

REPORT OF THE WORKSHOP OF 06 JUNE 2023 ON THE OFFICIAL SUBMISSION OF THE PROPOSAL AND ADVOCACY DOCUMENT FOR THE EFFECTIVE IMPLEMENTATION OF BENEFICIAL OWNERSHIP TRANSPARENCY BY CRADEC, TAX JUSTICE NETWORK, AFROLEADERSHIP AND THE EITI



By: MEDJIWA KAMGA SIMONI (CRADEC)

On Tuesday 06 June, CRADEC officially handed over the proposal and advocacy document for the effective implementation of beneficial ownership transparency in Cameroon at MERINA Hotel.

Objective: The aim of this plea, which comes after the Ministry of Finance promulgated a guide on the subject, is to promote transparency, which is one of the necessary elements in the fight against illicit financial flows linked to the financing of terrorism, money laundering and corruption.

The presentation was attended by the media, CSOs, representatives of the DGI, the EITI Permanent Secretariat, the Chamber of Accounts of the Supreme Court, CAMERCAP-PARC and members of the CSO consortium led by CRADEC.

The presentation ceremony took place as follows;

1. Welcoming remarks by the representative of the civil society consortium (CRADEC).
2. Presentation of the report on the state of Beneficial Owner Transparency in Cameroon (Tax Justice Network/UK).
3. General discussion on the need to implement an open ownership collaboration framework in Cameroon (AfroLeadership).
4. Family photo-Interviews and end of ceremony.

I. Welcoming remarks by the representative of the civil society consortium (CRADEC)

While welcoming the participants, CRADEC presented the context and objective of this activity. The report on the transparency of beneficial owners in Cameroon follows the publication of the Financial Opacity Index report for the African region in May 2022. In line with the government's efforts, particularly as part of the implementation of the EITI on the one hand and the implementation of the Economic and Financial Programme with the IMF's Extended Credit Facility on the other, the transparency report is a contribution by Cameroonian civil society to the process of reforming the management of public finances in Cameroon. The report is also based on the provision of the 2023 Finance Law relating to the obligation to declare the beneficial owner.

II. Presentation of the report on the state of Beneficial Owner Transparency in Cameroon

The report was presented by Mr Idriss Linge, consultant to TJN, who highlighted a number of important points such as:

- The context and loss of tax revenue due to financial and tax opacity, explaining that Cameroon loses millions of dollars in tax revenue every year due to tax abuse by multinationals and, above all, tax evasion by wealthy individuals that could have been used for social investment and to improve the living conditions of the Cameroonian population.
- The rationale behind beneficial ownership transparency is seen as an essential tool for identifying these illicit financial flows and recovering lost tax revenues, but also as an effective means of combating corruption, money laundering ("AML") and the financing of terrorism ("FT"). Transparency could also help to achieve tax fairness because effective beneficial ownership identification will reduce the impact of tax on those who already pay tax so that they pay the right tax.

- The practice of tax transparency as conceived and developed by TJN, EITI, Afro leadership/open ownership and the CSO members of the consortium aims to reduce tax opacity globally and in all sectors of the economy for both national and international companies. For the time being, only 24 African countries have made a significant commitment to this beneficial ownership initiative. It should also be noted that following the implementation of this initiative, Cameroon has made some commendable progress in terms of scope coverage compared to Nigeria. Mr Linge discussed the notion of complex chains of ownership and their contribution to money laundering, but also how the ABCD and 5Rs principles can help to improve transparency on a global scale.

Before concluding his speech, Idriss presented the recommendations for improving the transparency of beneficial owners in the light of the progress made in this area:

