UK’S DEVELOPMENT FINANCE INSTITUTION ROUTES TWO-THIRDS OF INVESTMENTS FOR PROJECTS IN DEVELOPING COUNTRIES THROUGH TAX HAVENS

New Eurodad report investigates private sector support by Development Finance Institutions

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The UK’s public institution responsible for financing projects in developing countries has been channelling millions of pounds through companies that use tax havens.

A new report, Going Offshore, has found that as of the end of 2013, a massive 118 out of 157 fund investments made by the CDC Group Plc – the UK’s DFI – went through jurisdictions that feature in the top 20 of Tax Justice Network’s Financial Secrecy Index (FSI).

Between 2000 and 2013, these funds received a total of $3.8 billion (2.4 billion pounds), while 26 funds were registered in the Cayman Islands ($909 million) (563 million pounds).

Report author Mathieu Vervynckt, Policy Analyst at the European Network on Debt and Development (Eurodad), said: “Developing countries lose hundreds of billions of pounds every year through tax avoidance and evasion by transnational companies. It therefore seems very contradictory for The UK’s DFI - whose mandate should be to promote development and end poverty – to route so much support through tax havens that maintain these practices. This is essentially providing income and legitimacy to the offshore industry.”

CDC is one of 14 European DFIs and three multilateral DFIs that are examined within the report. It finds that most DFIs are using tax havens. Institutions that continue to route funds in this way includes international standard-setter the IFC – the World Bank’s lending arm.

The report also found that:

- Of the 21 funds registered in the United Kingdom, 15 are domiciled in the City of London through CDC’s largest spin-off, Actis. Between 2000 and 2013, these 15 funds received $2.3 billion in original CDC commitments.
- Six of the 19 direct investments ($194 million) have a routing pattern through Mauritius.
- In 2013, the CDC invested in nine funds, of which six were structured through major secrecy jurisdictions: two were domiciled in Mauritius, two in Singapore, one in Guernsey and one in Luxembourg. These six funds received a total of $553 million.
- In 2013 more than 88% of CDC’s total portfolio was committed to the financial sector, accounting for more than $5 billion.

Mathieu Vervynckt added: “We are urging CDC and its fellow DFIs to stop supporting companies that use tax havens and make sure that details of all operations are open to the public. After all, DFIs are public institutions with a development mandate, so it’s only right to demand that they should be accountable to the taxpayers that pay for them and the people in the developing countries that they are supposed to help.”

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For more information, or to request an interview please contact Julia Ravenscroft, Communications Manager at Eurodad, on +32 2 893 0854.
Notes to editors:

A full copy of Eurodad’s report: *Going Offshore – How development finance institutions support companies using the world’s most secretive financial centres* can be downloaded at [www.eurodad.org/goingoffshore](http://www.eurodad.org/goingoffshore).

Additional report findings on multilateral DFIs:

- Multilateral DFIs, such as the standard-setting IFC, are also routing investments through tax havens. For example, between 2009 and 2013, the IFC supported financial intermediaries registered in tax havens listed in the top 20 jurisdictions listed under the FSI, amounting to $2.2 billion (€1.7bn).
- The European Investment Bank (EIB), on the other hand, does not even disclose the countries where the companies it invests in are domiciled. Due to the Bank’s lack of transparency about its operations it is very difficult to judge the extent of its support for companies that use tax havens.

Report recommendations:

Eurodad is urging DFIs to:

- Only invest in companies and funds that are willing to publicly disclose information about their owners and report back to the DFI their financial accounts on a country by country basis. Ultimately, the data should be placed in the public domain.

- DFIs should ensure that the funds in which they invest are registered in the country of operation or, if not, explain why a third jurisdiction is preferred.

- DFIs should make their current and future standards easily accessible for all citizens. This means that standards should be available on their respective websites and on request, as well as being translated into the official languages of the targeted developing countries.

In addition, national governments must support:

- An intergovernmental tax body under the auspices of the United Nations with the aim of ensuring that developing countries can participate equally in the global reform of existing international tax rules. This forum should take over the role currently played by the OECD to become the main forum for international cooperation in tax matters and related transparency issues.