

Africa at risk: global financial secrecy and what we can do about it

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Stemming Illicit Financial Flows & enhancing domestic resource mobilisation: Tax Justice for Promoting Equality and Social Justice

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Make taxes work for women
Global Days of Action **8-22 march 2019**

Corporate tax dodging

\$500bn

Estimate of annual tax losses to governments due to profit shifting by multinational companies

At risk of illicit financial flows



The problem of financial secrecy

Financial Secrecy

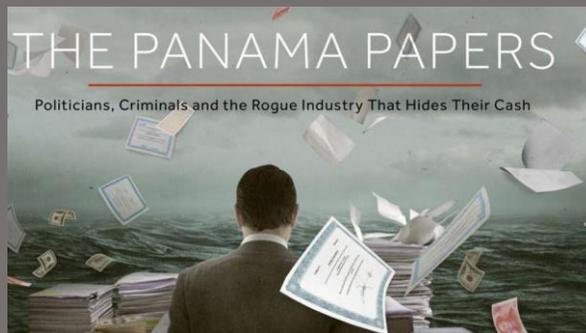
- Refusal to share financial information with legitimate authorities
- Bank secrecy
- Corporate secrecy
- Non-cooperation

Offshore activities

- Opacity
- Complexity of the structures
- Difficulties and divergences in interpreting the law
- Weak political support for law enforcement

Illicit Financial Flows

- Proceeds of crime or corruption
- Tax evasion, tax avoidance and tax planning
- Hiding wealth from public agencies, business associates, or family members



Secrecy jurisdiction:

A country that provides facilities for people and companies to *escape* the laws, rules and regulations of other countries, using secrecy as a prime tool.

Tax Justice Network

www.financialsecrecyindex.com

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The problem of financial secrecy: how to measure it



Financial secrecy indicators

The 2018 Financial Secrecy Index

Ownership Registration	Legal Entity Transparency	Integrity of tax and financial regulation	International Standards and Cooperation
1 Banking secrecy	6 Public Company Ownership	11 Tax Administration Capacity	17 Anti-money Laundering
2 Trusts and Foundations Register	7 Public Company Accounts	12 Consistent Personal Income Tax	18 Automatic Information Exchange
3 Recorded Company Ownership	8 Country by Country Reporting	13 Avoids Promoting Tax Evasion	19 Bilateral Treaties
4 Other Wealth ownership	9 Corporate Tax Disclosure	14 Tax Court Secrecy	20 International Legal Cooperation
5 Limited Partnership Transparency	10 Legal Entity Identifier	15 Harmful Structures	
		16 Public Statistics	

Lowest available transparency denominator!!

- 112 Jurisdictions (9 African countries)
- Sources of Data: official and public reports by the OECD, the associated Global Forum, the FATF, the IMF, the IBFD, PwC, Lowtax and Surveys (sent to the Ministries of Finance and the Financial Intelligence Units).
- 20 financial secrecy indicators