1. The risk assessment should include an exploratory analysis and evaluation on the basis of the financial secrecy index. The exploratory analysis and financial secrecy index assessment would provide a better understanding of normal and atypical corporate structures and associated risks. This would help countries to identify corporate structures that require disclosure of beneficial ownership.
2. Require full ownership chain disclosure to address complexity risks. Complex ownership structures can facilitate the concealment of beneficial ownership and the manipulation of financial information. Requiring full disclosure of the ownership chain would make it easier to detect risks and prevent abuse.
3. Lower the thresholds for declaring beneficial owners. The current holding thresholds can be circumvented, allowing beneficial owners to remain anonymous. Eliminating these thresholds will ensure greater transparency.
4. Strengthen verification mechanisms and improve inconsistency reporting. Alerting beneficial owners makes it possible to prevent cases of identity theft and to ensure their active participation in the disclosure process. Improving inconsistency reports would make it possible to detect cases of misrepresentation or manipulation of information more effectively.
5. Interconnection or a single central register for all types of legal vehicle and levels of ownership. Centralising information on all types of legal vehicle and levels of ownership would ensure consistency of data and avoid conflicting information between different registers. It would also facilitate access to information for law enforcement authorities.
6. Public access, in particular for journalists and civil society organisations. Public access to beneficial ownership information would enable greater oversight and citizen participation in the fight against corruption, money laundering and other illicit activities. Journalists and civil society organisations play a crucial role in disclosing cases of misconduct and in promoting corporate responsibility and greater accountability within administrative institutions.
7. A system of dissuasive penalties. Sufficiently dissuasive penalties ensure that the perpetrators of fraud or tax evasion are sufficiently afraid not to be tempted to commit the act. This can range from very heavy fines to a ban on carrying on business or engaging in any financial transaction.

He concluded his speech by raising the questions this initiative generated with regard to the actions taken by the government, particularly concerning the reporting threshold, the level of accessibility, the management of complex reporting chains and the sanctions regime. Despite the progress made so far, a number of questions remain unanswered, namely: (i) How to identify the real owners within the national and international frameworks? (ii) What approach should be taken for local and international listed companies? (iii) How to eliminate the confidentiality aspects? and (iv) how to know that we have a system that remains solid?

Before any technical analysis, it is important to remember that the promotion of the practice of transparency does not only concern the government, it also concerns civilians because the resources mobilised must be allocated to social investment for the well-being of citizens. From this perspective, CSOs and the media have

a very important role to play in the effective implementation and success of fiscal transparency. CSOs and the media have a responsibility to support the government in making this initiative a success, and they can do this through three methods: research, advocacy and capacity building.

III. General discussion on the need to implement an open ownership collaboration framework in Cameroon

The discussion was led by Mr NGOUNOU Charlie of AfroLeadership, during which the notion of the complex chain of ownership and the tax avoidance mechanisms used by companies were discussed in more detail. Charlie pointed out that companies use tax havens to avoid paying tax to the countries in which they operate. An example of this was illustrated by the "double Irish, Dutch sandwich" scheme.

He also mentioned that it is important to make a clear distinction between the beneficial owner and the legal owner in order to put in place an effective transparency system. Despite the advantages of transparency, a controversial debate remains at the heart of the matter, particularly concerning access to the personal data of beneficial owners. This debate has resulted in a stumbling block between "open data" linked to transparency and the protection of beneficial owners' personal data.

To go further into this divergence, in 2018 the European Union had to withdraw access to the register of beneficial owners because some players had problems with stolen identities and also because access to the register had no anti-hacker protection. In order to resolve this conflict, it is preferable to move away from transparency as such towards managed transparency, which makes it possible to produce a general register that is accessible while maintaining the confidentiality of beneficial owners and guaranteeing their security.

In conclusion, he mentioned that the question of how to set up this initiative in such a way as to ensure that everyone comes out a winner was constantly being considered, in view of the different socio-economic and demographic contexts and the changes taking place.

At the end of this presentation, the questions asked by the guests can be summarised as follows:

- Wouldn't it be better to change the paradigm by abandoning capitalism and socialism for communism?
- Wouldn't this initiative enable Westerners to better identify the economic players, their strengths and weaknesses, so as to better penetrate Africa, given that the EU itself has withdrawn access to its register of beneficial owners?
- How could this initiative help to avoid future GLENCORE cases?
- How is this initiative performing at national level?
- Following this initiative, what is the roadmap that will enable Cameroon to pass the evaluation that will take place in October 2023 (EITI)?

In response to these concerns, Charlie pointed out that the choice of political system or perspective depends on the political orientation of the government in place; and regardless of the political system, citizens/companies must declare their assets because this is intended for social investment which will not only improve the progress of entrepreneurial activities and the well-being of citizens but can also help the State to reduce its dependence on external funds to finance its projects..

