



Ministry for Foreign Affairs  
Sweden

*Minister for International Development Cooperation*

**Letter concerning Tax Haven Investments of Nordic Development  
Finance Institutions**

Dear Forum Syd, Afrikagrupperna, Concord Sverige, ActionAid Sweden and Diakonia,

Thank you for your letter of 16 October 2012 concerning Tax Haven Investments of Nordic Development Finance Institutions.

A central aspect of reducing the economic exclusion of low and middle income countries relates to the ability to generate domestic resources that can contribute to development and poverty reduction. Creating the conditions for responsible private investment, which contributes to job creation, tax revenue and the development of products and services, is therefore an important part of Sweden's policy for global development.

Efforts to combat illegal capital flight and tax evasion are being made at several levels. The OECD Global Forum is the largest and most credible international organisation in this area. The Global Forum Peer Review Process assesses both national regulatory frameworks and the effective implementation of increased transparency and information exchange in the tax area. These efforts have been successful and cover much more than the presence of exchange of information agreements in the tax area. It is my firm conviction that the work of the Global Forum is also relevant for low and middle income countries.

I am pleased to note that more and more low and middle income countries, most recently Uganda, are among the current 116 members of the Global Forum. As of next year, South Africa will chair the Forum. Among the international and regional organisations acting as observers is the African Tax Administration Forum (ATAF), a coalition of some 40 African countries. The Global Forum also works on technical assistance and functions in this context as a point of contact between

recipients and donors of aid. We will monitor this work to ensure that it remains successful and legitimate.

Your letter also highlights Swedish development finance institution Swedfund and the reference to the Global Forum Peer Review Process in Swedfund's Owner's Instructions. In this context, it is important to bear in mind that the governance of Swedfund does not only focus on this process. It is clear from Swedfund's Owner's Instructions that the company must ensure that all investments are made in accordance with international standards and principles for responsible investment and within sound and clear corporate structures that do not contribute to tax avoidance. A similar provision also applies to Sida. As is clear from the state's ownership policy, state-owned companies must comply with the OECD Guidelines for Multinational Enterprises, which includes a chapter on taxation.

The Government has also made it clear in Swedfund's Owner's Instructions that its results must be reported in relation to the objectives of development assistance and be based on measurable indicators. Swedfund is also required to report its activities to the OpenAid information service, the International Aid Transparency Initiative (IATI) and the OECD's Development Assistance Committee (DAC). For more information concerning results, please refer to the company's annual and sustainability reports and to Swedfund's Investments through Funds, which reports tax revenues from portfolio companies by region.

More recently, several international financial institutions have adopted guidelines on the use of intermediary jurisdictions. The Government has been driving this work and is acting to promote the strict application of the regulatory framework and increased transparency in aid generally.

The Government's fight against illegal capital flight and tax evasion not only takes place through the Global Forum, but also in connection with national and international financial institutions. The Government is positive to the European Commission proposal on country-by-country reporting and supports the Extractive Industry Transparency Initiative (EITI) global standard. Through Swedish development cooperation, we are working actively to strengthen the capacity of low and middle income countries to introduce and fully implement national tax legislation and tax collection. We are also engaged in dedicated anti-corruption work, within the framework of the United Nations Convention against Corruption (UNCAC), for example, and with our contribution to the Stolen Asset Recovery Initiative (StAR) and the international financial institutions.

Maintaining a development perspective in the work on international capital and tax issues will continue to be important for the Government.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Gunilla Carlsson', with a stylized, cursive script.

Gunilla Carlsson