Financial Secrecy Index 2018 – Worst Offenders



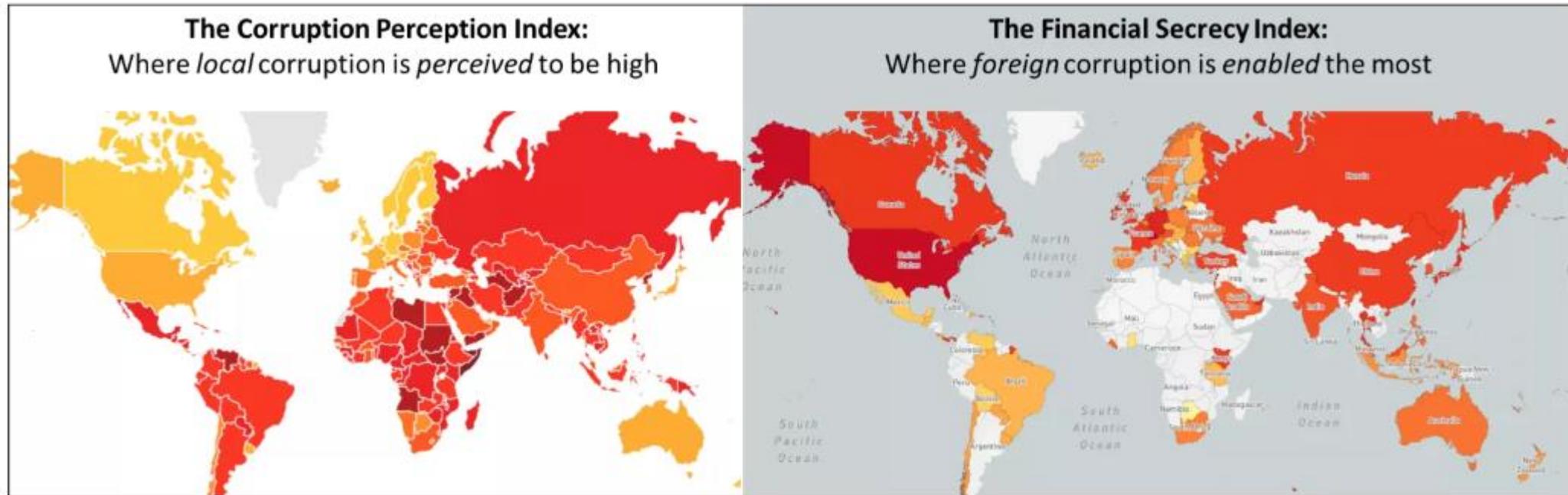
Financial Secrecy Index

Ranking
1. Switzerland
2. USA
3. Cayman Isl.
4. Hong Kong
5. Singapore
6. Luxembourg
7. Germany
8. Taiwan
9. UAE
10. Guernsey
(...) 112.

