# The IFC and responsible corporate tax behaviour

Sara Jespersen

World Bank CSO Forum, Spring meetings, April 2016

OXFAM

# Context

- International tax system that is broken
- 100 billion USD escapes poor countries through tax havens
- Enormous financing gap
- An increased focus on private sector in development



OXFAM

# World Bank Group

*"In too many countries, the rich evade paying their fair share.  Some companies use elaborate strategies to not pay taxes in countries in which they work, a form of corruption that hurts the poor."* -  World Bank Group President Jim Yong Kim, Oct 2015

# IFC investments in SSA in 2015 in multinational companies

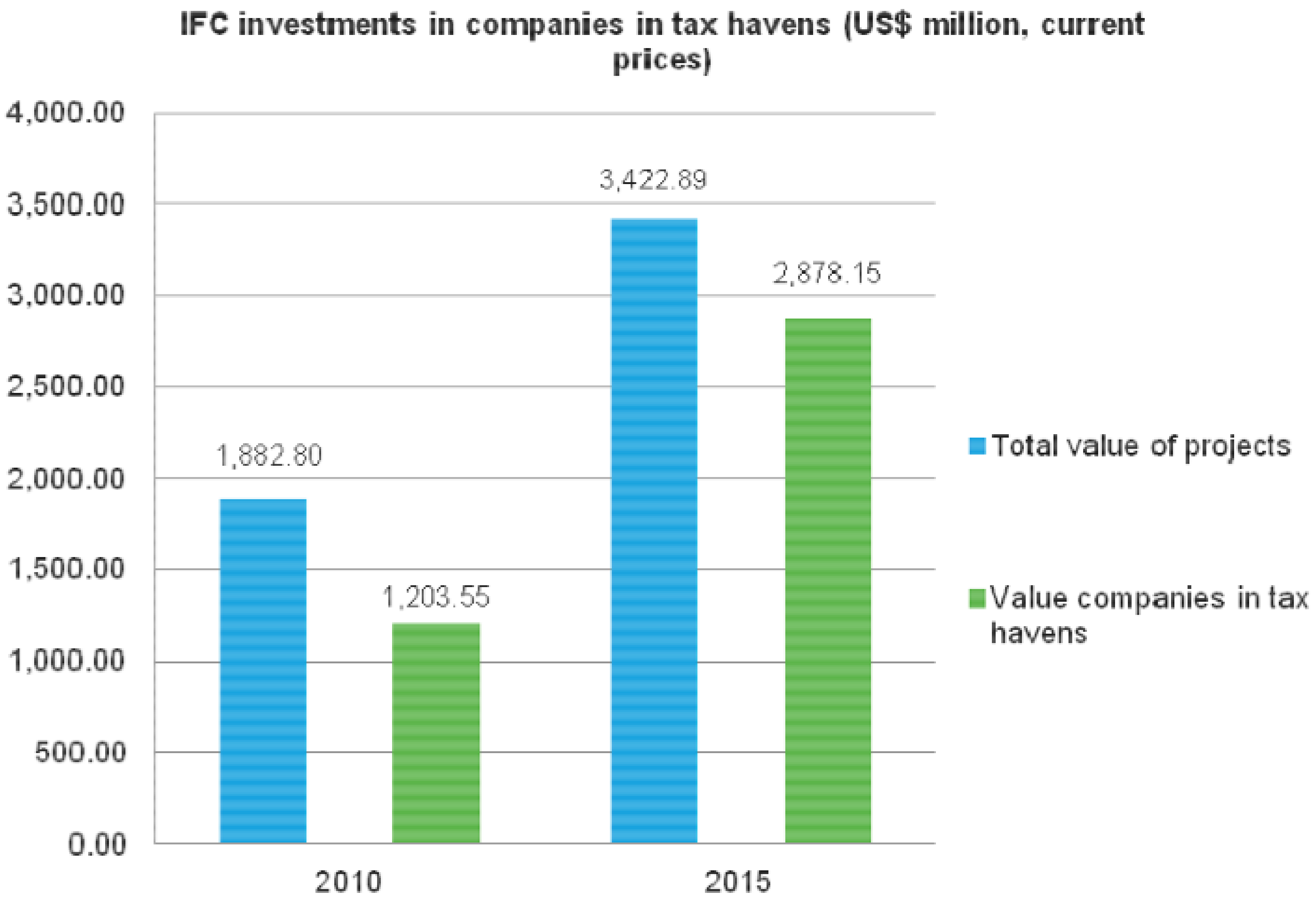
2010 97%

2015: 97%

# IFC investments in SSA in 2015 in multinational companies with structures in Tax Havens

2010 64%

2015: 84%


IFC investments in companies in tax havens (US$ million, current prices)
4,000.00
3,500.00
3,000.00
2,500.00
2,000.00
1,500.00
1,000.00
500.00
0.00
1,882.80
1,203.55
3,422.89
2,878.15
2010
2015
Total value of projects
Value companies in tax havens



OXFAM

# Tax Haven features:

- Fiscal advantages to non residents, without requirements of real economic activity
- Low or zero corporate tax rate
- Fail to effective exchange information with other countries

# Tax Havens considered

11 of the most aggressive tax havens:

Bermuda, Cayman Islands, British Virgin Islands, Luxembourg, Switzerland, Ireland, The Netherlands, Singapore, Jersey, Panama and Mauritius

# IFC's policy

- OFC's are defined from Global Forum's list
- Due dilligence centres on legal compliance

=> No effective way to ensure IFC clients pay their fair share



OXFAM

# Recommendations

- Ensures due dilligence in companies with cross-border structures to ensure clients pay their fair share
- Encourages responsible corporate tax practice from clients incl. more transparency and commitment to continuous progress



OXFAM