The EU withdrew the general register in 2018 because some players had problems with identity theft, and the current challenge is to find a way of resolving the security problem. There is an ongoing debate about how to move from transparency as such to managed transparency, which would make it possible to have a general

register that protects the personal data of beneficial owners. But before we can do that, we need to resolve the problem of the complexity of the ownership chain. The existence of tax havens complicates the identification of real owners, but this can be resolved by introducing laws and applying severe penalties to those who engage in tax evasion and corruption, especially in the case of multinationals. It should also be noted that the REBOT tool developed by TJN will be useful in such cases, but it will be important for governments to be supported in this process through research and the sharing of information.

With a view to avoiding future GLENCORE cases and passing EITI Validation, it is important to implement capacity-building programmes for state officials, journalists and CSOs on the practice of transparency in the areas of taxation and tax justice.



ANNEXES

Norad TAX JUSTICE NETWORK

FICHE DE PRESENCE

Objet: Réseau Officiel de Gouvernement du Doument de Plateau pour la transparence sur les bénéficiaires Officiels

Date de l'événement: Le 06 Juin 2023 à l'Hôtel Mirama'Yaoundé, la République du Cameroun

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Combating illicit financial flows, tax evasion...: Report urges gov't to improve beneficial ownership transparency in companies

By Solomon Tchangang

It is not to combat illicit financial flows related to tax evasion, terrorism financing, money laundering, and corruption, a joint report, produced by a consortium of Cameroonian Civil Society Organisations, in collaboration with the British Non-Governmental Organisation, Tax Justice Network, has urged government to improve transparency on beneficial ownership in companies.

The report was officially presented to stakeholders Tuesday June 6 in Yaoundé. It was during an event to officially "hand over" to the Cameroon government the proposal and advocacy document for concrete implementation of the transparency on beneficial ownership.

Speaking during the event, Jean Mkhala Mkhala, Executive Director of African Regional Centre for Endogenous and Community Development, known by its French acronym, CRADEC, one of the members of the civil society consortium, said: "As part of the Finance Law for the year 2023, Cameroon has introduced a provision requiring companies to declare their beneficial owners, i.e. the individuals who ultimately benefit from and derive income from the assets of the company."

"The objective of this measure, which comes with the issuance of a guide by the Ministry of Finance, is to promote transparency, which is a key element in combating illicit financial flows related to tax evasion, terrorism financing, money laundering, and corruption," he added.

Studies show that Cameroon loses millions of dollars in tax revenue each year due to multinational corporations' tax abuse and wealthy individuals' tax evasion.

Mkhala Mkhala stated that "transparency regarding beneficial owners is considered an essential tool to identify these illicit financial flows and recover lost tax revenue."

Meanwhile, speaking on the state of transparency of beneficial ownership in Cameroon, Idriss Linga, Communication and Advocacy Officer at Tax Justice Network, said "Despite the progress represented by the beneficial ownership provision, there is still significant room for improvement, and it is necessary to address these gaps to ensure effective use of beneficial ownership transparency."

He added that it is crucial for Cameroon to strengthen its legal framework to avoid getting entangled in debates over personal data protection issues, improve verification mechanisms, impose deterrent sanctions, and ensure access to this information for all individuals to enhance accountability.

"While comprehensive disclosure of beneficial owners is not a magic solution for more efficient mobilisation of domestic financial resources without incurring debts, it can significantly contribute to preventing asset and financial resource leakage, strengthening public trust, and promoting sustainable and equitable development," Linga said.

It should be noted that many countries have already adopted laws requiring the disclosure of beneficial owners, highlighting the increasing importance of transparency in this area.

For example, in Nigeria, authorities recently launched one of the most ambitious beneficial ownership registration and transparency platforms in Africa and the world.

This commitment is also said to be in line with the African Union's and other international organisations' desire to recognise the importance of beneficial ownership transparency in combating illicit financial flows from Africa. Furthermore, the concept is not entirely new in Cameroon.

As a producer of oil and mineral



CRADEC Executive Director, Jean Mkhala, speaking during event



Group picture of organizers, participants, other stakeholders

in the country, a law was previously enacted to support the implementation of beneficial ownership transparency. Transparency requires collaboration between the government, businesses, civil society, international organisations, and especially the press to create a strong and effective beneficial ownership framework.

The report estimates that the successful implementation of beneficial ownership transparency requires collaboration between the government, businesses, civil society, international organisations, and especially the press to create a strong and effective beneficial ownership framework.

"While this issue is not entirely new