- Ranking based on secrecy score + scale of offshore financial services

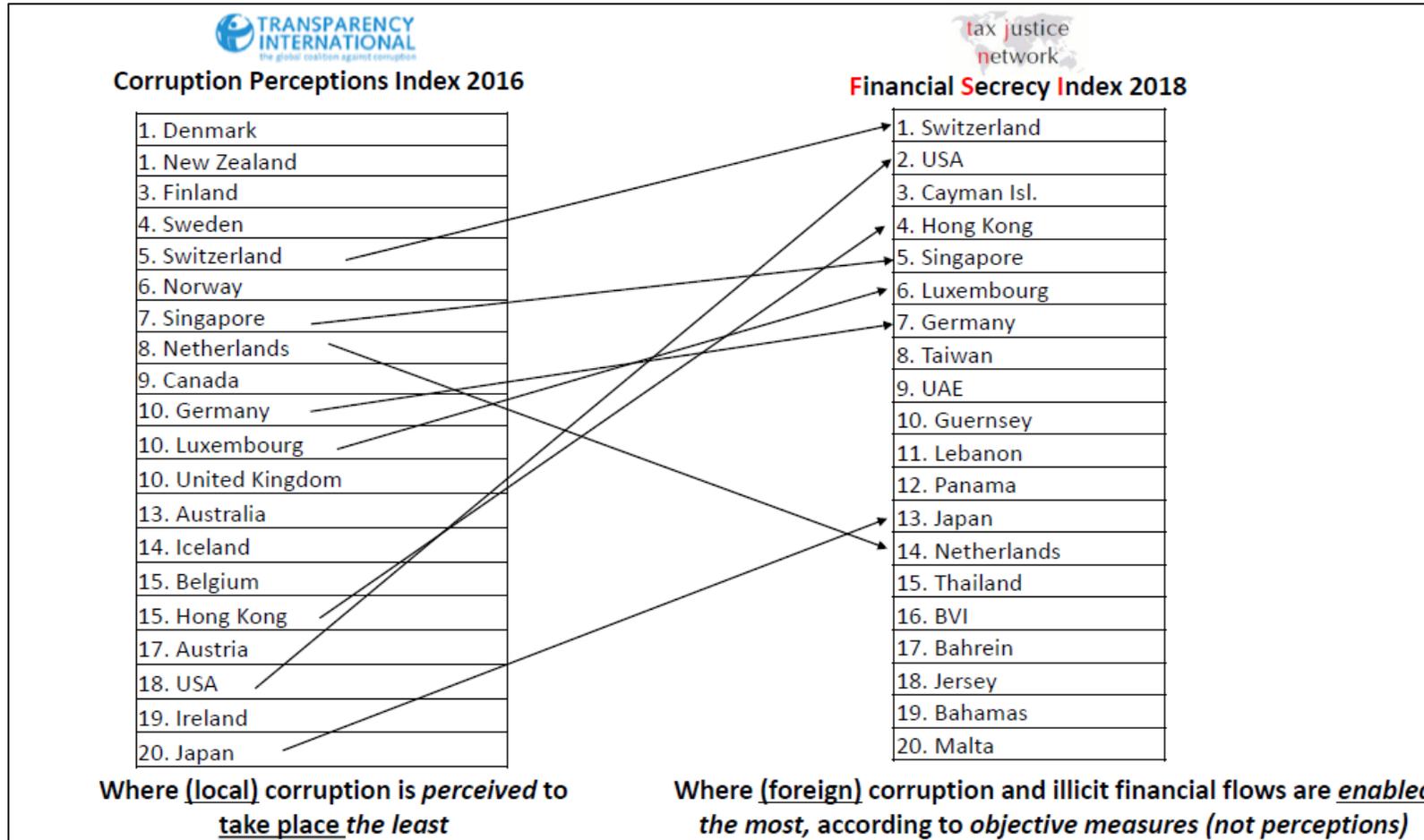
The problem of financial secrecy

Financial secrecy & corruption perceptions



Source: Knobel, A., Tax Justice Network, 2018, *Inverted Maps: The Corruption Perception Index and Financial Secrecy Index*, <https://www.taxjustice.net/2018/02/22/inverted-maps-the-corruption-perception-index-and-the-financial-secrecy-index/>

