norway by 1 January 2014.
**Tax Justice Network**

Tax Justice Network is a global network of organisations, researchers, journalists and activists who work for more transparency in the international financial system and to map, analyse and explain causes and effects of tax evasion, tax flight and use of tax havens. Over 50 organisations are members of the international network, which has regional members and partners in Africa, Latin-America, Europe and Australia. Norad has supported Tax Justice Networks’ international secretariat in London since 2010. In 2011 the support went to the programme “Mobilizing for Tax Justice: A North-South Outreach Programme”.

With “Mobilizing for Tax Justice”, the Tax Justice Network wishes to make its member organisations able to carry out influencing work. Training, information and support to national campaigns and programmes are an important part of the work. In 2011 the information work has particularly been directed towards the following goals: establishment of a code of conduct aimed at professional facilitators of tax evasion; transparency of ownership information; introduction of an international standard for country by country reporting; transparency and accountability of tax systems; and effective and multilateral tax information exchange.

Over the past few years, Tax Justice Network has actively advocated for reform before decision-makers in Europe and around the world. This work has contributed to that the EU Parliament passed a resolution in 2011 for more transparency around ownership of companies, foundations and trusts. In co-operation with Publish What You Pay, Tax Justice Network has also played an important role in the international campaign for country by country reporting.

**Task Force on Financial Integrity and Economic Development**

The Task Force on Financial Integrity and Economic Development was established in 2009 and is a global coalition of civil society organisations and governments working together to address inequalities in the financial system. The work is led and coordinated by Global Financial Integrity, which is a Washington-based think tank. Global Financial Integrity receives support from the Ministry of Foreign Affairs for this work.

The Task Force focuses on illicit capital flows out of developing countries and estimates that this can concern as much as 850 billion US dollars per year. The Task Force advocates for the curtailment of trade mispricing; country by country reporting by multinational corporations; information on beneficial ownership in bank accounts; cross-border exchange of tax information; and harmonization of predicate offenses under anti-money laundering laws across all cooperating countries. An important role of the Task Force is to influence the G20, OECD, FATF and country authorities, as well as to publish research and blogs and advocate through the media.
Civil society organizations including the media contribute to disseminating information concerning taxation and to adding such issues to the international agenda.

Thomson Reuters Foundation

Thomson Reuter Foundation works for better governance, greater transparency, more effective humanitarian relief and a robust and independent global press. Norad has supported the programme “Financial and Business Reporting, Africa” since 2010. The aim of the programme is to improve the quality of African media’s reporting on financial and business news, including such concepts as capital flight and taxation. The need for reporting skills on finance is particularly acute in African countries, as the continent is rapidly becoming more connected with international trade, more dependent on financial markets and more vulnerable to unregulated capital flows.

Since 2010 the Thomson Reuter Foundation has provided training in financial and business reporting to 113 journalists through eight courses held in different countries in Africa. Illicit capital flight from developing countries has been a recurrent theme at the courses. An example of what participation in such courses can result in, is the journalist from Zambia who decided to investigate the rumours of large tax evasions by an international company with mining activities in Zambia. The result was a critical article which attracted much attention both in Zambia and internationally. In June of 2011 the European Investment Bank decided to freeze all loans to the company due to “serious concerns about governance”.

“...the story started generating a lot of interest from international media and other organisations...the story was also picked up by campaign groups Counter Balance and Eurodad who took complaints of [the company’s] widespread pollution and avoiding tax in Zambia to the European Investment Bank in a letter signed by more than 50 Members of the European Parliament” (Pamela Mutale Kapekele)
Norwegian Church Aid

In Zambia and Tanzania the Norwegian Embassies and Norwegian Church Aid work together towards the goal of fair distribution of the wealth from natural resources. In Zambia, Norwegian Church Aid supports the work by promoting increased tax revenues from the extractive industry. In 2011, Norwegian Church Aid helped to establish the Zambia Tax Platform, which was established as a forum for debating and spreading knowledge about taxation in Zambia. The initiative has already been an important voice in the public debate on taxation in the country. In Tanzania, Norwegian Church Aid works actively with mobilising citizens to get involved in demanding justice and good administration of the country’s natural resources. The work is particularly directed towards increasing the capacity of religious leaders, so that they can play a more active role in the work of promoting fair taxation. Norwegian Church Aid’s work in Tanzania and Zambia is supported by Norad.

In 2011, Norwegian Church Aid launched an information campaign about tax havens and capital flight. Together with other civil society organisations, Norwegian Church Aid fought for introduction of country by country reporting in Norway. Through the collection of over 40 000 signatures and a range of media publicity on the theme, Norwegian Church Aid contributed to influencing the Government to introduce country by country reporting in Norway from 2014.

Caritas

In Zambia, Caritas is an important voice in the work of promoting a fair tax system which ensures that the country’s natural resources benefit the population. Caritas Norway receives support from Norad for the work in Zambia. The Norwegian organisation works closely with the local Caritas office in Zambia.

Caritas Zambia has worked actively for the introduction of a special tax on copper production (windfall tax) and a change in the tax conditions in the agreements that were entered into between the state and private companies when the mining industry was nationalised. Caritas plays an important role in shedding light on the social needs of the population in the mining areas.
Centro Integridad Publica (CIP)

Centro Integridad Publica, CIP, is a Mozambican organisation advocating for transparency and citizens rights in Mozambique. CIP promotes increased transparency through insight into the budget and planning processes in the public sector, and plays a leading role in the battle against corruption, i.e. through investigative journalism. For the past few years, transparency regarding the development of Mozambique’s rich natural resources has been high on the agenda.

Norway has supported CIP since 2009. The support has also contributed to financing CIP’s participation in the national EITI Committee. Increased transparency in tax administration and fair use of tax revenues have been important matters for CIP. The organisation has arranged several open meetings for the civil society to discuss tax legislation and spending of tax revenues. CIP has also used Norwegian tax experts to promote better understanding of the challenges connected to taxation of non-renewable resources. CIP has further been engaged in the work with revising the Mining Act and Petroleum Act and thereunder the tax regimes for these sectors.

CIP has contributed to increasing the capacity of local civil society organisations in areas which are affected by extraction of non-renewable resources, particularly concerning the rights of the local society. CIP has also contributed with professional content in several critical articles in the media regarding the tax agreements with the mining companies in Mozambique and the extensive use of tax concessions for extensive international investments.
## Annex 1

### Financial support (in million US dollars)

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<td><strong>Total</strong></td>
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2 The figures are approximate. The exchange rate used is 6 NOK/USD.
Norad
Norwegian Agency for Development Cooperation

Postal address:
P.O.Box 8034 Dep, NO-0030 Oslo
Visiting address:
Ruseløkkveien 26, Oslo, Norway

Tel: +47 23 98 00 00
Fax: +47 23 98 00 99

postmottak@norad.no
www.norad.no