

**Natural resource riches and tax:  
the role of civil society**

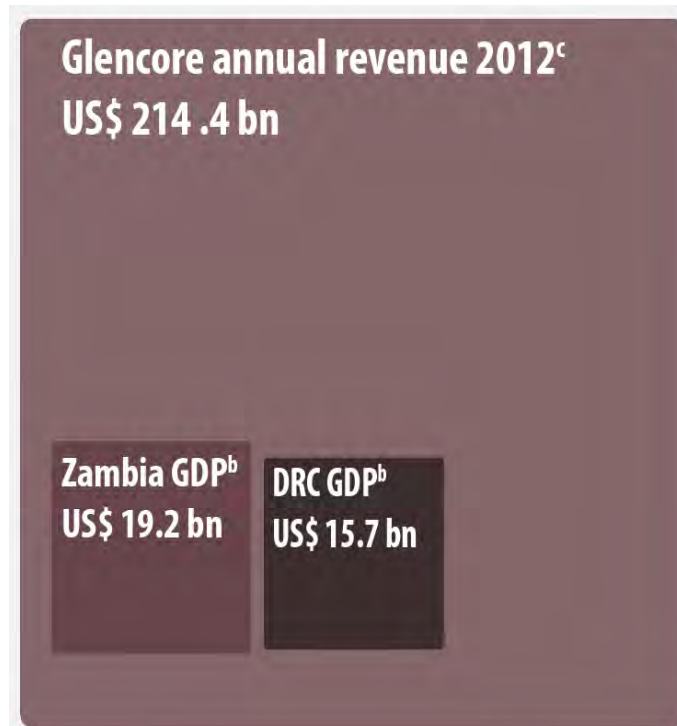
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- **An international federation:** working in 45 countries around the world, headquartered in Africa (Johannesburg)
- **Programmes:** from education and agriculture, to budget monitoring & local government accountability projects
- **Human-rights-based approach to development:** domestic resource mobilisation & strong tax authorities protect and fulfil rights
- **→ Campaigns:** right to education, food and hunger, access to land, tax justice (since 2008)

# Food for Thought!

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2013 Africa Progress report

In 2011, Zambia's copper exports generated US\$10 billion, while government revenues from copper were only US\$240 million – or 2.4 per cent of export value

Poverty Level 64%

Stunting Rates 45.8%

HDI 164/187

As we discuss lets be aware of the bigger problem that many resource-rich countries are facing – **POVERTY!**

# External influence on tax policy

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- **FDI:** Over the past three decades, nation states have tried to attract foreign direct investment through low tax rates and incentives and, in some cases, *the promise of financial secrecy.*
- **IFIs:** World Bank/IFC, regional development banks and the European Union (EU) have all, in varying ways through their private sector development work, promoted this trend, by encouraging the lowering of corporate tax rates or granting tax-deductible capital allowances for the mining industry.
- *ALTHOUGH on harmful tax incentives for the extractive industries, WB/IMF and regional groupings (EAC) are now changing their position.*

# Domestic constraints

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- Traditionally, few resources devoted to MNC auditing, revenue authorities outpaced by those they audit.
- → Common for MNCs in Southern countries to declare losses for tax purposes with *few investigations resulting*.
- Limited capacity to counteract complex profit-shifting.
- VAT evasion, manipulation of exports to evade mining royalties, and even basic smuggling are also major problems for southern country tax authorities.
- *E.g. new Mining Tax Unit in Zambian Revenue Authority – extremely welcome initiative, but still only 18 staff to audit a sector with \$10bn annual turnover*

# What do we do?

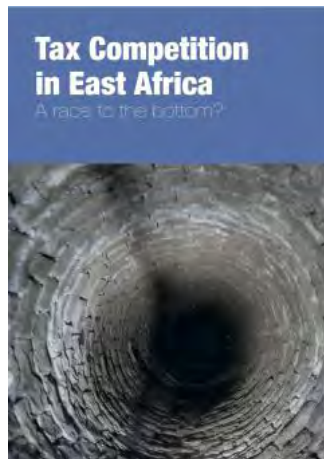
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**Advocacy for capacity-building  
(and capacity-building for advocacy!)**



**Public Campaigning for policy change**



**Research for policy change**



**International cooperation**



# Ghana

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**2009: Review of Ghana transfer pricing regulations**

- No definition of 'arms length'
- No defined process for determining ALP
- No documentation requirements

**2007 - : Rising concern about benefits of new oil & gas sector**

**Research/advocacy:  
October 2010 ActionAid report on SABMiller/Accra**

**Capacity building:  
IBFD, OECD, GiZ,  
IFC/World Bank**



**2011: ATAF-sponsored meeting to consider joint audits**  
→ found information-exchange framework did not exist

**2011: Informal investigations by 5 revenue authorities**



**Sept 2012: New Ghanaian transfer pricing regulations approved**

**July 2012: ATAF Convention on Mutual Administrative Assistance text agreed**

**"Galvanised by the SABMiller case, tax authorities in emerging markets are starting to push back against the multinationals"**  
– *The Economist*, February 2013



# Zambia

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**Research/Advocacy:**

**2011: ActionAid/CTPD analysis of Glencore /Mopani audit report**

**Feb 2013: ActionAid report on ABF/Zambia Sugar**

2000: Mining Reforms

2009: Growing public concern about Tax Avoidance  
2011 election: mining tax – major issue

2001- 2013: Public Pressure & research on Mining Taxation

2010: Glencore Audit

2012/2013 Public Pressure on corporate tax avoidance.

Informal Investigations on tax avoidance by revenue authorities & CSO



**Building internal capacity: 2009 - Mining Tax Unit**



2012/13: Mining tax reform: budget, EITI policy

2013: SI 32 Monitoring of Balance of Payments

**External capacity: 2008 - NORAD sponsored audit of mining companies Glencore/Mopani**





# Moving Forward



- Civil society advocacy can help promote and protect domestic revenue mobilisation from **external pressures** and **domestic constraints**
- Reform of tax policy & administration driven by combination of
  - targeted research
  - public advocacy at both national and international levels
  - international cooperation between tax authorities (including within Africa itself e.g. ATAF)
- Governments need to provide civil society groups with the **political space** to e.g. monitor contracts, concessions and licensing agreements in the extractive sector, and to remove restrictions on legitimate scrutiny.

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**THANK – YOU!**