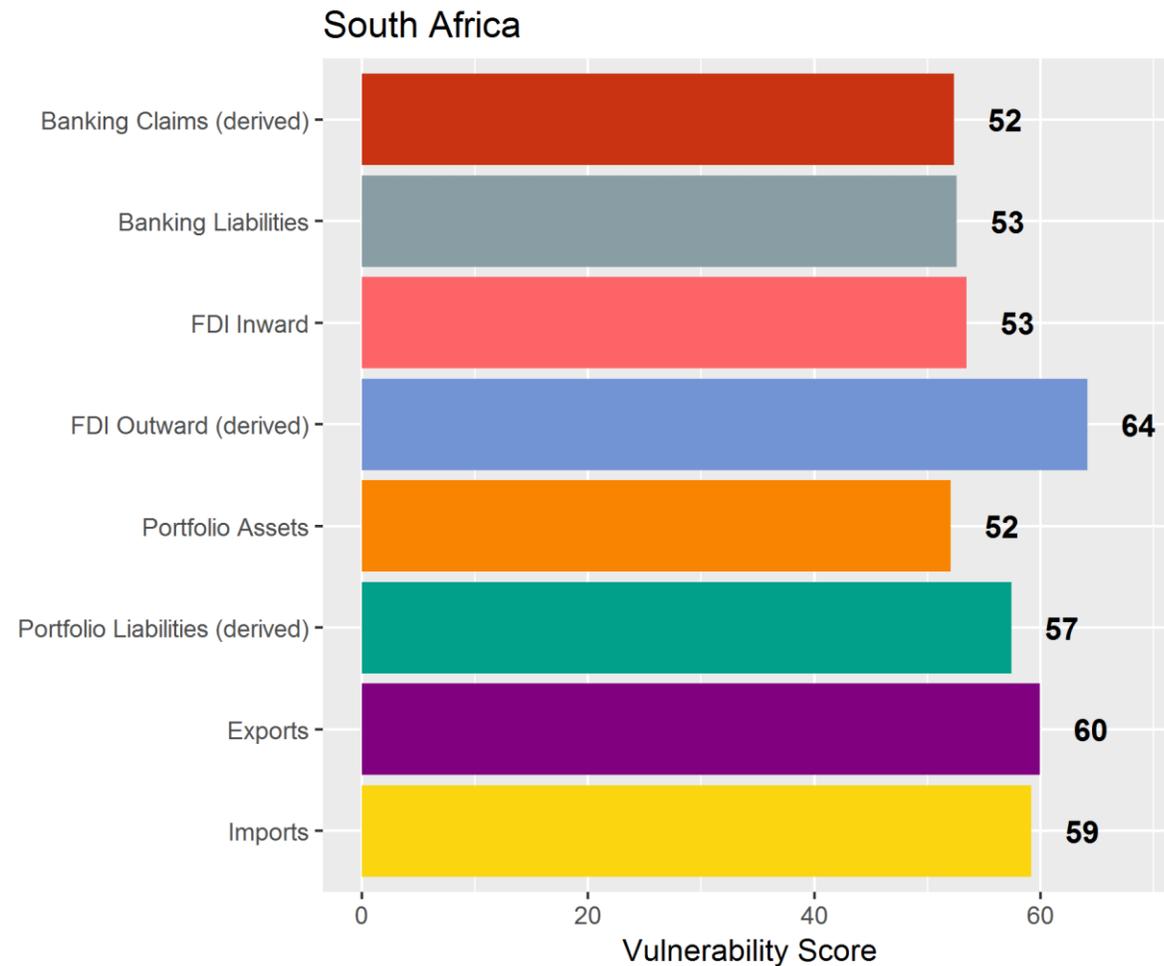
Financial secrecy vs. corruption perceptions



Risks at home

- **Which economic relationships put your country at the greatest risk of illicit financial flows?**
 - Each transaction can be manipulated to move money illicitly
 - Overpricing (e.g. imports = shift profits)
 - Underpricing (e.g. imports = evade tariffs, exports = shift profits)
 - Anonymity
 - What data exists to answer these questions?
 - Data on economic relationships: trade, banking and investment data
 - Secrecy scores of partner countries

South Africa's risk profile, 2009-2017



Vulnerability of Burkina Faso's exports to IFFs, 2016



Burkina Faso					
Rank	Country	Secrecy Score	Vulnerability Share	Exports (m) (USD)	Share of Exports
1	Switzerland	76	70.8%	1495.7	65.0%
2	Singapore	67	9.6%	230.1	10.0%
3	India	52	4.2%	130.0	5.6%
4	South Africa	56	3.2%	90.9	4.0%
5	Ghana	62	2.3%	59.0	2.6%
6	France	52	2.1%	65.9	2.9%
7	China	60	1.6%	41.9	1.8%
8	Greece	58	1.5%	43.1	1.9%
9	United Kingdom	42	1.0%	37.5	1.6%
10	Denmark	53	0.8%	25.8	1.1%
			Overall vulnerability of exports		
			70		

How can illicit financial flow risk be addressed?

Know your ABC+DEFGs...



Automatic exchange of information

Beneficial ownership transparency

Country-by-country reporting

Disclosure to support accountability and compliance, including of tax incentives

Enforcement, including effective resourcing of tax authorities and other relevant agencies

Formulary apportionment and unitary taxation

Global convention

+ better data on economic relationships for country-level risk assessments!

Thank you

For further information:
Financial Secrecy Index: www.financialsecrecyindex.com

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